

MOUNTAINSIDE SCHOOL DISTRICT

***BOROUGH OF MOUNTAINSIDE
BOARD OF EDUCATION***

***COUNTY OF UNION
MOUNTAINSIDE, NEW JERSEY***

***COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
ENDED JUNE 30, 2012***

**MOUNTAINSIDE SCHOOL DISTRICT
COUNTY OF UNION, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2012**

TABLE OF CONTENTS

	<u>PAGE(S)</u>
INTRODUCTORY SECTION	1
Letter of Transmittal	2 - 5
Roster of Officials	6
Organizational Chart	7
Consultants and Advisors	8
FINANCIAL SECTION	9
Independent Auditor's Report	10 - 11
Required Supplementary Information – Part I	12
Management's Discussion and Analysis	13- 23
Basic Financial Statements	24
A. District-wide Financial Statements	25
A- 1 <u>Statement of Net Assets</u>	26
A- 2 <u>Statement of Activities</u>	27
B. Fund Financial Statements	28
Governmental Funds:	29
B- 1 <u>Balance Sheet</u>	30 - 31
B- 2 <u>Statement of Revenues, Expenses, and Change in Fund Balances</u>	32
B- 3 <u>Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities</u>	33
Proprietary Funds:	34
B- 4 <u>Statement of Net Assets</u>	35
B- 5 <u>Statement of Revenues, Expenses, and Changes in Net Assets</u>	36
B- 6 <u>Statement of Cash Flows</u>	37

	<u>PAGE(S)</u>
Fiduciary Funds:	38
B- 7 <u>Statement of Fiduciary Net Assets</u>	39
B- 8 <u>Statement of Changes in Fiduciary Net Assets</u>	40
Notes to the Financial Statements	41 - 58
Required Supplementary Information – Part II	59
C. Budgetary Comparison Schedules	60
C- 1 <u>Budgetary Comparison Schedule - General Fund</u>	61 - 69
C- 1a <u>Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual</u>	70
C- 2 <u>Budgetary Comparison Schedule - Special Revenue Fund</u>	71
Notes to the Required Supplementary Information	72
C- 3 <u>Budgetary Comparison Schedule – Note to RSI</u>	73
Other Supplementary Information	74
D. School Level Schedules:	75
D- 1 <u>Combining Balance Sheet</u>	N/A
D- 2 <u>Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual</u>	N/A
D- 3 <u>Blended Resource Fund - Schedule of Blended Expenditures Budget and Actual</u>	N/A
E. Special Revenue Fund:	76
E- 1 <u>Combining Schedule of Revenues and Expenditures Special Revenue Fund - Budgetary Basis</u>	77
E- 2 <u>Demonstrably Effective Program Aid Schedule of Expenditures - Budgetary Basis</u>	N/A
E- 3 <u>Early Childhood Program Aid Schedule of Expenditures - Budgetary Basis</u>	N/A
E- 4 <u>Distance Learning Network Aid Schedule of Expenditures - Budgetary Basis</u>	N/A
E- 5 <u>Instructional Supplement Aid Schedule of Expenditures - Budgetary Basis</u>	N/A
F. Capital Projects Fund:	78
F- 1 <u>Summary Schedule of Revenues, Expenditures, and Change in Fund Balance - Budgetary Basis</u>	N/A
F- 2 <u>Summary Statement of Project Expenditures</u>	N/A

