

# TENAFLY BOARD OF EDUCATION TENAFLY, NJ 07670



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

**Prepared by the Business Office**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**of the**

**Tenafly Board of Education**

**Tenafly, New Jersey**

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

**Prepared by**

**Business Office**

**TENAFLY BOARD OF EDUCATION  
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## **INTRODUCTORY SECTION**



Tenafly Board of Education  
www.tenafly.k12.nj.us

500 Tenafly Road, Tenafly, NJ 07670  
Tel: 201-816-4502 – Fax: 201-816-4521

December 4, 2012

President Ms. Phyllis Perskie-Kesslen  
Vice President Mr. Richard H. Press

Members of the Board of Education:

Mr. Mark Aronson  
Mr. Sam A. Bruno  
Mr. Donald H. Kaplan  
Mr. Edward J. Salaski  
Ms. Shana Greenblat Janoff  
Ms. Lynne W. Stewart  
Mr. Jonathan M. Teall

Tenafly Board of Education  
500 Tenafly Road  
Tenafly, New Jersey 07670

Dear Board Members:

State Department of Education statutes require that all local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Tenafly Board of Education for the fiscal year ended June 30, 2012.

Annual Financial Report  
Tenaflly Board of Education  
Fiscal Year Ended June 30, 2012

This report consists of management's representations concerning the finances of the Tenaflly Board of Education. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Tenaflly Board of Education has established a comprehensive internal control framework that is designed both to protect the school district's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Tenaflly Board of Education's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Tenaflly Board of Education's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Tenaflly Board of Education's financial statements have been audited by Lerch, Vinci & Higgins, LLP, a firm of licensed certified public accountants and public school accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Tenaflly Board of Education for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Tenaflly Board of Education's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Tenaflly Board of Education was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards and state financial assistance. These reports are available in the Single Audit Section of the Tenaflly Board of Education's CAFR. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's

Annual Financial Report  
 Tenaflly Board of Education  
 Fiscal Year Ended June 30, 2012

Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Tenaflly Board of Education's MD&A can be found immediately following the report of the independent auditor.

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

The District provides both regular and special education programs appropriate to grades K through 12. The District's average daily enrollment for the 2011-2012 school year increased by 37 students above the previous year. The following details the changes in average daily enrollment for the District over the last ten years.

**TABLE 1 - AVERAGE DAILY ENROLLMENT**

Fiscal Year	Student Enrollment	Percent Change
2002-2003	2,888	1.98
2003-2004	3,120	8.03
2004-2005	3,185	2.08
2005-2006	3,239	1.70
2006-2007	3,382	4.41
2007-2008	3,470	2.60
2008-2009	3,504	0.98
2009-2010	3,557	1.51
2010-2011	3,594	1.04
201-2012	3,619	0.01

**2) ECONOMIC CONDITION AND OUTLOOK:** The Tenafly area is experiencing a period of increased enrollment which is expected to continue. Tenafly is in the "I" District Factor Grouping which is assigned by the State.

**3) MAJOR INITIATIVES:**

**DISTRICT GOALS FOR 2012-2013**

**GOAL 1**

**To sustain a dynamic learning environment that prepares each and every student to succeed in the 21<sup>st</sup> century**

This will be completed through:

- Skills - e.g. Critical Thinking and Problem Solving, Collaboration across Networks, Leadership through Action, Flexibility and Adaptability, Initiative and Entrepreneurialism, Effective Oral and Written Communication, Resourcefulness and Independence, Analysis of Information, Curiosity and Imagination
- Instructional Strategies - e.g. Differentiation, Experiential Learning, Interdisciplinary Integration
- Support Services - e.g. Basic Skills, Discovery, Early Intervention, Reading Recovery, ELL, Special Education, Student Learning Centers, Collaborative Learning
- Interactive Technology
- Professional Development and Professional Learning Communities

**GOAL 2**

**To monitor and revise curriculum and instruction to ensure its rigor and relevance**

This will be accomplished through:

- A consistent and articulated curriculum and instructional program
- Ongoing curriculum review
- Formative and summative assessments

GOAL 3

**To continue communication among the Board of Education, administration, teachers, students, parents and community**

This will be accomplished through:

- BOE Communications Committee
- Enhanced District Website
- Informal community meetings
- Broadcast events - Channel 77 and Webcasting
- Electronic communication – Parent Portal, Naviance, Newsletters
- Parent informational meetings
- Translation of documents into native languages

GOAL 4

**To generate additional revenue/savings through alternative sources**

This will be accomplished through:

- Advertising/sponsorships
- Contributions
- Facilities usage/hard asset management
- Fundraising events
- Shared services

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

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

Annual Financial Report  
Tenafly Board of Education  
Fiscal Year Ended June 30, 2012

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

**5) BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. 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 re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2012.

**6) DEBT ADMINISTRATION:** At June 30, 2012 the District's outstanding debt issues were \$39,260,000 of general obligation bonds to fund the referendum projects approved by the voters on January 25, 2000 and September 27, 2005. These bonds will mature in serial installments through July 2031.

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

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

**9) PROPERTY TAX LEVY HISTORY:**

Over the past 10 years, school's tax levy increases have ranged from a high of 8.56% in support of the 2007-2008 budget to a low of 1.25% in support of the 2011-2012 budget. The school portion of the property tax increases have been significantly influenced by the rapid increase in elementary student enrollment, new debt service caused by the approved voter referendums, and offset in part, by the district's use of unreserved end of the year funds to reduce the property tax increases required to support the proposed school budgets.

The 2011-2012 budget reflects a 2.00% general fund school tax levy increase for the Borough tax year 2012.

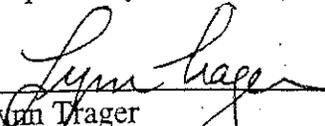
**10) OTHER INFORMATION:**

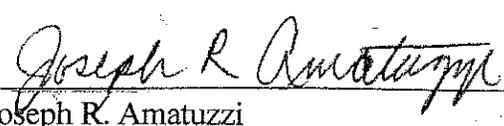
**A) Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci, Higgins, LLP CPA's, was selected by the Board's Finance Committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act as Amended and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

**11) ACKNOWLEDGEMENTS:**

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

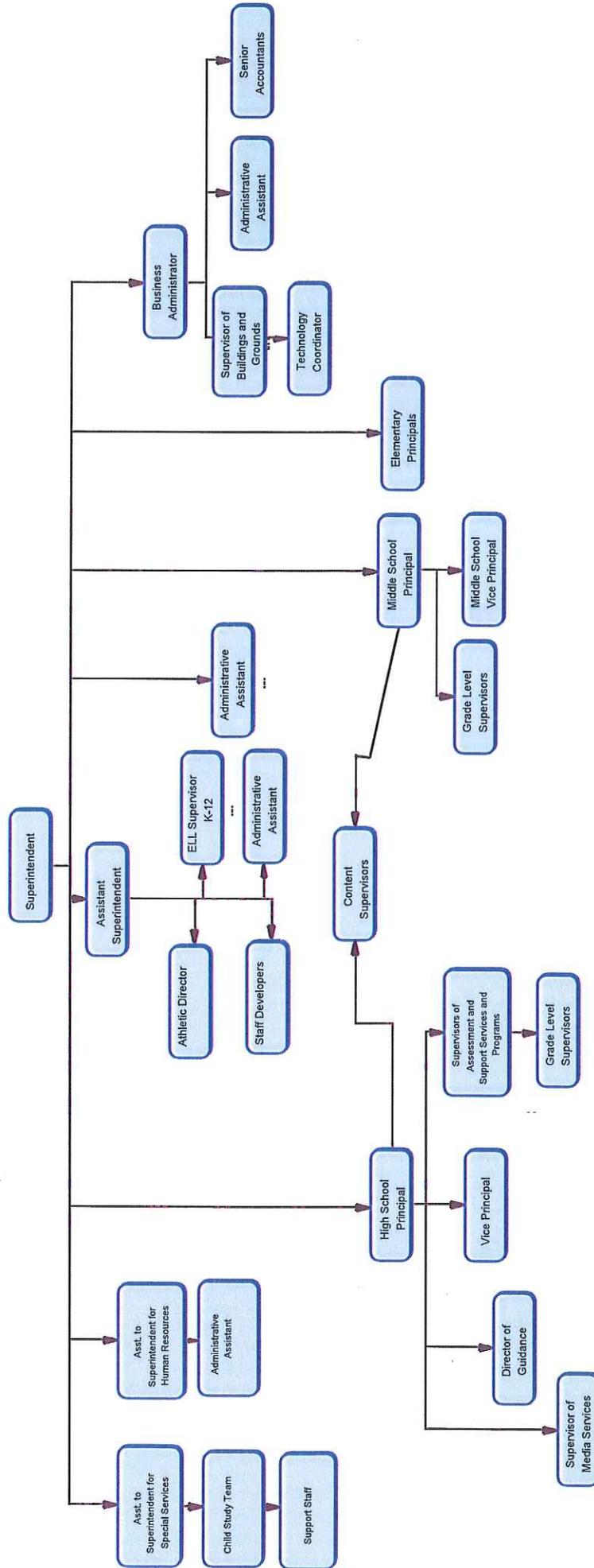
Respectfully submitted,

  
\_\_\_\_\_  
Lynn Trager  
Superintendent of Schools

  
\_\_\_\_\_  
Joseph R. Amatuzzi  
Interim Business Administrator/Board Secretary

# TENAFLY BOARD OF EDUCATION

## Organizational Chart



**TENAFLY BOARD OF EDUCATION  
TENAFLY, NEW JERSEY 07670**

**ROSTER OF OFFICIALS  
JUNE 30, 2012**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
<b>Phyllis Perskie-Kesslen, President</b>	<b>2012</b>
<b>Richard H. Press, Vice President</b>	<b>2012</b>
<b>Donald H. Kaplan</b>	<b>2014</b>
<b>Mark Aronson</b>	<b>2013</b>
<b>Shana Greenblatt Janoff</b>	<b>2012</b>
<b>Sam A. Bruno</b>	<b>2013</b>
<b>Lynne W. Stewart</b>	<b>2014</b>
<b>Edward J. Salaski</b>	<b>2014</b>
<b>Jonathan M. Teall</b>	<b>2013</b>

**Other Officials**

**Lynn Trager, Superintendent**  
**Louis P. Mondello, Business Administrator/Board Secretary**  
**Joanne Wilson, Treasurer**  
**Jamie Plosia, Esq. & Robert Clarke, Esq., Solicitors**

**TENAFLY BOARD OF EDUCATION  
CONSULTANTS AND ADVISORS**

**ARCHITECTS**

Di Cara /Rubino Architects  
30 Galesi Drive, West Wing  
Wayne, NJ 07470

**AUDIT FIRM**

Lerch, Vinci & Higgins, LLP  
17-17 Route 208N  
Fair Lawn, New Jersey 07410

**ATTORNEY**

Fogarty & Hara  
16-00 Route 208 South  
Fair Lawn, NJ 07410

**OFFICIAL DEPOSITORY**

Capital One Bank  
710 Route 46  
Fairfield, NJ 07004

Bank of America  
26 West Railroad Avenue  
Tenafly, NJ 07670

**FINANCIAL SECTION**

# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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FAIR LAWN, NJ 07410  
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GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
RALPH M. PICONE, CPA, RMA, PSA  
EDWARD N. KERE, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Trustees  
Tenafly Board of Education  
Tenafly, 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 Tenafly Board of Education as of and for the fiscal year ended June 30, 2012, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tenafly Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2012 on our consideration of the Tenafly Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
November 28, 2012

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

# **Tenaflly Public Schools**

## **Management's Discussion and Analysis**

This section of the Tenaflly Public Schools' Comprehensive Annual Financial Report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2011-2012 fiscal year are as follows:

- The assets of the Tenaflly Public Schools exceeded its liabilities at the close of the fiscal year by \$8,817,504 (net assets).
- General revenues of \$57,177,569 accounted for 84 percent of all revenues. Program revenues of \$10,873,870 accounted for 16 percent of total revenues of \$68,051,439.
- The school district had \$63,065,088 in expenses for governmental activities; only \$9,871,202 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$57,177,076 were adequate to provide for these programs.
- Among major funds, the General Fund had \$62,886,180 in revenues and \$61,046,501 in expenditures. The General Fund's fund balance increased by \$1,839,679.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$6,250,253.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Tenaflly Public Schools.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the Tenaflly Public Schools' overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Tenaflly Public Schools, reporting the Tenaflly Public Schools' operation 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 short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the Tenaflly Public Schools operates like businesses.

# Tenafly Public Schools

## Management's Discussion and Analysis (continued)

### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 summarizes the major features of the Tenafly Public Schools' financial statements, including the portion of the Tenafly Public Schools' activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

	District-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance, administration and community education	Activities the district operates similar to private businesses:  Food Service and School-Age Child Care
Required financial Statements	Statements of net assets  Statement of activities	Balance sheet  Statement of revenues, expenditures and changes in fund balances	Statement of net assets  Statement of revenues, expenses, and changes in fund net assets  Statement of cash flows
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.

# Tenaflly Public Schools

## Management's Discussion and Analysis (continued)

### District-wide Statements

The district-wide statements report information about the Tenaflly Public Schools 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 revenues 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 Tenaflly Public Schools' 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, increase or decreases in the district's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the district you need to consider additional non-financial factors such as changes in the district's property tax base and the condition of school building and other facilities.

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

- *Governmental activities*- Most of the district's basic services are included here, such as regular and special education, transportation, administration and community education. Property taxes and state aids finance most of these activities.
- *Business-type activities*- The District charges fees to customers to help it cover the costs of certain services it provides. The District's Food Service Fund and the School Age Child Care Program Fund are 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 use other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

# Tenaflly Public Schools

## Management's Discussion and Analysis (continued)

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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) 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.
- *Fiduciary funds*- The District is the trustee, or fiduciary, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

### FINANCIAL ANALYSIS OF THE TENAFLY PUBLIC SCHOOLS AS A WHOLE

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

Table A-1 provides a summary of the school district's net assets for 2012 and 2011.

**Net assets.** The district's combined net assets were \$8,817,504 and \$4,821,668 on June 30, 2012 and June 30, 2011, respectively.

# Tenafly Public Schools

## Management's Discussion and Analysis (continued)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 6,828,975	\$ 4,827,478	\$ 488,513	\$ 469,505	\$ 7,317,488	\$ 5,296,983
Capital Assets	43,476,171	43,800,060	37,093	38,992	43,513,264	43,839,052
<b>Total Assets</b>	<b>50,305,146</b>	<b>48,627,538</b>	<b>525,606</b>	<b>508,497</b>	<b>50,830,752</b>	<b>49,136,035</b>
Long-Term Liabilities	40,819,472	43,272,496			40,819,472	43,272,496
Other Liabilities	1,172,592	1,025,150	21,184	16,721	1,193,776	1,041,871
<b>Total Liabilities</b>	<b>41,992,064</b>	<b>44,297,646</b>	<b>21,184</b>	<b>16,721</b>	<b>42,013,248</b>	<b>44,314,367</b>
Net Assets:						
Invested in Capital Assets, net of related debt	4,552,222	3,649,361	37,093	38,992	4,589,315	3,688,353
Restricted	999,117	506,843			999,117	506,843
Unrestricted	2,761,743	173,688	467,329	452,784	3,229,072	626,472
<b>Total Net Assets</b>	<b>\$ 8,313,082</b>	<b>\$ 4,329,892</b>	<b>\$ 504,422</b>	<b>\$ 491,776</b>	<b>\$ 8,817,504</b>	<b>\$ 4,821,668</b>

Table A-2 on the following page shows changes in net assets for fiscal years 2012 and 2011.

# Tenaflly Public Schools

## Management's Discussion and Analysis (continued)

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 1,166,844	\$ 1,125,996	\$ 925,287	\$ 840,589	\$ 2,092,131	\$ 1,966,585
Operating Grants and Contributions	8,247,559	6,550,845	77,381	74,512	8,324,940	6,625,357
Capital Grants and Contributions	456,799	439,758			456,799	439,758
General Revenues						
Property Taxes	56,805,637	56,048,259			56,805,637	56,048,259
Investment Earnings	39,467	63,125	493	1,173	39,960	64,298
Other	331,972	238,630	-	-	331,972	238,630
<b>Total Revenues</b>	<b>67,048,278</b>	<b>64,466,613</b>	<b>1,003,161</b>	<b>916,274</b>	<b>68,051,439</b>	<b>65,382,887</b>
<b>Expenses</b>						
Instruction						
Regular	28,034,634	27,929,141			28,034,634	27,929,141
Special Education	8,822,053	8,861,354			8,822,053	8,861,354
Other Instruction	1,942,642	1,997,649			1,942,642	1,997,649
School Sponsored Activities and Athletics	1,232,990	1,209,328			1,232,990	1,209,328
Other Instructional Programs	8,694				8,694	-
Support Services						
Student and Instruction Related Services	7,594,498	7,355,685			7,594,498	7,355,685
General Administrative Services	1,082,148	1,206,499			1,082,148	1,206,499
School Administrative Services	4,631,725	4,377,208			4,631,725	4,377,208
Plant Operations and Maintenance	5,507,613	5,344,993			5,507,613	5,344,993
Pupil Transportation	1,112,729	1,013,923			1,112,729	1,013,923
Business Services	1,326,849	1,178,922			1,326,849	1,178,922
Food Services			680,768	683,234	680,768	683,234
Child Care			309,747	306,305	309,747	306,305
Interest on Long-Term Debt	1,768,513	1,782,896	-	-	1,768,513	1,782,896
<b>Total Expenses</b>	<b>63,065,088</b>	<b>62,257,598</b>	<b>990,515</b>	<b>989,539</b>	<b>64,055,603</b>	<b>63,247,137</b>
Change in Net Assets	3,983,190	2,209,015	12,646	(73,265)	3,995,836	2,135,750
Net Assets, Beginning of Year	4,329,892	2,123,054	491,776	565,041	4,821,668	2,688,095
Net Assets, End of Year	\$ 8,313,082	\$ 4,332,069	\$ 504,422	\$ 491,776	\$ 8,817,504	\$ 4,823,845

# Tenafly Public Schools

## Management's Discussion and Analysis (continued)

**Governmental Activities.** The district's total revenues were \$67,048,278. The local share of the revenues, that included property taxes, tuition, interest, and miscellaneous revenue, amounted to \$57,177,076 or 85% of total revenues. Funding from state and federal sources and capital contributions amounted to \$8,704,358 or 13%. The remaining revenues of \$1,166,844 (2%) were from charges for services (tuition and extracurricular activities fees).

