

SCHOOL DISTRICT
OF
RUTHERFORD



Rutherford Board of Education
Rutherford, New Jersey

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

**Comprehensive Annual
Financial Report**

of the

Rutherford Board of Education

Rutherford, New Jersey

For the Fiscal Year Ended June 30, 2012

**Prepared by
Rutherford Board of Education
Finance Department**

RUTHERFORD SCHOOL DISTRICT

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	2
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors	7

FINANCIAL SECTION

Independent Auditor's Report	9
K-1 Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	11
Required Supplementary Information - Part I Management's Discussion and Analysis	14
Basic Financial Statements	
A. District-wide Financial Statements:	
A-1 Statement of Net Assets	23
A-2 Statement of Activities	24
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	26
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	27
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Proprietary Funds:	
B-4 Statement of Net Assets	29
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets	30
B-6 Statement of Cash Flows	31
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets	32
B-8 Statement of Changes in Fiduciary Net Assets	33
	34
Notes to the Financial Statements	

Required Supplementary Information - Part II

C.	Budgetary Comparison Schedules	
C-1	Budgetary Comparison Schedule - General Fund	52
C-1a	Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (if applicable)	N/A
C-1b	Budgetary Comparison Schedule - American Recovery & Reinvestment Act General Fund - Education Stabilization Funds	N/A
C-1ba	Budgetary Comparison Schedule - American Recovery & Reinvestment Act General Fund - Government Service Funds	N/A
C-2	Budgetary Comparison Schedule - Special Revenue Fund	59
	Notes to the Required Supplementary Information	
C-3	Budget-to-GAAP Reconciliation	60
	Other Supplementary Information	
D.	School Level Schedules :	N/A
E.	Special Revenue Fund:	
E-1	Combining Schedule of Revenues and Expenditures Special Revenue Fund - Budgetary Basis	63
E-2	Demonstrably Effective Program Aid Schedule of Expenditures - Budgetary Basis	N/A
E-3	Early Childhood Program Aid Schedule of Expenditures - Budgetary Basis	N/A
E-4	Distance Learning Network Aid Schedule of Expenditures - Budgetary Basis	N/A
E-5	Instructional Supplement Aid Schedule of Expenditures - Budgetary Basis	N/A
F.	Capital Projects Fund:	
F-1	Summary Statement of Project Expenditures	N/A
G.	Proprietary Fund:	
	Enterprise Fund:	
G-1	Combining Statement of Net Assets	67
G-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	68
G-3	Combining Statement of Cash Flows	69
	Internal Service Fund:	N/A
H.	Fiduciary Funds:	
H-1	Combining Statement of Fiduciary Net Assets	71
H-2	Combining Statement of Changes in Fiduciary Net Assets	72
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	73
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	74

I. Long-Term Debt:

I-1	Schedule of Serial Bonds	76
I-2	Schedule of Obligations under Capital Leases	N/A
I-3	Budgetary Comparison Schedule - Debt Service Fund	77

STATISTICAL SECTION (Unaudited)

J-1	Net Assets by Component	79
J-2	Changes in Net Assets, Last Four Fiscal Years	80
J-3	Fund Balances, Governmental Funds, Last Four Fiscal Years	82
J-4	Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	83
J-5	General Fund - Other Local Revenue by Source, Last Ten Fiscal Years	84
J-6	Assessed Value and Actual Value of Taxable Property, Last Ten Fiscal Years	85
J-7	Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	86
J-8	Principal Property Tax Payers, Current Year and Nine Years Ago	87
J-9	Property Tax Levies and Collections, Last Ten Fiscal Years	88
J-10	Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	89
J-11	Ratios of Net General Bonded Debt Outstanding, Last Ten Fiscal Years	90
J-12	Ratios of Overlapping Governmental Activities Debt, As of 12/31/11	91
J-13	Legal Debt Margin Information, Last Ten Fiscal Years	92
J-14	Demographic and Economic Statistics	93
J-15	Principal Employers, Current Year & Nine Years Ago (information not available)	N/A
J-16	Full-time Equivalent District Employees by Function/Program, Last Ten Fiscal Years	94
J-17	Operating Statistics, Last Ten Fiscal Years	95
J-18	School Building Information, Last Ten Fiscal Years	96
J-19	Schedule of Required Maintenance, Last Six Fiscal Years	97
J-20	Insurance Schedule	98

SINGLE AUDIT SECTION

K-2	Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04	100
K-3	Schedule of Expenditures of Federal Awards, Schedule A	102
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	103
K-5	Notes to the Schedules of Awards and Financial Assistance	104
K-6	Schedule of Findings and Questioned Costs	106
K-7	Summary Schedule of Prior Audit Findings	110

Introductory Section



Dr. Rosemary F. Jones
Superintendent of Schools

Robert Brown
Business Administrator/Board Secretary

September 13, 2012

Honorable President and
Members of the Board of Education
Rutherford School District
County of Bergen, New Jersey

Dear Board Members:

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State, Local Governments, and Non-Profit Organizations", and the State Treasury Circular Letter 98-07-OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. **REPORTING ENTITY AND ITS SERVICES:**

Rutherford School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The Rutherford Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 12. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2011-2012 fiscal year with an enrollment of 2,485.0 students, which is 51 students more than the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2011-2012	2485.0	.021
2010-2011	2433.8	0
2009-2010	2433.9	(.012)
2008-2009	2,463.8	.006
2007-2008	2,449.1	.001
2006-2007	2,447.3	.020
2005-2006	2,399.8	(.006)
2004-2005	2,413.9	.017
2003-2004	2,374.3	.027
2002-2003	2,311.9	.013
2001-2002	2,283.3	(.011)

2. **ECONOMIC CONDITION AND OUTLOOK:**

The Rutherford area is a mature community that has little space for future development in its core area. Various proposals regarding land east of Rt. 17 are under study. The recycling of existing homes has had some impact on pupil enrollment. Enrollment has increased and represents the highest number in ten years. Property taxes pertaining to the operation of the school district have been 3% or less for the past 3 years, with the most current year being 0%.

3. **MAJOR INITIATIVES:**

The Rutherford School District continues to offer a wide, varied, and comprehensive educational program to its students. Programs in the fine, practical and performing arts, business, and athletics present students with opportunities in many different areas in addition to the core academic subjects. On the HSPA11, the total student population scored above the State average and above the District Factor Group in both Language Arts and Math. The average SAT combined verbal, math and writing score was 1505. Over ninety-six percent of the 2012 graduates went on to some form of further education, with 94% going on to college. Inclusion efforts of atypical pupils continue at both the elementary and secondary levels. The dropout rate for high school pupils was again under one percent for the 2011-2012 school year.

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, reassurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

5. **BUDGETARY CONTROLS:**

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2012.

6. **ACCOUNTING SYSTEM AND REPORTS:**

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

7. **CASH MANAGEMENT:**

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the act.

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. The South Bergen Workers Compensation Pool provides the coverage for workers compensation claims.

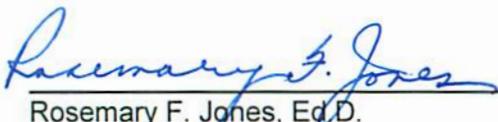
9. **OTHER INFORMATION:**

Independent Audit - State Statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso and Stewart was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 98-07 OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

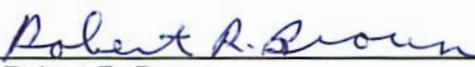
10. **ACKNOWLEDGEMENTS:**

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

Respectfully submitted,

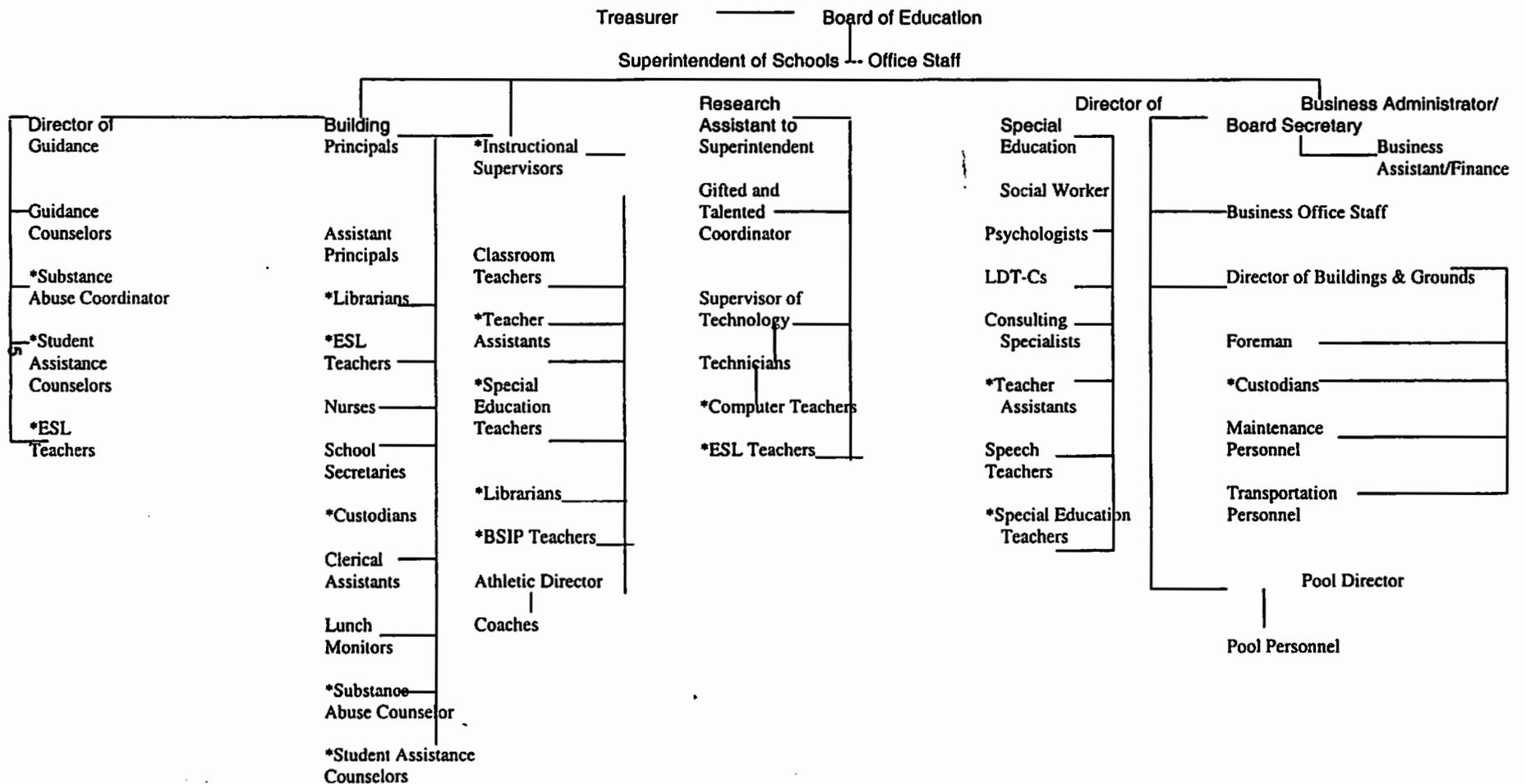


Rosemary F. Jones, Ed.D.
Superintendent of Schools



Mr. Robert R. Brown
School Business Administrator

Line of Authority



- * = Under the supervision of 2 administrators.
- Adopted: December 10, 1984
- Revised: February 13, 1995
- Revised: November 11, 1996
- Revised: July 9, 2001
- Revised: May, 2002
- Revised November, 2008

RUTHERFORD SCHOOL DISTRICT

Roster of Officials June 30, 2012

Members of the Board of Education:

Term Expires

Thom Casadonte, President	2014
Thomas Griggs, Vice President	2015
Shelly Ahmed	2015
Steven Arce	2013
Diane Jones	2014
Mary Lanni	2013
Kevin McLean	2013
Gary Novosielski	2014
Patrick Tully	2015

Other Officials:

Dr. Rosemary Jones, Superintendent
Robert Brown, CPA, Business Administrator/Board Secretary
Edward Cortright, CPA, Treasurer
Rodney T. Hara, Esq. Solicitor

**RUTHERFORD SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

Inverso & Stewart, LLC
12000 Lincoln Drive West, Suite 402
Marlton, NJ 08053

Attorney

Fogarty and Hara
Counselors at Law
1600 Route 208 South
Fair Lawn, NJ 07410

Architect

Chapin Architectural Services, P.A.
17 Main Street
Netcong, NJ 07857

Official Depository

Wells Fargo Bank
190 River Road
Summit, NJ 07901

Financial Section

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

12000 Lincoln Drive West, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: lsepas@concentric.net

-Member of-
American Institute of CPAs
New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
of the Board of Education
Rutherford School District
County of Bergen
Rutherford, 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 Rutherford School District, in the County of Bergen, State of New Jersey (School District), as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of 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 School District'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 above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Rutherford School District, in the County of Bergen, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2012 on our consideration of the Rutherford School District, in the County of Bergen, State of New Jersey's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rutherford School District's basic financial statements. The accompanying Schedule 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 State of New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the financial statements. In addition, the introductory section, combining statements and related major fund supporting statements and schedules, and statistical section listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules of Expenditures of Federal Awards and State Financial Assistance, combining statements and related major fund supporting statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert A. Stewart
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
September 13, 2012

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

12000 Lincoln Drive West, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: iscpas@concentric.net

**-Member of-
American Institute of CPAs
New Jersey Society of CPAs**

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

The Honorable President and Members
of the Board of Education
Rutherford School District
County of Bergen
Rutherford, 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 Rutherford School District (School District), in the County of Bergen, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 13, 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 in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Rutherford School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Rutherford School District'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 School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District'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 above.

Compliance and Other Matters

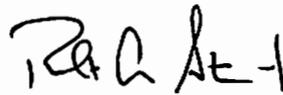
As part of obtaining reasonable assurance about whether the Rutherford School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

We noted certain matters that we reported to management of the Rutherford School District in a separate report entitled, *Auditors Management Report on Administrative Findings - Financial, Compliance and Performance* dated September 13, 2012.

This report is intended solely for the information and use of the management of the School District, the Division of Finance, Department of Education, State of New Jersey, and 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.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert A. Stewart
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
September 13, 2012

Required Supplementary Information - Part I

Management's Discussion and Analysis

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

As management of the Board of Education of the Borough of Rutherford, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the School District exceeded its liabilities at the close of the most recent fiscal year by \$20,813,091 (*net assets*).
- Governmental activities have unrestricted net assets of \$277,194. The accounting treatments in the governmental funds for compensated absences payable, accrued interest payable and the June state aid payments, and state statutes that prohibit school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this deficit balance.
- The total net assets of the School District increased by \$1,510,709, or a 7.83% increase from the prior fiscal year-end balance. Payment of long-term serial bond obligations and a reduction in the percentage of the budget being spent are the main reasons for the increase.
- Fund balance of the School District's governmental funds increased by \$801,852 resulting in an ending fund balance of \$3,494,985. The majority of the increase is attributable to the School District spending less of a percentage of the budget than in the previous year.
- Business-type activities have unrestricted net assets of \$46,019, which may be used to meet the School District's ongoing obligations of the enterprise-related activities.
- The School District's long-term obligations decreased by \$840,000 which is the result of current year payments on existing debt obligations.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The *district-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The district-wide financial statements include the statement of net assets and the statement of activities.

The *statement of net assets* presents information about all of the School District's assets and liabilities. The difference between the assets and liabilities is reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the School District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the district-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all or most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund. Business-type activities consolidate the Food Service Fund, the Summer Music Program and the Community Education Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the School District are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds account for essentially the same information reported in the governmental activities of the district-wide financial statements. However, unlike the district-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The School District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The School District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Proprietary funds are used to present the same functions as the business-type activities presented in the district-wide financial statements. The School District maintains one type of proprietary fund - the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the district-wide financial statements, only in more detail.