	<u>PAGE(S)</u>
G. Proprietary Funds:	79
Enterprise Fund:	80
G- 1 Combining Statement of Net Assets	81
G- 2 Combining Statement of Revenues, Expenses and Changes in Net Assets	82
G- 3 Combining Statement of Cash Flows	83
Internal Service Fund:	84
G- 4 Combining Statement of Net Assets	N/A
G- 5 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	N/A
G- 6 Combining Statement of Cash Flows	N/A
H. Fiduciary Funds:	85
H- 1 Combining Statement of Fiduciary Net Assets	86
H- 2 Combining Statement of Changes in Fiduciary Net Assets	87
H- 3 Schedule of Receipts and Disbursements - Student Activity Agency Fund	88
H- 4 Schedule of Receipts and Disbursements - Payroll Agency Fund	89
H- 5 Schedule of Receipts and Disbursements - Net Payroll Fund	90
I. Long-Term Debt:	91
I- 1 Schedule of Serial Bonds	92
I- 2 Schedule of Obligations Under Capital Leases	N/A
I- 3 Budgetary Comparison Schedule - Long Term Debt	93
STATISTICAL SECTION (Unaudited)	94
Financial Trends	
J- 1 Net Assets by Component	95
J- 2 Changes in Net Assets	96 - 97
J- 3 Fund Balances, Governmental Funds	98
J- 4 Change in Fund Balances, Governmental Funds	99 - 100
J- 5 General Fund – Other Local Revenue by Source	101
Revenue Capacity	
J- 6 Assessed Value and Actual Value of Taxable Property	102
J- 7 Direct and Overlapping Property Tax Rates	103
J- 8 Principal Property Taxpayers	104
J- 9 Property Tax Levies and Collections	105
Debt Capacity	
J-10 Ratios of Outstanding Debt by Type	106
J-11 Ratios of Net General Bonded Debt Outstanding	107
J-12 Direct and Overlapping Governmental Activities Debt	108
J-13 Legal Debt Margin Information	109

	<u>PAGE(S)</u>
STATISTICAL SECTION (Unaudited) (Cont'd)	
Demographic and Economic Information	
J-14 Demographic and Economic Statistics	110
J-15 Principal Employers	111
Operating Information	
J-16 Full-time Equivalent District Employees by Function/Program	112
J-17 Operating Statistics	113
J-18 School Building Information	114
J-19 Schedule of Required Maintenance	115
J-20 Insurance Schedule	116 - 117
 SINGLE AUDIT SECTION	
	118
K- 1 Report 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	119 - 120
K- 2 Report on Compliance With Requirements that Could have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With New Jersey OMB Circular 04-04	121 - 122
K - 3 Schedule of Expenditures of Federal Awards, Schedule A	123
K - 4 Schedule of Expenditures of State Financial Assistance, Schedule B	124
K - 5 Notes to the Schedules of Awards and Financial Assistance	125 - 126
K- 6 Schedule of Findings and Questioned Costs	127 - 128
K - 7 Summary Schedule of Prior Audit Findings	129

INTRODUCTORY SECTION



Mountainside School District

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1497 Woodacres Drive
Mountainside, NJ 07092
Phone: (908) 301-9104 Fax: (908) 301-1249

Deerfield School
302 Central Avenue
Mountainside, NJ 07092
Phone: (908) 232-8828 Fax: (908) 232-7338

W. Daniel Saragnese

<http://www.mountainsideschools.org>

School Business Administrator/Board Secretary

November 26, 2012

Honorable President and
Members of the Board of Education
Mountainside Public Schools
1497 Woodacres Drive
Mountainside, New Jersey 07092

Dear Members of the Board of Education:

The Comprehensive Annual Financial Report (C.A.F.R.) of the Mountainside Public School 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. To the best of our knowledge and belief, the data presented in the auditor's report are accurate in all material respects and are reported in a manner designed to fairly present 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 C.A.F.R. 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, management's discussion and analysis, and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis. The District is required to undergo an annual single audit in conformity with the provisions of the 1996 Single Audit Act and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, and New Jersey OMB's Circular 04-04, "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, is included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

The Mountainside Public School District is an independent reporting entity within the criteria adopted by G.A.S.B. (Governmental Accounting Standards Board) established by Statement No. 14. All funds and account groups of the District are included in this report. The Mountainside Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8.

These services include general as well as special education (grades Pre-K through 8) programs. The District completed the 2011-2012 fiscal year with an in district enrollment of 821 students, which is 8 (+ 1.0 %) students above the previous year's enrollment. The following details the changes in the student enrollment of the District over a five-year period. These figures do not include those students sent out of district for special education placements.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2011-2012	821	+1.0
2010-2011	813	+3.0
2009-2010	789	+4.0
2008-2009	761	+2.3
2007-2008	744	+5.8

2. ECONOMIC CONDITION AND OUTLOOK:

Commencing in July of 2010, the Mountainside Board of Education initiated the implementation of a series of recommendations that would insure both the short and long term stability of the District's budget and related finances. This series of recommendations is presented in our Management Discussion and Analysis.