The District's expenses are predominantly related to instruction and support services. Instruction totaled \$40,041,013 and student and other support services totaled \$21,255,562 of total expenditures. In addition, interest on long-term debt and other charges totaled \$1,768,513 (See Figure A-3.)

**Table A-3  
Total and Net Cost of Governmental Activities  
For the Fiscal Year Ended June 30, 2012**

<u>Functions/Programs</u>	<u>Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities		
Instruction		
Regular	\$ 28,034,634	\$ 23,831,024
Special Education	8,822,053	5,983,567
Other Instruction	1,942,642	1,682,439
School Sponsored Activities and Athletics	1,232,990	1,109,159
Other Instructional Program	8,694	8,694
Support Services		
Student and Instruction Related Svcs.	7,594,498	6,079,066
General Administrative Services	1,082,148	1,045,201
School Administrative Services	4,631,725	4,170,902
Plant Operations and Maintenance	5,507,613	5,355,375
Pupil Transportation	1,112,729	1,087,341
Business Services	1,326,849	1,300,960
Interest on Long-Term Debt	<u>1,768,513</u>	<u>1,540,158</u>
 Total Governmental Activities	 <u>\$ 63,065,088</u>	 <u>\$ 53,193,886</u>

# Tenafly Public Schools

## Management's Discussion and Analysis (continued)

### Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2012 was \$990,515. These costs were funded by operating grants, charges for services and investment earnings (Detailed on Table A-2).

### General Fund Revenues

The following schedule presents a summary of General Fund revenues.

	Fiscal Year Ended June 30, <u>2012</u>	Fiscal Year Ended June 30, <u>2011</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Local Sources:				
Property Taxes	\$ 54,209,758	\$ 53,539,738	\$ 670,020	1.3%
Tuition	869,043	813,030	56,013	6.9%
Interest Earnings	39,467	63,111	(23,644)	-37.5%
Miscellaneous	629,773	551,596	78,177	14.2%
Intergovernmental				
Federal Sources	66,422		66,422	100.0%
State Sources	<u>7,071,717</u>	<u>5,261,484</u>	<u>1,810,233</u>	34.4%
 Total Revenues	 <u>\$ 62,886,180</u>	 <u>\$ 60,228,959</u>	 <u>\$ 2,657,221</u>	 4.4%

Total General Fund Revenues increased by \$2,657,221 or 4% over the previous year. Local property taxes increased slightly more than 1% over the previous year. Miscellaneous revenues increased by 14% as a result of the fees assessed for participation in extracurricular activities and the Borough's contribution towards the emergency generator project at the high school. State aid revenues increased by \$1,810,233 or 34% largely due to the fact that the District received categorical state aid for the 2011/2012 fiscal year and did not receive any categorical state aid in 2010/2011. In addition, the State also contributed a larger amount for the on-behalf TPAF pension costs.

### General Fund Expenditures

The following schedule presents a summary of General Fund expenditures.

	Fiscal Year Ended June 30, <u>2012</u>	Fiscal Year Ended June 30, <u>2011</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Instruction	\$ 39,123,098	\$ 39,021,221	\$ 101,877	0.26%
Support Services	20,438,795	19,432,329	1,006,466	5.18%
Debt Service	1,094,038	243,800	850,238	348.74%
Capital Outlay	<u>390,570</u>	<u>503,459</u>	<u>(112,889)</u>	-22.42%
 Total Expenditures	 <u>\$ 61,046,501</u>	 <u>\$ 59,200,809</u>	 <u>\$ 1,845,692</u>	 3.12%

# Tenafly Public Schools

## Management's Discussion and Analysis (continued)

### General Fund Expenditures (Continued)

Total General Fund expenditures increased by \$1,845,692 or 3% compared to the previous year. The District realized significant decreases in capital outlay expenditures as a result of the purchase of various instructional and student services related equipment in the prior year. The increase in debt service expenditures relates to the acceleration of payment of all capital leases.

### General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made to prevent over-expenditures in specific line item accounts.

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

Over the course of the year, the District revised the annual operating budget several times. These budget amendments were for:

- Implementing budgets for specially funded projects, which include both federal and state grants, reinstating prior year purchase orders being carried over appropriating prior year extraordinary aid, and appropriating capital reserve funds for capital outlay projects.

**Capital Assets.** At the end of the fiscal years 2012 and 2011, the school district had invested in land, buildings, construction in progress, land improvements, furniture, machinery and equipment as stated in Table A-4 as follows:

Table A-4  
Capital Assets as of June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 223,713	\$ 223,713			\$ 223,713	\$ 223,713
Construction in Progress	28,837,496	28,614,285			28,837,496	28,614,285
Buildings	23,837,245	23,837,245			23,837,245	23,837,245
Improvements Other Than Buildings	993,995	922,411			993,995	922,411
Machinery and Equipment	<u>6,112,085</u>	<u>5,946,869</u>	<u>\$ 177,334</u>	<u>\$ 170,278</u>	<u>6,289,419</u>	<u>6,117,147</u>
 Total	 60,004,534	 59,544,523	 177,334	 170,278	 60,181,868	 59,714,801
 Less: Accumulated Depreciation	 <u>(16,528,363)</u>	 <u>(15,744,463)</u>	 <u>(140,241)</u>	 <u>(131,286)</u>	 <u>(16,668,604)</u>	 <u>(15,875,749)</u>
 Total Capital Assets, Net	 <u>\$ 43,476,171</u>	 <u>\$ 43,800,060</u>	 <u>\$ 37,093</u>	 <u>\$ 38,992</u>	 <u>\$ 43,513,264</u>	 <u>\$ 43,839,052</u>

Additional information about the district's capital assets can be found in Note 4 of this report.

# Tenafly Public Schools

## Management's Discussion and Analysis (continued)

**Debt Administration.** As of June 30, 2012 and 2011 the school district had long-term debt and outstanding long-term liabilities in the amount of \$41,092,293 and \$43,565,159.

**Table A-5  
Outstanding Long-Term Liabilities**

	<u>2012</u>	<u>2011</u>
Serial Bonds Payable	\$ 39,260,000	\$ 40,510,000
Compensated Absences Payable	1,832,293	2,001,104
Lease Purchase Agreements Payable	-	1,054,055
 Total	 \$ 41,092,293	 \$ 43,565,159

Additional information about the district's long-term liabilities can be found in Note 4 of this report.

### UNRESTRICTED – UNASSIGNED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

Beginning with June 30, 2003, the District's fund balance was \$1,760,783 or 4.77% of the operating budget. Since then, the district has maintained a fund balance within the state recommended guidelines. A review of the below Table indicates that as of June 30, 2012, the district unassigned fund balance was \$1,747,610 on a budgetary basis or 2.89%.

### ANALYSIS OF FUND BALANCE – GENERAL FUND FROM 2003 – 2012

	BALANCE, JUNE 30,									
	<u>2003</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>
UNRESTRICTED										
UNASSIGNED YEAR END (GAAP)	\$ 1,691,839	\$ 1,098,495	\$ 468,917	\$ 819,257	\$ 876,111	\$ 950,629	\$ (651,919)	\$ 477,859	\$ 607,687	\$ 577,090
USED TO OFFSET TAX SUBSEQUENT YEAR	-	1,059,762	740,744	57,027		445,854	843,213	855,135	1,596,577	1,601,564
UNRESTRICTED										
UNASSIGNED YEAR END (BUDGETARY)	1,760,783	1,432,917	849,728	1,214,246	1,315,685	1,382,989	869,831	1,821,101	1,946,268	1,747,610
MODIFIED BUDGET										
APPROPRIATIONS	36,931,687	39,465,566	42,824,140	44,938,005	47,331,511	51,550,665	55,578,455	56,835,033	57,081,610	60,394,695
PERCENT OF MODIFIED APPROPRIATIONS TO BUDGETARY UNRESERVED,										
UNRESTRICTED, UNASSIGNED FUND BALANCE	<u>4.77%</u>	<u>3.63%</u>	<u>1.98%</u>	<u>2.70%</u>	<u>2.78%</u>	<u>2.68%</u>	<u>1.57%</u>	<u>3.20%</u>	<u>3.41%</u>	<u>2.89%</u>

# **Tenafly Public Schools**

## **Management's Discussion and Analysis (continued)**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Currently, the District is in good financial condition. Everyone associated with Tenafly School District is grateful for the community support.

Many factors were considered by the District's administration during the process of developing the fiscal year 2011-2012 budget. The primary factors were the District's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs.

These indicators were considered when adopting the budget for fiscal year 2012-2013. Budgeted expenditures in the General Fund increased 2 percent to \$59,593,945 in fiscal year 2012-2013. Increases in contractual payroll and employee benefits costs are the primary reasons for the increase.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Administrator, Tenafly Public Schools, 500 Tenafly Road, Tenafly, New Jersey 07670.

Telephone: 201-816-4504  
Fax: 201-569-3678

**BASIC FINANCIAL STATEMENTS**

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

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 6,369,332	\$ 472,891	\$ 6,842,223
Receivables, net	412,775	9,930	422,705
Inventory		5,692	5,692
Deferred Charge	46,868		46,868
Capital Assets			
Not Being Depreciated	29,061,209		29,061,209
Being Depreciated, Net	14,414,962	37,093	14,452,055
Total Assets	<u>50,305,146</u>	<u>525,606</u>	<u>50,830,752</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	219,023	11,743	230,766
Payable to State Government	39,195		39,195
Unearned Revenue	273,636	9,441	283,077
Accrued Interest Payable	640,738		640,738
Noncurrent Liabilities			
Due Within One Year	1,965,138		1,965,138
Due Beyond One Year	38,854,334		38,854,334
Total Liabilities	<u>41,992,064</u>	<u>21,184</u>	<u>42,013,248</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,552,222	37,093	4,589,315
Restricted for:			
Debt Service	959		959
Capital Projects	698,158		698,158
Maintenance	300,000		300,000
Unrestricted	2,761,743	467,329	3,229,072
Total Net Assets	<u>\$ 8,313,082</u>	<u>\$ 504,422</u>	<u>\$ 8,817,504</u>

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

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

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 28,034,634	\$ 1,043,013	\$ 3,084,391	\$ 76,206	\$ (23,831,024)	\$	\$ (23,831,024)
Special Education	8,822,053		2,838,486		(5,983,567)		(5,983,567)
Other Instruction	1,942,642		260,203		(1,682,439)		(1,682,439)
School Sponsored Activities and Athletics	1,232,990	123,831			(1,109,159)		(1,109,159)
Other Instructional Programs	8,694				(8,694)		(8,694)
Support Services							
Student and Instruction Related Svcs.	7,594,498		1,515,432		(6,079,066)		(6,079,066)
General Administrative Services	1,082,148		36,947		(1,045,201)		(1,045,201)
School Administrative Services	4,631,725		460,823		(4,170,902)		(4,170,902)
Plant Operations and Maintenance	5,507,613			152,238	(5,355,375)		(5,355,375)
Pupil Transportation	1,112,729		25,388		(1,087,341)		(1,087,341)
Business Services	1,326,849		25,889		(1,300,960)		(1,300,960)
Interest on Long-Term Debt	1,768,513			228,355	(1,540,158)		(1,540,158)
<b>Total Governmental Activities</b>	<b>63,065,088</b>	<b>1,166,844</b>	<b>8,247,559</b>	<b>456,799</b>	<b>(53,193,886)</b>	<b>-</b>	<b>(53,193,886)</b>
Business-Type Activities							
Food Service	680,768	605,928	77,381	-		\$ 2,541	2,541
Child Care	309,747	319,359				9,612	9,612
<b>Total Business-Type Activities</b>	<b>990,515</b>	<b>925,287</b>	<b>77,381</b>	<b>-</b>	<b>-</b>	<b>12,153</b>	<b>12,153</b>
<b>Total Primary Government</b>	<b>\$ 64,055,603</b>	<b>\$ 2,092,131</b>	<b>\$ 8,324,940</b>	<b>\$ 456,799</b>	<b>(53,193,886)</b>	<b>12,153</b>	<b>(53,181,733)</b>
General Revenues:							
Property Taxes, Levied for General Purposes					54,209,758		54,209,758
Property Taxes, Levied for Debt Service					2,595,879		2,595,879
Investment Earnings					39,467	493	39,960
Miscellaneous Income					331,972		331,972
<b>Total General Revenues</b>					<b>57,177,076</b>	<b>493</b>	<b>57,177,569</b>
Change in Net Assets					3,983,190	12,646	3,995,836
Net Assets, Beginning of Year					4,329,892	491,776	4,821,668
<b>Net Assets, End of Year</b>					<b>\$ 8,313,082</b>	<b>\$ 504,422</b>	<b>\$ 8,817,504</b>

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

**FUND FINANCIAL STATEMENTS**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 6,352,011		\$ 17,307	\$ 14	\$ 6,369,332
Due From Other Funds	115,270				115,270
Receivables, Net					
Receivables From Other Governments	<u>156,234</u>	<u>\$ 255,343</u>	<u>-</u>	<u>-</u>	<u>411,577</u>
Total Assets	<u>\$ 6,623,515</u>	<u>\$ 255,343</u>	<u>\$ 17,307</u>	<u>\$ 14</u>	<u>\$ 6,896,179</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 11,762				\$ 11,762
Compensated Absences Payable	146,970				146,970
Accrued Salaries and Wages	60,291				60,291
Due To Other Funds		\$ 114,072			114,072
Payable to State Government		39,195			39,195
Deferred Revenue	<u>171,560</u>	<u>102,076</u>	<u>-</u>	<u>-</u>	<u>273,636</u>
Total Liabilities	<u>390,583</u>	<u>255,343</u>	<u>-</u>	<u>-</u>	<u>645,926</u>
<b>Fund Balances</b>					
<b>Restricted Fund Balance</b>					
Capital Reserve	698,158				698,158
Maintenance Reserve	300,000				300,000
Excess Surplus	2,175,455				2,175,455
Excess Surplus - Designated for Subsequent Year's Expenditures	1,601,564				1,601,564
Capital Projects			\$ 16,362		16,362
Debt Service			945	\$ 14	959
Committed Fund Balance					
Year End Encumbrances	558,440				558,440
Assigned Fund Balance					
Year End Encumbrances	322,225				322,225
Unassigned Fund Balance	<u>577,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>577,090</u>
Total Fund Balances	<u>6,232,932</u>	<u>-</u>	<u>17,307</u>	<u>14</u>	<u>6,250,253</u>
Total Liabilities and Fund Balances	<u>\$ 6,623,515</u>	<u>\$ 255,343</u>	<u>\$ 17,307</u>	<u>\$ 14</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$60,004,534 and the accumulated depreciation is \$16,528,363.

43,476,171

Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 2)

(41,413,342)

**Net Assets of Governmental Activities**

\$ 8,313,082

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Sources					
Property Tax Levy	\$ 54,209,758			\$ 2,595,879	\$ 56,805,637
Tuition Charges	869,043				869,043
Interest	39,467				39,467
Miscellaneous	629,773	\$ 64,167	-		693,940
Total - Local Sources	55,748,041	64,167	-	2,595,879	58,408,087
State Sources	7,071,717	181,302		380,593	7,633,612
Federal Sources	66,422	863,951			930,373
Total Revenues	62,886,180	1,109,420	-	2,976,472	66,972,072
<b>EXPENDITURES</b>					
Current					
Instruction					
Regular Instruction	27,282,000	92,992			27,374,992
Special Education Instruction	8,673,301	51,794			8,725,095
Other Instruction	1,926,113	20,561			1,946,674
School Sponsored Activities and Athletics	1,232,990				1,232,990
Other Instructional Programs	8,694				8,694
Support Services					
Student and Instruction Related Services	6,610,577	929,938			7,540,515
General Administrative Services	1,078,885				1,078,885
School Administrative Services	4,877,185				4,877,185
Plant Operations and Maintenance	5,478,121				5,478,121
Pupil Transportation	1,099,061				1,099,061
Business Services	1,294,966				1,294,966
Debt Service					
Principal	1,054,055			1,250,000	2,304,055
Interest and Other Charges	39,983			1,726,514	1,766,497
Capital Outlay	390,570	14,135		-	404,705
Total Expenditures	61,046,501	1,109,420	-	2,976,514	65,132,435
Excess (Deficiency) of Revenues Over/(Under) Expenditures	1,839,679	-	-	(42)	1,839,637
Fund Balance, Beginning of Year	4,393,253	-	\$ 17,307	56	4,410,616
Fund Balance, End of Year	<u>\$ 6,232,932</u>	<u>\$ -</u>	<u>\$ 17,307</u>	<u>\$ 14</u>	<u>\$ 6,250,253</u>

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

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

**Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2)** \$ 1,839,637

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

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

Capital Outlays	\$	404,705	
Depreciation Expense		<u>(804,800)</u>	(400,095)

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

76,206

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

Net Decrease in Compensated Absences	168,811
--------------------------------------	---------

The issuance of long term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Additionally, governmental funds report the effect of issuance costs, premiums, discounts and similar items when the debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the net effect of these activities: (See Note 2)

2,280,805

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

Decrease in Accrued Interest	<u>17,826</u>
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**Change in Net Assets of Governmental Activities (Exhibit A-2)** \$ 3,983,190

**TENAFLY BOARD OF EDUCATION  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Food Service</b>	<b>School Age Child Care</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 127,285	\$ 345,606	\$ 472,891
Intergovernmental Accounts Receivable	2,874		2,874
Other Receivables		7,056	7,056
Inventory	5,692		5,692
Total Current Assets	<u>135,851</u>	<u>352,662</u>	<u>488,513</u>
Noncurrent Assets			
Furniture, Machinery and Equipment	177,334		177,334
Less Accumulated Depreciation	<u>(140,241)</u>	<u>-</u>	<u>(140,241)</u>
Total Capital Assets, Net	<u>37,093</u>	<u>-</u>	<u>37,093</u>
Total Assets	<u>172,944</u>	<u>352,662</u>	<u>525,606</u>
<b>LIABILITIES</b>			
Accounts Payable	11,743		11,743
Unearned Revenue	2,754	6,687	9,441
Total Liabilities	<u>14,497</u>	<u>6,687</u>	<u>21,184</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	37,093		37,093
Unrestricted	121,354	345,975	467,329
Total Net Assets	<u>\$ 158,447</u>	<u>\$ 345,975</u>	<u>\$ 504,422</u>