The School District's three enterprise funds (Food Service Fund, Summer Music Program and the Community Education Fund) are listed individually and are considered to be a major fund.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the School District's programs.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains other supplementary information and schedules required by the New Jersey Audit Program, issued by the New Jersey Department of Education.

District-wide Financial Analysis

The assets of the School District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the School District. The majority of the current assets are the results of the tax levy and state aid collection process.

Capital assets are used in the operations of the School District. These assets are land, buildings, improvements, equipment and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2012. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal year 2012.

The assets of the primary government activities exceeded liabilities by \$20,767,072 with an unrestricted balance of \$277,194. As mentioned earlier, the unrestricted net assets balance is reduced due to the accounting treatment for compensated absences payable, accrued interest payable and the June state aid payments, and state statutes that prohibit school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

The net assets of the primary government do not include internal balances.

A net investment of \$18,120,224 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's public school students, represents 87.06% of the School District's net assets. Net assets of \$2,369,654 have been restricted as follows:

Restricted for Encumbrances	\$ 1,252,045
Restricted for Debt Service Costs	9,013
Restricted for Future Budget Appropriations	484,040
Restricted for Subsequent Year's Budget	<u>624,556</u>
Total	<u>\$ 2,369,654</u>

**Rutherford School District
Comparative Summary of Net Assets
As of June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current assets	\$ 3,713,242	\$ 2,868,914	\$ 50,105	\$ 25,374	\$ 3,763,347	\$ 2,894,288
Capital assets	34,685,224	34,771,325			34,685,224	34,771,325
Total assets	38,398,466	37,640,239	50,105	25,374	38,448,571	37,665,613
LIABILITIES						
Current liabilities	1,314,695	1,237,524	4,086		1,318,781	1,237,524
Noncurrent liabilities	16,316,699	17,125,707			16,316,699	17,125,707
Total liabilities	17,631,394	18,363,231	4,086	-	17,635,480	18,363,231
Net Assets	\$ 20,767,072	\$ 19,277,008	\$ 46,019	\$ 25,374	\$ 20,813,091	\$ 19,302,382
Net Assets Consist of:						
Invested in Capital Assets	\$ 18,120,224	\$ 17,366,325			\$ 18,120,224	\$ 17,366,325
Restricted Assets	2,369,654	1,529,105			2,369,654	1,529,105
Unrestricted Assets	277,194	381,578	\$ 46,019	\$ 25,374	323,213	406,952
Net Assets	\$ 20,767,072	\$ 19,277,008	\$ 46,019	\$ 25,374	\$ 20,813,091	\$ 19,302,382

Governmental Activities

Governmental activities increased the net assets of the School District by \$1,490,064 during the current fiscal year, thereby accounting for all of the total increase in the net assets of the School District. Key elements of the increase in net assets for governmental activities are as follows:

- Repayment of long-term debt obligations in the amount of \$840,000 were paid during the year.
- The School only spent 98.23% of the 2011-2012 budget as compared to 99.00% in the previous year.

Business-type Activities

Business-type activities increased the School District's net assets by \$20,645. Key elements of the increase in net assets for governmental activities are as follows:

- The summer music program and the community education program had an operating profit of \$30,353 while the food service program had an operating loss of \$9,708.

**Rutherford School District
Comparative Schedule of Changes in Net Assets
As of and for the Fiscal Year Ended June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
Revenues:						
Charges for services	\$ 72,468	\$ 30,986	\$ 207,426	\$ 174,345	\$ 279,894	\$ 205,331
Operating grants and contributions	3,913,613	3,434,722			3,913,613	3,434,722
Property taxes	36,594,646	36,280,558			36,594,646	36,280,558
State aid - unrestricted	2,697,836	2,110,407			2,697,836	2,110,407
Other revenues	6,040	41,604			6,040	41,604
Total Revenues	43,284,603	41,898,277	207,426	174,345	43,492,029	42,072,622
Expenses:						
Governmental Activities:						
Instruction	17,762,856	16,999,142			17,762,856	16,999,142
Tuition	3,406,844	3,140,892			3,406,844	3,140,892
Related services	3,279,883	3,190,355			3,279,883	3,190,355
Administrative services	3,090,457	3,142,113			3,090,457	3,142,113
Operations and Maintenance	3,408,267	4,106,156			3,408,267	4,106,156
Transportation	887,408	897,608			887,408	897,608
Employee benefits	8,346,768	8,024,863			8,346,768	8,024,863
Interest on debt	698,226	734,225			698,226	734,225
Other	1,041,372	959,409			1,041,372	959,409
Business-Type Activities:						
Food Service			75,932	83,046	75,932	83,046
Community Education			110,849	129,894	110,849	129,894
Total Expenses	41,922,081	41,194,763	186,781	212,940	42,108,862	41,407,703
Increase (Decrease) in Net Assets before transfers						
Assets before transfers	1,362,522	703,514	20,645	(38,595)	1,383,167	664,919
Gain on disposal of assets	127,542				127,542	-
Change in Net Assets	1,490,064	703,514	20,645	(38,595)	1,510,709	664,919
Net Assets, July 1	19,277,008	18,573,494	25,374	63,969	19,302,382	18,637,463
Net Assets, June 30	\$ 20,767,072	\$ 19,277,008	\$ 46,019	\$ 25,374	\$ 20,813,091	\$ 19,302,382

Financial Analysis of the Governmental Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$3,494,985, an increase of \$801,852 in comparison with the prior year. Most of this increase is the result of spending 98.23% of the current year budget when 99.00% was spent in the prior year.

The unassigned fund balance for the School District at the end of the fiscal year is \$1,125,331. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed as follows: 1) appropriated as a revenue source in the subsequent year's budget (\$633,569), 2) reserved for encumbrances (\$1,252,045) or 3) reserved for future budget appropriations (\$484,040).

The general fund is the chief operating fund of the School District. As discussed earlier, the balance in the unassigned fund balance is due, primarily, to the accounting treatment of the June state aid payments, and state statutes that prohibit New Jersey school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$1,689,015, or an increase of 4.53 %. The increase to the budget represents prior year encumbrances rolled over to the current year in the amount of \$1,145,105 and additional surplus (\$543,910) appropriated during the year. The additional surplus appropriated during the year was for the replacement of boilers at 3 schools and was approved by the Bergen County Executive Director.

At the end of the current fiscal year, unassigned fund balance (budgetary basis) of the general fund was \$1,294,212, while total fund balance (budgetary basis) was \$3,654,853. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$40,071,426. Unreserved fund balance (budgetary basis) represents 3.23% of expenditures while total fund balance (budgetary basis) represents 9.12% of that same amount.

Capital Asset and Debt Administration

The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totaled \$34,685,224 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was \$86,101, or a 0.25% decrease. The decrease is primarily due to depreciation expense.

Rutherford School District Capital Asset (net of accumulated depreciation) June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
Land	\$ 7,502,700	\$ 7,502,700			\$ 7,502,700	\$ 7,502,700
Construction in Progress	118,903				118,903	-
Site Improvements	57,195	64,821			57,195	64,821
Building and Building Improvements	25,931,771	26,870,356			25,931,771	26,870,356
Vehicles	38,358	50,000			38,358	50,000
Equipment	1,036,297	283,448			1,036,297	283,448
Net Assets	\$ 34,685,224	\$ 34,771,325	\$ -	\$ -	\$ 34,685,224	\$ 34,771,325

Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 4) of this report.

Long-term debt – During the fiscal year ended June 30, 2012, the School District had \$16,565,000 in serial bonds payable and \$636,699 in compensated absences payable.

All reductions in long-term debt were made according to the payment schedules.

The School District continues to maintain its AA rating from Standard & Poor's Corporation for its general obligation bond issues.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$114,917,454 and the legal debt margin was \$98,352,454.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 5) of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered and incorporated into the preparation of the School District's budget for the 2012-13 fiscal year.

- The only increases in budget lines were in the areas of salaries and curriculum and instruction. All other areas of spending were kept at the same level as the previous year or reduced to a lower amount.
- The School District had a zero percent tax rate increase for the 2012-2013 budget. This situation is due to the stabilization of costs and the increased use of fund balance from the 2011-2012 school year operations. Also, recent legislation passed by the state has capped property tax increases at 2%, which the Rutherford School District has been fully compliant. State aid to the School District increased by \$656,288 or a 37.7% increase for the 2012-13 school year. However, any future increases are questionable.
- The Rutherford School District has committed itself to strong financial controls. The School District spends a lot of time monitoring its budget, scrutinizing spending requests, and has been implementing even stronger internal controls. The School District commits itself to constantly reviewing the ways in which it conducts business, and making improvements whenever possible, in order to meet future challenges and maximize instructional spending.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Rutherford School District Business Administrator, 176 Park Avenue, Rutherford, New Jersey, 07070, telephone number (201) 939-1718.

Basic Financial Statements

District-Wide Financial Statements

RUTHERFORD SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 2,933,487	\$ 50,105	\$ 2,983,592
Receivables, net	651,249		651,249
Deferred bond issuance costs - net	128,506		128,506
Capital assets, net (Note 4)	34,685,224		34,685,224
Total Assets	38,398,466	50,105	38,448,571
LIABILITIES:			
Accounts payable		4,086	4,086
Intergovernmental payable:			
State	76,384		76,384
Deferred revenue	13,367		13,367
Accrued interest payable	339,944		339,944
Noncurrent liabilities (Note 5):			
Due within one year	885,000		885,000
Due beyond one year	16,316,699		16,316,699
Total Liabilities	17,631,394	4,086	17,635,480
NET ASSETS:			
Invested in capital assets, net of related debt	18,120,224		18,120,224
Restricted for:			
Debt service	9,013		9,013
Other purposes	2,360,641		2,360,641
Unrestricted	277,194	46,019	323,213
Total Net Assets	\$ 20,767,072	\$ 46,019	\$ 20,813,091

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

RUTHERFORD SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 13,165,384	\$ 72,468			\$ (13,092,916)		\$ (13,092,916)
Special Education	3,450,190		\$ 789,976		(2,660,214)		(2,660,214)
Other instruction	1,147,282				(1,147,282)		(1,147,282)
Support Services:							
Tuition	3,406,844				(3,406,844)		(3,406,844)
Student & instruction related services	3,279,883		62,446		(3,217,437)		(3,217,437)
General administrative services	1,419,502				(1,419,502)		(1,419,502)
School administrative services	1,670,955				(1,670,955)		(1,670,955)
Plant operations and maintenance	3,408,267				(3,408,267)		(3,408,267)
Pupil transportation	887,408				(887,408)		(887,408)
Unallocated employee benefits	8,346,768		3,061,191		(5,285,577)		(5,285,577)
Interest on long-term debt	698,226				(698,226)		(698,226)
Unallocated depreciation and amortization	1,041,372				(1,041,372)		(1,041,372)
Total Governmental Activities	41,922,081	72,468	3,913,613		(37,936,000)		(37,936,000)
Business-Type Activities:							
Food Service	75,932	\$ 66,224				\$ (9,708)	(9,708)
Summer Music Program		14,440				14,440	14,440
Adult School Program	110,849	126,762				15,913	15,913
Total Business-Type Activities	186,781	207,426				20,645	20,645
Total Primary Government	\$ 42,108,862	\$ 279,894	\$ 3,913,613	\$ -	(37,936,000)	20,645	(37,915,355)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net					35,038,082		35,038,082
Taxes levied for debt service					1,556,564		1,556,564
Federal and State aid not restricted					2,697,836		2,697,836
Miscellaneous Income					6,040		6,040
Gain on disposal of capital assets					127,542		127,542
Total general revenues, special items, extraordinary items and transfers					39,426,064		39,426,064
Change in Net Assets					1,490,064	20,645	1,510,709
Net Assets - July 1, 2011					19,277,008	25,374	19,302,382
Net Assets - June 30, 2012					\$ 20,767,072	\$ 46,019	\$ 20,813,091

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

Fund Financial Statements

RUTHERFORD SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2012

ASSETS	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 2,902,214	\$ 22,260		\$ 9,013	\$ 2,933,487
Receivables, net					
State aid	554,007	10,916			564,923
Federal aid		56,575			56,575
Other	29,751				29,751
Total Assets	\$ 3,485,972	\$ 89,751	\$ -	\$ 9,013	\$ 3,584,736
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Intergovernmental payable:					
State		\$ 76,384			\$ 76,384
Deferred revenues		13,367			13,367
Total Liabilities		89,751			89,751
Fund Balances:					
Restricted for:					
Excess surplus	\$ 484,040				484,040
Assigned to:					
Year-end encumbrances	1,252,045				1,252,045
Subsequent year's budget	624,556			9,013	633,569
Unassigned	1,125,331				1,125,331
Total Fund Balances	3,485,972			9,013	3,494,985
Total Liabilities and Fund Balances	\$ 3,485,972	\$ 89,751	\$ -	\$ 9,013	

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 \$68,281,557 and the accumulated depreciation is \$33,596,333. 34,685,224

Bond issuance costs are amortized over the life of the bonds on the statement of net assets. 128,506

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds:

General Obligation Bonds	\$ (16,565,000)	
Compensated Absences Payable	(636,699)	
Accrued Interest Payable	(339,944)	
		(17,541,643)

Net Assets of Governmental Activities **\$ 20,767,072**

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

RUTHERFORD SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 35,038,082			\$ 1,556,564	\$ 36,594,646
Tuition	72,468				72,468
Miscellaneous	6,040				6,040
Total local sources	35,116,590			1,556,564	36,673,154
State sources	5,648,934	\$ 224,233			5,873,167
Federal sources	110,093	628,189			738,282
Total Revenues	40,875,617	852,422		1,556,564	43,284,603
EXPENDITURES:					
Current expense:					
Regular instruction	13,020,830				13,020,830
Special education instruction	2,657,874	792,316			3,450,190
Other instruction	1,147,282				1,147,282
Support services and undistributed costs:					
Tuition	3,406,844				3,406,844
Student & instruction related services	3,217,437	62,446			3,279,883
General administrative services	591,538				591,538
School administrative services	1,628,257				1,628,257
Central administrative services	827,964				827,964
Plant operations and maintenance	3,391,787				3,391,787
Pupil transportation	829,266				829,266
Unallocated employee benefits	8,346,768				8,346,768
Capital outlay	1,005,579				1,005,579
Debt service:					
Principal				840,000	840,000
Interest and other charges				716,563	716,563
Total Expenditures	40,071,426	854,762		1,556,563	42,482,751
Excess (deficiency) of revenues over (under) expenditures	804,191	(2,340)		1	801,852
Other Financing Sources (Uses):					
Transfers out					
Total other financing sources (uses)	-				
Net Change in Fund Balance	804,191	(2,340)		1	801,852
Fund Balance - July 1, 2011	2,681,781	2,340		9,012	2,693,133
Fund Balance - June 30, 2012	\$ 3,485,972	\$ -	\$ -	\$ 9,013	\$ 3,494,985

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

**RUTHERFORD SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2012**

Total net change in fund balances - governmental funds (from B-2)	\$	801,852
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p>Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Depreciation expense	\$ (1,219,222)	
Fixed assets additions	<u>1,005,579</u>	(213,643)
<p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>		
		840,000
<p>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. This amount is the net effect of these differences.</p>		
		(8,032)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., disposals and donations) is to decrease net assets.</p>		
		127,542
<p>Interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This amount is the net effect of the difference in the treatment of interest on long-term debt.</p>		
		18,337
<p>In the statement of activities, certain operating expenses, (e.g. compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+)</p>		
		<u>(75,992)</u>
Change in Net Assets of Governmental Activities	\$	<u>1,490,064</u>