3. MAJOR INITIATIVES:

Our 2011-2012 vision was to ensure that Mountainside remains a premier suburban school district in which all students acquire the knowledge, skills, and values necessary to live rich and full lives as productive and enlightened members of society, empowering them to shape, build, and achieve their dreams. With this in mind, we researched, implemented, monitored, and evaluated primary, elementary, and middle school programs with an eye toward nurturing both academic excellence and social-emotional growth in our students.

In 2011-2012, Technology Infusion and Cooperative Learning were our major curriculum initiatives and they were emphasized across the curriculum in every grade level and subject area. Teachers worked together to align curriculum departmentally and with the Common Core Standards.

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 (G.A.A.P.). An internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

As part of the District 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 a re-appropriation of fund balances in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2012.

6. ACCOUNTING SYSTEM AND REPORTS:

A District’s accounting records must reflect generally accepted principles, as promulgated by the Governmental Accounting Standards Board (G.A.S.B.). 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.

An effective and efficient system of internal controls is essential to accurate, timely reporting of all relevant transactions on an accounting system and the resultant administrative and external reports generated from that system.

7. FINANCIAL INFORMATION AT FISCAL YEAR-END:

As demonstrated by the various statements and schedules included in the financial section of this report, the district continues to meet its responsibilities for sound financial management. The following schedule presents a summary of the general fund, special revenue fund, and debt service fund revenues for the fiscal year ended June 30, 2012, and the amount and percentage of increase/(decrease) in relation to the prior year.

Revenue	2011-2012 Amount	Percent of Total	Increase (Decrease) From 2010-11	Percent of Increase (Decrease)
Local Sources	13,731,097.84	90.2%	559,338.27	4.2%
State Sources	1,259,306.52	8.3%	205,882.28	19.6%
Federal Sources	<u>225,606.25</u>	<u>1.5%</u>	<u>(80,419.75)</u>	<u>26.3%</u>
Totals	<u>\$15,216,010.61</u>	<u>100.00%</u>	<u>\$684,800.80</u>	<u>4.7%</u>

The following schedule presents a summary of the general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2011, and the amount and percentage of increase/ (decrease) in relation to the prior year.

Expenditures	2011-12 Amount	Percent of Total	Increase (Decrease) From 2010-11	Percent of Increase (Decrease)
Current Expense	14,958,906.31	96.3%	436,386.94	3.0%
Capital Outlays	11,432.00	0.0%	(20,636.00)	(64.4%)
Special Schools	0.00	0.0%	(8,669.68)	(100.0%)
Special Revenues	198,931.25	1.3%	(107,094.75)	(35.0%)
Debt Service	<u>367,530.00</u>	<u>2.7%</u>	<u>(77,964.43)</u>	<u>(17.5%)</u>
Totals	<u>\$15,536,799.56</u>	<u>100.0%</u>	<u>\$222,022.08</u>	<u>1.4%</u>

8. DEBT ADMINISTRATION:

The Board was paying an interest rate of 4.625% on a principal balance of \$3,463,000 remaining on bonds issued in July of 2001. Market conditions dictated that refunding of this outstanding balance was in order. On February 24, 2011, this remaining balance was refinanced at an annual interest savings of \$21,803. During 2011-2012, the trustee called in the refunded bonds for redemption. At June 30, 2012, the District had \$3,110,000 of school bonds issued and outstanding.

9. 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 1. 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.

10. RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to, general liability and comprehensive collision, hazard and theft insurance on property and contents, and fidelity bonds. Exhibit J-20 provides a summary of the coverage amounts and deductibles.