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

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

	<b>Business-Type Activities - Enterprise Fund</b>		<b>Totals</b>
	<b>Food Service</b>	<b>School Age Child Care</b>	
<b>OPERATING REVENUES</b>			
Charges for Services			
Daily Sales	\$ 600,301		\$ 600,301
Special Functions	5,627		5,627
Program Fees		\$ 319,359	319,359
Total Operating Revenues	<u>605,928</u>	<u>319,359</u>	<u>925,287</u>
<b>OPERATING EXPENSES</b>			
Cost of Sales	310,003		310,003
Salaries and Wages	197,875	285,329	483,204
Employee Benefits	71,109		71,109
Management Fee	26,837		26,837
Other Purchased Services	10,812	3,464	14,276
Other Expenses	6,839	18,200	25,039
Supplies and Materials	48,338	2,754	51,092
Depreciation	8,955		8,955
Total Operating Expenses	<u>680,768</u>	<u>309,747</u>	<u>990,515</u>
Operating Loss	<u>(74,840)</u>	<u>9,612</u>	<u>(65,228)</u>
<b>NONOPERATING REVENUES</b>			
State Sources			
State School Lunch Program	5,466		5,466
Federal Sources			
National School Lunch Program	67,610		67,610
Special Milk Program	4,305		4,305
Interest and Investment Revenue	493	-	493
Total Nonoperating Revenues	<u>77,874</u>	<u>-</u>	<u>77,874</u>
Change in Net Assets	3,034	9,612	12,646
Net Assets, Beginning of Year	<u>155,413</u>	<u>336,363</u>	<u>491,776</u>
Net Assets, End of Year	<u>\$ 158,447</u>	<u>\$ 345,975</u>	<u>\$ 504,422</u>

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

**TENAFLY BOARD OF EDUCATION  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Food Service</b>	<b>School Age Child Care</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 605,928	\$ 316,564	\$ 922,492
Payments for Employees	(268,984)	(285,329)	(554,313)
Payments to Suppliers	(378,689)	(25,252)	(403,941)
Net Cash Provided/(Used) by Operating Activities	<u>(41,745)</u>	<u>5,983</u>	<u>(35,762)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
State and Federal Subsidy Reimbursements	<u>52,414</u>	<u>-</u>	<u>52,414</u>
Net Cash Provided By Non-Capital Financing Activities	<u>52,414</u>	<u>-</u>	<u>52,414</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	<u>(7,056)</u>	<u>-</u>	<u>(7,056)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(7,056)</u>	<u>-</u>	<u>(7,056)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest	<u>493</u>	<u>-</u>	<u>493</u>
Net Cash Provided By Investing Activities	<u>493</u>	<u>-</u>	<u>493</u>
Net Increase in Cash and Cash Equivalents	4,106	5,983	10,089
Cash and Cash Equivalents, Beginning of Year	<u>123,179</u>	<u>339,623</u>	<u>462,802</u>
Cash and Cash Equivalents, End of Year	<u>\$ 127,285</u>	<u>\$ 345,606</u>	<u>\$ 472,891</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating (Loss)	<u>\$ (74,840)</u>	<u>\$ 9,612</u>	<u>\$ (65,228)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities			
Depreciation	8,955		8,955
Food Distribution Program (USDA Commodities)-National School Lunch	22,093		22,093
(Increase) Decrease in Accounts Receivable		(5,374)	(5,374)
(Increase) Decrease in Inventories	(671)		(671)
Increase (Decrease) in Accounts Payable	6,599	(835)	5,764
Increase (Decrease) in Unearned Revenue	<u>(3,881)</u>	<u>2,580</u>	<u>(1,301)</u>
Total Adjustments	<u>33,095</u>	<u>(3,629)</u>	<u>29,466</u>
Net Cash Used by Operating Activities	<u>\$ (41,745)</u>	<u>\$ 5,983</u>	<u>\$ (35,762)</u>
Non-Cash Financing Activities			
Fair Value of Food Distribution Lunch Program - National School	\$ 22,093		

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

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

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 164,384	\$ 285,234	\$ 285,589
Due From Other Funds		13,537	
	<u>164,384</u>	<u>298,771</u>	<u>\$ 285,589</u>
<b>LIABILITIES</b>			
Accounts Payable			\$ 9,293
Due To Other Funds			14,735
Intergovernmental Payable		19,177	
Payable To Student Groups			226,148
Payroll Deductions and Withholdings			17,806
Flexible Spending (Sect. 125) Plan	-	-	17,607
	<u>-</u>	<u>19,177</u>	<u>\$ 285,589</u>
<b>NET ASSETS</b>			
Held In Trust For Unemployment Claims and Other Purposes	<u>\$ 164,384</u>	<u>\$ 279,594</u>	

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

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

	<b>Private Purpose Trust Funds</b>	<b>Unemployment Compensation Trust</b>
<b>ADDITIONS</b>		
Investment Earnings		
Interest	\$ 452	\$ 196
Payroll Deductions		49,059
Board Contributions		259,074
Donations	98,553	
	<hr/>	<hr/>
Total Additions	99,005	308,329
	<hr/>	<hr/>
<b>DEDUCTIONS</b>		
Scholarship	11,269	
Local Contribution	40,525	
Unemployment Claims and Contributions		139,083
	<hr/>	<hr/>
Total Deductions	51,794	139,083
	<hr/>	<hr/>
Change in Net Assets	47,211	169,246
Net Assets, Beginning of Year	117,173	110,348
	<hr/>	<hr/>
Net Assets, End of Year	<u>\$ 164,384</u>	<u>\$ 279,594</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Tenafly Board of Education (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

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

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

**B. Basic Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The District reports the following major governmental funds:

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

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

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

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

The District reports the following major proprietary funds which are organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

The *school aged childcare (SACC) fund* accounts for the activities of the District's before and after school childcare program.

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

***1. Deposits and Investments***

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

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

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

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

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

**2. *Receivables and Payables***

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

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

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

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

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

**3. *Inventories***

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

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

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

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

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

**4. *Capital Assets***

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

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

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

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings	40
Building Improvements	20
Heavy Equipment	10
Office Equipment and Furniture	10
Computer Equipment	5

**5. *Compensated Absences***

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. *Long-Term Obligations*

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund Equity*

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

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

*Capital Reserve* – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 3.)

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

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

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

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

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

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

**7. *Fund Equity (Continued)***

*Capital Projects* – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

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

**Committed Fund Balance** – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

*Year-End Encumbrances* – Represents outstanding purchase orders at year end for contracts awarded by formal action of the Board of Trustee's for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

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

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

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

**8. *Reclassifications***

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

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

**NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the district-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the district-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$41,413,342 difference are as follows:

Bonds Payable		\$ 39,260,000
Less:		
Deferred Charge on Refunding (to be amortized as interest expense)	\$ (238,603)	
Deferred Charge for Issuance Costs (to be amortized over life of debt)	(46,868)	
Issuance Discount (to be amortized as interest expense)	<u>(34,218)</u>	
		(319,689)
Accrued Interest Payable		640,738
Compensated Absences		<u>1,832,293</u>
Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Assets - Governmental Activities		<u>\$ 41,413,342</u>

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

**NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the district-wide statement of activities (Continued)**

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$2,280,805 difference are as follows:

Debt Issued or Incurred:	
Amortization of Deferred Charge on Refunding	\$ (17,354)
Amortization of Issuance Costs	(3,408)
Amortization of Discount	(2,488)
Principal Repayments:	
General Obligation Bonds	1,250,000
Capital Lease / Lease Purchase Agreement	<u>1,054,055</u>
Net Adjustment to Decrease Net Changes in Fund Balances - Total	
Governmental Funds to Arrive at Changes in Net Assets of	
Governmental Activities	<u>\$ 2,280,805</u>

**NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2011/2012. During 2011/2012 the Board increased the original budget by \$2,533,527. The increase was funded by additional surplus appropriated, additional state and federal aid, grant awards and the reappropriation of prior year general fund encumbrances. During the fiscal year the District authorized and approved an additional fund balance appropriation of \$500,000 from the general fund made on December 6, 2011. In addition, the District appropriated \$203,200 of Capital Reserve Funds to fund the emergency generator project at the High School.

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

**NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Information (Continued)**

On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On January 25, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

**B. Capital Reserve**

A capital reserve account was established by the District on October 2, 2000. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

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

**NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**B. Capital Reserve (Continued)**

Funds placed in the capital reserve are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the reserve cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Balance, July 1, 2011		\$ 405,842
Increased by:		
Interest Earnings	\$ 1,308	
Deposit Approved by Board Resolution	400,000	
Deposit from Other Funding Sources from Interlocal Agreement		
With Borough	<u>94,208</u>	
Total Increases		495,516
Withdrawals		
Transfer to Capital Outlay - Approved by Board Resolution	(175,000)	
Transfer to Capital Outlay	<u>(28,200)</u>	
Total Withdrawals		<u>(203,200)</u>
Balance, June 30, 2012		<u>\$ 698,158</u>

The June 30, 2012 LRFP balance of local support costs of uncompleted capital projects is \$3,483,205. The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan.

**C. Transfers to Capital Outlay**

During the 2011/2012 school year, the district transferred \$203,200 to the capital outlay accounts. The transfer was made from the capital reserve account to fund a project included in the district's Long-Range Facilities Plan. In addition, the district appropriated \$563,057 of additional State aid allotted to the district to fund capital outlay projects including the roof projects at the Middle School and the High School.

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

**NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**D. Calculation of Excess Surplus**

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2012 is \$3,777,019. Of this amount, \$1,601,564 was designated and appropriated in the 2012/2013 original budget certified for taxes and the remaining amount of \$2,175,455 will be appropriated in the 2013/2014 original budget certified for taxes.

**NOTE 4 DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**Deposits**

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2012, the book value of the Board's deposits was \$7,577,430 and bank balances of the Board's cash and deposits amounted to \$9,797,489. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash and cash equivalents" are categorized as:

**Depository Account**

Insured	<u>\$ 9,797,489</u>
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**Custodial Credit Risk – Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2012 the Board's bank balances were not exposed to custodial credit risk.

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

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

**Investments**

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

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

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

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

**B. Receivables**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>School Age Child Care</u>	<u>Total</u>
Receivables:					
Accounts				\$ 7,056	\$ 7,056
Intergovernmental	\$ 156,234	\$ 255,343	\$ 2,874	-	414,451
Gross Receivables	156,234	255,343	2,874	7,056	421,507
Less: Allowance for Uncollectibles	-	-	-	-	-
Net Total Receivables	<u>\$ 156,234</u>	<u>\$ 255,343</u>	<u>\$ 2,874</u>	<u>\$ 7,056</u>	<u>\$ 421,507</u>

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

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**B. Receivables (Continued)**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
General Fund	
Summer School Program Fees	\$ 171,560
Special Revenue Fund	
Unencumbered Grant Draw Downs	<u>102,076</u>
 Total Deferred Revenue for Governmental Funds	 <u>\$ 273,636</u>

**C. Capital Assets**

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

	<u>Balance, July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2012</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 223,713			\$ 223,713
Construction in Progress	<u>28,614,285</u>	<u>\$ 223,211</u>	<u>-</u>	<u>28,837,496</u>
Total Capital Assets, Not Being Depreciated	<u>28,837,998</u>	<u>223,211</u>	<u>-</u>	<u>29,061,209</u>
Capital Assets, Being Depreciated:				
Buildings	23,837,245			23,837,245
Improvements Other Than Buildings	922,411	71,584		993,995
Machinery and Equipment	<u>5,946,869</u>	<u>186,116</u>	<u>\$ (20,900)</u>	<u>6,112,085</u>
Total Capital Assets Being Depreciated	<u>30,706,525</u>	<u>257,700</u>	<u>(20,900)</u>	<u>30,943,325</u>
Less Accumulated Depreciation For:				
Buildings	(10,788,228)	(455,991)		(11,244,219)
Improvements Other Than Buildings	(513,465)	(29,605)		(543,070)
Machinery and Equipment	<u>(4,442,770)</u>	<u>(319,204)</u>	<u>20,900</u>	<u>(4,741,074)</u>
Total Accumulated Depreciation	<u>(15,744,463)</u>	<u>(804,800)</u>	<u>20,900</u>	<u>(16,528,363)</u>
 Total Capital Assets, Being Depreciated, net	 <u>14,962,062</u>	 <u>(547,100)</u>	 <u>-</u>	 <u>14,414,962</u>
 Governmental Activities Capital Assets, net	 <u>\$ 43,800,060</u>	 <u>\$ (323,889)</u>	 <u>\$ -</u>	 <u>\$ 43,476,171</u>

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

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets (Continued)**

	Balance, <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2012</u>
<b>Business-Type Activities</b>				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 170,278	\$ 7,056	-	\$ 177,334
Total Capital Assets Being Depreciated	<u>170,278</u>	<u>7,056</u>	<u>-</u>	<u>177,334</u>
Less Accumulated Depreciation For:				
Machinery and Equipment	<u>(131,286)</u>	<u>(8,955)</u>	<u>-</u>	<u>(140,241)</u>
Total Accumulated Depreciation	<u>(131,286)</u>	<u>(8,955)</u>	<u>-</u>	<u>(140,241)</u>
Total Capital Assets, Being Depreciated, net	<u>38,992</u>	<u>(1,899)</u>	<u>-</u>	<u>37,093</u>
Business-Type Activities Capital Assets, net	<u>\$ 38,992</u>	<u>\$ (1,899)</u>	<u>\$ -</u>	<u>\$ 37,093</u>

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

**Governmental activities**

Instruction

Regular	\$ 643,010
Special Education	71,445
School-Sponsored/Other Instructional	<u>23,634</u>
Total Instruction	<u>738,089</u>

Support Services

Student and Instruction Related Services	17,797
General Administration	5,901
Operations and Maintenance of Plant	29,345
Student Transportation	<u>13,668</u>
Total Support Services	<u>66,711</u>

Total Depreciation Expense - Governmental Activities \$ 804,800

Business-Type Activities:

Food Service Fund	\$ 8,955
Total Depreciation Expense-Business-Type Activities	<u>\$ 8,955</u>

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

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets (Continued)**

**Construction and Other Significant Commitments (Modify)**

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

<u>Project</u>	<u>Remaining Commitment</u>
Roof Project-Middle School & High School	\$ 369,040
Emergency Generator Project at High School	<u>163,700</u>
Total	<u>\$ 532,740</u>

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

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

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Fund - Payroll	\$ 1,198
General Fund	Special Revenue Fund	114,072
Unemployment Compensation Trust Fund	Agency Fund - Payroll	<u>13,537</u>
Total		<u>\$ 128,807</u>

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

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

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

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Leases**

**Operating Leases**

The District leases copiers under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2012 were \$228,400. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2013	\$ 228,400
2014	228,400
2015	228,400
2016	<u>38,067</u>
Total	<u>\$ 723,267</u>

**Lease Purchase Agreements**

The District is leasing computers and a virtual infrastructure totaling \$1,527,475 under capital leases. The leases are for terms of 3 to 5 years.

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Machinery and Equipment	<u>\$ 412,407</u>

The District accelerated future payments and as permitted by the terms of the lease purchase agreement paid all leases in full during the 2011/2012 school year.

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

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Long-Term Debt**

**General Obligation Bonds**

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

Bonds payable at June 30, 2012 are comprised of the following issues:

\$10,000,000, 2006 Refunding Bonds, due in annual installments of \$390,000 to \$715,000 through April 1, 2026, interest at 3.5% to 4.250%	\$9,490,000
\$25,889,000, 2005 Bonds, due in annual installments of \$510,000 to \$2,489,000 through July 15, 2030, interest at 4.375% to 4.500%	23,549,000
\$7,511,000, 2007 Bonds, due in annual installments of \$155,000 to \$696,000 through April 1, 2031 interest at 4.125%	<u>6,221,000</u>
	<u>\$39,260,000</u>

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

**Governmental Activities:**

Fiscal Year Ending June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 1,300,000	\$ 1,674,591	\$ 2,974,591
2014	1,360,000	1,622,258	2,982,258
2015	1,410,000	1,566,999	2,976,999
2016	1,470,000	1,509,187	2,979,187
2017	1,525,000	1,448,703	2,973,703
2018-2022	8,830,000	6,196,475	15,026,475
2023-2027	11,425,000	4,048,836	15,473,836
2028-2032	11,940,000	1,137,159	-
	<u>\$ 39,260,000</u>	<u>\$ 19,204,208</u>	<u>\$ 45,387,049</u>

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

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

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

**Statutory Borrowing Power**

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

4% of Equalized Valuation Basis (Municipal)	\$ 166,051,265
Less: Net Debt	<u>39,260,000</u>
Remaining Borrowing Power	<u>\$ 126,791,265</u>

**Changes in Long-Term Liabilities**

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

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2012</u>	Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable	\$ 40,510,000		\$ 1,250,000	\$ 39,260,000	\$ 1,300,000
Unamortized Discount	(36,706)		(2,488)	(34,218)	
Unamortized Amount on Refunding	<u>(255,957)</u>	-	<u>(17,354)</u>	<u>(238,603)</u>	-
	40,217,337		1,230,158	38,987,179	1,300,000
Capital Leases/Lease Purchase Agreements	1,054,055		1,054,055	-	-
Compensated Absences	<u>2,001,104</u>	<u>\$ 43,816</u>	<u>212,627</u>	<u>1,832,293</u>	<u>665,138</u>
Governmental Activity Long-Term Liabilities	<u>\$ 43,272,496</u>	<u>\$ 43,816</u>	<u>\$ 2,496,840</u>	<u>\$ 40,819,472</u>	<u>\$ 1,965,138</u>

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

**NOTE 5 OTHER INFORMATION**

**A. Risk Management**

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

The District is a member of the Northeast Bergen County School Board Insurance Group (NESBIG). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

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

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

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

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

Fiscal Year Ended <u>June 30,</u>	District <u>Contributions</u>	Employee <u>Contributions</u>	Amount <u>Reimbursed</u>	Balance, <u>June 30</u>
2012	\$ 259,074	\$ 49,059	\$ 139,083	\$ 279,594
2011	184,074	47,331	281,960	110,348
2010	139,731	64,284	142,351	159,908

**B. Contingent Liabilities**

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

**B. Contingent Liabilities (Continued)**

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

**C. Federal Arbitrage Regulations**

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2012, the District had no estimated arbitrage earnings due to the IRS.