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

**RUTHERFORD SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2012**

	Business-Type Activities Enterprise Funds			
	Food Service Fund	Community Education Program	Summer Music Program	Total
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 6,516	\$ 18,069	\$ 25,520	\$ 50,105
Total Current Assets	6,516	18,069	25,520	50,105
Total Assets	6,516	18,069	25,520	50,105
LIABILITIES:				
Current Liabilities:				
	4,086			4,086
Total Current Liabilities	4,086			4,086
NET ASSETS:				
Unrestricted	2,430	18,069	25,520	46,019
Total Net Assets	\$ 2,430	\$ 18,069	\$ 25,520	\$ 46,019

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

RUTHERFORD SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Business-Type Activities			Totals
	Enterprise Funds			
	Food Service Fund	Community Education Program	Summer Music Program	
Operating Revenues:				
Charges for services:				
Daily sales:				
Non-reimbursable programs	\$ 66,224			\$ 66,224
Program fees		\$ 126,762	\$ 14,440	141,202
Total Operating Revenue	66,224	126,762	14,440	207,426
Operating Expenses:				
Salaries		68,123		68,123
Supplies and materials		1,827		1,827
Other costs	3,484	1,000		4,484
Purch. Prof. Ed Services		7,129		7,129
Cost of sales	72,448	32,770		105,218
Total Operating Expenses	75,932	110,849		186,781
Operating Income (Loss)	(9,708)	15,913	14,440	20,645
Non-Operating Revenues:				
Local sources:				
Interest earned				
Total Non-Operating Revenues				
Income (Loss) before Contributions and Transfers	(9,708)	15,913	14,440	20,645
Operating Transfer Out				
Changes in Net Assets	(9,708)	15,913	14,440	20,645
Net Assets - July 1, 2011	12,138	2,156	11,080	25,374
Net Assets - June 30, 2012	\$ 2,430	\$ 18,069	\$ 25,520	\$ 46,019

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

RUTHERFORD SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Business-Type Activities Enterprise Funds			
	Food Service Fund	Community Education Program	Summer Music Program	Total
Cash Flows from Operating Activities:				
Cash receipts from customers	\$ 66,224	\$ 126,762	\$ 14,440	\$ 207,426
Cash payments to employees for services		(68,123)		(68,123)
Cash payments to suppliers for goods and services	<u>(71,846)</u>	<u>(42,726)</u>		<u>(114,572)</u>
Net cash used by operating activities	<u>(5,622)</u>	<u>15,913</u>	<u>14,440</u>	<u>24,731</u>
Cash Flows from Noncapital Financing Activities:				
Operating transfer in (out)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by noncapital financing activities	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash Flow Provided by Investing Activities:				
Interest on cash equivalents	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net increase (decrease) in cash and cash equivalents	(5,622)	15,913	14,440	24,731
Cash and cash equivalents - July 1, 2011	<u>12,138</u>	<u>2,156</u>	<u>11,080</u>	<u>25,374</u>
Cash and cash equivalents - June 30, 2012	<u>\$ 6,516</u>	<u>\$ 18,069</u>	<u>\$ 25,520</u>	<u>\$ 50,105</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (9,708)	\$ 15,913	\$ 14,440	\$ 20,645
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:				
Change in assets and liabilities:				
Increase (decrease) in accounts payable	<u>4,086</u>			<u>4,086</u>
Net cash provided by (used for) operating activities	<u>\$ (5,622)</u>	<u>\$ 15,913</u>	<u>\$ 14,440</u>	<u>\$ 24,731</u>

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

RUTHERFORD SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Trust Funds</u>			<u>Agency Funds</u>
	<u>Unemployment Compensation Trust</u>	<u>Flexible Benefit Trust</u>	<u>Private Purpose Scholarship Fund</u>	
ASSETS:				
Cash and cash equivalents	<u>\$ 233,882</u>	<u>\$ 6,097</u>	<u>\$ 134,062</u>	<u>\$ 148,957</u>
Total Assets	<u>233,882</u>	<u>6,097</u>	<u>134,062</u>	<u>\$ 148,957</u>
LIABILITIES:				
Payroll deductions and withholdings				\$ 44
Due to student groups				<u>148,913</u>
Total Liabilities				<u>\$ 148,957</u>
NET ASSETS:				
Held in trust for unemployment claims and other purposes	<u>\$ 233,882</u>			
Held in trust for claims		<u>\$ 6,097</u>		
Reserved for scholarships			<u>\$ 134,062</u>	

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

RUTHERFORD SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Unemployment Compensation Trust</u>	<u>Flexible Benefit Trust</u>	<u>Private Purpose Scholarship Fund</u>
ADDITIONS:			
Contributions:			
Employee	\$ 53,457	\$ 47,590	
Donations	300,000		\$ 3,600
Total Contributions	<u>353,457</u>	<u>47,590</u>	<u>3,600</u>
Interest earned on investments			<u>72</u>
Total Additions	<u>353,457</u>	<u>47,590</u>	<u>3,672</u>
DEDUCTIONS:			
Claims paid	173,917	41,493	
Scholarships awarded			<u>12,950</u>
Total Deductions	<u>173,917</u>	<u>41,493</u>	<u>12,950</u>
Change in Net Assets	179,540	6,097	(9,278)
Net Assets - July 1, 2011	<u>54,342</u>		<u>143,340</u>
Net Assets - June 30, 2012	<u>\$ 233,882</u>	<u>\$ 6,097</u>	<u>\$ 134,062</u>

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

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Rutherford School District ("School District") is a Type II district located in the County of Bergen, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board of Education is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the School District is to provide educational services for resident students in grades K through 12. The Rutherford School District has an approximate enrollment at June 30, 2012 of 2,542 students.

The primary criteria for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School district over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Component Units – GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The following organization is considered to be a component unit; however, the School District has determined that it is not significant and, therefore, has not been included in the basic financial statements:

Rutherford Education Foundation
P.O. Box 246
Rutherford, NJ 07070

Requests for financial information should be addressed to the organization listed above.

Basis of Presentation

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

The School District's basic financial statements consists of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Statements - The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. The policy of the School District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund - The general fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

In addition to the capital outlay sub-fund, the School District is accountable for an additional sub-fund, the Education Jobs Fund ("Ed Jobs"), resulting from federal legislation signed into law on August 10, 2010. The Ed Jobs program was created to provide funding assistance to states in order to save or create education jobs for the period from the September 30, 2010 through September 30, 2012. Jobs funded under this program include those that provide educational and related services for early childhood, elementary, and secondary education. Ed Jobs revenues and expenditures are recorded in the general fund (fund 18) on a reimbursement basis. As such, revenue is not included in the fiscal year surplus, and no portion of general fund balance at June 30, 2012 is considered to be attributable to Ed Jobs. Ed Jobs expenditures are included as a component of overall general fund expenditures, and are also included in general fund expenditures for purposes of the excess surplus calculation.

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenues sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes or serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds - Proprietary funds are used to account for the School District's ongoing activities, which are similar to those in the private sector.

Enterprise Funds – The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the School District is that all costs (expenses, including depreciation) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the School District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The School District's enterprise funds are:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

Summer Music Program Fund - This fund accounts for the financial resources of the School District's summer music program. This program provides summer music lessons to students.

Community Education Fund - This fund accounts for the financial activity related to providing adult school activities within the School District.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net assets) is segregated into investment in capital assets, net of related debt, and unrestricted net assets, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: trust funds and agency funds. Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds (i.e. payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has five fiduciary funds; an unemployment compensation trust fund, a flexible spending account, a private purpose scholarship fund, a student activity fund, and a payroll fund.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued) – Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days after fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The School District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available. The School District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of restricted formula aids recorded in the special revenue fund, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end; tuition, grants, fees, and rentals.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the operating statement as an expense. Unused donated commodities are reported as deferred revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets/Budgetary Control - Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds. The budgets are submitted to the Bergen County Office of the Executive Director for their approval. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:23A-16.2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets/Budgetary Control (Continued) - Formal budgetary integration into the accounting system is employed as a management control device during the fiscal 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 the one or more June state aid payments for budgetary purposes only and the special revenue fund. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the budgetary basis. The budgetary basis differs from GAAP in that the 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 budget, as detailed on Exhibit C-1, Exhibit C-2 and Exhibit I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances – governmental funds. Note that the School District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the one or more June state aid payments.

Encumbrances - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Encumbrances are a component of fund balance at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected in the balance sheet as deferred revenues at fiscal year end.

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

Cash, Cash Equivalents and Investments - Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (GUDPA), a multiple financial institution collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Tuition Receivable - Tuition charges were established by the School District based on estimated costs. The charges are subject to adjustment when the final costs are determined.

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tuition Payable - Tuition charges for the fiscal years ended June 30, 2012 and 2011 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

Inventories - The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed, and is not recorded since any amounts are considered immaterial to the basic financial statements.

The proprietary fund type does not maintain any inventories as the School District has contracted with another governmental entity to purchase prepared lunches.

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

In the governmental fund types, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Deferred Expenditures - Deferred expenditures are disbursements that are made in one period, but are more accurately reflected as an expenditure/expense in the next fiscal period. Unlike prepaid expenses, deferred expenditures are not regularly recurring cost of operations.

Short-Term Interfund Receivables / Payables - Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund in the School District and that are due within one year. These amounts are eliminated in the governmental and business-type columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Capital Assets - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and the proprietary fund statement of net assets. .

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of \$2,000.00. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land and Improvements	10-20 years	N/A
Buildings and Improvements	10-50 years	N/A
Furniture and Equipment	5-20 years	12 years
Vehicles	5-10 years	4-6 years

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the School District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the School District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

It is the School District's policy to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance – The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts. The School District had no nonspendable fund balance at June 30, 2012.

Restricted – This fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, which for the School District is the Board of Education. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action imposing the commitment.

Assigned – This fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the Business Administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes.

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned – This fund balance classification is the residual classification for the General Fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the School District's policy to spend restricted fund balances first. Likewise, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Operating and Non-Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales for the food service program and tuition fees for the before and after school program. Non-operating revenues principally consist of interest income earned on various interest bearing accounts and federal and state subsidy reimbursements for the food service program.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. There are no non-operating expenses

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

Unamortized Bond Issuance Costs – On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the School District's deposits may not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17.9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. Banks that qualify as public depositories under New Jersey statutes hold cash deposits, with bank balances totaling \$4,947,888.14 at June 30, 2012.

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

3. ACCOUNTS RECEIVABLES

Accounts receivables at June 30, 2012 consisted of accounts (fees) and intergovernmental grants. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

Accounts receivable at June 30, 2012 for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Total
Intergovernmental			
State	\$ 554,007	\$ 10,916	\$ 564,923
Federal		56,575	56,575
Other	29,751		29,751
Total	\$ 583,758	\$ 67,491	\$ 651,249

4. CAPITAL ASSETS

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

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities:				
Land	\$ 7,502,700			\$ 7,502,700
Construction in Progress		\$ 118,903		118,903
Total Capital Assets not being Depreciation	7,502,700	118,903	-	7,621,603
Land Improvements	781,280			781,280
Building and Improvements	57,351,056			57,351,056
Vehicles	368,000	46,500		414,500
Equipment	1,396,842	840,176	\$ (123,900)	2,113,118
Total Historical Cost	67,399,878	1,005,579	(123,900)	68,281,557
Less Accumulated Depreciation:				
Land Improvements	(716,459)	(7,626)		(724,085)
Building and Improvements	(30,480,700)	(938,585)		(31,419,285)
Vehicles	(318,000)	(58,142)		(376,142)
Equipment	(1,113,394)	(214,869)	251,442	(1,076,821)
Total Accumulated Depreciation	(32,628,553)	(1,219,222)	251,442	(33,596,333)
Governmental Activities Capital Assets, Net	\$ 34,771,325	\$ (213,643)	\$ 127,542	\$ 34,685,224

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

4. CAPITAL ASSETS (Continued)

Depreciation expense in the amount of \$1,219,222 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Regular Instruction	\$ 68,562
School Administration	42,698
Plant Operations and Maintenance	16,480
Transportation	58,142
Unallocated	1,033,340
Total depreciation expense	\$ 1,219,222

5. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2012, the following changes occurred in long-term obligations:

	<u>Principal Outstanding June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 560,707	\$ 75,992		\$ 636,699	
General Obligation Bonds	17,405,000		840,000	16,565,000	\$ 885,000
	<u>\$ 17,965,707</u>	<u>\$ 75,992</u>	<u>\$ 840,000</u>	<u>\$ 17,201,699</u>	<u>\$ 885,000</u>

Bonds Payable - Bonds and loans are authorized in accordance with State law by the voters of the School District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the School District are as follows:

2006 Refunding Bonds dated December 15, 2006 in the amount of \$6,895,000 due in annual installments through January 15, 2028, bearing interest rate of 4.00% to 4.25%.

2012 Refunding Bonds dated January 15, 2012 in the amount of \$9,670,000 due in annual installments through January 15, 2028, bearing interest rate of 4.00% to 5.50%.

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

5. LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2012, principal and interest due on bonds outstanding is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 885,000	\$ 679,887	\$ 1,564,887
2014	890,000	642,275	1,532,275
2015	920,000	604,450	1,524,450
2016	920,000	565,350	1,485,350
2017	940,000	526,250	1,466,250
2018-2022	5,110,000	2,009,200	7,119,200
2023-2027	5,755,000	918,800	6,673,800
2028	1,145,000	45,800	1,190,800
	<u>\$ 16,565,000</u>	<u>\$ 5,992,012</u>	<u>\$ 22,557,012</u>

As of June 30, 2012 the School District had no authorizations to issue additional bonded debt.

Compensated Absences - Compensated absences will be paid from the fund from which the employees' salaries are paid.

6. OPERATING LEASES

At June 30, 2012, the School District had operating lease agreements in effect for copy machines. Total rental payments for such leases were \$83,968 for the fiscal year ended June 30, 2012. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 84,864
2014	82,489
2015	57,374
2016	53,016
2017	18,952
	<u>\$ 296,695</u>

7. PENSION PLANS

Description of Plans – Substantially all of the School District's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits. P.O. Box 295, Trenton, New Jersey, 08625-0295.

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

7. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund is a cost-sharing contributory defined benefit pension plan which was established on January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. Chapter 78 P.L. 2011 changed the employee contribution rate as follows: Effective with the first payroll check to be paid on or after October 1, 2011 plan members rate will increase to 6.5% with an additional increase of .14% beginning in July 2012 and continuing each year until the rate reaches 7.5% in July 2018. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over the several preceding fiscal years.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955. The PERS provides retirement, death and disability, and medical benefits to certain qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. Chapter 78 P.L. 2011 changed the employee contribution rate as follows: Effective with the first payroll check to be paid on or after October 1, 2011 plan members rate will increase to 6.5% with an additional increase of .14% beginning in July 2012 and continuing each year until the rate reaches 7.5% in July 2018. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

The School District is billed annually for its normal contribution plus any accrued liability. The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

<u>Fiscal Year</u>	<u>Normal Contributions</u>	<u>Accrued Liability</u>	<u>Non Contributory Life</u>	<u>Interest on Deferred Amount</u>	<u>Total Liability Paid by District</u>
2012	\$ 126,739	\$ 253,479	\$ 24,225	\$ 17,257	\$ 421,700
2011	145,625	232,043	28,684		406,352
2010	121,813	156,515	38,598		316,926

* In accordance with P.L.2010, C.19 (S-21) school districts had the option to defer 50% of their regular PERS contribution due on April 1, 2009. The Rutherford School District chose to defer \$120,738 and will repay this amount plus interest over a 15 year period beginning April 1, 2012. The amount to be repaid will fluctuate each year based on the pension system investment earnings on the unfunded liability. Since the School District is permitted to pay off the deferred amount at any time, the deferred amount has not been recorded as a long-term liability and will be funded on a pay-as-you-go basis.