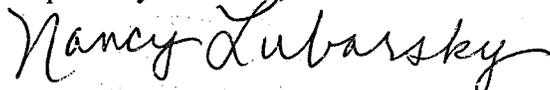
11. OTHER INFORMATION:

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Hodulik & Morrison, P.A. 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 and the related OMB Circular A-133 and New Jersey OMB's Circular 04-04. 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 the report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

12. ACKNOWLEDGEMENTS:

I would like to express my appreciation to the members of the Mountainside Board of Education for taking initiative to provide fiscal accountability to the taxpayers of the District and thereby contributing their full support to the development and maintenance of our financial operation. Further, the preparation of this report could not have been accomplished without the efficient and dedicated services of our business office staff members.

Respectfully Submitted,



Nancy Lubarsky, Ed.D.
Chief School Administrator

BOROUGH OF MOUNTAINSIDE BOARD OF EDUCATION
UNION COUNTY, NEW JERSEY

ROSTER OF OFFICIALS
JUNE 30, 2012

Members of the Board of Education

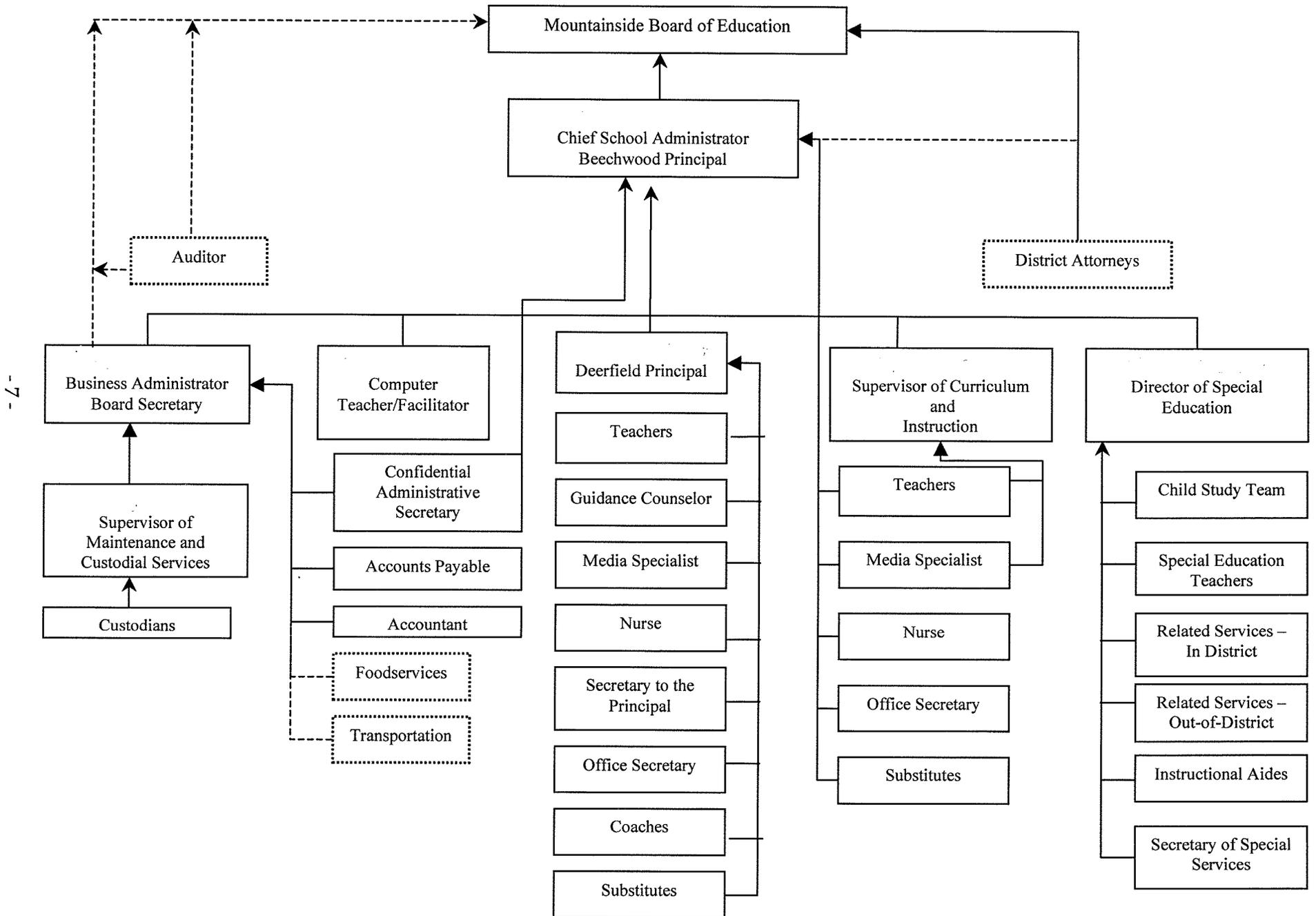
Term Expires

James Ruban, Jr., President	2013
Christopher Minks, Vice President	2013
Dante Gioia	2014
Cathy Jakositz	2014
Kate Motz	2012
Jeane Parker	2012
Carmine Venes	2013

Other Officials

Dr. Nancy Lubarsky, Chief School Administrator
Daniel Saragnese, Board Secretary/School Business Administrator
Isabel Machado, Esq., Board Attorney

**Mountainside School District
Organizational Chart
2011-2012**



**MOUNTAINSIDE BOARD OF EDUCATION
Consultants and Advisors**

Attorney

Machado Law Group
Clark Parkway Plaza
136 Central Avenue
Clark, NJ 07066

Audit Firm

Hodulik & Morrison. P.A.
1102 Raritan Avenue
P.O. Box 1450
Highland Park, NJ 08904

Bond Counsel

McManimon, Scotland & Baumann, LLC
1037 Raymond Blvd., 3rd Floor
Newark, NJ 07102

Official Depository

Bank of America
855 Mountain Ave.
Mountainside, NJ 07092

FINANCIAL SECTION

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
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HIGHLAND PARK, NJ 08904
(732) 393-1000
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA
ROBERT S. MORRISON, CPA, RMA, PSA

JO ANN BOOS, CPA, PSA

MEMBERS OF:
AMERICAN INSTITUTE OF CPA'S
NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Borough of Mountainside School District
County of Union, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Mountainside School District, in the County of Union, State of New Jersey, as of and for the fiscal year ended June 30, 2012 which collectively comprise the district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Mountainside 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 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 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 opinion.