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

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

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

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

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

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Other Pension Funds**

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

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

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

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

**Investment Valuation**

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

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Significant Legislation**

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

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

- New members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PERS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. TPAF and PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

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

**Funding Status and Funding Progress**

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

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

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Actuarial Methods and Assumptions**

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

**Employer and Employee Pension Contributions**

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

**Annual Pension Costs (APC)**

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

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

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2012	\$ 716,798	\$ 891,370	\$ 7,522
2011	690,173	85,607	7,742
2010	526,682	92,683	479

During the previous two fiscal years, the State of New Jersey did not contribute to the TPAF for normal cost and accrued liability. The State contributed \$891,370 during 2011/2012 for normal cost pension, accrued liability and the NCGI premium. For fiscal years 2010/2011 and 2009/2010, the State contributed \$85,607 and \$92,683, respectively, for the NCGI premium only.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,974,067 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

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

**NOTE 5 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits**

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

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

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

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

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

**Basis of Accounting**

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

**Significant Legislation**

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Investment Valuation**

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

**Funded Status and Funding Progress**

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

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

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

**Actuarial Methods and Assumptions**

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

**Post-Retirement Medical Benefits Contributions**

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

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Post-Retirement Medical Benefits Contributions (Continued)**

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2012, 2011 and 2010 were \$1,791,888, \$1,818,301 and \$1,740,717, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

**F. Subsequent Events**

The Board issued \$21,690,000 of Refunding Bonds dated September 20, 2012 having an interest rate ranging from 2.00% to 5.00%. The Bonds will mature over the next nineteen (19) years with the first maturity due date of January 15, 2013 and July 15 every year after through July 15, 2030.

The Refunding Bonds were issued for the purpose of (i) advance refunding \$21,264,000 of outstanding and callable on July 15, 2015 School Bonds (Series 2005) dated December 15, 2005 maturing on July 15, 2016 through and including July 15, 2030 at par plus any unpaid accrued interest to the redemption date; and (ii) paying the costs of issuance with respect to the Refunding Bonds.

**BUDGETARY COMPARISON SCHEDULES**

**TENAFLY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

EXHIBIT C-1

	Original Budget	Adjustments Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>REVENUES</b>					
<b>Local Sources</b>					
Property Taxes	\$ 54,209,758		\$ 54,209,758	\$ 54,209,758	
Tuition	850,000		850,000	869,043	\$ 19,043
Interest Earned on Capital Reserve Funds	4,000		4,000	1,308	(2,692)
Interest	49,000		49,000	38,159	(10,841)
Summer School Fees	125,000		125,000	173,970	48,970
Miscellaneous	255,000	-	255,000	361,595	106,595
Miscellaneous Restricted - (Borough Contribution-Generator Project)	-	-	-	94,208	94,208
<b>Total Local Sources</b>	<b>55,492,758</b>	<b>-</b>	<b>55,492,758</b>	<b>55,748,041</b>	<b>255,283</b>
<b>State Sources</b>					
Special Education Aid	563,057	\$ 563,057	1,126,114	1,126,114	
Non Public Transportation Reimbursement				25,388	25,388
Extraordinary Aid	500,000		500,000	1,094,438	594,438
Anti-Bullying Aid				391	391
TPAF Pension Contribution - Normal Costs and Accrued Liability (Non-Budget)				804,984	804,984
TPAF Pension Contribution- NCGI (Non-Budget)				86,386	86,386
TPAF Pension Contribution - Post Retirement (Non-Budget)				1,791,888	1,791,888
TPAF Social Security Reimbursements (Non-Budget)	-	-	-	1,974,067	1,974,067
<b>Total State Sources</b>	<b>1,063,057</b>	<b>563,057</b>	<b>1,626,114</b>	<b>6,903,656</b>	<b>5,277,542</b>
<b>Federal Sources</b>					
Educational Jobs Fund	64,404	2,018	66,422	66,422	-
<b>Total Federal Sources</b>	<b>64,404</b>	<b>2,018</b>	<b>66,422</b>	<b>66,422</b>	<b>-</b>
<b>Total Revenues</b>	<b>56,620,219</b>	<b>565,075</b>	<b>57,185,294</b>	<b>62,718,119</b>	<b>5,532,825</b>
<b>EXPENDITURES</b>					
<b>CURRENT</b>					
<b>Instruction - Regular Programs</b>					
<b>Salaries of Teachers</b>					
Kindergarten	931,390	(126,150)	805,240	791,767	13,473
Grades 1-5	6,051,033	(216,059)	5,834,974	5,649,396	185,578
Grades 6-8	4,460,006	(50,259)	4,409,747	4,347,101	62,646
Grades 9-12	7,486,326	(435,460)	7,050,866	6,934,119	116,747
<b>Regular Programs - Home Instruction</b>					
Salaries of Teachers	21,884	(6,809)	15,075	15,075	-
Purchased Professional/Educational Services	4,100	28,437	32,537	32,537	-
<b>Regular Programs - Undistributed Instruction</b>					
Other Salaries for Instruction	917,368	21,244	938,612	921,353	17,259
Purchased Professional/Educational Services	1,000	(625)	375	375	-
Other Purchased Services	395,701	(82,907)	312,794	295,483	17,311
General Supplies	1,054,955	790,708	1,845,663	1,584,494	261,169
Textbooks	112,569	32,779	145,348	129,808	15,540
Other Objects	15,000	21,140	36,140	28,427	7,713
<b>Total Regular Programs</b>	<b>21,451,332</b>	<b>(23,961)</b>	<b>21,427,371</b>	<b>20,729,935</b>	<b>697,436</b>
<b>Learning and / or Language Disabled</b>					
Salaries of Teachers	-	51,855	51,855	51,596	259
Other Salaries for Instruction	-	26,480	26,480	26,480	-
General Supplies	-	7,467	7,467	7,193	274
<b>Total Learning and/or Language Disabled</b>	<b>-</b>	<b>85,802</b>	<b>85,802</b>	<b>85,269</b>	<b>533</b>
<b>Resource Room/Resource Center</b>					
Salaries of Teachers	2,222,049	8,051	2,230,100	2,221,986	8,114
General Supplies	1,500	-	1,500	1,443	57
Textbooks	1,000	-	1,000	465	535
<b>Total Resource Room/Resource Center</b>	<b>2,224,549</b>	<b>8,051</b>	<b>2,232,600</b>	<b>2,223,894</b>	<b>8,706</b>

**TENAFLY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

EXHIBIT C-1

	Original Budget	Adjustments Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES</b>					
CURRENT (Continued)					
Autism					
Salaries of Teachers		\$ 50,765	\$ 50,765	\$ 45,241	\$ 5,524
Other Salaries for Instruction	-	109,816	109,816	108,533	1,283
General Supplies	-	23,133	23,133	22,993	140
<b>Total Autism</b>	-	183,714	183,714	176,767	6,947
Preschool Disabilities - Part-Time					
Salaries of Teachers	\$ 112,740	-	112,740	112,176	564
Other Salaries for Instruction	49,496	11,436	60,932	60,715	217
<b>Total Preschool Disabilities - Part-Time</b>	162,236	11,436	173,672	172,891	781
<b>Total Special Education</b>	2,386,785	289,003	2,675,788	2,658,821	16,967
Basic Skills/Remedial					
Salaries of Teachers	483,107	-	483,107	481,568	1,539
<b>Total Basic Skills/Remedial</b>	483,107	-	483,107	481,568	1,539
Bilingual Education					
Salaries of Teachers	950,055	(12,262)	937,793	920,819	16,974
Purchased Professional-Educational Services	370	-	370	337	33
Other Purchased Services	100	-	100		100
General Supplies	1,850	-	1,850	1,850	-
Textbooks	4,256	-	4,256	4,037	219
Other Objects	1,800	-	1,800	76	1,724
<b>Total Bilingual Education</b>	958,431	(12,262)	946,169	927,119	19,050
School Sponsored Co/Extra Curricular Activities					
Salaries	292,567	8,166	300,733	296,706	4,027
Purchased Services	34,013	(9,505)	24,508	23,008	1,500
Supplies and Materials	1,529	(300)	1,229	929	300
<b>Total School Sponsored Co/Extra Curricular Activities</b>	328,109	(1,639)	326,470	320,643	5,827
School Sponsored Athletics					
Salaries	450,244	7,404	457,648	450,742	6,906
Purchased Services	158,469	(19,568)	138,901	99,463	39,438
Supplies and Materials	30,338	16,610	46,948	30,714	16,234
Other Objects	10,900	11,525	22,425	22,425	-
<b>Total School Sponsored Athletics</b>	649,951	15,971	665,922	603,344	62,578

**TENAFLY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

EXHIBIT C-1

	Original Budget	Adjustments Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES</b>					
CURRENT (Continued)					
Other Instructional Programs - Instruction					
Purchased Services		\$ 12,830	\$ 12,830	\$ 8,506	\$ 4,324
Supplies and Materials	-	5,001	5,001	188	4,813
Total Other Instructional Programs	-	17,831	17,831	8,694	9,137
Total Instruction	\$ 26,257,715	284,943	26,542,658	25,730,124	812,534
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs w/i State - Regular	256,960	1,280	258,240	258,240	-
Tuition to Other LEAs w/i State - Special	2,058,646	(250,842)	1,807,804	1,732,424	75,380
Tuition to CSSD and Regional Day Schools	458,902	154,440	613,342	613,342	-
Tuition to Priv. Sch. for the Disabled - w/i state	2,838,135	(370,964)	2,467,171	2,208,419	258,752
Tuition to Priv. Sch. Disabled & Other LEAs Spl, O/S State	265,444	252,879	518,323	482,436	35,887
Total Undistributed Expenditures - Instruction	5,878,087	(213,207)	5,664,880	5,294,861	370,019
Attendance and Social Work					
Salaries	115,980	4,832	120,812	115,980	4,832
Total Attendance and Social Work	115,980	4,832	120,812	115,980	4,832
Health Services					
Salaries	431,922	(2,035)	429,887	429,886	1
Purchased Professional and Technical Services	10,065	-	10,065	386	9,679
Other Purchased Services	472	-	472	385	87
Supplies and Materials	8,912	(862)	8,050	6,556	1,494
Total Health Services	451,371	(2,897)	448,474	437,213	11,261
Speech, OT, PT & Related Services					
Salaries	399,288	29,938	429,226	423,846	5,380
Purchased Professional-Educational Services	-	93,590	93,590	93,590	-
Total Speech, OT, PT & Related Services	399,288	123,528	522,816	517,436	5,380
Other Support Services - Students - Extra Services					
Salaries	256,354	(4,229)	252,125	252,125	-
Purchased Professional/Educational Services	159,650	381,903	541,553	464,035	77,518
Supplies and Materials	6,300	-	6,300	1,682	4,618
Total Other Supp.Serv. Student - Extra Services	422,304	377,674	799,978	717,842	82,136
Guidance					
Salaries of Other Professional Staff	1,037,359	(44,355)	993,004	974,902	18,102
Salaries of Secretarial & Clerical Assistants	174,420	-	174,420	174,420	-
Other Purchased Services	5,500	-	5,500	625	4,875
Supplies and Materials	10,851	(1,078)	9,773	6,584	3,189
Total Guidance	1,228,130	(45,433)	1,182,697	1,156,531	26,166

**TENAFLY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

EXHIBIT C-1

	Original Budget	Adjustments Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES</b>					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Child Study Teams					
Salaries of Other Professional Staff	\$ 947,308	\$ 14,703	\$ 962,011	\$ 943,123	\$ 18,888
Salaries of Secretarial & Clerical Assistants	144,105	(6,004)	138,101	138,101	-
Miscellaneous Purchased Services	450	-	450	25	425
Supplies and Materials	3,000	-	3,000	2,422	578
Other Objects	2,500	-	2,500	2,274	226
<b>Total Child Study Teams</b>	<b>1,097,363</b>	<b>8,699</b>	<b>1,106,062</b>	<b>1,085,945</b>	<b>20,117</b>
Other Support Services - Improvement of Instructional Services					
Salaries of Supervisor of Instruction		81,575	81,575	81,575	
Salaries of Secretarial & Clerical Assistants	32,254	-	32,254	32,254	-
Other Salaries	362,576	(358,324)	4,252		4,252
Supplies and Materials	5,000	(4,900)	100	78	22
<b>Total Other Support Services - Improvement of Inst. Svcs.</b>	<b>399,830</b>	<b>(281,649)</b>	<b>118,181</b>	<b>113,907</b>	<b>4,274</b>
Educational Media/School Library					
Salaries	678,735	4,065	682,800	679,851	2,949
Other Purchased Services	1,500	(148)	1,352	1,352	-
Supplies and Materials	70,892	(1,867)	69,025	65,968	3,057
<b>Total Educational Media/School Library</b>	<b>751,127</b>	<b>2,050</b>	<b>753,177</b>	<b>747,171</b>	<b>6,006</b>
Instructional Staff Training Services					
Salaries of Other Professional Staff	55,000	(15,000)	40,000	39,940	60
Purchased Professional/Educational Services	78,476	4,997	83,473	63,287	20,186
Other Purchased Services	3,574	1,532	5,106	2,226	2,880
Supplies and Materials	2,500	(2,366)	134	45	89
<b>Total Instructional Staff Training Services</b>	<b>139,550</b>	<b>(10,837)</b>	<b>128,713</b>	<b>105,498</b>	<b>23,215</b>
Support Services General Administration					
Salaries	380,833	83,075	463,908	463,748	160
Legal Services	85,000	16,764	101,764	97,490	4,274
Audit Fees	40,000	53,750	93,750	44,865	48,885
Other Purchased Professional Service	3,000	-	3,000	150	2,850
Communications/Telephone	120,000	23	120,023	63,163	56,860
Miscellaneous Purchased Services	70,623	(7,141)	63,482	49,684	13,798
General Supplies	4,073	545	4,618	4,497	121
BOE In-House Training/Meeting Supplies	2,000	(1,078)	922	296	626
Judgements Against the School District	100,000	84,166	184,166	100,000	84,166
Miscellaneous Expenditures	17,000	10,561	27,561	18,087	9,474
BOE Membership Dues and Fees	27,000	-	27,000	25,310	1,690
<b>Total Support Services General Administration</b>	<b>849,529</b>	<b>240,665</b>	<b>1,090,194</b>	<b>867,290</b>	<b>222,904</b>
Support Services School Administration					
Salaries of Principals/Asst. Principals/Program Directors	1,270,481	(30,694)	1,239,787	1,239,787	-
Salaries of Other Professional Staff	1,228,417	659,439	1,887,856	1,574,379	313,477
Salaries of Secretarial and Clerical Assistants	737,481	(14,751)	722,730	712,090	10,640
Other Salaries	81,576	(79,967)	1,609		1,609
Supplies and Materials	5,028	(577)	4,451	1,572	2,879
Other Objects	16,500	155	16,655	16,655	-
<b>Total Support Services School Administration</b>	<b>3,339,483</b>	<b>533,605</b>	<b>3,873,088</b>	<b>3,544,483</b>	<b>328,605</b>

**TENAFLY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

EXHIBIT C-1

	Original Budget	Adjustments Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES</b>					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Central Services					
Salaries	\$ 638,493	\$ 3,249	\$ 641,742	\$ 626,013	\$ 15,729
Purchased Professional Services	5,000	351	5,351	2,250	3,101
Misc. Purchased Services	9,448	3,259	12,707	10,685	2,022
Supplies and Materials	5,250	(644)	4,606	2,363	2,243
Interest on Lease Purchase Agreements		49,848	49,848	39,598	10,250
Miscellaneous Expenditures	18,100	715	18,815	18,009	806
<b>Total Central Services</b>	<b>676,291</b>	<b>56,778</b>	<b>733,069</b>	<b>698,918</b>	<b>34,151</b>
Admin. Info. Technology					
Salaries	207,578	2,726	210,304	201,153	9,151
Supplies and Materials	1,500	1,311	2,811	1,650	1,161
Other Objects	500	(64)	436	112	324
<b>Total Admin. Info. Technology</b>	<b>209,578</b>	<b>3,973</b>	<b>213,551</b>	<b>202,915</b>	<b>10,636</b>
Required Maintenance for School Facilities					
Salaries	410,990	23,286	434,276	426,859	7,417
Cleaning, Repair and Maintenance	153,330	36,772	190,102	186,053	4,049
General Supplies	59,051	78,962	138,013	130,927	7,086
<b>Total Required Maintenance for School Facilities</b>	<b>623,371</b>	<b>139,020</b>	<b>762,391</b>	<b>743,839</b>	<b>18,552</b>
Custodial Services					
Salaries	2,220,154	(100,998)	2,119,156	1,908,723	210,433
Cleaning, Repair and Maintenance	40,000	(3,536)	36,464	36,464	-
Other Purchased Property Services	318,098	13,605	331,703	326,331	5,372
Insurance	335,000	(39,202)	295,798	293,781	2,017
General Supplies	161,473	28,974	190,447	180,538	9,909
Energy (Electricity)	680,000	136,361	816,361	463,424	352,937
Energy (Natural Gas)	585,000	(138,444)	446,556	216,482	230,074
Energy (Oil)	-	16,000	16,000	13,981	2,019
<b>Total Custodial Services</b>	<b>4,339,725</b>	<b>(87,240)</b>	<b>4,252,485</b>	<b>3,439,724</b>	<b>812,761</b>
Care & Upkeep of Grounds					
Salaries	251,404	(16,240)	235,164	231,197	3,967
Cleaning, Repair and Maintenance		-			
General Supplies	-	2,308	2,308	2,228	80
<b>Total Care &amp; Upkeep of Grounds</b>	<b>251,404</b>	<b>(13,932)</b>	<b>237,472</b>	<b>233,425</b>	<b>4,047</b>
Student Transportation Services					
Salaries of Non-Instructional Aides		26,421	26,421	24,334	2,087
Cleaning, Repair and Maintenance Services	18,036	(781)	17,255	16,314	941
Contracted Services (Between Home and School) - Vendors	100,000	-	100,000	91,729	8,271
Contracted Services (Other Than Between Home and School) - Vendors	39,600	17,516	57,116	34,177	22,939
Contracted Services (Special Ed. Students) - Joint Agreements	1,022,117	(117,775)	904,342	823,070	81,272
Contracted Services - (Regular Students) - ESCs and CTSA	23,585	-	23,585	18,466	5,119
Contracted Services - Aid In Lieu of Payments - Non-Public Schools	92,820	(10,923)	81,897	80,855	1,042
Transportation Supplies	20,000	56	20,056	56	20,000
<b>Total Student Transportation Services</b>	<b>1,316,158</b>	<b>(85,486)</b>	<b>1,230,672</b>	<b>1,089,001</b>	<b>121,671</b>
Unallocated Benefits- Employee Benefits					
Social Security Contributions	810,000	-	810,000	697,213	112,787
Other Retirement Contributions - PERS	770,000	(53,202)	716,798	716,798	-
Other Retirement Contributions - Regular	500	-	500	-	500
Other Retirement Contributions - DCRP		9,840	9,840	7,522	2,318
Unemployment Compensation	259,074	-	259,074	259,074	-
Workmens Compensation	288,800	-	288,800	217,221	71,579