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

7. PENSION PLANS (Continued)

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program is a cost-sharing multiple-employer defined contribution pension plan which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A.43:15C-1 et. seq), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Divisions of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Chapter 78 P.L. 2011 changed the employee contribution rate as follows: Effective with the first payroll check to be paid on or after October 1, 2011 plan members rate will increase to 6.5% with an additional increase of .14% beginning in July 2012 and continuing each year until the rate reaches 7.5% in July 2018. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, state statute also requires the return to the normal rate when such surplus pension assets no longer exist. The employee contributions along with the School District's contribution for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

<u>Fiscal Year</u>	<u>Total Liability</u>	<u>Employee Contribution</u>	<u>Paid by School District</u>
2012	\$ 16,005	\$ 10,090	\$ 5,915
2011	5,545	3,588	1,957
2010	-		

Related Party Investments – The Division of Pensions and Benefits does not invest in securities issued by the School District.

8. POST-RETIREMENT BENEFITS

The School District contributes to the New Jersey State Health Benefits Program (SHBP), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP was established to provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011 there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

8. POST-RETIREMENT BENEFITS (Continued)

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 Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

The State establishes the contribution rate based 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 the 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 contribution to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the year ended June 30, 2012 was \$1,171,013, which equaled the required contributions. The State's contribution to the SHBP 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.

9. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2012, the School District has recognized as revenues and expenditures \$582,519 of on-behalf payments made by the State of New Jersey for normal retirement costs related to TPAF and \$1,307,659 for employer's share of social security contributions for TPAF members, as calculated on their base salaries.

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters.

Property and Liability Insurance - The School District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

Joint Insurance Pool - The School District is a member of the School Alliance Insurance Fund. Insurance coverage as provided by the Fund can be found in the Statistical Section of this Comprehensive Annual Financial Report.

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The School District is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if necessary. The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

The Fund publishes its own financial report which can be obtained by writing to: School Alliance Insurance Fund, c/o PEGAS, 51 Everett Drive, Lawrenceville, New Jersey, 08648.

New Jersey Unemployment Compensation Insurance - The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School 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 School District is billed quarterly for amounts due to the State.

The following is a summary of School District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the School District's expendable trust fund for the current and previous two fiscal years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	\$ 300,000	\$ 53,457	\$ 173,917	\$ 233,882
2011	235,000	51,260	244,413	54,342
2010	136,500	61,439	210,403	12,495

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

11. DEFERRED COMPENSATION

The School District offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, available to all permanent School District employees, permit participants to defer a portion of their current salary to future years. Participation in the plans is optional. The deferred compensation is not available to the participants until termination, retirement, death, or an unforeseeable emergency occurs. The plan assets are held in trust for the benefit of the employee and are administered by a third party therefore they are not reflected on the financial statements of the School District.

12. FLEXIBLE BENEFITS PROGRAM

The School District offers its employees a Flexible Benefits Program. The purpose of the program is to provide a tax incentive for plan participants incurring health premium expenses, dependent care expenses and other medical expenses not covered by other insurance. The School District, who is the plan administrator, has contracted with Horizon Blue Cross/Blue Shield of NJ (Horizon) to act as its agent to furnish reimbursement services. The plan participants redirect a prescribed amount of their gross pay (tax-free) into a reimbursement account and then in-turn submit claims to Horizon for repayment. Because of Internal Revenue Service regulations, if at the end of any plan year unexpended funds remain, these funds will be forfeited by the participants and returned to the School District.

The following is a summary of School District contributions, employee contributions, reimbursements to the plan participants for benefits paid and the ending balance of the School District's fiduciary fund for the current and prior two years.

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	\$ -	\$ 47,590	\$ 41,493	\$ 6,097
2011	-	-	-	-
2010	-	-	-	-

13. COMPENSATED ABSENCES

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2012, the liability for compensated absences in the governmental activities was \$636,699.

14. CONTINGENCIES

The School District 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 School District may be required to reimburse the grantor government.

At June 30, 2012, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District. Additionally, deferred revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

**Rutherford School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

15. FUND BALANCES

RESTRICTED

As stated in Note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District's fund balance are summarized as follows:

General Fund:

Excess Surplus – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund, fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012 is \$484,040 presented on the budgetary basis of accounting (Exhibit C-1).

Debt Service Fund – As of June 30, 2012, the restricted fund balance amount was \$9,013 all of which has been designated for utilization in the 2012-2013 budget.

ASSIGNED

As stated in Note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

General Fund:

Other Purposes – At June 30, 2012 the School District has \$1,252,045 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

Designated for Subsequent Year's Expenditures – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2013, \$624,566 of general fund balance at June 30, 2012.

UNASSIGNED

As stated in Note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

General Fund – As of June 30, 2012, \$1,125,331 of general fund balance was unassigned.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

RUTHERFORD SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local Tax Levy	\$ 35,038,082		\$ 35,038,082	\$ 35,038,082	
Tuition				72,468	\$ 72,468
Unrestricted misc. revenues	1,000		1,000	6,040	5,040
Total local sources	35,039,082		35,039,082	35,116,590	77,508
State sources:					
Categorical special education aid	1,381,992		1,381,992	1,381,992	
Equalization aid	360,533		360,533	730,725	370,192
Extraordinary aid				554,007	554,007
On-behalf TPAF pension contrib. (non-budgeted)				1,753,532	1,753,532
Reimbursed TPAF social security contribution (non-budgeted)				1,307,659	1,307,659
Total state sources	1,742,525		1,742,525	5,727,915	3,985,390
Federal sources:					
Education Jobs Fund	106,749		106,749	110,093	3,344
Total federal sources	106,749		106,749	110,093	3,344
TOTAL REVENUES	36,888,356		36,888,356	40,954,598	4,066,242
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers:					
Preschool/Kindergarten	266,077	\$ 7,946	274,023	274,023	
Grades 1-5	4,058,236	(7,848)	4,050,388	4,050,388	
Grades 6-8	2,918,596	(59,757)	2,858,839	2,858,055	784
Grades 9-12	4,734,129	2,280	4,736,409	4,736,409	
Regular Programs - Home Instruction:					
Salaries of teachers	120,000	(23,475)	96,525	96,525	
Purchased professional services		15,000	15,000	14,709	291
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	134,841	(32,370)	102,471	102,471	
Purchased technical services		9,200	9,200		9,200
Other purchased services	112,878	(4,352)	108,526	104,316	4,210
General supplies	646,913	138,241	785,154	691,028	94,126
Textbooks	26,390	280,834	307,224	92,906	214,318
Total - Regular Programs - Instruction	13,018,060	325,699	13,343,759	13,020,830	322,929

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

RUTHERFORD SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Education Instruction:					
Learning and/or Language Disabilities:					
Salaries of teachers	\$ 450,128	\$ 57,295	\$ 507,423	\$ 507,423	
Other salaries for instruction	370,119	67,877	437,996	436,721	\$ 1,275
Purchased professional - educ services	250,550	128,555	379,105	361,247	17,858
General supplies	3,500	(313)	3,187	3,187	
Textbooks	3,000	(652)	2,348	1,179	1,169
Total learning and/or language disab.	<u>1,077,297</u>	<u>252,762</u>	<u>1,330,059</u>	<u>1,309,757</u>	<u>20,302</u>
Resource room/resource center:					
Salaries of teachers	1,328,078	10,622	1,338,700	1,338,700	
General supplies	7,000	482	7,482	7,409	73
Textbooks	4,500	(1,739)	2,761	2,008	753
Total resource room/resource center	<u>1,339,578</u>	<u>9,365</u>	<u>1,348,943</u>	<u>1,348,117</u>	<u>826</u>
Total Special Education - Instruction	<u>2,416,875</u>	<u>262,127</u>	<u>2,679,002</u>	<u>2,657,874</u>	<u>21,128</u>
Basic Skills/Remedial - Instruction					
Salaries of teachers	404,815	(11,579)	393,236	393,236	
Total basic skills/remedial - instruction	<u>404,815</u>	<u>(11,579)</u>	<u>393,236</u>	<u>393,236</u>	
Bilingual Education - Instruction					
Salaries of teachers	61,000	(3,782)	57,218	57,218	
Total bilingual education - instruction	<u>61,000</u>	<u>(3,782)</u>	<u>57,218</u>	<u>57,218</u>	
School-Sponsored Cocurricular Act - Instruction:					
Salaries	117,832	1,307	119,139	117,688	1,451
Transfer to cover deficit	54,854		54,854	45,955	8,899
Total school-sponsored cocurr. act. - instruc.	<u>172,686</u>	<u>1,307</u>	<u>173,993</u>	<u>163,643</u>	<u>10,350</u>
School-Sponsored Athletics - Instruction:					
Salaries	393,973		393,973	389,793	4,180
Purchased services		54,695	54,695	54,695	
Supplies and materials	134,808	(46,002)	88,806	88,697	109
Total school-sponsored athletics - instruc.	<u>528,781</u>	<u>8,693</u>	<u>537,474</u>	<u>533,185</u>	<u>4,289</u>
Other Instructional Programs - Instruction					
Purchased services	10,000	(10,000)			
Total other instructional programs - instruc.	<u>10,000</u>	<u>(10,000)</u>			
Total Instruction	<u>16,612,217</u>	<u>572,465</u>	<u>17,184,682</u>	<u>16,825,986</u>	<u>358,696</u>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

RUTHERFORD SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Instruction					
Tuition to other LEAs within the state - spec	\$ 1,109,316	340,565	\$ 1,449,881	\$ 1,321,927	\$ 127,954
Tuition to county vocational school - reg	258,240	(77,889)	180,351	161,400	18,951
Tuition to county vocational school - spec	65,790	52,400	118,190	118,190	
Tuition to CSSD & reg. day schools	360,060	(61,074)	298,986	279,408	19,578
Tuition to priv. sch. for the disabled in state	1,505,430	(31,157)	1,474,273	1,436,432	37,841
Tuition to priv. sch. for the disabled not in state	127,408	77,889	205,297	45,000	160,297
Tuition - other	50,000	(5,382)	44,618	44,487	131
Total undistributed expenditures - instruction	3,476,244	295,352	3,771,596	3,406,844	364,752
Attendance and Social Work:					
Salaries	58,975	1	58,976	58,739	237
Total attendance and social work	58,975	1	58,976	58,739	237
Health Services:					
Salaries	382,849	(2,600)	380,249	380,249	
Supplies and materials	9,198	763	9,961	9,787	174
Total health services	392,047	(1,837)	390,210	390,036	174
Speech, OT, PT & Related Services:					
Salaries	218,849	7,918	226,767	219,764	7,003
Purchased professional - educ. services	3,700		3,700	2,393	1,307
Supplies and materials	4,000		4,000	3,859	141
Total speech, ot, pt, & related services	226,549	7,918	234,467	226,016	8,451
Special Education - Extraordinary Services:					
Purchased professional - educ. services		137,360	137,360	137,360	
Total special education - extra. services		137,360	137,360	137,360	
Guidance:					
Salaries of other professional staff	583,889		583,889	583,465	424
Salaries of secretarial and clerical assistants	81,482		81,482	81,482	
Supplies and materials	5,950	550	6,500	4,587	1,913
Other objects	8,820		8,820	6,855	1,965
Total guidance	680,141	550	680,691	676,389	4,302
Child Study Teams:					
Salaries of other professional staff	961,251	1,273	962,524	961,385	1,139
Salaries of secretarial and clerical assistants	48,742		48,742	48,742	
Miscellaneous purchased services	1,000		1,000	985	15
Supplies and materials	5,000	3,708	8,708	8,444	264
Total child study teams	1,015,993	4,981	1,020,974	1,019,556	1,418
Improvement of Instructional Services:					
Purchased professional educational services		21,909	21,909	2,800	19,109
Other purchased services	8,850	(1,529)	7,321	2,900	4,421
Total improvement of instructional services	8,850	20,380	29,230	5,700	23,530

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

RUTHERFORD SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Educational Media Services/School Library:					
Salaries	\$ 475,304	\$ (109,960)	\$ 365,344	\$ 365,344	
Salaries of secretarial and clerical assistants		111,265	111,265	111,265	
Salaries of technology coordinators	140,385	1,387	141,772	141,772	
Supplies and materials	63,653	(1,331)	62,322	59,576	\$ 2,746
Other objects	15,353		15,353	15,300	53
Total educational media services/school library	694,695	1,361	696,056	693,257	2,799
Instructional Staff Training Services:					
Salaries		4,800	4,800	4,800	
Other salaries	19,800	(19,243)	557	557	
Other objects	5,000	27	5,027	5,027	
Total instructional staff training services	24,800	(14,416)	10,384	10,384	
Support Services - General Administration:					
Salaries	232,348		232,348	226,910	5,438
Legal services	51,000	(14,828)	36,172	31,945	4,227
Audit fees	30,000		30,000	30,000	
Architectural / engineering services	15,000	3,797	18,797	18,797	
Other purchased professional services	43,000	64,607	107,607	83,657	23,950
Communications / telephone	130,100	(47,269)	82,831	81,977	854
Other purchased services	22,250	1,949	24,199	12,445	11,754
Supplies and materials	78,700	(3,251)	75,449	71,767	3,682
Judgements against the district		11,381	11,381	11,381	
Misc. expenditures	10,500	1,011	11,511	4,771	6,740
BOE membership dues and fees	18,900	(1,011)	17,889	17,888	1
Total support services - general administration	631,798	16,386	648,184	591,538	56,646
Support Services School Administration:					
Salaries of principals/assist. principals	995,702	7,238	1,002,940	1,002,940	
Salaries of secretarial and clerical assistants	491,892	2,463	494,355	494,355	
Other purchased services	19,888		19,868	19,086	782
Supplies and materials	68,415	(9,647)	58,768	45,577	13,191
Other objects	72,425	3,957	76,382	66,299	10,083
Total support services - school administration	1,648,302	4,011	1,652,313	1,628,257	24,056
Central Services:					
Salaries	583,889	(44,631)	539,258	528,001	11,257
Purchased technical services	59,000		59,000	41,204	17,796
Misc. purchased services	5,400		5,400	852	4,548
Supplies and materials	20,000		20,000	14,372	5,628
Miscellaneous expenditures	2,500		2,500	1,695	805
Total central services	670,789	(44,631)	626,158	586,124	40,034
Admin. Info. Technology:					
Salaries	153,415	1,047	154,462	154,462	
Purchased technical services	13,250	11,410	24,660	14,782	9,878
Other purchased services	3,750	(2,100)	1,650	864	786
Other objects	88,990	(17,110)	71,880	71,732	148
Total admin. info. technology	259,405	(6,753)	252,652	241,840	10,812

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

RUTHERFORD SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Required Maintenance School Facilities:					
Salaries	\$ 493,053	\$ (36,401)	\$ 456,652	\$ 456,652	
Cleaning, repair, and maintenance services	427,350	196,809	624,159	485,988	\$ 138,171
General supplies	183,000	(39,242)	143,758	137,163	6,595
Other objects	2,300	165	2,465	2,465	
Total required maintenance school facilities	1,105,703	121,331	1,227,034	1,082,268	144,766
Other Operation & Maintenance of Plant:					
Salaries	769,229	(75,612)	693,617	687,521	6,096
Cleaning, repair, and maintenance services	362,809	67,135	429,944	429,944	
Other purchased property services	47,700	13,932	61,632	60,607	1,025
Insurance	127,750	(2,187)	125,563	125,563	
General supplies	106,000	6,116	112,116	108,878	3,238
Energy (Electricity)	620,000	(44,928)	575,072	553,987	21,085
Salaries of non-instructional aides	181,380	(4,682)	176,698	157,828	18,870
Energy (Natural Gas)	350,000	(155,203)	194,797	149,083	45,714
Total other operations & maint. of plant	2,564,868	(195,429)	2,369,439	2,273,411	96,028
Care & Upkeep of Grounds:					
Cleaning, repair, and maintenance services	31,110	4,998	36,108	36,108	
Total care & upkeep of grounds	31,110	4,998	36,108	36,108	
Total operation & maint. of plant services	3,701,681	(69,100)	3,632,581	3,391,787	240,794
Student Transportation Services:					
Salaries of non-instructional aides	42,000		42,000	39,049	2,951
Salaries for Pupil Trans (bet. home and school)-spec.	100,788	3,319	104,107	91,554	12,553
Salaries for Pupil Trans (not bet. home and school)	60,056	(15,319)	44,737	37,664	7,073
Cleaning, Repair and Maintenance Services	27,500	43,989	71,489	71,219	270
Contr. serv. (special ed. students.) - Vendors	749,338	(142,260)	607,078	562,443	44,635
Supplies and materials	25,000	7,000	32,000	27,337	4,663
Total student transportation services	1,004,682	(103,271)	901,411	829,266	72,145
Unallocated Benefits - Employee Benefits:					
Social security contributions	406,248		406,248	395,575	10,673
Other retirement contributions - PERS	425,506	17,257	442,763	421,700	21,063
Other retirement contributions	17,257	(14,257)	3,000	766	2,234
Unemployment compensation	300,000		300,000	300,000	
Workmen's compensation	178,380	(9,750)	168,630	168,630	
Health benefits	4,532,167	(712,964)	3,819,203	3,762,108	57,095
Tuition reimbursement	30,000		30,000	27,000	3,000
Other employee benefits	212,000	18,318	230,318	209,798	20,520
Total unallocated benefits - employee benefits	6,101,558	(701,396)	5,400,162	5,285,577	114,585
On-behalf TPAF pension contr. (non-budgeted)				1,753,532	(1,753,532)
Reimbursed TPAF social security contr. (non-budgeted)				1,307,659	(1,307,659)
Total Undistributed Expenditures	20,596,509	(453,104)	20,143,405	22,239,861	(2,096,456)
Total General Current Expense	37,208,726	119,361	37,328,087	39,065,847	(1,737,760)