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 Borough of Mountainside School District, in the County of Union, State of New Jersey, as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012 on our consideration of the Borough of Mountainside School District's internal control over financial reporting and 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 our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Public School Accountants

Robert S. Morrison

Robert S. Morrison
Public School Accountant
PSA # 871

Highland Park, New Jersey
November 26, 2012

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART I

MOUNTAINSIDE SCHOOL DISTRICT
Mountainside, New Jersey
Union County

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)
June 30, 2012

The Mountainside Public Schools (the "District") discussion and analysis is designed to provide an overview of the District's financial activities for the year ended June 30, 2012, identify changes in the District's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

The focus of the Management Discussion and Analysis (MD&A) is on current year activities, resulting changes and currently known facts. The MD&A should be read in conjunction with the Transmittal Letter and the District's Financial Statements.

Financial Highlights

Commencing in July of 2010, the Mountainside Board of Education initiated the implementation of a series of recommendations that would insure both the short and long term stability of the District's budget and related finances. This series of recommendations addresses each major area of the District's budget and includes the following strategies, many of which are currently in place or in progress:

ENTERPRISE FUNDS

The FY 2009-2010 Audit revealed that both of the District's enterprise operations; Food Service, and Before/After Care Programs were running deficits. Enterprise operations are expected to run at a break-even point. Enterprise fund deficits must be covered through the transfer of tax levy dollars from the General Fund Budget. To avoid this possibility, the Board approved a recommendation to join the National School Lunch Program. Federal subsidies from the program have increased Food Service revenues \$1,000-\$1,300/month. Additional subsidies in the form of food commodities have also been secured. Food Service RFP's were solicited requiring a "break-even guarantee" for FY 2011-2012. The Food Service Program operated at a profit of \$4,500 during FY 2011-2012.

The Board has also acted upon a recommendation to privatize the District's Before/After Care and Summer Camp programs contracting with the Y of Westfield to provide these services. This action eliminates the risk of incurring future deficits and provides an annual revenue stream of \$15,760.