**TENAFLY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

EXHIBIT C-1

	Original Budget	Adjustments Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES</b>					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Unallocated Benefits- Employee Benefits (Continued)					
Health Benefits	\$ 6,929,572	\$ (300,908)	\$ 6,628,664	\$ 6,385,343	\$ 243,321
Tuition Reimbursement	34,360	-	34,360	29,904	4,456
Other Employee Benefits	220,000	122,665	342,665	331,852	10,813
<b>Total Unallocated Benefits</b>	<b>9,312,306</b>	<b>(221,605)</b>	<b>9,090,701</b>	<b>8,644,927</b>	<b>445,774</b>
TPAF Pension Contribution - Normal Costs and Accrued Liability (Non-Budget)				804,984	(804,984)
TPAF Pension Contribution - NCGI (Non-Budgeted)				86,386	(86,386)
TPAF Pension Contribution - Post Retirement (Non-Budgeted)				1,791,888	(1,791,888)
TPAF Social Security Reimbursements (Non-Budgeted)	-	-	-	1,974,067	(1,974,067)
<b>Total On-Behalf TPAF Contributions and Reimbursements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,657,325</b>	<b>(4,657,325)</b>
<b>Total Undistributed Expenditures</b>	<b>31,800,875</b>	<b>528,538</b>	<b>32,329,413</b>	<b>34,414,231</b>	<b>(2,104,818)</b>
<b>Total Current Expenditures</b>	<b>58,058,590</b>	<b>813,481</b>	<b>58,872,071</b>	<b>60,144,355</b>	<b>(1,292,284)</b>
<b>CAPITAL OUTLAY</b>					
Interest Deposit to Capital Reserve	4,000		4,000		4,000
<b>Equipment</b>					
Instruction		39,670	39,670	32,574	7,096
Grades 1-5		14,158	14,158	14,157	1
Grades 6-8		82,154	82,154	82,154	
Grades 9-12		4,618	4,618	4,618	
Autism					
<b>Undistributed Expenditures</b>					
Instruction		3,514	3,514		3,514
Supp. Serv. - Related & Extra.		4,030	4,030	4,030	-
Central Services		282,464	282,464	274,240	8,224
Required Maintenance for School Facilities	-	28,111	28,111	27,789	322
<b>Total Equipment</b>	<b>4,000</b>	<b>458,719</b>	<b>462,719</b>	<b>439,562</b>	<b>23,157</b>
<b>Facilities Acquisition and Construction Services</b>					
Legal Services		13,199	13,199	5,477	7,722
Architectural/Engineering Services		98,000	98,000	68,774	29,226
Construction Services		696,700	696,700	148,960	547,740
Infrastructure		97,800	97,800	97,800	-
Other Objects-Debt Service Assessment	29,206	-	29,206	29,206	-
<b>Total Facilities Acquisition and Construction Services</b>	<b>29,206</b>	<b>905,699</b>	<b>934,905</b>	<b>350,217</b>	<b>584,688</b>
<b>Total Capital Outlay</b>	<b>33,206</b>	<b>1,364,418</b>	<b>1,397,624</b>	<b>789,779</b>	<b>607,845</b>
<b>SPECIAL SCHOOLS</b>					
Summer School - Instruction					
Salaries of Teachers	125,000	(13,199)	111,801	99,621	12,180
Other Purchased Services		131	131	131	-
General Supplies		7,408	7,408	7,145	263
Other Objects	-	5,660	5,660	5,470	190
<b>Total Summer School</b>	<b>125,000</b>	<b>-</b>	<b>125,000</b>	<b>112,367</b>	<b>12,633</b>
<b>Total Special Schools</b>	<b>125,000</b>	<b>-</b>	<b>125,000</b>	<b>112,367</b>	<b>12,633</b>
<b>Total General Fund Expenditures</b>	<b>58,216,796</b>	<b>2,177,899</b>	<b>60,394,695</b>	<b>61,046,501</b>	<b>(651,806)</b>

**TENAFLY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Adjustments Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	\$ (1,596,577)	\$ (1,612,824)	\$ (3,209,401)	\$ 1,671,618	\$ (4,881,019)
Fund Balance, Beginning of Year	<u>5,731,834</u>	<u>-</u>	<u>5,731,834</u>	<u>5,731,834</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 4,135,257</u>	<u>\$ (1,612,824)</u>	<u>\$ 2,522,433</u>	<u>\$ 7,403,452</u>	<u>\$ (4,881,019)</u>

**Recapitulation of Fund Balance**

Restricted Fund Balance	
Capital Reserve	\$ 698,158
Maintenance Reserve	300,000
Excess Surplus	2,175,455
Excess Surplus Designated for Subsequent Year's Expenditures	1,601,564
Committed Fund Balance	
Year End Encumbrances	558,440
Assigned Fund Balance	
Year End Encumbrances	322,225
Unassigned Fund Balance	<u>1,747,610</u>
Fund Balance - Budgetary Basis	7,403,452

**Reconciliation to Governmental Fund Statements (GAAP)**

2011/2012 Extraordinary Aid Not Recognized on a GAAP Basis	(1,094,438)
2011/2012 State Aid Payments Not Recognized on a GAAP Basis	<u>(76,082)</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 6,232,932</u>

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

	<u>Original Budget</u>	<u>Adjustments Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>REVENUES</b>					
Federal Sources					
Education Jobs	\$ 64,404	\$ 2,018	\$ 66,422	\$ 66,422	\$ -
Total Revenues	<u>64,404</u>	<u>2,018</u>	<u>66,422</u>	<u>66,422</u>	<u>-</u>
<b>EXPENDITURES</b>					
<b>CURRENT</b>					
Instruction - Regular Programs					
Salaries of Teachers					
Grades 9-12	64,404	2,018	66,422	66,422	-
Total Instruction - Regular Programs	<u>64,404</u>	<u>2,018</u>	<u>66,422</u>	<u>66,422</u>	<u>-</u>
Total Expenditures	<u>64,404</u>	<u>2,018</u>	<u>66,422</u>	<u>66,422</u>	<u>-</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TENAFLY BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**EXHIBIT C-2**

	Original Budget	Adjustments Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES</b>					
State Sources	\$ 139,806	\$ 80,691	\$ 220,497	\$ 181,302	\$ (39,195)
Federal Sources	770,831	108,695	879,526	863,951	(15,575)
Local Sources	-	166,242	166,242	64,167	(102,075)
<b>Total Revenues</b>	<u>910,637</u>	<u>355,628</u>	<u>1,266,265</u>	<u>1,109,420</u>	<u>(156,845)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers	770,831	(765,217)	5,614	5,598	16
Purchased Prof. and Tech. Svcs.		8,015	8,015	116	7,899
Other Purchased Services		3,221	3,221	3,100	121
Supplies and Materials		168,733	168,733	125,453	43,280
Textbooks	10,573	25,034	35,607	31,080	4,527
<b>Total Instruction</b>	<u>781,404</u>	<u>(560,214)</u>	<u>221,190</u>	<u>165,347</u>	<u>55,843</u>
Support Services					
Purchased Professional and Tech. Svc.		692,105	692,105	690,305	1,800
Purchased Prof./Educ. Svcs.	129,233	84,722	213,955	174,865	39,090
Other Purchased Services		16,847	16,847	4,957	11,890
Supplies and Materials	-	91,751	91,751	59,811	31,940
<b>Total Support Services</b>	<u>129,233</u>	<u>885,425</u>	<u>1,014,658</u>	<u>929,938</u>	<u>84,720</u>
Facilities Acquisition and Construction					
Equipment	-	30,417	30,417	14,135	16,282
<b>Total Facilities Acquisition and Construction</b>	<u>-</u>	<u>30,417</u>	<u>30,417</u>	<u>14,135</u>	<u>16,282</u>
<b>Total Expenditures</b>	<u>910,637</u>	<u>355,628</u>	<u>1,266,265</u>	<u>1,109,420</u>	<u>156,845</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TENAFLY BOARD OF EDUCATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

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

	<u>General Fund</u>		<u>Special Revenue Fund</u>
<b>Sources/Inflows of Resources</b>			
Actual amounts (budgetary basis) revenue from the budgetary comparison schedule	(C-1) \$ 62,718,119	(C-2)	\$ 1,109,420
Extraordinary aid payment not recognized for budgetary purposes recognized for GAAP statements. (2010/2011)	1,338,581		
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements. (2011/2012)	(76,082)		
Extraordinary aid payment recognized for budgetary purposes not recognized for GAAP statements. (2011/2012)	<u>(1,094,438)</u>		<u>-</u>
Total Revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>62,886,180</u>		\$ <u>1,109,420</u>
<b>Uses/Outflows of Resources</b>			
Actual amounts (budgetary basis) total outflows from the budgetary comparison schedule	(C-1) \$ <u>61,046,501</u>	(C-2)	\$ <u>1,109,420</u>
Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>61,046,501</u>	(B-2)	\$ <u>1,109,420</u>

**SCHOOL LEVEL SCHEDULES**

**NOT APPLICABLE**

**SPECIAL REVENUE FUND**

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

	IDEA Pre- School	IDEA Part B- Basic	ARRA IDEA Pre- School	ARRA IDEA Basic	Title II Part A	Title III	Title III Immigrant	Subtotal Page 2	Total
<b>REVENUES</b>									
Intergovernmental									
State	\$ 37,710	\$ 698,397	\$ 1,420	\$ 24,322	\$ 55,558	\$ 45,544	\$ 1,000	\$ 181,302	\$ 181,302
Federal									\$ 863,951
Local								\$ 64,167	\$ 64,167
Total Revenues	\$ 37,710	\$ 698,397	\$ 1,420	\$ 24,322	\$ 55,558	\$ 45,544	\$ 1,000	\$ 245,469	\$ 1,109,420
<b>EXPENDITURES</b>									
Instruction									
Salaries of Teachers					\$ 116			\$ 5,598	\$ 5,598
Purchased Prof. & Tech. Svcs.									116
Other Purchased Services		\$ 26,052	\$ 1,420	\$ 24,322	\$ 46,528	\$ 9,230	\$ 1,000	3,100	3,100
Supplies and Materials						10,215		16,901	125,453
Textbooks								20,865	31,080
Total Instruction		\$ 26,052	\$ 1,420	\$ 24,322	\$ 46,528	\$ 19,561	\$ 1,000	\$ 46,464	\$ 165,347
Support Services									
Purchased Prof. & Tech. Svcs.	\$ 28,282	\$ 646,040				\$ 15,983			\$ 690,305
Purchased Prof. & Educ. Svcs.	9,428				5,000			160,437	174,865
Other Purchased Services		1,305			4,030			3,652	4,957
Supplies and Materials		25,000						30,781	59,811
Total Support Services	\$ 37,710	\$ 672,345			\$ 9,030	\$ 15,983		\$ 194,870	\$ 929,938
Facilities Acquisition and Construction Equipment									
Total Facilities Acquisition						\$ 10,000		\$ 4,135	\$ 14,135
Total Expenditures	\$ 37,710	\$ 698,397	\$ 1,420	\$ 24,322	\$ 55,558	\$ 45,544	\$ 1,000	\$ 245,469	\$ 1,109,420

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

	Comp. Education	English Second Lang.	Supp. Instruction	Non Public Aid			Textbooks	Nursing	Other Local Grants	Subtotal Page 2
				Exam. and Class.	Speech	Corrective				
REVENUES										
Intergovernmental										
State	\$ 61,709	\$ 5,344	\$ 9,331	\$ 20,926	\$ 33,174	\$ 20,865	\$ 29,953	\$ 64,167	\$ 181,302	
Federal	-	-	-	-	-	-	-	-	-	
Local	-	-	-	-	-	-	-	-	-	
Total Revenues	\$ 61,709	\$ 5,344	\$ 9,331	\$ 20,926	\$ 33,174	\$ 20,865	\$ 29,953	\$ 64,167	\$ 245,469	
EXPENDITURES										
Instruction										
Salaries of Teachers										
Purchased Prof. & Tech. Svcs.										
Other Purchased Services										
Supplies and Materials						\$ 20,865	-			
Textbooks						20,865	-			
Total Instruction						20,865	-			46,464
Support Services										
Other Salaries										
Purchased Prof. & Tech. Svcs.										
Other Purchased Services										
Supplies and Materials										
Total Support Services	\$ 61,709	\$ 5,344	\$ 9,331	\$ 20,926	\$ 33,174	-	\$ 29,953	\$ 34,433	\$ 194,870	
Facilities Acquisition and Construction Equipment										
Total Facilities Acquisition										4,135
Total Expenditures	\$ 61,709	\$ 5,344	\$ 9,331	\$ 20,926	\$ 33,174	\$ 20,865	\$ 29,953	\$ 64,167	\$ 245,469	

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

NOT APPLICABLE

**CAPITAL PROJECTS FUND**

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

<u>Project Description</u>	<u>Appropriation</u>	<u>Expenditures to Date</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Transfer to Reserve for Debt Service</u>	<u>Balance June 30, 2012</u>
Construct additions and alterations to the High School to provide additional educational space and core facilities, reconfigure/upgrade the facility and undertake site improvements; Construct additions and alterations to the Middle School to provide additional educational space and a new gym, reconfigure/upgrade the facility and undertake site improvements	\$ 33,400,000	\$ 33,335,131	\$ -	\$ 48,507	\$ 16,362	\$ 16,362
	<u>\$ 33,400,000</u>	<u>\$ 33,335,131</u>	<u>\$ -</u>	<u>\$ 48,507</u>	<u>\$ 16,362</u>	<u>\$ 16,362</u>
Project Balances, June 30, 2012						\$ 16,362
Add: Reserve for Debt Service						945
Fund Balance, June 30, 2012						<u>\$ 17,307</u>
<b><u>Recapitulation of Fund Balance:</u></b>						
Restricted for Capital Projects:						
Available for Capital Projects						\$ 16,362
Restricted for Debt Service:						
Available for Future Debt Service Expenditure						945
Total Fund Balance						<u>\$ 17,307</u>

**EXHIBIT F-2**

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

Fund Balance, Beginning of Year	\$ <u>17,307</u>
Fund Balance, End of Year	\$ <u>17,307</u>

**TENAFLY BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS  
ADDITIONS AND ALTERATIONS TO TENAFLY HIGH SCHOOL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Bond Proceeds and Transfers	\$ 17,339,813	\$ -	\$ 17,339,813	\$ 17,339,813
Total Revenues	<u>17,339,813</u>	<u>-</u>	<u>17,339,813</u>	<u>17,339,813</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Salaries	127,577		127,577	127,577
Purchased Professional and Technical Services	1,574,106		1,574,106	1,574,106
Construction Services	14,283,904		14,283,904	14,283,904
Supplies and Materials	713,504		713,504	770,764
Other	583,462		583,462	583,462
Transfer to Reserve for Debt Service	48,507	-	48,507	-
Total Expenditures and Other Financing Sources	<u>17,331,060</u>	<u>-</u>	<u>17,331,060</u>	<u>17,339,813</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ 8,753</u>	<u>\$ -</u>	<u>\$ 8,753</u>	<u>\$ -</u>

## Additional Project Information:

Project Number	SP# 5160-050-05-1000
Bond Authorization Date	12/15/2005
Bonds Authorized	14,504,300
Bonds Issued	14,504,300
Original Authorized Cost	14,504,300
Additional Authorized Cost	2,835,513
Revised Authorized Cost	17,339,813
Percentage Increase over Original Authorized Cost	20%
Percentage Completion	100%
Original Target Completion Date	May-08
Revised Target Completion Date	2010/11

**TENAFLY BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS  
BUDGETARY BASIS  
ADDITIONS AND ALTERATIONS TO TENAFLY MIDDLE SCHOOL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Bond Proceeds and Transfers	\$ 16,060,187	\$ -	\$ 16,060,187	\$ 16,060,187
Total Revenues	<u>16,060,187</u>	<u>-</u>	<u>16,060,187</u>	<u>16,060,187</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Salaries	56,220		56,220	56,220
Purchased Professional and Technical Services	1,505,654		1,505,654	1,505,654
Construction Services	13,792,690		13,792,690	13,792,690
Supplies and Materials	479,657		479,657	479,657
Other	218,357	-	218,357	225,966
Total Expenditures and Other Financing Sources	<u>16,052,578</u>	<u>-</u>	<u>16,052,578</u>	<u>16,060,187</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ 7,609</u>	<u>\$ -</u>	<u>\$ 7,609</u>	<u>\$ -</u>

Additional Project Information:

Project Number	SP# 5160-095-05-1000
Bond Authorization Date	12/15/2005
Bonds Authorized	11,384,813
Bonds Issued	11,384,700
Original Authorized Cost	11,384,813
Additional Authorized Cost	4,675,374
Revised Authorized Cost	16,060,187
Percentage Increase over Original Authorized Cost	41%
Percentage Completion	100%
Original Target Completion Date	May-08
Revised Target Completion Date	2010/11

**ENTERPRISE FUNDS**

**EXHIBIT G-1**

**TENAFLY BOARD OF EDUCATION  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**EXHIBIT G-2**

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

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**EXHIBIT G-3**

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

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

**FIDUCIARY FUNDS**

**TENAFLY BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF AGENCY NET ASSETS  
AS OF JUNE 30, 2012**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 235,441	\$ 50,148	\$ 285,589
Total Assets	<u>\$ 235,441</u>	<u>\$ 50,148</u>	<u>\$ 285,589</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 9,293		\$ 9,293
Payroll Deductions and Withholdings		\$ 17,806	17,806
Due to Student Groups	226,148		226,148
Due to Other Funds	-	14,735	14,735
Flexible Spending (Sect. 125) Plan	<u>-</u>	<u>17,607</u>	<u>17,607</u>
Total Liabilities	<u>\$ 235,441</u>	<u>\$ 50,148</u>	<u>\$ 285,589</u>

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

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

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

<u>School</u>	<u>Balance July 1, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2012</u>
ELEMENTARY SCHOOLS	\$ 55,017	\$ 4,859	\$ 9,055	\$ 50,821
MIDDLE SCHOOL	23,751	241,962	232,696	33,017
HIGH SCHOOL				
Class Accounts	28,804	103,630	87,211	45,223
Student Organization Accounts	125,475	327,190	348,337	104,328
Athletic Account	1,713	64,814	64,475	2,052
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 234,760</u>	<u>\$ 742,455</u>	<u>\$ 741,774</u>	<u>\$ 235,441</u>