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

RUTHERFORD SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY:					
Equipment:					
Undist. expend - support services - student - spec		\$ 2,583	\$ 2,583	\$ 2,583	
Undist. expend - custodial services		16,269	16,269	16,269	
Total Equipment		18,852	18,852	18,852	
Facilities Acquisition and Construction Services:					
Other purchased professional and tech services		48,100	48,100	48,100	
Construction services		1,502,702	1,502,702	886,349	\$ 616,353
Other objects	\$ 52,278		52,278	52,278	
Total Facilities Acquisition and Constr. Services	52,278	1,550,802	1,603,080	986,727	616,353
Total Capital Outlay	52,278	1,569,654	1,621,932	1,005,579	616,353
TOTAL EXPENDITURES	\$ 37,261,004	1,689,015	38,950,019	40,071,426	(1,121,407)
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(372,648)	(1,689,015)	(2,061,663)	883,172	2,944,835
Other Financing Sources:					
Operating transfers in					
Total other financing sources	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(372,648)	(1,689,015)	(2,061,663)	883,172	2,944,835
Fund Balance - July 1, 2011	2,771,681		2,771,681	2,771,681	
Fund Balance - June 30, 2012	<u>\$ 2,399,033</u>	<u>\$ (1,689,015)</u>	<u>\$ 710,018</u>	<u>\$ 3,654,853</u>	<u>\$ 2,944,835</u>
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Excess surplus				\$ 484,040	
Assigned Fund Balance:					
Year-end encumbrances				1,252,045	
Designated for subsequent year's expenditures				624,556	
Unassigned Fund Balance:				<u>1,294,212</u>	
				3,654,853	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				<u>(168,881)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 3,485,972</u>	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

RUTHERFORD SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Education Jobs Funds
General Fund
For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Federal sources:					
Education Stabilization Funds		\$ 110,093	\$ 110,093	\$ 110,093	
Total Revenues		<u>110,093</u>	<u>110,093</u>	<u>110,093</u>	
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers Grades 9-12		110,093	110,093	110,093	
Total - Regular Programs - Instruction		<u>110,093</u>	<u>110,093</u>	<u>110,093</u>	
Total Expenditures		<u>110,093</u>	<u>110,093</u>	<u>110,093</u>	
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

RUTHERFORD SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
State sources	\$ 300,617		\$ 300,617	\$ 224,233	\$ (76,384)
Federal sources	633,385		633,385	628,189	(5,196)
Total Revenues	934,002		934,002	852,422	(81,580)
EXPENDITURES:					
Instruction:					
Salaries of teachers	31,394		31,394	31,394	
Purchased professional - educ. services	233,308		233,308	165,468	67,840
Tuition	571,896		571,896	571,526	370
General supplies	5,302		5,302	2,271	3,031
Textbooks	27,861		27,861	19,317	8,544
Total instruction	869,761		869,761	789,976	79,785
Support services:					
Personal services - employee benefits	6,292		6,292	6,139	153
Purchased professional - educ. services	39,448		39,448	39,448	
Other purchased services	18,501		18,501	16,859	1,642
Total support services	64,241		64,241	62,446	1,795
Facilities acquisition and construction services:					
Instructional equipment					
Total facilities acq. and const. services					
Total Expenditures	934,002		934,002	852,422	81,580
Total Outflows	934,002		934,002	852,422	81,580
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	---	---	---	---	---

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

RUTHERFORD SCHOOL DISTRICT
Notes to Required Supplementary Information
Budgetary Comparison
For the Fiscal Year Ended June 30, 2012

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP
Revenues and Expenditures**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 40,954,598	\$ 852,422
Difference - budget to GAAP:		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	89,900	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(168,881)</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 40,875,617</u>	<u>\$ 852,422</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 40,071,426	\$ 852,422
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Prior Year		2,340
Current Year		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 40,071,426</u>	<u>\$ 854,762</u>

Other Supplementary Information

Special Revenue Fund

RUTHERFORD SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2012

	Nonpublic Comp. Ed.	Nonpublic Exam/ Classification	Nonpublic Speech	Nonpublic Supplemental Instruction	Nonpublic ESL	Nonpublic Textbooks	Nonpublic Nursing	Carryforward From Exhibit E-1A	Total
REVENUES:									
State sources	\$ 68,134	\$ 33,980	\$ 19,272	\$ 23,080	\$ 10,086	\$ 19,317	\$ 39,448	\$ 10,916	\$ 224,233
Federal sources								628,189	628,189
Total Revenues	68,134	33,980	19,272	23,080	10,086	19,317	39,448	639,105	852,422
EXPENDITURES:									
Instruction:									
Salaries of teachers								31,394	31,394
Purchased prof. - educational serv.	68,134	33,980	19,272	23,080	10,086			10,916	165,468
Tuition								571,526	571,526
General supplies								2,271	2,271
Textbooks						19,317			19,317
Total instruction	68,134	33,980	19,272	23,080	10,086	19,317		616,107	789,976
Support services:									
Personal services - employee benefits								6,139	6,139
Purchased prof. - educ. serv.							39,448		39,448
Other purchased services								16,859	16,859
Total support services							39,448	22,998	62,446
Facilities acquisition and const. serv.:									
Instructional equipment									
Total facilities acq. and const. serv.									
Total Expenditures	68,134	33,980	19,272	23,080	10,086	19,317	39,448	639,105	852,422
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	---	---	---	---	---	---	---	---	---

RUTHERFORD SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2012

	Nonpublic Home Instruction	Title II A	Title III	IDEA Basic	IDEA Preschool	Total
REVENUES:						
State sources	\$ 10,916					\$ 10,916
Federal sources		\$ 49,870	\$ 6,793	\$ 550,321	\$ 21,205	628,189
Total Revenues	10,916	49,870	6,793	550,321	21,205	639,105
EXPENDITURES:						
Instruction:						
Salaries of teachers		27,612	3,782			31,394
Purchased prof. - educational serv.	10,916					10,916
Tuition				550,321	21,205	571,526
General supplies			2,271			2,271
Total instruction	10,916	27,612	6,053	550,321	21,205	616,107
Support services:						
Personal services-employee benefits		5,399	740			6,139
Other purchased services		16,859				16,859
Total support services		22,258	740			22,998
Facilities acquisition and const. serv.:						
Instructional equipment						
Total facilities acq. and const. serv.						
Total Expenditures	10,916	49,870	6,793	550,321	21,205	639,105
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	---	---	---	---	---	---

Capital Projects Fund

The School District does not maintain a capital projects fund.

Proprietary Funds

RUTHERFORD SCHOOL DISTRICT
Enterprise Funds
Combining Statement of Net Assets
June 30, 2012

	<u>Food Service Fund</u>	<u>Community Education Program</u>	<u>Summer Music Program</u>	<u>Total</u>
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 6,516	\$ 18,069	\$ 25,520	\$ 50,105
	<u>6,516</u>	<u>18,069</u>	<u>25,520</u>	<u>50,105</u>
Total Current Assets				
	<u>6,516</u>	<u>18,069</u>	<u>25,520</u>	<u>50,105</u>
Total Assets	<u>6,516</u>	<u>18,069</u>	<u>25,520</u>	<u>50,105</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	<u>4,086</u>			<u>4,086</u>
Total Liabilities	<u>4,086</u>			<u>4,086</u>
NET ASSETS:				
Unrestricted	<u>2,430</u>	<u>18,069</u>	<u>25,520</u>	<u>46,019</u>
Total Net Assets	<u>\$ 2,430</u>	<u>\$ 18,069</u>	<u>\$ 25,520</u>	<u>\$ 46,019</u>

RUTHERFORD SCHOOL DISTRICT
Enterprise Funds
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2012

	<u>Food Service Fund</u>	<u>Community Education Program</u>	<u>Summer Music Program</u>	<u>Total</u>
OPERATING REVENUES:				
Charges for Services:				
Daily sales:				
Lunches	\$ 57,693			\$ 57,693
Milk	8,531			8,531
Program fees		<u>\$ 126,762</u>	<u>\$ 14,440</u>	<u>141,202</u>
Total Operating Revenues	<u>66,224</u>	<u>126,762</u>	<u>14,440</u>	<u>207,426</u>
OPERATING EXPENSES:				
Salaries and fringe benefits		68,123		68,123
Supplies and materials		1,827		1,827
Other costs	3,484	1,000		4,484
Other purchased services		7,129		7,129
Cost of sales	<u>72,448</u>	<u>32,770</u>		<u>105,218</u>
Total Operating Expenses	<u>75,932</u>	<u>110,849</u>		<u>186,781</u>
Operating Income (Loss)	<u>(9,708)</u>	<u>15,913</u>	<u>14,440</u>	<u>20,645</u>
Non-Operating Revenues:				
Local sources:				
Interest earned				
Total Non-Operating Revenues				
Income (Loss) before Contributions and Transfers	(9,708)	15,913	14,440	20,645
Operating Transfer Out				
Changes in Net Assets	(9,708)	15,913	14,440	20,645
Net Assets - July 1, 2011	<u>12,138</u>	<u>2,156</u>	<u>11,080</u>	<u>25,374</u>
Net Assets - June 30, 2012	<u>\$ 2,430</u>	<u>\$ 18,069</u>	<u>\$ 25,520</u>	<u>\$ 46,019</u>

RUTHERFORD SCHOOL DISTRICT
Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

	<u>Food Service Fund</u>	<u>Community Education Program</u>	<u>Summer Music Program</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Cash receipts from customers	\$ 66,224	\$ 126,762	\$ 14,440	\$ 207,426
Cash payments to employees for services		(68,123)		(68,123)
Cash payments to suppliers for goods and services	<u>(71,846)</u>	<u>(42,726)</u>		<u>(114,572)</u>
Net cash used by operating activities	<u>(5,622)</u>	<u>15,913</u>	<u>14,440</u>	<u>24,731</u>
Cash Flows from Noncapital Financing Activities:				
Operating transfer in (out)				
Net cash provided by noncapital financing activities				
Cash Flow Provided by Investing Activities:				
Interest on cash equivalents				-
Net increase (decrease) in cash and cash equivalents	(5,622)	15,913	14,440	24,731
Cash and cash equivalents - July 1, 2011	<u>12,138</u>	<u>2,156</u>	<u>11,080</u>	<u>25,374</u>
Cash and cash equivalents - June 30, 2012	<u>\$ 6,516</u>	<u>\$ 18,069</u>	<u>\$ 25,520</u>	<u>\$ 50,105</u>
Reconciliation of Operating Income (Loss) to Net Cash provided by (used for)				
Operating Activities:				
Operating Income (Loss)	\$ (9,708)	\$ 15,913	\$ 14,440	\$ 20,645
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:				
Change in assets and liabilities:				
Increase (decrease) in accounts payable	<u>4,086</u>			
Net Cash Provided by (used for) Operating Activities	<u>\$ (5,622)</u>	<u>\$ 15,913</u>	<u>\$ 14,440</u>	<u>\$ 20,645</u>

Fiduciary Funds

**RUTHERFORD SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Fiduciary Net Assets
June 30, 2012**

	<u>Trust Funds</u>			<u>Agency Funds</u>		<u>Totals</u>
	<u>Unemployment Compensation</u>	<u>Flexible Spending</u>	<u>Scholarship Funds</u>	<u>Student Activity</u>	<u>Payroll</u>	
ASSETS:						
Cash and cash equivalents	\$ 233,882	\$ 6,097	\$ 134,062	\$ 148,913	\$ 44	\$ 522,998
Total Assets	<u>233,882</u>	<u>6,097</u>	<u>134,062</u>	<u>\$ 148,913</u>	<u>\$ 44</u>	<u>522,998</u>
LIABILITIES:						
Due to student groups				\$ 148,913		148,913
Payroll deductions and withholdings					\$ 44	44
Total Liabilities				<u>\$ 148,913</u>	<u>\$ 44</u>	<u>148,957</u>
NET ASSETS:						
Reserved for:						
Payment of claims	233,882	\$6,097				239,979
Scholarships			134,062			134,062
Total Net Assets	<u>\$ 233,882</u>	<u>\$ 6,097</u>	<u>\$ 134,062</u>			<u>\$ 374,041</u>

RUTHERFORD SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2012

	Trust Funds			Total
	Unemployment Compensation Trust	Flexible Benefit Trust	Private Purpose Scholarship Fund	
Additions:				
Interest on investments			\$ 72	\$ 72
Contributions	\$ 300,000		3,600	303,600
Employee withholdings	53,457	\$ 47,590		101,047
Total Additions	353,457	47,590	3,672	404,719
Deductions:				
Claims paid	173,917	41,493		215,410
Scholarships			12,950	12,950
Total Deductions	173,917	41,493	12,950	228,360
Change in Net Assets	179,540	6,097	(9,278)	176,359
Net Assets - July 1, 2011	54,342		143,340	197,682
Net Assets - June 30, 2012	\$ 233,882	\$ 6,097	\$ 134,062	\$ 374,041

RUTHERFORD SCHOOL DISTRICT
Fiduciary Funds
Student Activity Agency Fund Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u>	<u>Balance</u> <u>June 30, 2012</u>
Elementary Schools	\$ 60,407	\$ 101,482	\$ 93,653		\$ 68,236
General Activities	89,707	192,880	203,448		79,139
Athletics	1,826	54,800	55,088		1,538
Total all schools	<u>\$ 151,940</u>	<u>\$ 349,162</u>	<u>\$ 352,189</u>	<u>\$ -</u>	<u>\$ 148,913</u>

RUTHERFORD SCHOOL DISTRICT
Fiduciary Funds
Payroll Agency Fund Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2012

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
ASSETS:				
Cash and cash equivalents	<u>\$ 927</u>	<u>\$ 24,507,723</u>	<u>\$ 24,508,606</u>	<u>\$ 44</u>
Total Assets	<u><u>\$ 927</u></u>	<u><u>\$ 24,507,723</u></u>	<u><u>\$ 24,508,606</u></u>	<u><u>\$ 44</u></u>
 LIABILITIES:				
Net payroll		\$ 14,408,846	\$ 14,408,846	
Payroll deductions and withholdings	<u>927</u>	<u>10,098,877</u>	<u>10,099,760</u>	<u>\$ 44</u>
Total Liabilities	<u><u>\$ 927</u></u>	<u><u>\$ 24,507,723</u></u>	<u><u>\$ 24,508,606</u></u>	<u><u>\$ 44</u></u>