LONG TERM DEBT

The Board was paying an interest rate of 4.625% on a principal balance of \$3,463,000 remaining on bonds issued in July of 2001. Market conditions dictated that a refunding of this outstanding balance was in order. On February 24, 2011, this remaining balance was refinanced at an annual interest savings of \$21,803.

GRANTS/SPECIAL REVENUE FUND

The District receives Federal funding under NCLB and IDEA entitlement programs. These funds are utilized to offset special education tuition costs and provide needed funding for staff development and training. The District utilized \$26,675 of federal Education Jobs Act funding in FY 2011-2012 to defray a portion of the costs of the teaching staff.

TUITION-SENDING/RECEIVING RELATIONSHIP

As of June 30, 2010, the District was facing a potential unfunded tuition liability approximating nearly four times the closing fund balance available. It was recommended that an immediate settlement to these unresolved matters be sought. The Board successfully negotiated an agreement with the Berkeley Heights Board of Education reducing its liability to \$330,000 payable over five years in equal installments of \$66,000 commencing in July of 2011. A \$66,000 payment due in July, 2012 has been included in the FY 2012-2013 budget.

Procedures have also been put into place to assure that the District provides Berkeley Heights with the most precise enrollment projections possible to minimize costly prior year tuition adjustments.

MAINTENANCE/CUSTODIAL OPERATIONS

A study was completed to determine if any savings could be gained through the privatization of the District's maintenance and custodial operations. The study, completed by an outside consulting firm concluded that the District's costs were below industry standards and conversion to outside services could increase costs by \$48,256.

ENERGY

The Board accepted a recommendation to have the District join the NJSBA ACES Energy Co-op. Bids were accepted in December awarding Hudson Energy as the natural gas supplier, replacing Elizabethtown Gas at a lower cost to the District.

In March, 2011 the Board approved agreements with North American Power Partners, LLC, to participate in the NAPP Demand response program which will reduce the District's peak power consumption and provide a new revenue stream of \$16,658 over the next two years.

ADMINISTRATION

The Board has implemented a recommendation to restructure the Business Office. All three of the existing positions have been restructured resulting in substantial salary and benefit savings.

In addition, the Board has also accepted a revised banking services agreement with its official depository. This change has eliminated approximately \$10,000 in administrative banking fees and begin to provide a positive interest revenue stream.

These changes will continue to lower the District's projected Administrative Cost Per Pupil. The District continues to operate well below the State average and State median for K-8 Operating Type.

LABOR/NEGOTIATIONS

In addition to all of the preceding cost savings measures, the Board negotiated a new collective bargaining agreement that meets the Governor's "New Normal" parameters within a 2% cap on tax levy growth for operating purposes.

Understanding the Annual Report

New Jersey state law and administrative code require that school districts follow Generally Accepted Accounting Principles (GAAP.) Recent changes in GAAP require a new format for presentation of the General Purpose Financial Statements (GPFS). This format is significantly different from previous GPFS.

The new format focuses on the District as a whole (government-wide financial statements) and refocuses the fund financial statements on major funds. Major funds are defined as those in which total assets and liabilities or revenues and expenditures/expenses are 10% or more of the total assets and liabilities or revenues and expenditures/expenses of all funds of that type (governmental, proprietary, etc.) and at least 5% of the assets and liabilities or revenues and expenditures/expenses for all governmental and enterprise funds combined.

Government-Wide Financial Statements

The government-wide financial statements (see financial statements A-1 and A-2) are designed to be corporate-like in that all government and business-type activities are consolidated into columns, which add to a total for the District. The focus of the Statement of Net Assets is designed to be similar to a bottom line for the District and its governmental and business type activities. This statement for the first-time combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations.

The Statement of Activities is focused on both the gross and net costs of various activities (including governmental and business-type), which are provided by the government's general tax and other revenues. This statement is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business type activities.