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

	<u>Balance, July 1, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2012</u>
Due to Other Funds	\$ 13,984	\$ 49,059	\$ 48,308	\$ 14,735
Payroll Deductions and Withholdings	239,761	15,628,194	15,850,149	17,806
Flexible Spending (Sect. 125) Plan		39,396	21,789	17,607
Accrued Salaries and Wages	-	22,838,083	22,838,083	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>\$ 253,745</u>	<u>\$ 38,554,732</u>	<u>\$ 38,758,329</u>	<u>\$ 50,148</u>

**LONG-TERM DEBT**

TENAFLY BOARD OF EDUCATION  
 SCHEDULE OF SERIAL BONDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Annual Maturities Amount	Interest Rate	Balance	
						July 1, 2011	June 30, 2012
Various Improvements	4/1/2001	\$ 13,475,000				\$ 195,000	\$ 195,000
Refunding School Bonds	4/1/2006	10,000,000	4/1/2013	\$ 605,000	3.600		
			4/1/2014	630,000	3.700		
			4/1/2015	655,000	3.750		
			4/1/2016	685,000	3.800		
			4/1/2017	715,000	4.000		
			4/1/2018	710,000	4.000		
			4/1/2019	705,000	4.000		
			4/1/2020	700,000	4.000		
			4/1/2021	695,000	4.100		
			4/1/2022	690,000	4.000		
		4/1/2023	685,000	4.125			
		4/1/2024	680,000	4.125			
		4/1/2025	670,000	4.200			
		4/1/2026	665,000	4.250			
						\$ 9,880,000	\$ 9,490,000
School Bonds	12/15/2005	\$ 25,889,000	7/15/2012	535,000	4.375		
			7/15/2013	560,000	4.375		
			7/15/2014	580,000	4.375		
			7/15/2015	610,000	4.375		
			7/15/2016	635,000	4.375		
			7/15/2017	705,000	4.375		
			7/15/2018	775,000	4.375		
			7/15/2019	845,000	4.375		
			7/15/2020	925,000	4.375		
			7/15/2021	1,000,000	4.500		
			7/15/2022	1,075,000	4.500		
			7/15/2023	1,170,000	4.500		
			7/15/2024	1,265,000	4.500		
			7/15/2025	1,355,000	4.500		
			7/15/2026	2,130,000	4.500		
		7/15/2027	2,210,000	4.500			
		7/15/2028	2,285,000	4.500			
		7/15/2029	2,400,000	4.500			
		7/15/2030	2,489,000	4.500			
						\$ 24,059,000	\$ 23,549,000

TENAFLY BOARD OF EDUCATION  
 SCHEDULE OF SERIAL BONDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2011</u>	<u>Retired</u>	<u>Balance, June 30, 2012</u>
School Bonds	5/23/2007	\$ 7,511,000	4/1/2013	\$ 160,000	4.125			
			4/1/2014	170,000	4.125			
			4/1/2015-17	175,000	4.125			
			4/1/2018	185,000	4.125			
			4/1/2019	200,000	4.125			
			4/1/2020	220,000	4.125			
			4/1/2021	225,000	4.125			
			4/1/2022	250,000	4.125			
			4/1/2023	270,000	4.125			
			4/1/2024	285,000	4.125			
			4/1/2025	305,000	4.125			
			4/1/2026	330,000	4.125			
			4/1/2027	540,000	4.125			
			4/1/2028	580,000	4.125			
			4/1/2029	630,000	4.125			
			4/1/2030	650,000	4.125			
			4/1/2031	696,000	4.125			
						\$ 6,376,000	\$ 155,000	\$ 6,221,000
						\$ 40,510,000	\$ 1,250,000	\$ 39,260,000

EXHIBIT I-2

TENAFLY BOARD OF EDUCATION  
 SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES/LEASE PURCHASE AGREEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Issue	Balance, July 1, 2011	Retired	Balance, June 30, 2012
Computers	\$ 113,188	\$ 4,173	\$ 4,173	
Computers	309,728	86,227	86,227	-
Virtual Infrastructure	412,407	271,503	271,503	-
Computers	692,152	692,152	692,152	-
		\$ 1,054,055	\$ 1,054,055	\$ -

**TENAFLY BOARD OF EDUCATION  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Local Sources					
Local Property Tax Levy	\$ 2,595,879		\$ 2,595,879	\$ 2,595,879	
State Source					
State Aid - Type II	380,593		380,593	380,593	
Total Revenues	<u>2,976,472</u>	<u>-</u>	<u>2,976,472</u>	<u>2,976,472</u>	<u>-</u>
<b>EXPENDITURES</b>					
Regular Debt Service					
Redemption of Principal	1,250,000		1,250,000	1,250,000	
Interest	<u>1,726,514</u>		<u>1,726,514</u>	<u>1,726,514</u>	<u>-</u>
Total Expenditures	<u>2,976,514</u>	<u>-</u>	<u>2,976,514</u>	<u>2,976,514</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(42)	-	(42)	(42)	-
Fund Balance, Beginning of Year	<u>56</u>	<u>-</u>	<u>56</u>	<u>56</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 14</u>	<u>\$ -</u>

**Recapitulation of Fund Balance:**

Restricted for Debt Service:	
Designated for Subsequent Year's Expenditures	\$ <u>14</u>
Total Fund Balance -	
Restricted for Debt Service	<u>\$ 14</u>

## STATISTICAL SECTION

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

### Contents

### Exhibits

#### **Financial Trends**

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

J-1 to J-5

#### **Revenue Capacity**

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

J-6 to J-9

#### **Debt Capacity**

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

J-10 to J-13

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

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

J-14 and J-15

#### **Operating Information**

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

J-16 to J-20

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

TENAFLY BOARD OF EDUCATION  
NET ASSETS BY COMPONENT  
LAST TEN FISCAL YEARS  
(Unaudited)  
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities</b>										
Invested in Capital Assets, Net of Related Debt	\$ 5,466,581	\$ 6,108,636	\$ 4,973,703	\$ 4,309,003	\$ 4,673,313	\$ 3,473,397	\$ 1,957,267	\$ 2,467,267	\$ 3,649,361	\$ 4,552,222
Restricted	897,415	14,531	5,172	977,888	1,765,430	1,579,923	650,952	473,846	506,843	999,117
Unrestricted	433,666	622,845	(791,632)	(1,303,667)	(982,083)	(981,052)	(1,368,863)	(820,236)	173,688	2,761,743
<b>Total Governmental Activities Net Assets</b>	<b>\$ 6,797,662</b>	<b>\$ 6,746,012</b>	<b>\$ 4,187,243</b>	<b>\$ 3,983,224</b>	<b>\$ 5,456,660</b>	<b>\$ 4,072,268</b>	<b>\$ 1,239,336</b>	<b>\$ 2,120,877</b>	<b>\$ 4,329,892</b>	<b>\$ 8,313,082</b>
<b>Business-Type Activities</b>										
Invested in Capital Assets	\$ 15,736	\$ 13,801	\$ 11,866	\$ 17,253	\$ 16,804	\$ 21,702	\$ 18,919	\$ 41,370	\$ 38,992	\$ 37,095
Restricted	419,852	491,815	575,264	675,860	683,777	662,915	606,486	523,671	452,784	467,329
Unrestricted										
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 435,588</b>	<b>\$ 505,616</b>	<b>\$ 587,130</b>	<b>\$ 693,113</b>	<b>\$ 700,581</b>	<b>\$ 684,617</b>	<b>\$ 625,405</b>	<b>\$ 565,041</b>	<b>\$ 491,776</b>	<b>\$ 504,422</b>
<b>District-Wide</b>										
Invested in Capital Assets, Net of Related Debt	\$ 5,482,317	\$ 6,122,437	\$ 4,985,569	\$ 4,326,256	\$ 4,690,117	\$ 3,495,099	\$ 1,976,186	\$ 2,508,637	\$ 3,688,353	\$ 4,589,315
Restricted	897,415	14,531	5,172	977,888	1,765,430	1,579,923	650,952	473,846	506,843	999,117
Unrestricted	853,518	1,114,660	(216,368)	(627,807)	(298,306)	(318,137)	(762,397)	(296,565)	626,472	3,229,072
<b>Total District Net Assets</b>	<b>\$ 7,233,250</b>	<b>\$ 7,251,628</b>	<b>\$ 4,774,373</b>	<b>\$ 4,676,337</b>	<b>\$ 6,157,241</b>	<b>\$ 4,756,885</b>	<b>\$ 1,864,741</b>	<b>\$ 2,685,918</b>	<b>\$ 4,821,668</b>	<b>\$ 8,817,504</b>

TENAELY BOARD OF EDUCATION  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS  
(Unaudited)  
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental Activities										
Instruction										
Regular	\$ 19,150,772	\$ 21,485,743	\$ 23,321,430	\$ 24,230,631	\$ 25,708,415	\$ 27,491,886	\$ 28,660,085	\$ 27,985,048	\$ 27,929,141	\$ 28,054,634
Special Education	4,612,981	4,672,086	5,253,658	5,796,330	6,406,452	7,525,110	7,686,017	8,327,025	8,861,354	8,822,083
Other Instruction	1,284,686	1,427,157	1,541,302	1,443,386	1,638,772	2,429,615	2,419,401	2,127,521	1,997,649	1,942,642
School Sponsored Activities And Athletics	971,268	1,044,970	888,986	1,018,520	1,098,256	1,234,536	1,353,729	1,241,373	1,209,328	1,252,990
Other Instructional Programs										8,694
Community Services		282,052								
Support Services:										
Student & Instruction Related Services	4,597,676	5,118,824	5,468,907	5,710,470	6,728,297	7,538,838	7,159,453	8,400,229	7,355,685	7,594,498
School Administrative Services	2,426,190	2,670,272	3,193,033	3,441,519	3,695,775	4,012,001	4,789,042	4,377,208	4,377,208	4,631,725
General Administration	1,053,881	1,070,615	879,132	982,950	1,120,187	1,316,671	3,970,308	656,614	1,206,499	1,082,148
Plant Operations And Maintenance	4,373,591	4,619,665	4,985,952	5,095,141	5,119,180	5,786,103	5,707,258	5,344,993	5,544,993	5,507,613
Pupil Transportation	714,165	730,811	851,362	961,157	1,178,135	1,224,650	1,278,214	1,108,733	1,013,923	1,112,729
Other Support Services	469,732	540,561	828,442	879,851	904,991	1,121,060	1,057,151	1,142,588	1,178,922	1,326,849
Special Schools	568,801									
Interest On Long-Term Debt	641,838	625,939	609,289	1,195,634	1,755,440	1,960,434	1,891,099	1,835,994	1,782,896	1,768,513
Total Governmental Activities Expenses	40,865,581	44,288,695	47,875,525	50,755,789	55,333,900	61,640,524	62,497,941	63,321,425	62,257,598	63,065,088
Business-Type Activities:										
Food Service	507,075	524,207	567,418	618,642	673,455	675,996	670,317	627,700	683,234	680,768
Child Care	140,637	147,992	146,857	153,433	247,998	234,054	274,826	293,629	306,305	309,747
Total Business-Type Activities Expense	647,712	672,199	714,275	772,075	921,453	930,050	945,343	921,329	989,539	990,515
Total District Expenses	\$ 41,513,293	\$ 44,960,894	\$ 48,589,800	\$ 51,527,864	\$ 56,255,353	\$ 62,570,574	\$ 63,443,284	\$ 64,242,754	\$ 63,247,137	\$ 64,055,603
<b>Program Revenues</b>										
Governmental Activities:										
Charges For Services:										
Instruction (Tuition)	\$ 701,873	\$ 1,196,852	\$ 1,272,264	\$ 1,086,841	\$ 1,057,457	\$ 913,682	\$ 891,423	\$ 790,786	\$ 992,304	\$ 1,043,013
School Sponsored Activities and Athletics	500,588								133,692	123,831
Special Schools		225,505								
Community Services	4,887,065	5,401,949	5,782,268	6,191,170	8,469,149	8,725,875	6,846,041	8,713,095	6,550,845	8,247,559
Operating Grants And Contributions	1,069,398	435,016	7,040			654,111	626,022	483,430	439,158	456,199
Total Governmental Activities Program Revenues	7,158,924	7,259,322	7,083,906	7,278,011	9,526,606	10,273,668	8,363,486	9,989,311	8,116,599	9,871,202
Business-Type Activities:										
Charges For Services:										
Food Service	483,759	489,389	532,506	563,725	596,556	617,699	596,397	568,396	587,234	605,928
Child Care	188,486	207,983	207,983	240,369	258,169	228,360	230,584	225,680	253,355	319,359
Operating Grants And Contributions	40,109	43,752	52,770	69,044	66,660	62,935	67,341	65,618	74,512	77,381
Total Business Type Activities Program Revenues	712,354	741,124	793,078	873,138	921,385	908,994	884,322	859,694	915,101	1,002,668
Total District Program Revenues	\$ 7,871,278	\$ 8,000,446	\$ 7,876,984	\$ 8,151,149	\$ 10,447,991	\$ 11,182,662	\$ 9,247,808	\$ 10,849,005	\$ 9,031,700	\$ 10,873,870
Net (Expense)/Revenue	\$ (33,706,657)	\$ (37,029,373)	\$ (40,791,619)	\$ (43,477,778)	\$ (45,807,294)	\$ (51,367,256)	\$ (54,134,455)	\$ (53,332,114)	\$ (54,140,599)	\$ (53,193,886)
Governmental Activities	64,642	68,925	78,803	101,063	(68)	(21,059)	(61,021)	(61,633)	(74,638)	12,153
Business-Type Activities										
Total District-Wide Net Expense	\$ (33,642,015)	\$ (36,960,448)	\$ (40,712,816)	\$ (43,376,715)	\$ (45,807,362)	\$ (51,388,312)	\$ (54,195,476)	\$ (53,393,749)	\$ (54,216,437)	\$ (53,181,733)

TENAFLY BOARD OF EDUCATION  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS  
(Unaudited)  
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2005	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental Activities:										
Property Taxes	\$ 33,819,649	\$ 36,501,551	\$ 38,464,620	\$ 41,765,698	\$ 44,941,361	\$ 48,769,527	\$ 51,886,885	\$ 53,782,022	\$ 56,046,259	\$ 56,805,637
Unrestricted Grants And Contributions	82,828	53,923	132,314	351,883	447,003	513,891	12,186	53,640	63,125	39,467
Investment Earnings	309,074	422,249	76,936	800,187	1,311,504	644,804	68,656	377,993	238,630	331,972
Miscellaneous Income	-	-	(441,020)	355,989	380,936	167,984	385,266	-	-	-
Loss on Disposal of Capital Assets	-	-	-	-	(73)	(27,600)	-	-	-	-
<b>Total Governmental Activities</b>	<b>\$ 34,211,551</b>	<b>\$ 36,977,723</b>	<b>\$ 38,232,850</b>	<b>\$ 43,273,757</b>	<b>\$ 47,280,729</b>	<b>\$ 50,068,606</b>	<b>\$ 52,352,992</b>	<b>\$ 54,213,655</b>	<b>\$ 56,350,014</b>	<b>\$ 57,177,076</b>
Business-Type Activities:										
Investment Earnings	1,456	1,103	2,711	4,920	7,536	5,092	1,809	1,271	1,173	493
<b>Total Business-Type Activities</b>	<b>1,456</b>	<b>1,103</b>	<b>2,711</b>	<b>4,920</b>	<b>7,536</b>	<b>5,092</b>	<b>1,809</b>	<b>1,271</b>	<b>1,173</b>	<b>493</b>
<b>Total District-Wide</b>	<b>\$ 34,213,007</b>	<b>\$ 36,978,826</b>	<b>\$ 38,235,561</b>	<b>\$ 43,278,677</b>	<b>\$ 47,288,265</b>	<b>\$ 50,073,698</b>	<b>\$ 52,354,802</b>	<b>\$ 54,214,926</b>	<b>\$ 56,351,187</b>	<b>\$ 57,177,569</b>
<b>Change in Net Assets</b>										
Governmental Activities	\$ 504,894	\$ (51,650)	\$ (2,588,769)	\$ (204,021)	\$ 1,473,435	\$ (1,298,650)	\$ (1,781,462)	\$ 881,541	\$ 2,209,015	\$ 3,983,190
Business-Type Activities	66,098	70,028	81,514	105,983	7,468	(15,964)	(59,212)	(60,364)	(73,265)	12,646
<b>Total District</b>	<b>\$ 570,992</b>	<b>\$ 18,378</b>	<b>\$ (2,477,255)</b>	<b>\$ (98,038)</b>	<b>\$ 1,480,903</b>	<b>\$ (1,314,614)</b>	<b>\$ (1,840,674)</b>	<b>\$ 821,177</b>	<b>\$ 2,135,750</b>	<b>\$ 3,995,836</b>

TENAFLY BOARD OF EDUCATION  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (Unaudited)  
 (modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 53,460	\$ 210,166	\$ 461,550	\$ 794,542	\$ 933,143	\$ 829,818	\$ 1,857,682	\$ 1,782,685		
Unreserved	1,691,839	2,374,969	1,168,917	819,257	876,111	1,396,483	191,294	477,859	\$ 2,333,856	\$ 4,775,177
Restricted									38,500	558,440
Committed									1,413,210	322,225
Assigned									607,687	577,090
Unassigned										
Total General Fund	\$ 1,745,299	\$ 2,585,135	\$ 1,630,467	\$ 1,613,799	\$ 1,809,254	\$ 2,226,301	\$ 2,048,976	\$ 2,260,544	\$ 4,393,253	\$ 6,232,932
All Other Governmental Funds										
Reserved	\$ 213,113	\$ 945	\$ 945	\$ 39,445	\$ 15,173,780	\$ 1,337,160	\$ 133,649	\$ 59,044		
Unreserved	659,872	240,578	21,668	24,604,168	5,547,532	2,600,666	532,175	102,326	\$ 17,363	\$ 17,321
Restricted										
Committed										
Assigned										
Unassigned										
Total All Other Governmental Funds	\$ 872,985	\$ 241,523	\$ 22,613	\$ 24,643,613	\$ 20,721,312	\$ 3,937,826	\$ 665,824	\$ 161,370	\$ 17,363	\$ 17,321

TENAFLY BOARD OF EDUCATION  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