Long-Term Debt Schedules

RUTHERFORD SCHOOL DISTRICT
Statement of Serial Bonds
For the Fiscal Year Ended June 30, 2012

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1, 2011	Issued	Retired	Balance June 30, 2012
			Date	Amount					
School Renovations	01/15/03	\$ 22,420,000				\$ 810,000		\$ 810,000	
Refunding Bonds of 2006	12/15/06	7,100,000	01/15/13	\$ 365,000	4.250%	6,910,000		15,000	\$ 6,895,000
			01/15/14	370,000	4.250%				
			01/15/15	385,000	4.250%				
			01/15/16	385,000	4.250%				
			01/15/17	390,000	4.000%				
			01/15/18	395,000	4.000%				
			01/15/19	410,000	4.000%				
			01/15/20	420,000	4.000%				
			01/15/21	445,000	4.000%				
			01/15/22	460,000	4.000%				
			01/15/23	480,000	4.000%				
			01/15/24	485,000	4.000%				
			01/15/25	480,000	4.000%				
			01/15/26	475,000	4.000%				
			01/15/27	475,000	4.000%				
			01/15/28	475,000	4.000%				
Refunding Bonds of 2007	01/15/07	9,930,000	01/15/13	520,000	4.250%	9,685,000		15,000	9,670,000
			01/15/14	520,000	4.250%				
			01/15/15	535,000	4.250%				
			01/15/16	535,000	4.250%				
			01/15/17	550,000	5.500%				
			01/15/18	555,000	4.000%				
			01/15/19	565,000	4.000%				
			01/15/20	595,000	4.000%				
			01/15/21	620,000	4.000%				
			01/15/22	645,000	4.000%				
			01/15/23	670,000	4.000%				
			01/15/24	675,000	4.000%				
			01/15/25	670,000	4.000%				
			01/15/26	675,000	4.000%				
			01/15/27	670,000	4.000%				
			01/15/28	670,000	4.000%				
						<u>\$ 17,405,000</u>	<u>\$ -</u>	<u>\$ 840,000</u>	<u>\$ 16,565,000</u>

RUTHERFORD SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local sources:					
Local tax levy	\$ 1,561,888		\$ 1,556,564	\$ 1,556,564	
Total Revenues	<u>1,561,888</u>		<u>1,556,564</u>	<u>1,556,564</u>	
EXPENDITURES:					
Regular debt service:					
Interest	760,900		725,576	716,563	\$ 9,013
Redemption of principal	810,000		840,000	840,000	
Total Expenditures	<u>1,570,900</u>		<u>1,565,576</u>	<u>1,556,563</u>	<u>9,013</u>
Excess (Deficiency) of revenues and other financing source over (under) expenditures and other financing sources (uses):	(9,012)		(9,012)	1	9,013
Fund Balance - July 1, 2011	<u>9,012</u>		<u>9,012</u>	<u>9,012</u>	
Fund Balance - June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,013</u>	<u>\$ 9,013</u>
Recapitulation of Excess (Deficiency) or revenues over (under) expenditures					
Budgeted Fund Balance	<u>\$ (9,012)</u>	<u>\$ -</u>	<u>\$ (9,012)</u>	<u>\$ 1</u>	<u>\$ 9,013</u>

Statistical Section

**Rutherford School District
Net Assets by Component,
Last Ten Fiscal Years
(accrual basis of accounting)**

79

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ (16,231,950)	\$ 4,490,779	\$ 7,354,381	\$ 17,360,448	\$ 18,208,176	\$ 17,781,974	\$ 17,449,702	\$ 17,555,546	\$ 17,366,325	\$ 18,120,224
Restricted for:										
Capital projects	20,948,706	6,737,078	5,381,518	853,886	602,133	11,358				
Debt service					65,845	9,011	9,012	9,012	9,012	9,013
Other purposes	350,006	2,205,617	1,829,183	1,029,873	1,048,481	631,197	400,602	1,154,406	1,520,093	2,360,641
Unrestricted	809,339	425,374	(377,087)	(398,829)	(280,299)	(631,987)	(153,471)	(145,470)	381,578	277,194
Total governmental activities not assets	<u>\$ 5,876,101</u>	<u>\$ 13,858,848</u>	<u>\$ 14,187,995</u>	<u>\$ 18,865,378</u>	<u>\$ 19,644,336</u>	<u>\$ 17,801,553</u>	<u>\$ 17,705,845</u>	<u>\$ 18,573,484</u>	<u>\$ 19,277,008</u>	<u>\$ 20,767,072</u>
Business-type activities:										
Invested in capital assets, net of related debt										
Unrestricted	\$ 140,576	\$ 163,563	\$ 81,219	\$ 38,208	\$ 42,793	\$ 52,132	\$ 56,917	\$ 63,969	\$ 25,374	\$ 46,019
Total business-type activities not assets	<u>\$ 140,576</u>	<u>\$ 163,563</u>	<u>\$ 81,219</u>	<u>\$ 38,208</u>	<u>\$ 42,793</u>	<u>\$ 52,132</u>	<u>\$ 56,917</u>	<u>\$ 63,969</u>	<u>\$ 25,374</u>	<u>\$ 46,019</u>
District-wide:										
Invested in capital assets, net of related debt	\$ (16,231,950)	\$ 4,490,779	\$ 7,354,381	\$ 17,360,448	\$ 18,208,176	\$ 17,781,974	\$ 17,449,702	\$ 17,555,546	\$ 17,366,325	\$ 18,120,224
Restricted:										
Capital projects	20,948,706	6,737,078	5,381,518	853,886	602,133	11,358	-	-	-	-
Debt service					65,845	9,011	9,012	9,012	9,012	9,013
Other purposes	350,006	2,205,617	1,829,183	1,029,873	1,048,481	631,197	400,602	1,154,406	1,520,093	2,360,641
Unrestricted	949,915	588,937	(295,868)	(360,621)	(237,506)	(579,855)	(96,554)	(81,501)	406,952	323,213
Total district net assets	<u>\$ 6,016,677</u>	<u>\$ 14,022,411</u>	<u>\$ 14,269,214</u>	<u>\$ 18,903,586</u>	<u>\$ 19,687,129</u>	<u>\$ 17,853,685</u>	<u>\$ 17,762,762</u>	<u>\$ 18,637,463</u>	<u>\$ 19,302,382</u>	<u>\$ 20,813,091</u>

Rutherford School District
 Changes in Net Assets, Last Ten Fiscal Years
 (accrual basis of accounting)

		Fiscal Year Ending June 30,									
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:											
Governmental activities:											
Instruction:											
Regular	\$	13,212,070	13,256,004	15,244,331	12,538,006	12,809,364	13,382,361	13,474,144	13,914,947	13,348,579	13,165,384
Special education		2,152,391	2,135,429	2,620,657	2,124,436	2,221,704	2,288,238	2,315,846	2,532,603	2,488,947	3,450,190
Other instruction		1,288,671	1,342,568	1,516,147	1,113,485	1,106,170	1,150,986	1,153,495	1,145,441	1,161,616	1,147,282
Support Services:											
Tuition		1,989,122	1,947,600	1,973,179	2,164,822	2,189,354	2,450,955	2,868,518	2,696,729	3,140,892	3,406,644
Student & instruction related services		3,023,272	3,262,511	3,392,917	2,800,111	2,805,003	2,806,348	2,951,122	3,257,939	3,190,355	3,279,893
School administrative services		1,666,545	1,762,958	1,824,808	1,607,418	1,653,610	1,904,260	1,826,436	1,829,062	1,636,919	1,670,955
General and business administrative services		572,610	565,803	1,541,646	1,463,354	1,514,107	1,602,084	1,548,748	1,654,114	1,505,194	1,419,502
Plant operations and maintenance		2,789,012	2,802,114	2,958,272	3,443,793	3,740,972	4,356,343	4,680,114	3,718,740	4,106,156	3,408,267
Pupil transportation		735,915	733,146	829,232	729,983	823,592	843,513	949,629	914,347	897,608	887,408
Business and other support services		584,151	611,360								
Unallocated employee benefits					6,518,802	8,062,647	8,343,687	7,311,980	6,450,212	8,024,863	8,348,768
Interest on long-term debt		97,350	1,167,100	1,532,887	992,625	1,489,902	885,231	801,362	768,676	734,225	698,226
Unallocated depreciation		88,591	6,079	6,032	22,501	628,947	1,077,118	968,120	854,232	959,409	1,041,372
Total governmental activities expenses		28,209,700	29,592,672	33,442,208	35,539,336	39,045,372	41,201,144	40,849,514	41,837,042	41,194,763	41,922,081
Business-type activities:											
Food service		90,119	76,243	72,063	76,605	80,835	82,827	91,206	87,228	83,046	75,932
Home after school program		295,768	285,443	315,345	13,065						
Summer music program						4,435	3,500	3,500	3,500		
Adult school program		160,348	134,654	114,445	109,178	102,199	101,886	99,993	99,391	129,894	110,649
Total business-type activities expense		546,235	496,340	501,853	198,848	187,469	188,213	194,699	190,119	212,940	186,781
Total district expenses		\$ 28,755,935	\$ 30,089,012	\$ 33,944,061	\$ 35,738,184	\$ 39,232,841	\$ 41,389,357	\$ 41,044,213	\$ 42,027,161	\$ 41,407,703	\$ 42,108,862
Program Revenues:											
Governmental activities:											
Charges for services:											
Instruction (tuition)	\$	18,834	13,309	12,244	20,482	9,462	1,320	12,606			72,468
Operating grants and contributions		2,371,575	2,528,737	2,812,164	3,162,372	4,328,160	4,513,660	3,322,330	3,949,820	3,434,722	3,913,613
Total governmental activities program revenues		2,390,509	2,542,046	2,824,408	3,182,854	4,337,622	4,515,180	3,334,936	3,949,820	3,434,722	3,986,081

(Continued)

08

**Rutherford School District
Changes in Net Assets, Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities:										
Charges for services:										
Food service	\$ 82,770	\$ 72,773	\$ 62,886	\$ 80,304	\$ 77,701	\$ 83,178	\$ 69,210	\$ 80,890	\$ 76,131	\$ 66,224
Home after school program	303,702	333,672	246,691							
Summer music program					4,180	4,205	4,345	6,630	6,655	14,440
Adult school program	151,558	107,642	102,476	107,082	103,699	108,509	105,876	109,651	91,559	126,762
Operating grants and contributions	4,406	3,582	5,390	5,718	493					
Capital grants and contributions										
Total business-type activities program revenues	<u>542,445</u>	<u>517,669</u>	<u>417,443</u>	<u>193,104</u>	<u>191,073</u>	<u>195,892</u>	<u>199,431</u>	<u>197,171</u>	<u>174,345</u>	<u>207,426</u>
Total district program revenues	<u>\$ 2,932,954</u>	<u>\$ 3,059,715</u>	<u>\$ 3,241,851</u>	<u>\$ 3,375,958</u>	<u>\$ 4,528,695</u>	<u>\$ 4,711,072</u>	<u>\$ 3,534,367</u>	<u>\$ 4,146,991</u>	<u>\$ 3,609,067</u>	<u>\$ 4,183,507</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (25,819,191)	\$ (27,050,626)	\$ (30,617,800)	\$ (32,356,482)	\$ (34,707,750)	\$ (36,685,964)	\$ (37,514,578)	\$ (37,887,222)	\$ (37,760,041)	\$ (37,936,000)
Business-type activities	(3,790)	21,329	(84,410)	(5,744)	3,604	7,679	4,732	7,052	(38,595)	20,645
Total district-wide net expense	<u>\$ (25,822,981)</u>	<u>\$ (27,029,297)</u>	<u>\$ (30,702,210)</u>	<u>\$ (32,362,226)</u>	<u>\$ (34,704,146)</u>	<u>\$ (36,678,285)</u>	<u>\$ (37,509,846)</u>	<u>\$ (37,880,170)</u>	<u>\$ (37,789,636)</u>	<u>\$ (37,915,355)</u>
General Revenues and Other Changes in Net Assets:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 23,317,336	\$ 24,171,383	\$ 25,417,992	\$ 27,674,482	\$ 30,302,182	\$ 31,721,385	\$ 32,475,800	\$ 33,702,430	\$ 34,716,670	\$ 35,038,092
Taxes levied for debt service	337,350	1,997,100	1,876,575	1,879,770	1,855,225	1,784,250	1,567,263	1,555,463	1,561,888	1,556,564
Unrestricted grants and contributions	2,405,783	2,791,267	2,879,747	2,917,899	2,913,745	3,023,542	3,348,104	3,486,988	2,110,407	2,697,636
State aid restricted for capital projects		5,805,144	406,433	1,657,052	95,309	75,735	4,120			
Investment earnings	204,406	183,787	240,588	187,534	156,942	19,410				
Miscellaneous income	117,637	84,692	35,522	117,213	183,295	134,748	23,583	9,990	72,590	6,040
Gain on disposal of capital assets										127,542
Transfers	(26,061)			38,659						
Total governmental activities	<u>26,356,451</u>	<u>35,033,373</u>	<u>30,946,857</u>	<u>34,472,609</u>	<u>35,486,708</u>	<u>38,759,070</u>	<u>37,418,870</u>	<u>38,754,871</u>	<u>38,463,555</u>	<u>39,426,064</u>
Business-type activities:										
Investment earnings	5,347	1,658	2,066	1,392	1,011	1,660	53			
Transfers	26,061			(38,659)						
Total business-type activities	<u>31,408</u>	<u>1,658</u>	<u>2,066</u>	<u>(37,267)</u>	<u>1,011</u>	<u>1,660</u>	<u>53</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district-wide	<u>\$ 26,387,859</u>	<u>\$ 35,035,031</u>	<u>\$ 30,948,923</u>	<u>\$ 34,435,342</u>	<u>\$ 35,487,719</u>	<u>\$ 36,760,730</u>	<u>\$ 37,418,923</u>	<u>\$ 38,754,871</u>	<u>\$ 38,463,555</u>	<u>\$ 39,426,064</u>
Change in Net Assets:										
Governmental activities	\$ 537,260	\$ 7,982,747	\$ 329,057	\$ 2,116,127	\$ 778,958	\$ 73,106	\$ (95,708)	\$ 867,649	\$ 703,514	\$ 1,490,064
Business-type activities	27,618	22,987	(82,344)	(43,011)	4,615	9,339	4,785	7,052	(38,595)	20,645
Total district-wide	<u>\$ 564,878</u>	<u>\$ 8,005,734</u>	<u>\$ 246,713</u>	<u>\$ 2,073,116</u>	<u>\$ 783,573</u>	<u>\$ 82,445</u>	<u>\$ (90,923)</u>	<u>\$ 874,701</u>	<u>\$ 664,919</u>	<u>\$ 1,510,709</u>

**Rutherford School District
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Restricted for:										
Capital reserve	\$ 185,295	\$ 185,295	\$ 187,611	\$ 189,487	\$ 197,067					
Excess surplus		55,987	170,531	207,888	196,226	\$ 91,714	\$ 99,295			\$ 484,040
Assigned:										
Year-end encumbrances		1,604,925	1,301,533	543,947	583,921	343,056	203,512	\$ 732,706	\$ 1,145,105	1,252,045
Designated for subsequent year's expenditures	350,000	544,705	357,113	170,531	268,334	196,226	91,714	372,648	372,648	624,556
Unassigned	1,171,790	659,148	455,610	513,113	638,611	715,100	768,269	775,140	1,164,028	1,125,331
Total general fund	<u>\$ 1,707,085</u>	<u>\$ 3,050,060</u>	<u>\$ 2,472,398</u>	<u>\$ 1,624,964</u>	<u>\$ 1,884,159</u>	<u>\$ 1,348,096</u>	<u>\$ 1,162,790</u>	<u>\$ 1,880,494</u>	<u>\$ 2,681,781</u>	<u>\$ 3,485,972</u>
All Other Governmental Funds										
Assigned:										
Year-end encumbrances	\$ 20,763,411	\$ 6,551,783	\$ 5,193,907			\$ 201	\$ 6,081	\$ 49,052	\$ 2,340	
Unreserved, reported in:										
Special revenue fund	(5,082)									
Capital projects fund				\$ 664,399	\$ 405,066	11,358				
Debt service fund	6	6	6	107,509	65,845	9,011	9,012	9,012	9,012	\$ 9,013
Total all other governmental funds	<u>\$ 20,758,335</u>	<u>\$ 6,551,789</u>	<u>\$ 5,183,913</u>	<u>\$ 771,908</u>	<u>\$ 470,911</u>	<u>\$ 20,570</u>	<u>\$ 15,093</u>	<u>\$ 58,064</u>	<u>\$ 11,352</u>	<u>\$ 9,013</u>

28

Rutherford School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Tax levy	\$ 23,654,688	\$ 26,168,483	\$ 27,294,567	\$ 29,554,252	\$ 32,157,417	\$ 33,505,635	\$ 34,043,063	\$ 35,257,893	\$ 36,280,558	\$ 36,594,646
Tuition charges	18,934	13,309	12,244	20,482	9,462	1,320	12,606		30,986	72,468
Interest earnings	182,297	183,787	240,588	187,534	172,644	19,410				
Miscellaneous	117,637	84,692	35,522	124,423	163,295	134,748	23,583	9,990	41,604	6,040
State sources	4,348,714	10,661,297	5,685,439	7,192,303	6,781,769	7,007,845	6,037,213	5,967,897	4,847,365	5,873,167
Federal sources	428,644	463,844	512,473	538,239	555,445	605,292	637,880	1,468,911	697,764	738,282
Total revenue	28,750,912	37,575,412	33,780,833	37,617,233	39,840,032	41,274,250	40,754,345	42,704,691	41,898,277	43,284,603
Expenditures										
Instruction										
Regular instruction	10,499,159	10,421,226	12,088,401	12,435,496	12,750,662	13,328,301	13,475,453	13,887,976	13,456,268	13,020,830
Special education instruction	1,752,577	1,698,304	2,086,698	2,124,436	2,221,704	2,288,238	2,315,846	2,532,603	2,488,947	3,450,190
Other special instruction	1,059,114	1,083,355	1,224,147	1,113,485	1,106,170	1,150,988	1,153,495	1,145,441	1,161,616	1,147,282
Support Services:										
Tuition	1,989,122	1,947,600	1,973,179	2,142,837	2,189,354	2,450,955	2,868,518	2,696,729	3,140,892	3,406,844
Student & instruction related services	2,490,403	2,581,028	2,602,539	2,763,976	2,770,791	2,906,348	2,951,122	3,257,939	3,190,355	3,279,883
School administrative services	1,374,637	1,414,220	1,450,370	1,591,281	1,633,400	1,804,555	1,728,701	1,829,062	1,838,919	1,628,257
General and business admin. services	993,678	993,424	1,304,789	1,443,603	1,475,715	1,602,084	1,548,748	1,588,290	1,477,712	1,419,502
Plant operations and maintenance	2,469,184	2,426,397	2,629,985	3,329,086	3,705,922	4,339,210	4,015,733	3,698,602	3,313,313	3,391,787
Pupil transportation	691,202	667,790	758,254	718,761	806,906	815,513	929,629	894,347	877,608	829,266
Other support services	4,487,875	5,028,861	5,681,563	6,518,802	8,062,647	8,343,687	7,311,980	8,450,212	8,024,863	8,346,768
Transfer to Charter School				21,985						
Capital outlay	1,935,545	20,179,678	3,139,871	6,841,883	1,431,895	1,372,283	1,076,641	407,352	813,321	1,005,579
Debt service:										
Principal	240,000	830,000	830,000	870,000	1,205,000	960,000	750,000	770,000	810,000	840,000
Interest and other charges	97,350	1,167,100	1,046,575	1,009,700	954,158	900,494	817,262	785,463	751,888	716,563
Total expenditures	30,079,846	50,438,983	36,816,371	42,925,331	40,314,324	42,262,654	40,943,128	41,944,016	41,143,702	42,482,751
Excess (Deficiency) of revenues over (under) expenditures	(1,328,934)	(12,863,571)	(3,035,538)	(5,308,098)	(474,292)	(988,404)	(188,783)	760,675	754,575	801,852
Other Financing sources (uses)										
Proceeds from borrowing	22,420,000		1,100,000							
Net proceeds from refinancing					213,110					
Capital lease					219,380					
Accrued interest on sale of bonds	22,109									
Transfers in	204,406	183,787	238,272	224,317	149,363	19,410				
Transfers out	(230,467)	(183,787)	(238,272)	(185,658)	(149,363)	(19,410)				
Total other financing sources (uses)	22,416,048	-	1,100,000	38,659	432,490	-	-	-	-	-
Net change in fund balances	\$ 21,087,114	\$ (12,863,571)	\$ (1,935,538)	\$ (5,269,439)	\$ (41,802)	\$ (988,404)	\$ (188,783)	\$ 760,675	\$ 754,575	\$ 801,852
Debt service as a percentage of noncapital expenditures	1.20%	6.60%	5.57%	5.21%	5.55%	4.55%	3.93%	3.74%	3.87%	3.75%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

Rutherford School District
General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

J-5

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Transportation</u> <u>Fees</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Rentals</u>	<u>Void</u> <u>Checks</u>	<u>Miscellaneous</u>	<u>Total</u>
2003	\$ 15,910	\$ 18,934	\$ 9,215	\$ 86,502	\$ 5,405		\$ 605	\$ 136,571
2004	10,735	13,309		65,037	8,920			98,001
2005	29,165	12,244	2,736	4,977	960			50,082
2006	285,697	20,482		2,519	10,220		13,521	332,439
2007	327,757	9,462			6,653		1,529	345,401
2008	141,829	1,320		9,928	1,557		844	155,478
2009	13,150	12,606			8,467		1,966	36,189
2010	381				6,875		2,734	9,990
2011	731	30,986		31,234	7,699		1,940	72,590
2012	117	72,468			3,705	\$ 2,102	116	78,508
	<u>\$ 825,472</u>	<u>\$ 191,811</u>	<u>\$ 11,951</u>	<u>\$ 200,197</u>	<u>\$ 60,461</u>	<u>\$ 2,102</u>	<u>\$ 23,255</u>	<u>\$ 1,315,249</u>

Source: District records

**Rutherford School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2003	\$ 16,730,400	\$ 920,195,300	\$ 192,029,000	\$ 51,794,100	\$ 47,756,300	\$ 1,228,505,100	\$ 10,958,452	\$1,239,463,552	\$ 115,905,400	\$ 2.078	\$ 1,664,603,212
2004	17,225,100	924,059,300	198,425,000	50,194,100	47,756,300	1,237,659,800	10,004,665	1,247,664,465	116,574,000	2.138	1,920,961,455
2005	25,678,300	931,416,700	185,037,700	53,181,400	47,838,900	1,243,153,000	8,951,081	1,252,104,081	108,130,900	2.271	2,149,534,903
2006	R 52,346,500	2,244,648,000	363,844,100	94,642,100	110,744,800	2,866,225,500	13,300,888	2,879,526,388	187,583,900	1.054	2,504,671,619
2007	51,284,700	2,243,829,900	366,602,200	94,820,600	110,744,800	2,867,282,200	13,727,387	2,881,009,587	186,791,200	1.140	2,829,621,532
2008	45,949,700	2,251,611,300	344,226,000	95,127,200	111,504,500	2,848,418,700	12,936,070	2,861,354,770	186,793,400	1.175	2,988,726,393
2009	46,329,600	2,250,266,300	342,051,100	91,852,900	112,343,800	2,842,843,700	13,946,682	2,856,790,382	187,113,600	1.211	3,067,504,882
2010	46,865,400	2,245,176,100	338,377,300	91,445,600	112,343,800	2,834,208,200	14,247,620	2,848,455,820	189,405,800	1.256	3,080,070,898
2011	22,338,300	2,234,824,900	337,769,700	91,330,600	110,672,400	2,796,935,900	14,520,120	2,811,456,020	214,396,000	1.270	2,838,462,128
2012	23,714,300	2,227,309,400	337,368,800	88,100,300	112,528,200	2,789,021,000	14,807,649	2,803,828,649	214,316,100	1.304	Not available

65

Source:
Municipal Tax Assessor

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

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

b Tax rates are per \$100 of assessed valuation.

**Rutherford School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**
(rate per \$100 of assessed value)

J-7

Fiscal Year Ended June 30,	Rutherford School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Borough of Rutherford	Library	Bergen County	
2003	\$ 2.111	\$ 0.027	\$ 2.138	\$ 1.046		\$ 0.286	\$ 3.470
2004	1.978	0.160	2.138	1.065		0.317	3.520
2005	2.122	0.149	2.271	1.103		0.336	3.710
2006 R	0.904	0.150	1.054	0.555		0.161	1.770
2007	1.078	0.062	1.140	0.642		0.178	1.960
2008	1.113	0.062	1.175	0.673		0.193	2.041
2009	1.153	0.060	1.213	0.688		0.206	2.107
2010	1.202	0.054	1.256	0.744		0.212	2.212
2011	1.215	0.055	1.270	0.753	\$ 0.034	0.210	2.267
2012	1.249	0.055	1.304	0.788	0.032	0.213	2.337

Source: Municipal Tax Collector

R Revaluation

**Rutherford School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

J-8

Taxpayer	2012		Taxpayer	2003	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Meadows Office, LLC	\$ 83,500,000	2.98%	CIN Meadows	\$ 46,400,000	3.74%
Citi, Smith Barney	39,200,000	1.40%	Salomon Smith Barney	31,534,500	2.54%
Hasting Village	30,376,200	1.08%	Maurice M. Weill	15,778,600	1.27%
Frederick D. & Weill, J	27,000,000	0.96%	Rutherford Lodging	15,500,000	1.25%
Moody National Meadowlands	18,239,600	0.65%	Hastings Village	14,000,000	1.13%
Bell Atlantic Verizon	14,807,649	0.53%	ESA 2509 Inc.	7,619,000	0.61%
BRE/ESA Properties	12,382,500	0.44%	Stryker Acquisitions	7,645,000	0.62%
Volvo of America, Corp.	11,775,400	0.42%	Volvo of America Corp.	6,200,000	0.50%
359 Veterans Boulevard	11,600,000	0.41%	EGDC	4,198,400	0.34%
Linque-HC Partners LLC	8,998,800	0.32%	Boiling Springs Park Service	3,276,000	0.26%
Total	\$ 257,880,149	9.20%		\$ 152,151,500	12.28%

Source: Municipal Chief Financial Officer

**Rutherford School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

J-9

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied for the Calendar Year</u>	<u>Collected within the Fiscal Year of the Levy^a</u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2003	\$ 23,654,686	\$ 23,654,686	100.00%	-
2004	26,168,483	26,168,483	100.00%	-
2005	27,294,567	27,294,567	100.00%	-
2006	29,554,252	29,554,252	100.00%	-
2007	32,157,417	32,157,417	100.00%	-
2008	33,505,635	33,505,635	100.00%	-
2009	34,043,063	34,043,063	100.00%	-
2010	35,257,893	35,257,893	100.00%	-
2011	36,280,558	36,280,558	100.00%	-
2012	36,594,646	36,594,646	100.00%	-

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

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

**Rutherford School District
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years**

J-10

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^b
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2003	\$ 23,620,000				\$23,620,000	2.53%	\$ 1,315
2004	22,790,000				22,790,000	2.49%	1,274
2005	21,960,000	\$1,012,072			22,972,072	2.36%	1,287
2006	21,090,000	1,075,252	\$ 2,897,000		25,062,252	2.50%	1,417
2007	20,695,000	1,075,295	901,880		22,672,175	2.06%	1,294
2008	19,735,000	394,367	800,000		20,929,367	1.78%	1,198
2009	18,985,000				18,985,000	1.60%	1,090
2010	18,215,000				18,215,000	1.65%	1,044
2011	17,405,000				17,405,000	1.47%	962
2012	16,565,000				16,565,000	Unavailable	911

Sources:

- a District Records
- b Personal Income has been estimated based upon the municipal population and per capita personal income.
- c Per Capita Personal Income Data provided by the NJ Dept. of Labor and Workforce.

Rutherford School District
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
(dollars in thousands, except per capita)

J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Assessed Valuation Taxable ^b	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding ^a		
2003	\$ 23,620,000	-	\$ 23,620,000	1.95%	\$ 1,315
2004	22,790,000	-	22,790,000	1.85%	1,274
2005	21,960,000	-	21,960,000	1.78%	1,287
2006	21,090,000	-	21,090,000	1.70%	1,417
2007	20,695,000	-	20,695,000	1.66%	1,294
2008	19,735,000	-	19,735,000	1.58%	1,198
2009	18,985,000	-	18,985,000	0.66%	1,090
2010	18,215,000	-	18,215,000	0.63%	1,044
2011	17,405,000	-	17,405,000	0.61%	962
2012	16,565,000	-	16,565,000	0.58%	911

Sources:

- a District Records
- b Net Assessed Valuation provided by Anstract of Ratables, County Board of Taxation
- c Per Capita Personal Inome Data provided by the NJ Dept. of Labor and Workforce.

**Rutherford School District
 Ratios of Overlapping Governmental Activities Debt
 As of December 31, 2011**

J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>		<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:				
Borough of Rutherford	\$ 15,048,449	(1)	100.000%	\$ 15,048,449
Bergen County General Obligation Debt	698,412,830	(1)	1.762% (2)	12,306,966
				<hr/>
Subtotal, overlapping debt				27,355,415
Rutherford School District Direct Debt				<hr/> 16,565,000
Total direct and overlapping debt				<hr/> \$ 43,920,415 <hr/>

Sources:

- (1) Entity's Audit Report
- (2) The County percentage is based upon a calculation reflecting the Borough's share of the 2011 Equalized Valuation. The source for this computation was the 2011 County Abstract of Ratables, provided by the County Board of Taxation.