(Unaudited)  
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Tax Levy	\$ 33,819,649	\$ 36,301,551	\$ 38,464,620	\$ 41,765,698	\$ 44,941,361	\$ 48,769,527	\$ 51,886,885	\$ 53,782,022	\$ 56,048,259	\$ 56,805,637
Tuition Charges	701,873	968,526	1,049,830	1,086,841	1,057,457	913,682	891,423	790,786	813,030	869,043
Interest Earnings	82,828	53,923	132,314	800,187	1,511,504	644,804	683,656	53,640	63,125	39,467
Miscellaneous	809,662	876,280	321,704	332,052	597,552	170,484	385,266	413,362	606,797	693,940
State Sources	5,473,126	5,569,006	5,379,383	5,858,153	7,692,010	8,723,375	6,537,468	7,756,610	5,789,462	7,633,612
Federal Sources	483,337	267,959	409,925	684,900	957,587	1,073,554	880,281	1,387,801	1,107,300	930,373
<b>Total Revenue</b>	<b>41,370,475</b>	<b>44,237,045</b>	<b>45,757,776</b>	<b>50,527,831</b>	<b>56,757,575</b>	<b>60,295,426</b>	<b>60,649,979</b>	<b>64,184,221</b>	<b>64,427,973</b>	<b>66,972,072</b>
<b>Expenditures</b>										
Instruction	18,427,050	20,354,151	22,046,760	23,799,805	25,233,946	26,980,634	28,155,908	27,395,217	27,383,273	27,374,992
Regular Instruction	4,610,505	4,672,908	5,239,062	5,749,832	6,334,917	7,477,117	7,629,306	8,263,320	8,777,305	8,725,095
Special Education Instruction	1,281,618	1,405,865	1,531,121	1,464,797	1,642,652	2,392,158	2,401,299	2,094,229	1,974,898	1,946,674
Other Instruction	946,009	1,062,722	890,526	1,004,647	1,076,497	1,234,556	1,353,729	1,241,373	1,209,328	1,232,990
School Sponsored Activities and Athletics										8,694
Other Instructional Programs										
Community Services	4,553,753	4,986,298	5,411,940	5,780,480	6,747,560	7,455,597	7,154,389	8,312,881	7,445,708	7,540,515
Student and Inst. Related Services	1,033,454	1,003,806	875,873	1,007,673	1,102,188	1,070,754	1,382,860	909,871	1,153,097	1,078,885
General Administration	2,451,057	2,573,398	3,057,002	3,334,978	3,724,210	3,903,317	3,994,773	4,792,361	4,294,492	4,877,185
School Administrative Services	4,388,985	4,494,459	4,904,036	5,086,626	5,049,810	5,797,431	5,628,015	5,604,865	5,322,895	5,478,121
Plant Operations And Maintenance	707,053	723,699	841,515	948,574	1,165,552	1,213,789	1,267,053	1,097,270	1,001,139	1,099,061
Pupil Transportation	463,273	470,076	792,217	889,190	932,586	1,140,257	1,060,363	1,114,440	1,156,870	1,294,966
Other Support Services	568,801	1,054,773	298,065	1,985,921	12,674,666	14,607,722	1,212,782	507,177	601,136	404,705
Special Schools	1,860,446	355,000	375,000	464,564	559,475	1,478,909	1,280,729	1,276,631	1,442,597	2,304,055
Capital Outlay	645,769	630,044	613,625	1,011,512	1,771,416	1,909,624	1,887,828	1,833,924	1,781,092	1,766,497
Debt Service										
Principal										
Interest and Other Charges										
<b>Total Expenditures</b>	<b>42,277,773</b>	<b>44,028,671</b>	<b>46,931,354</b>	<b>52,528,599</b>	<b>67,995,475</b>	<b>76,661,865</b>	<b>64,409,034</b>	<b>64,443,559</b>	<b>63,543,830</b>	<b>65,132,435</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(907,298)</b>	<b>208,374</b>	<b>(1,173,578)</b>	<b>(2,000,768)</b>	<b>(11,237,900)</b>	<b>(16,366,439)</b>	<b>(3,759,055)</b>	<b>(259,338)</b>	<b>884,143</b>	<b>1,839,637</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds From Borrowing				25,914,653	7,511,054		308,728		1,104,559	
Capital Leases / Lease Purchase Proceeds (Non-Budgeted)				276,931						
Proceeds From Refunding				9,950,231						
Payments To Escrow Agent				(9,535,000)						
Transfers In	11,947	193,709	2,589	613,567	1,169,472	473,152	21,743	42	48,521	
Transfers Out	(11,947)	(193,709)	(2,589)	(613,567)	(1,169,472)	(473,152)	(21,743)	(42)	(48,521)	
Other				(1,716)						
<b>Total Other Financing Sources (Uses)</b>				<b>26,605,099</b>	<b>7,511,054</b>		<b>309,728</b>		<b>1,104,559</b>	
<b>Net Change in Fund Balances</b>	<b>(907,298)</b>	<b>208,374</b>	<b>(1,173,578)</b>	<b>\$ 24,604,331</b>	<b>\$ (3,726,846)</b>	<b>\$ (16,366,439)</b>	<b>\$ (3,449,327)</b>	<b>\$ (259,338)</b>	<b>\$ 1,988,702</b>	<b>\$ 1,839,637</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>2.44%</b>	<b>2.29%</b>	<b>2.12%</b>	<b>2.92%</b>	<b>4.18%</b>	<b>5.46%</b>	<b>5.01%</b>	<b>4.87%</b>	<b>5.12%</b>	<b>6.29%</b>

\* Noncapital expenditures are total expenditures less capital outlay.

**TENAFLY BOARD OF EDUCATION  
GENERAL FUND OTHER LOCAL REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(Unaudited)**

<u>Fiscal Year Ended June 30</u>	<u>Tuition</u>	<u>Adult Education Fees</u>	<u>Summer School Fees</u>	<u>Interest on Deposits</u>	<u>Extracurricular Activities Fees</u>	<u>Miscellaneous</u>	<u>Total</u>
2003	\$ 701,873	\$ 271,168	\$ 211,215	\$ 70,881		\$ 327,279	\$ 1,582,416
2004	968,326	225,505	228,526	52,286		422,249	1,896,892
2005	1,049,830	22,334	222,434	129,725		74,171	1,498,494
2006	1,086,841		270,790	214,846		61,262	1,633,739
2007	804,716		252,741	342,086		331,102	1,730,645
2008	913,682		88,980	171,652		45,456	1,219,770
2009	891,423		117,180	46,913		268,086	1,323,602
2010	790,786		149,275	53,598		228,718	1,222,377
2011	813,030		179,274	63,111	\$ 133,692	237,630	1,426,737
2012	869,043		173,970	39,467	123,831	331,972	1,538,283

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate <sup>a</sup>
2003	\$ 23,821,200	\$ 2,575,820,500	\$ 181,044,100	\$ 15,196,400	\$ 31,094,700	\$ 2,826,976,900	\$ 1,672,626	\$ 2,828,649,526	\$ 2,438,079,745	\$ 1.243
2004	25,426,700	2,595,866,300	179,419,700	15,196,400	30,483,500	2,846,392,600	1,713,248	2,848,105,848	2,781,751,068	1.316
2005	23,180,100	2,629,588,700	176,942,200	15,196,400	30,483,500	2,875,390,900	1,557,770	2,876,948,670	3,092,079,164	1.394
2006	32,849,600	2,661,155,500	176,715,800	8,447,700	27,835,300	2,907,003,900	1,289,324	2,908,293,224	3,500,907,299	1.491
2007	25,324,900	2,721,651,500	177,192,100	8,507,700	27,835,300	2,960,511,500	1,169,775	2,961,681,275	4,049,366,990	1.571
2008	26,820,700	2,764,805,400	177,302,800	8,610,300	27,835,300	3,005,374,500	1,203,270	3,006,577,770	4,203,946,806	1.682
2009	25,301,600	2,796,948,000	177,825,000	8,673,600	27,835,300	3,036,583,500	1,244,311	3,037,827,811	4,348,984,662	1.750
2010	19,819,300	2,846,449,200	175,538,600	8,673,600	27,835,300	3,078,316,000	1,244,394	3,079,560,394	4,152,155,937	1.775
2011 (1)	25,504,400	3,527,700,500	232,556,100	11,905,100	36,741,000	3,834,407,100	1,442,056	3,835,849,159	4,003,014,657	1.471
2012	35,379,100	3,521,404,100	231,623,200	11,905,100	36,741,000	3,837,052,500	1,340,485	3,838,392,985	4,090,505,003	1.495

Source: County Abstract of Ratables

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

(1) The Borough underwent a revaluation of real property effective in 2011

**TENAFLY BOARD OF EDUCATION  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
PER \$100 OF ASSESSED VALUATION  
LAST TEN YEARS  
(Unaudited)**

<u>Calendar Year</u>	<u>Total</u>	<u>Local School District</u>	<u>Municipality</u> (2)	<u>County</u>	<u>County Open Space</u>
2003	\$1.91	\$1.243	\$0.482	\$0.180	\$.005
2004	2.04	1.316	0.520	0.194	.010
2005	2.15	1.394	0.542	0.204	.010
2006	2.30	1.491	0.586	0.213	.010
2007	2.43	1.571	0.614	0.235	.010
2008	2.585	1.682	0.644	0.245	0.014
2009	2.680	1.750	0.654	0.261	0.015
2010	2.752	1.775	0.704	0.269	0.004
2011 (1)	2.256	1.471	0.569	0.213	0.003
2012	2.297	1.495	0.569	0.230	0.003

(1) The Borough underwent a revaluation of real property effective in 2011

(2) Includes Municipal Open Space Tax

Source: Tax Duplicate, Borough of Tenafly

**TENAFLY BOARD OF EDUCATION  
PRINCIPAL PROPERTY TAXPAYERS,  
CURRENT YEAR AND TEN YEARS AGO  
(Unaudited)**

Taxpayer	2012		2002	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Marlborough Co-Op Corporation	\$ 22,510,300	0.59%	%	
Clinton Lodging, LLC	9,747,700	0.25%		
Knickerbocker Country Club	8,000,000	0.21%		
Tenafly Shopping Center LP	7,209,400	0.19%		
Quirk Properties Tenafly, LLC	6,696,400	0.17%		Not Available
Stonegarth Equities, LLC	6,524,200	0.17%		
Knickerbocker Country Club	4,552,500	0.12%		
Individual Taxpayer	4,506,800	0.12%		
TRC Property LLC	4,485,600	0.12%		
County Manor Realty	4,215,500	0.11%		
	\$ 78,448,400	2.04%		

Source: Municipal Tax Assessor

N/A - Not Available

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 33,819,649	\$ 33,819,649	100.00%	N/A
2004	36,501,551	36,501,551	100.00%	N/A
2005	38,464,620	38,464,620	100.00%	N/A
2006	41,765,698	41,765,698	100.00%	N/A
2007	44,941,361	44,941,361	100.00%	N/A
2008	48,769,527	48,769,527	100.00%	N/A
2009	51,886,885	51,886,885	100.00%	N/A
2010	53,782,022	53,782,022	100.00%	N/A
2011	56,048,259	56,048,259	100.00%	N/A
2012	56,805,637	56,805,637	100.00%	N/A

N/A = Not Applicable

Source: District records.

TENAFLY BOARD OF EDUCATION  
 RATIOS OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income	Population	Per Capita
	General Obligation Bonds	Capital Lease/Purchase Agreements					
2003	\$ 13,135,000		\$ 13,135,000	0.39%	13,872	\$ 947	
2004	12,780,000		12,780,000	0.42%	13,990	914	
2005	12,405,000		12,405,000	0.46%	14,025	884	
2006	38,369,000	\$ 202,367	38,571,367	0.16%	14,133	2,729	
2007	45,400,000	142,892	45,542,892	0.15%	14,098	3,230	
2008	43,985,000	78,983	44,063,983	0.15%	14,158	3,112	
2009	42,875,000	303,724	43,178,724	0.15%	14,593	2,959	
2010	41,710,000	192,093	41,902,093	0.16%	14,681	2,854	
2011	40,510,000	1,054,055	41,564,055	N/A	14,504	2,866	
2012	39,260,000	-	39,260,000	N/A	14,582	2,692	

Source: District records

(E) Estimated

**TENAFLY BOARD OF EDUCATION**  
**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions			
2003	\$ 13,135,000		\$ 13,135,000	0.46 %	\$ 930
2004	12,780,000		12,780,000	0.45	900
2005	12,405,000		12,405,000	0.43	864
2006	38,369,000		38,369,000	1.32	2,666
2007	45,400,000		45,400,000	1.53	3,174
2008	43,985,000		43,985,000	1.46	3,107
2009	42,875,000		42,875,000	1.41	2,938
2010	41,710,000		41,710,000	1.35	2,841
2011	40,510,000		40,510,000	1.06	2,793
2012	39,260,000		39,260,000	1.02	2,692

Source: District records

**TENAFLY BOARD OF EDUCATION  
COMPUTATION OF DIRECT AND OVERLAPPING OUTSTANDING BONDED DEBT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Tenafly Board of Education	\$ 40,000,000	\$ 40,000,000	
Borough of Tenafly	<u>22,944,583</u>	<u>17,600</u>	<u>\$ 22,926,983</u>
	<u>\$ 62,944,583</u>	<u>\$ 40,017,600</u>	22,926,983
Overlapping Debt Apportioned to the Municipality:			
Bergen County: (2) and (3)			
County of Bergen (A)			16,136,329
Bergen County Utilities Authority - Water Pollution (B)			<u>6,603,921</u>
			<u>22,740,250</u>
Total Direct and Overlapping Debt			<u>\$ 45,667,233</u>

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

(B) Overlapping debt was computed based upon municipal flow to the Authority.

Sources:

- (1) Borough of Tenafly Annual Debt Statement
- (2) BCUA 2011 audit.
- (3) Bergen County Debt Statement December 31, 2011

TENAFLY BOARD OF EDUCATION  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 87,557,910	\$ 97,891,723	\$ 109,467,718	\$ 123,484,032	\$ 139,657,232	\$ 154,050,238	\$ 165,262,172	\$ 168,673,106	\$ 168,926,498	\$ 1,666,051,265
Total Net Debt Applicable to Limit	13,448,063	12,780,000	12,405,000	45,880,000	45,400,000	43,985,000	42,875,000	41,710,000	40,510,000	39,260,000
Legal Debt Margin	\$ 74,109,847	\$ 85,111,723	\$ 97,062,718	\$ 77,604,032	\$ 94,257,232	\$ 110,065,238	\$ 122,387,172	\$ 126,963,106	\$ 128,416,498	\$ 1,626,791,265
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	15.36%	13.06%	11.33%	37.15%	32.51%	28.55%	25.94%	24.73%	23.98%	2.36%

Legal Debt Margin Calculation for Fiscal Year 2012

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

Equalized Valuation Basis

2009	\$ 4,223,342,837
2010	4,150,911,543
2011	4,079,590,488
	<u>\$ 12,453,844,868</u>

Average Equalized Valuation of Taxable Property

	\$ 4,151,281,623
--	------------------

Debt Limit (4% of Average Equalization Value)  
Total Net Debt Applicable to Limit  
Legal Debt Margin

	\$ 166,051,265
	39,260,000
	<u>\$ 1,266,791,265</u>

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

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income(1)</u>	<u>Population(2)</u>
2002	3.0	\$ 51,931	13,848
2003	3.0	51,291	13,872
2004	2.4	54,669	13,990
2005	3.5	56,933	14,025
2006	3.7	63,021	14,133
2007	3.7	67,113	14,390
2007	3.3	67,125	14,097
2009	7.8	64,388	14,593
2010	8	65,486	14,681
2011	7.8	N/A	14,504

Source: New Jersey Department of Labor  
United States Bureau of Census  
School District Records

- (1) County of Bergen  
(2) Estimated

N/A - Information not available

TENAFLY BOARD OF EDUCATION  
 PRINCIPAL EMPLOYERS,  
 CURRENT YEAR AND TEN YEARS AGO  
 (Unaudited)

<u>Employer</u>	<u>2012</u>		<u>2002</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

INFORMATION NOT AVAILABLE

TENAFLY BOARD OF EDUCATION  
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instruction										
Regular	150.70	155.70	159.50	162.70	165.10	178.00	187.10	183.90	174.90	174.70
Special Education	27.90	28.90	31.00	28.80	28.80	31.40	32.80	33.40	32.80	34.80
Other Special Education	13.10	14.10	15.90	16.10	16.70	17.10	17.50	18.55	17.15	18.20
Other Instruction	88.10	91.60	95.30	100.40	101.10	114.00	119.94	112.61	102.15	103.40
Support Services:										
Student and Instruction Related Services	78.00	74.00	92.00	97.00	88.20	88.20	66.94	71.56	69.60	76.10
General Administration	44.05	44.05	44.05	43.48	43.48	43.48	43.48	45.90	37.50	37.50
School Administrative Services	17.00	17.00	18.40	18.80	19.90	20.20	20.20	27.30	23.70	24.20
Other Administrative Services	1.00	1.00	1.00	1.00						
Plant Operations And Maintenance	30.00	33.00	34.00	34.00	34.00	40.00	38.00	38.00	36.00	36.00
Total	449.85	459.35	491.15	502.28	497.28	532.38	525.96	531.22	493.80	504.90

Source: District Personnel Records

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

Pupil/Teacher Ratio

Fiscal Year	Enrollment <sup>a</sup>	Operating Expenditures <sup>b</sup>	Cost Per Pupil <sup>c</sup>	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	School					
2003	2,935	\$ 39,458,896	\$ 13,444	5.72%	238.80	20.60	20.8	16.3	2,888	2,783.10	1.98%	96.37%	
2004	3,099	41,988,854	13,549	0.78%	247.30	20.30	22.0	17.6	3,120	3,008.70	8.03%	96.43%	
2005	3,175	45,637,764	14,374	6.09%	254.80	20.10	22.6	17.6	3,185	3,064.90	2.08%	96.23%	
2006	3,231	49,254,018	15,244	6.05%	263.10	19.90	22.6	17.6	3,239	3,125.20	1.70%	96.49%	
2007	3,388	53,009,918	15,646	2.64%	266.20	19.80	24.2	18.7	3,382	3,280.50	4.41%	97.00%	
2008	3,461	58,665,610	16,850	8.33%	293.10	19.70	20.0	18.3	3,470	3,348.60	2.60%	96.50%	
2009	3,477	60,027,695	17,264	1.85%	307.00	20.10	17.9	17.5	3,503	3,377.00	0.95%	96.40%	
2010	3,486	60,825,827	17,449	1.07%	296.50	20.50	17.5	19.0	3,557	3,433.60	1.54%	96.53%	
2011	3,560	59,719,005	16,775	-3.86%	277.05	20.40	20.8	20.0	3,594	3,469.90	1.03%	96.56%	
2012	3,584	60,657,178	16,924	0.89%	276.60	21.20	21.9	19.6	3,619	3,491.80	0.71%	96.49%	