Legal Debt Margin Calculation for Fiscal Year 2012

	Equalized valuation basis (1)
2011	\$ 2,700,005,696
2010	2,852,751,082
2009	3,066,052,308
	<u>\$ 8,618,809,086</u>
Average equalized valuation of taxable property	<u>\$ 2,872,936,362</u>
Debt limit (4% of average equalized valuation) (2)	114,917,454
Net bonded school debt (3)	16,565,000
Legal debt margin	<u>\$ 98,352,454</u>

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 59,465,971	\$ 66,733,394	\$ 75,426,463	\$ 86,242,386	\$ 98,434,864	\$ 109,924,242	\$ 117,902,558	\$ 121,371,274	\$ 119,588,739	\$ 114,917,454
Total net debt applicable to limit (3)	<u>23,620,000</u>	<u>22,790,000</u>	<u>21,960,000</u>	<u>21,090,000</u>	<u>20,695,000</u>	<u>19,735,000</u>	<u>18,985,000</u>	<u>18,215,000</u>	<u>17,405,000</u>	<u>16,565,000</u>
Legal debt margin	<u>\$ 35,845,971</u>	<u>\$ 43,943,394</u>	<u>\$ 53,466,463</u>	<u>\$ 65,152,386</u>	<u>\$ 77,739,864</u>	<u>\$ 90,189,242</u>	<u>\$ 98,917,558</u>	<u>\$ 103,156,274</u>	<u>\$ 102,183,739</u>	<u>\$ 98,352,454</u>
Total net debt applicable to the limit as a percentage of debt limit	39.72%	34.15%	29.11%	24.45%	21.02%	17.95%	16.10%	15.01%	14.55%	14.41%

Sources:

- (1) Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.
- (2) Limit set by NJSA 18A:24-19 for a K through 8 district.
- (3) District Records

**Rutherford School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2002	17,956	\$ 932,473,036	\$ 51,931	4.7%
2003	17,895	915,007,140	51,132	4.6%
2004	17,853	972,310,086	54,462	3.8%
2005	17,693	1,003,299,258	56,706	3.9%
2006	17,523	1,098,937,422	62,714	4.1%
2007	17,464	1,176,968,816	67,394	3.7%
2008	17,410	1,187,832,070	68,227	4.8%
2009	17,445	1,102,489,110	63,198	8.6%
2010	18,084	1,184,248,824	65,486	8.8%
2011	18,178	e	e	8.6%

Source:

- ^a Population information provided by the NJ Dept of Labor and Workforce Development
- ^b Personal income has been established based upon the municipal population and per capita personal income presented.
- ^c Per Capita personal income provided by the NJ Dept. of Labor and Workforce Development.
- ^d Unemployment data provided by the NJ Dept of Labor and Workforce Development
- ^e Information not available

**Rutherford School District
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years**

J-16

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instruction										
Regular	147	160	160	164	169	169	170	169	168	168
Special education	48	49	49	49	53	52	52	52	52	57
Support Services:										
Student & instruction related services	38	34	33	38	37	42	42	42	42	41
School administrative services	21	21	21	22	22	21	21	21	20	19
General and business administrative services	2	2	2	2	2	2	2	2	2	2
Plant operations and maintenance	50	46	47	47	51	51	51	51	49	19
Pupil transportation	6	7	7	6	9	9	9	9	9	9
Business and other support services	12	11	11	11	12	12	12	12	11	10
Total	324	330	330	339	355	358	359	358	353	325

Source:
District Personnel Records

Rutherford School District
 Operating Statistics,
 Last Ten Fiscal Years

J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change In Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2003	2,362	\$ 27,806,951	\$ 11,772.63	1.07%	223	1:12	1:11	1:09	2,311.90	2,217.80	1.25%	95.93%
2004	2,416	28,262,205	11,697.93	-0.63%	225	1:12	1:11	1:09	2,374.30	2,273.90	2.70%	95.77%
2005	2,485	31,799,925	12,796.75	9.39%	226	1:10	1:12	1:13	2,413.90	2,306.70	1.67%	95.56%
2006	2,399	34,203,748	14,257.50	11.42%	224	1:15	1:13	1:11	2,399.80	2,294.80	-0.58%	95.62%
2007	2,513	36,723,271	14,613.32	2.50%	245	1:15	1:13	1:11	2,447.30	2,344.10	1.98%	95.78%
2008	2,511	39,029,877	15,543.56	6.37%	241	1:15	1:13	1:11	2,449.10	2,345.70	0.07%	95.78%
2009	2,532	38,299,225	15,126.08	-2.69%	242	1:15	1:13	1:11	2,463.80	2,355.50	0.60%	95.60%
2010	2,487	39,981,201	16,076.08	6.28%	241	1:15	1:13	1:11	2,433.90	2,330.30	-1.21%	95.74%
2011	2,488	38,768,493	15,582.19	-3.07%	240	1:15	1:13	1:11	2,433.80	2,328.30	0.00%	95.67%
2012	2,542	39,920,609	15,704.41	0.78%	243	1:15	1:13	1:11	2,485.00	2,384.30	2.10%	95.95%

95

Sources: District records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Rutherford School District
 School Building Information
 Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
District Building										
Elementary										
Washington Elementary (1982)										
Square Feet	15,800	15,800	15,800	50,000	45,100	45,100	45,100	45,100	45,100	45,100
Capacity (students)	137	137	137	338	304	304	304	304	304	304
Enrollment	133	131	134	321	322	331	341	324	335	345
Lincoln (1954)										
Square Feet	15,800	15,800	15,800	50,000	46,700	46,700	46,700	46,700	46,700	46,700
Capacity (students)	117	117	117	324	350	350	350	350	350	350
Enrollment ^a	122	124	115	348	357	333	357	352	355	371
Middle School										
Union Middle School (1960)										
Square Feet	62,500	62,500	62,500	84,000	70,700	70,700	70,700	70,700	70,700	70,700
Capacity (students)	335	335	335	482	530	530	530	530	530	530
Enrollment	633	639	675	478	471	484	489	481	493	498
⊗ Pierrepont Middle School (1960)										
Square Feet	59,595	59,595	59,595	59,595	72,500	72,500	72,500	72,500	72,500	72,500
Capacity (students)	433	433	433	493	533	533	533	533	533	533
Enrollment	564	563	573	479	489	496	501	490	486	506
High School										
Rutherford High School (1950)										
Square Feet	142,300	142,300	142,300	160,000	148,600	148,600	148,600	148,600	148,600	148,600
Capacity (students)	455	455	455	659	775	775	775	775	775	775
Enrollment	717	766	760	784	817	803	782	778	741	756

Number of Schools at June 30, 2012
 Elementary = 2
 Middle School = 2
 Senior High School = 1

Source: District Facilities Office

Rutherford School District
 Schedule of Required Maintenance
 Last Ten Fiscal Years

J-19

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

* School Facilities Project # (s)	High School	Union	Pierrepont	Washington	Lincoln	Sylvan	Total
2002	\$ 415,156	\$ 178,399	\$ 184,493	\$ 48,663	\$ 48,663	\$ 48,016	\$ 923,390
2004	423,412	190,005	196,495	51,828	51,828	51,140	964,708
2005	430,976	185,252	191,971	50,872	50,872	49,914	959,857
2006	507,077	198,077	188,870	158,462	158,461	49,757	1,260,704
2007	514,063	362,403	210,802	143,864	157,204	40,635	1,428,971
2008	728,119	346,222	354,800	220,873	228,670	70,765	1,949,449
2009	622,263	294,207	274,261	125,722	129,046	65,581	1,511,080
2010	537,117	253,825	236,617	108,466	111,334	56,578	1,303,937
2011	462,754	218,683	203,857	93,449	95,919	48,747	1,123,409
2012	441,963	210,346	194,688	91,999	94,591	46,216	1,079,803
Total School Facilities	\$ 5,082,900	\$ 2,437,419	\$ 2,236,854	\$ 1,094,198	\$ 1,126,588	\$ 527,349	\$ 12,505,308

97

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

Source: District records

**Rutherford School District
Insurance Schedule
June 30, 2012**

J-20

	<u>Coverage</u>	<u>Self-insured Retention</u>	<u>Deductible</u>
School Package Policy (1)			
Building and Contents (All Locations)			
Limits of Liability per Occurrence	\$ 84,849,376		\$ 1,000
Boiler and Machinery	100,000,000		1,000
Flood	10,000,000		
Earthquake	25,000,000		
General Liability	5,000,000		1,000
Automobile Liability	5,000,000		1,000
Employers Liability	5,000,000		
Crime Coverage	500,000		1,000
School Board Legal Liability (4)	5,000,000		
Environmental Impairment Liability (2)	1,000,000		
Surety Bonds (3)			
Treasurer	300,000		
Board Secretary	300,000		

- (1) School Alliance Insurance Fund
- (2) Illinois Union Insurance Company
- (3) Hartford Fire Insurance Company
- (4) Ace American Insurance

Source: District records

Single Audit Section

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

12000 Lincoln Drive West, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: lscpas@concentric.net

-Member of-
American Institute of CPAs
New Jersey Society of CPAs

INDEPENDENT AUDITOR'S 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

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

Compliance

We have audited Rutherford School District (School District), in the County of Bergen, State of New Jersey's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major federal and state programs for the fiscal year ended June 30, 2012. The School District'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 requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District'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; OMB Circular A-133 *Audits of State, Local Governments, and Non-Profit Organizations*; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and State of New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and OMB Circular A-133 and State of New Jersey Circular 04-04-OMB, 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 the School District'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 the School District's compliance with those requirements.

In our opinion, the Rutherford School District, in the County of Bergen, State of New Jersey 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.

Internal Control Over Compliance

Management of the Rutherford School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the School District's internal control over compliance with the 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 State of New Jersey Circular 04-04-OMB, 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 School District's internal control over compliance.

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

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

This report is intended solely for the information and use of the management of the School District, the Division of Finance, Department of Education, State of New Jersey, and 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.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert A. Stewart
Public School Accountant

Marlton, New Jersey
September 13, 2012

RUTHERFORD SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From - To	Balance June 30, 2011			Adjustment	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2012		
					(Accounts Receivable)	Deferred Revenue	Due to Grantor					(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education														
Passed-through State Department of Education:														
General Fund:														
Education Jobs Fund	84.410A	N/A	\$ 110,093	7/1/10 - 6/30/12				\$ 110,093	\$ (110,093)					
Special Revenue Fund:														
Title II A:														
Fiscal Year 2012	84.367A	NCLB460012	\$ 51,987	9/1/11 - 8/31/12										
Fiscal Year 2011	84.367A	NCLB460011	55,910	9/1/10 - 8/31/11	\$ (17,017)	\$ 49		\$ (345)	37,049	(49,870)		\$ (14,938)	\$ 1,772	
Title III:														
Fiscal Year 2012	84.365A	NCLB460012	9,847	9/1/11 - 8/31/12						(6,793)		(9,847)	3,054	
Fiscal Year 2011	84.365A	NCLB460011	26,763	9/1/10 - 8/31/11	(21,616)	4,853			16,763					
Title IV:														
Fiscal Year 2010	84.186A	NCLB460010	3,958	9/1/09 - 8/31/10	(350)	97			253					
I.D.E.A. Part B - Basic:														
Fiscal Year 2011	84.027	FT460011	530,656	9/1/10 - 8/31/11	(25,772)	370			25,402					
Fiscal Year 2012	84.027	FT460012	550,691	9/1/11 - 8/31/12					518,901	(550,321)		(31,790)	370	
ARRA - I.D.E.A. - Basic														
Fiscal Year 2012	84.391	N/A	611,557	9/1/09 - 8/31/11	(1,725)	1,725								
I.D.E.A. Part B - Preschool:														
Fiscal Year 2012	84.173	PS460012	21,205	9/1/11 - 8/31/12					21,205	(21,205)				
Total U.S. Department of Education					(66,480)	7,094		(345)	746,634	(738,282)		(56,575)	5,196	
Total Federal Awards					\$ (66,480)	\$ 7,094	\$ -	\$ (345)	\$ 746,634	\$ (738,282)	\$ -	\$ (56,575)	\$ 5,196	\$ -

102

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

RUTHERFORD SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year ended June 30, 2012

State Grantor / Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From - To	Balance June 30, 2011			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2012			
				(Accounts Receivable)	Deferred Revenue	Due to Grantor				(Accounts Receivable)	Deferred Revenue	Due to Grantor	
State Department of Education													
General Fund:													
Special Education Categorical Aid	11-495-034-5120-089	\$ 1,372,333	7/1/10- 6/30/11	\$ (89,900)			\$ 89,900						
Special Education Categorical Aid	12-495-034-5120-089	1,381,992	7/1/11- 6/30/12				1,213,111	\$ (1,381,992)		\$ (168,881)			
Equalization Aid	12-495-034-5120-078	730,725	7/1/11- 6/30/12				730,725	(730,725)					
Extraordinary Special Education Costs Aid	12-495-034-5120-044	554,007	7/1/11- 6/30/12					(554,007)		(554,007)			
Extraordinary Special Education Costs Aid	11-100-034-5120-473	540,565	7/1/10- 6/30/11	(540,565)			540,565						
On-behalf TPAF Pension Contribution	12-495-034-5095-001	1,753,532	7/1/11- 6/30/12				1,753,532	(1,753,532)					
Reimbursed TPAF Social Security Contr.	11-495-034-5095-002	1,306,605	7/1/10- 6/30/11	(276)			276						
Reimbursed TPAF Social Security Contr.	12-495-034-5095-002	1,307,659	7/1/11- 6/30/12				1,307,659	(1,307,659)					
Total General Fund				(630,741)			5,635,768	(5,727,915)		(722,888)			
Special Revenue Fund:													
NJ Nonpublic Aid:													
Textbook Aid	11-100-034-5120-064	30,353	7/1/10- 6/30/11		\$ 3,849				\$ (3,849)				
Textbook Aid	12-100-034-5120-064	27,861	7/1/11- 6/30/12				27,861	(19,317)			\$ 8,544		
Nursing Aid	12-100-034-5120-070	39,448	7/1/11- 6/30/12				39,448	(39,448)					
Auxiliary Services:													
Compensatory Education	11-100-034-5120-067	56,265	7/1/10- 6/30/11		5,600				(5,600)				
Compensatory Education	12-100-034-5120-067	91,296	7/1/11- 6/30/12				91,296	(68,134)			23,162		
English as a Second Language	11-100-034-5120-067	17,930	7/1/10- 6/30/11		11,441				(11,441)				
English as a Second Language	12-100-034-5120-067	20,689	7/1/11- 6/30/12				20,689	(10,086)			10,603		
Transportation	12-100-034-5120-067	8,068	7/1/11- 6/30/12				8,068				8,068		
Home Instruction	12-100-034-5120-067	10,916	7/1/11- 6/30/12					(10,916)		(10,916)			
Home Instruction	11-100-034-5120-067	7,094	7/1/10- 6/30/11	(7,094)			7,094						
Handicapped Services:													
Supplemental Instruction	11-100-034-5120-066	27,654	7/1/10- 6/30/11		6,114				(6,114)				
Supplemental Instruction	12-100-034-5120-066	35,076	7/1/11- 6/30/12				35,076	(23,080)			11,996		
Examination & Classification	11-100-034-5120-066	44,029	7/1/10- 6/30/11		1,918				(1,918)				
Examination & Classification	12-100-034-5120-066	39,618	7/1/11- 6/30/12				39,618	(33,980)			5,638		
Corrective Speech	11-100-034-5120-066	26,287	7/1/10- 6/30/11		5,477				(5,477)				
Corrective Speech	12-100-034-5120-066	27,645	7/1/11- 6/30/12				27,645	(19,272)			8,373		
Total Special Revenue Fund				(7,094)	34,399		296,795	(224,233)		(34,399)	(10,916)	76,384	
Total State Financial Assistance				\$ (637,835)	\$ -	\$ 34,399	\$ -	\$ 5,932,563	\$ (6,952,148)	\$ (34,399)	\$ (733,804)	\$ -	\$ 76,384

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

**Rutherford School District
Notes to Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2012**

I. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Rutherford School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance 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 Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 the expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment 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, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$78,981) for the general fund and \$0 for the special revenue fund. See Exhibit C-3, 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 follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General	\$ 110,093	\$ 5,648,934	\$ 5,759,027
Special Revenue	<u>628,189</u>	<u>224,233</u>	<u>852,422</u>
Total	<u>\$ 738,282</u>	<u>\$ 5,873,167</u>	<u>\$ 6,611,449</u>

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

**Rutherford School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2012
(Continued)**

5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2012. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

6. MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

7. ADJUSTMENTS

Amounts reported in the column entitled "Adjustments" represent the following:

	<u>Federal</u>
Prior Year Adjustments	\$ (345)
Total	<u>\$ (345)</u>

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

Section 1 – Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: UNQUALIFIED

Internal control over financial reporting:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified that are not considered to be a material weakness? _____ yes X none reported

Noncompliance material to general purpose financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified that are not considered to be a material weakness? _____ 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 section .510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>I.D.E.A. - Basic</u>
_____	_____
_____	_____
_____	_____
_____	_____

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

Auditee qualified as low-risk auditee? X yes _____ no

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

Section 2 -- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

None

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

***Section 3 -- Schedule of Federal Awards and State Financial Assistance
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 Circular 04-04-OMB.

FEDERAL AWARDS

No findings and/or questioned costs identified.

STATE AWARDS

No findings and/or questioned costs identified.

**RUTHERFORD SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENED JUNE 30, 2012**

This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with *Government Auditing Standards*, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings.

FEDERAL AWARDS

No findings and/or questioned costs identified.

STATE AWARDS

No findings and/or questioned costs identified.