Sources: District records

Note:

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

**TENAFLY BOARD OF EDUCATION  
SCHOOL BUILDING INFORMATION  
LAST NINE FISCAL YEARS  
(Unaudited)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b><u>District Building</u></b>									
<b><u>Elementary</u></b>									
<b>Mackay</b>									
Square Feet	36,344	36,344	36,344	36,344	36,334	36,334	36,334	36,334	36,334
Capacity (students)			351	351	351	351	351	351	351
Enrollment	353	353	336	334	370	366	356	376	390
<b>Maugham</b>									
Square Feet	41,450	41,450	41,450	41,450	41,450	41,450	41,450	41,450	41,450
Capacity (students)			319	319	319	319	319	319	319
Enrollment	380	396	413	408	388	388	380	385	390
<b>Smith</b>									
Square Feet	38,125	38,125	38,125	38,125	38,125	38,125	38,125	38,125	38,125
Capacity (students)			312	312	312	312	312	312	312
Enrollment	319	334	347	345	368	366	367	365	365
<b>Stillman</b>									
Square Feet	40,780	40,780	40,780	40,780	40,780	40,780	40,780	40,780	40,780
Capacity (students)			338	338	338	338	338	338	338
Enrollment	405	405	381	374	352	381	401	384	395
<b><u>Middle School</u></b>									
Square Feet	139,500	139,500	139,500	139,500	182,258	182,258	182,258	182,258	182,258
Capacity (students)			736	736	950	950	950	950	950
Enrollment	700	737	786	777	850	828	802	827	847
<b><u>High School</u></b>									
Square Feet	221,500	221,500	221,500	221,500	260,715	260,715	260,715	260,715	260,715
Capacity (students)			975	975	1,170	1,170	1,170	1,170	1,170
Enrollment	953	975	993	990	1,138	1,182	1,183	1,236	1,232
<b><u>Administration Building</u></b>									
Square Feet	9,280	9,280	9,280	9,280	9,280	9,280	9,280	9,280	9,280

Number of Schools at June 30, 2012

Elementary = 4

Middle School = 1

Senior High School = 1

Administration = 1

Source: District Records

TENAFLY BOARD OF EDUCATION  
 GENERAL FUND  
 SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
 LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES</b>										
* School Facilities										
Maackay Elementary School	\$ 47,560	\$ 164,712	\$ 80,661	\$ 86,989	\$ 93,071	\$ 80,956	\$ 88,573	\$ 67,186	\$ 71,644	\$ 83,475
Maugham Elementary School	54,685	87,420	122,876	135,500	118,118	102,743	112,409	85,267	90,925	105,940
Smith Elementary School	45,721	130,284	164,308	157,899	157,598	137,084	149,981	113,766	121,314	141,348
Sullivan Elementary School	48,617	93,381	37,275	56,574	53,076	46,167	50,511	38,314	40,856	47,603
Middle School	145,480	110,077	148,492	150,962	161,804	140,743	153,984	116,802	124,552	145,121
High School	247,323	198,689	249,686	296,645	245,685	213,706	233,810	177,354	189,121	209,362
Total School Facilities	589,386	784,563	803,298	884,569	829,352	721,399	789,268	598,689	638,412	732,849
Other Facilities										
Administration Building	16,104	21,202	50,942	64,902	68,698	59,756	65,378	49,591	52,881	10,990
<b>Grand Total</b>	<b>\$ 605,490</b>	<b>\$ 805,765</b>	<b>\$ 854,240</b>	<b>\$ 949,471</b>	<b>\$ 898,050</b>	<b>\$ 781,155</b>	<b>\$ 854,646</b>	<b>\$ 648,280</b>	<b>\$ 691,293</b>	<b>\$ 743,839</b>

\* School facilities as defined under EFCFA. (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6:24-1.3)

Source: School District's records

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

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - Zurich Insurance Co.		
Property-Blanket Building/Contents	\$ 102,281,428	\$ 5,000
Comprehensive General Liability (each occurrence)	1,000,000	N/A
Comprehensive Crime Coverage	\$100,000 / employee	5,000
Forgery Alteration	50,000	1,000
Excess Crime Coverage	400,000	100,000
Boiler and Machinery - Zurich Insurance Company		
Blanket Property Damage	Included in Property / Contents	5,000
Umbrella Liability - American Alternate Insurance Company	9,000,000	10,000 Retention
Commercial Umbrella Excess - Fireman's Fund	50,000,000	N/A
Educator's Professional Liability - ACE, USA	1,000,000	10,000
Pollution Coverage - American Safety Casualty Ins. Co.	3,000,000	15,000
Group Aggregate Limit - Pollution Coverage	20,000,000	

Source: School Insurance Records

**SINGLE AUDIT SECTION**

# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tenafly Board of Education as of and for the fiscal year ended June 30, 2012, which collectively comprise the Tenafly Board of Education's basic financial statements and have issued our report thereon dated November 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified a certain deficiency in internal control over financial reporting described in the accompanying schedule of findings and questioned costs as item 2012-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

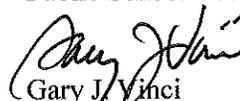
As part of obtaining reasonable assurance about whether the Tenafly Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and audit requirements as prescribed by Office of School Finance, Department of Education, State of New Jersey and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

We also noted certain matters that we reported to management of the Tenafly Board of Education in a separate report entitled, Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance" dated November 28, 2012.

Tenafly Board of Education's response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Tenafly Board of Education's response and, accordingly, we express no opinion on the responses.

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

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

  
 Gary J. Vinci  
 Public School Accountant  
 PSA Number CS00829

Fair Lawn, New Jersey  
 November 28, 2012

# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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EDWARD N. KERE, CPA

## REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

### Independent Auditor's Report

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

### Compliance

We have audited the Tenafly Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of Tenafly Board of Education's major federal and state programs for the fiscal year ended June 30, 2012. Tenafly Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Tenafly Board of Education's management. Our responsibility is to express an opinion on Tenafly Board of Education's compliance based on our audit.

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

In our opinion, Tenafly Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04 and which are described in the accompanying schedule of findings and questioned costs as items 2012-2.

### Internal Control Over Compliance

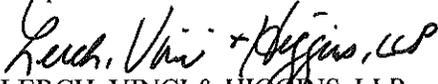
Management of Tenafly Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Tenafly Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

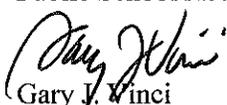
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal or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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2012-2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Tenafly Board of Education's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Tenafly Board of Education's response and, accordingly, we express no opinion on the response.

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

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

  
 Gary J. Vinci  
 Public School Accountant  
 PSA Number CS00829

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

Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011		Deferred Revenue		Accounts Receivable		Cash Received	Budgetary Expenditures	Refund of Prior Year Balances	Balance at June 30, 2012		Memo GAAP Reservable
				(Account Receivable)	Due to Grantor	Carryover Amount	Revenue	Carryover Amount	(Account Receivable)				Deferred Revenue	Due to Grantor	
84-10A	N/A	7/1/11-9/30/12	66,422	-	-	-	-	-	-	66,422	66,422	-	-	-	-
Total General Fund															
Special Revenue Fund:															
84-027	IDEA5160-12	9/1/11-8/31/12	\$ 695,249	\$ (103,153)	\$ 3,148	\$ 495,070	\$ (200,179)	\$ (200,179)	-	695,249	695,249	-	-	\$ (200,179)	\$ (200,179)
84-027	IDEA5160-11	9/1/10-8/31/11	655,132			103,153			3,148	3,148					
84-173	IDEA5160-12	9/1/11-8/31/12	37,710			33,397			37,710	37,710				(4,313)	(4,313)
84-173	IDEA5160-11	9/1/10-8/31/11	36,957			9,840			9,840						
84-357	NCLB516012	9/1/11-8/31/12	52,398		\$ 3,433	28,595	(3,433)		28,595	55,558			273	(27,236)	(26,963)
84-357	NCLB516011	9/1/10-8/31/11	56,124			67,276			67,276						
84-365	NCLB516012	9/1/11-8/31/12	55,042		5,803	5,803	(5,803)		45,544	45,544			13,301	(39,189)	(23,888)
84-365	NCLB516011	9/1/10-8/31/11	63,147		5,804	27,517	(5,803)		27,517						
84-365	NCLB516012	9/1/11-8/31/12	78,674		1,000	1,000	(1,000)		1,000	1,000					
84-365	NCLB516011	9/1/10-8/31/11	745,563		243,190	76,390	(1,000)		243,322	243,322					
84-391	ARRA	9/1/09-8/31/10	26,986		1,420	2,073			1,420						
84-392	ARRA	9/1/09-8/31/10													
Total Special Revenue Fund															
				(356,635)	99,124		936,119			863,951			(270,917)	15,574	(255,342)
U.S. Department of Education															
Passed-through State Department of Education Enterprise Fund:															
10-555	N/A	7/1/11-6/30/12	23,650			23,650			20,896	20,896			2,754		
	N/A	7/1/10-6/30/11	20,504		1,197	1,197			1,197						
	N/A	7/1/11-6/30/12	45,517			43,190			45,517					(2,327)	(2,327)
10-556	N/A	7/1/11-6/30/12	4,305			4,025			4,305					(280)	(280)
Total Enterprise Fund															
					1,197		70,865			71,915			(2,607)	2,754	(2,607)
Total Federal Financial Awards															
				(356,635)	40,321		1,073,406			1,002,288			(273,524)	18,328	(257,950)

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

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2011		Carryover Amount	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Cancelled	Balance June 30, 2012		MEMO Cumulative Total Expenditures
				Deferred Revenue/ (Accts Rec)	Due to Grantor						(Accounts Receivable)	Deferred Revenue	
State Department of Education													
<b>General Fund:</b>													
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	\$ 1,126,114				\$ 1,050,032	\$ 1,126,114			\$ (76,082)		\$ 1,126,114
Other State Aid - Extraordinary Aid	12-100-034-5120-473	7/1/11-6/30/12	1,094,438				1,338,581	1,094,438			(1,094,438)		1,094,438
Other State Aid - Non Public Transportation	11-100-034-5120-473	7/1/10-6/30/11	25,388	\$ (1,338,581)									
Other State Aid - Non Public Transportation	N/A	7/1/11-6/30/12	25,388					25,388					25,388
Anti-Bullying Aid	N/A	7/1/10-6/30/11	391	(25,654)									391
TPAF Pension Contribution-Normal Costs	12-495-034-5095-006	7/1/11-6/30/12	804,984				391	804,984					804,984
TPAF Pension Contribution -NCGI	12-495-034-5095-007	7/1/11-6/30/12	86,386				86,386	86,386					86,386
TPAF Pension Contribution - Post Retirement Co	12-495-034-5095-001	7/1/11-6/30/12	1,791,888				1,791,888	1,791,888					1,791,888
TPAF Social Security Reimbursements	12-495-034-5095-002	7/1/11-6/30/12	1,974,067				1,974,067	1,974,067					1,974,067
<b>Total General Fund</b>				<b>(1,362,235)</b>			<b>7,069,983</b>	<b>6,903,656</b>			<b>(1,195,908)</b>		<b>6,903,656</b>
<b>Special Revenue Fund:</b>													
New Jersey Nonpublic Aid	12-100-034-5120-064	7/1/11-6/30/12	20,970				20,970	20,865	\$ 105				20,865
Textbook Aid	11-100-034-5120-064	7/1/10-6/30/11	10,573										
Auxiliary Services													
Compensatory Education	12-100-034-5120-067	7/1/11-6/30/12	75,235				75,235	61,709	13,526				61,709
Compensatory Education	11-100-034-5120-067	7/1/10-6/30/11	54,328	2,679					2,679				
English as a Second Language	12-100-034-5120-067	7/1/11-6/30/12	8,896				6,896	5,345	1,551				5,345
English as a Second Language	11-100-034-5120-067	7/1/10-6/30/11	8,794	939					939				
Handicapped Services													
Examination and Classification	12-100-034-5120-066	7/1/11-6/30/12	24,723				24,723	20,926	5,797				20,926
Examination and Classification	11-100-034-5120-066	7/1/10-6/30/11	12,579	1,755					1,755				
Corvative Speech	12-100-034-5120-066	7/1/11-6/30/12	47,391				47,391	33,174	14,217				33,174
Supplemental Instruction	11-100-034-5120-066	7/1/10-6/30/11	36,145	4,224					4,224				
Supplemental Instruction	12-100-034-5120-066	7/1/11-6/30/12	15,329				13,329	9,330	3,999				9,330
Nursing	11-100-034-5120-066	7/1/10-6/30/11	9,728						4,864				
Nursing	12-100-034-5120-070	7/1/11-6/30/12	29,933				29,933	29,933					29,933
<b>Total Special Revenue Fund</b>					14,466		<b>220,497</b>	<b>181,302</b>	<b>14,466</b>				<b>181,302</b>
<b>Debt Service Fund:</b>													
Type II Debt Service State Aid	12-495-034-5120-075	7/1/11-6/30/12	380,593				380,593	380,593					380,593
<b>State Department of Agriculture</b>													
<b>Enterprise Fund:</b>													
State School Lunch Program	12-100-034-5120-122	7/1/11-6/30/12	5,466				5,199	5,466			(267)		5,466
Total Enterprise Fund							5,199	5,466			(267)		5,466
<b>Total State Financial Assistance</b>				<b>(1,362,235)</b>	<b>14,466</b>		<b>7,676,272</b>	<b>7,471,017</b>	<b>14,466</b>		<b>(1,196,175)</b>		<b>7,471,017</b>
<b>State Financial Assistance Not Subject to Single Audit Determination General Fund</b>													
On-Behalf TPAF Pension System Contributions	12-495-034-5095-006/007	7/1/11-6/30/12	(891,370)				(891,370)	(891,370)					(891,370)
On-Behalf TPAF Post-Retirement Medical Contribution	12-495-034-5095-001	7/1/11-6/30/12	1,791,888				(1,791,888)	(1,791,888)					(1,791,888)
<b>Total State Financial Assistance Subject to Single Audit</b>				<b>(1,362,235)</b>	<b>14,466</b>		<b>4,993,014</b>	<b>4,787,759</b>	<b>14,466</b>		<b>(1,196,175)</b>		<b>4,787,759</b>

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

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

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

**NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase \$168,061 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 66,422	\$ 7,071,717	\$ 7,138,139
Special Revenue Fund	863,951	181,302	1,045,253
Debt Service Fund		380,593	380,593
Food Service Fund	71,915	5,466	77,381
	<u>1,002,288</u>	<u>7,639,078</u>	<u>8,641,366</u>
Total Financial Assistance	\$ 1,002,288	\$ 7,639,078	\$ 8,641,366

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

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

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

**NOTE 5 OTHER INFORMATION**

Revenues and expenditures reported under the National School Lunch Program as non-cash assistance represent current year value received and current year distributions, respectively of the Federal Food Distribution Program. TPAF Social Security contributions in the amount of \$1,974,067 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2012. The amount reported as TPAF Pension System Contributions in the amount of \$891,370 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,791,888 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2012.

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

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

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

*Part I – Summary of Auditor’s Results*

**Financial Statement Section**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

1) Material weakness(es) identified?            yes   X   no

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses?   X   yes            none reported

Noncompliance material to basic financial statements noted?   X   yes            no

**Federal Awards Section**

Internal control over compliance:

1) Material weakness(es) identified?            yes   X   no

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses?            yes   X   none reported

Type of auditor's report on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section.510(a))?            yes   X   no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>IDEA Part B, Basic</u>
<u>84.173</u>	<u>IDEA Part B Preschool</u>
<u>84.391</u>	<u>ARRA IDEA Part B Basic</u>
<u>84.392</u>	<u>ARRA IDEA Part B Preschool</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes            no



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

*Part 2 – Schedule of Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

**Finding 2012-1**

The modified General Fund budget in the District's financial records was not accurate due to an error inputting original budget revisions thereby resulting in an unauthorized additional appropriation of fund balance of \$744,404. In addition, a withdrawal from capital reserve of \$28,200 although not approved by Board resolution was posted as a budget modification.

**Criteria or specific requirement:**

The State Department of Education's GAAP Technical Systems Manual

**Condition:**

An error was made while inputting budget transfers to correct the original budget whereby decreases to certain budget accounts were omitted from the revisions made to the financial records. In addition, a withdrawal from capital reserve was posted to the budget report without approval by Board resolution.

**Context:**

See Finding 2012-1.

**Effect:**

Unauthorized appropriation of surplus and capital reserve funds may be disallowed and create budgetary line item overexpenditures.

**Cause:**

Unknown.

**Recommendation:**

It is recommended that the General Fund modified budget appropriations as reported in the District's financial records be reconciled to and in agreement with supporting documentation.

**Management's Response:**

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

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

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

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

**CURRENT YEAR FEDERAL AWARDS**

THERE ARE NONE.



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

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

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

**CURRENT YEAR STATE AWARDS (Continued)**

**Finding 2012-2 (Continued)**

**Recommendation:**

It is recommended that the General Fund modified budget appropriations as reported in the District's financial records be reconciled to and in agreement with supporting documentation.

**Management's Response:**

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

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

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

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 2011-1**

During our tests of payroll transactions, it was noted that the District misbudgeted and misclassified expenditures relating to certain administrative salaries. The salary of the Assistant Superintendent was charged to School Administration – Other Salaries and Improvement of Instructional Services – Other Salaries rather than the proper accounts General Administration – Salaries and Improvement of Instructional Services – Salaries of Supervisor of Instruction. A Supervisor of Instruction was allocated by the District between School Administration – Salaries of Principals/Asst. Principals/Program Directors and Regular Programs Grades 6-8 Salaries of Teachers. However the individual is not directly involved in classroom instruction and therefore the entire salary should be charged to School Administration – Salaries of Principals/Asst. Principals/Program Directors. In addition, the salaries of the Middle School and High School Vice Principals were mischarged to School Administration – Salaries of Other Professional Staff rather than School Administration – Salaries of Principals/Asst. Principals/Program Directors. The expenditures and related appropriations were reclassified for financial statement presentation.

**Current Status**

Corrective action has been taken.