Fund Financial Statements

Past users of governmental financial statements will find that these statements are similar to past, pre-GASB 34 implementation statements. The major change is that the focus is now on major funds (as defined previously), rather than fund types. The Governmental Major Fund presentation is on a sources and uses of liquid resources basis. This is referred to as the flow of current financial resources method of measuring the inflow and

outflow of resources, which affect an entity. This is the manner in which the District's financial plan (budget) is typically developed. The flow and availability of current financial resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements provide a presentation of sources and uses current financial resources and associated budgetary compliance.

The Total column on the Business-type Fund Financial Statements is the same as the Business-type column on the Government-Wide Financial Statement. The Governmental Major funds Total Column requires a reconciliation, which is reflected on the page following each statement, because of the different measurement focus (current financial resources versus total economic resources). The flow of current financial resources will reflect bond proceeds and inter-fund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (bonds and others) into the Governmental Activities column (in the Government-wide statements).

The District as a Whole

Table I reflects the condensed Statement of Net Assets and provides a calculation of the increase or (decrease) from June 30, 2011 amounts as a percentage. In this statement the District is divided into two kinds of activities:

Governmental Activities-These activities consist of instruction and those services, which support instruction such as maintenance, transportation and administration.

Business-Type Activities- These activities consist of the District's cafeteria operations, childcare program, summer camp program and summer enrichment program. Each of the aforementioned programs and the cafeteria charge fees for the services provided that are intended to cover most or all of the cost of services provided.

The condensed Statement of Net Assets reflects assets and liabilities of the District on an accrual basis of accounting. This statement, which reflects the District's assets and liabilities, is one means of measuring the District's financial position. It means that if the District were forced to liquidate on June 30, 2012 and sell all its assets at book value, after paying all known bills and liabilities, including long-term bonds and lease obligations, the District would have a total of \$5,880,727 remaining. This constitutes a reduction in the District's overall wealth of (\$297,996) since June 30, 2011.

**Table 1
Net Assets**

	6/30/12	6/30/11	Percentage Increase (Decrease)
Governmental Activities:			
Current & Other Assets	\$1,165,321	\$1,674,320	-30.40%
Capital Assets	<u>8,738,117</u>	<u>9,011,803</u>	-3.04%
Total Assets	\$9,903,438	\$10,686,123	-7.32%
Long-Term Liabilities	\$3,374,000	\$3,624,000	-6.90%
Other Liabilities	<u>648,761</u>	<u>829,315</u>	-21.77%
Total liabilities	\$4,022,761	\$4,453,315	-9.67%
Net Assets:			
Invested in capital assets, net of related debt	\$5,628,117	\$5,609,758	0.33%
Restricted	396,728	519,692	-23.66%
Unrestricted	<u>(144,167)</u>	<u>12,787</u>	-1227.45%
Total net assets	5,880,677	6,142,237	-4.26%
Business-type Activities:			
Current & Other Assets	\$53,765	\$48,526	10.80%
Capital Assets	<u>35,957</u>	<u>42,045</u>	-14.48%
Total Assets	\$89,722	\$90,571	-0.94%
Long-Term Liabilities	\$0	\$0	
Other Liabilities	<u>48,736</u>	<u>38,147</u>	27.76%
Total liabilities	\$48,736	\$38,147	27.76%
Net Assets:			
Invested in capital assets, net of related debt	\$35,957	\$42,045	-14.48%
Restricted	0	0	
Unrestricted	<u>5,030</u>	<u>(5,558)</u>	-190.49%
Total net assets	\$40,986	\$36,487	12.33%

The results of this year's operations of the District's Governmental Activities and Business-type Activities are reported in the Statement of Activities (Exhibit A-2). Table 2, below, takes the information from that financial statement, rounds off the numbers, and rearranges them slightly so you can see the District's total revenues and expenses for the year.

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

Governmental Activities:	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Revenues:			
Program Revenues:			
Operating Grants	\$1,485,169	\$1,359,450	9.25%
General Revenues:			
Property Taxes	13,534,412	13,104,390	3.28%
Other	196,686	673,470	-70.80%
Special Items and Transfers	<u>0</u>	<u>73,677</u>	-100.00%
Total Revenues & Special Items	<u>\$15,216,267</u>	<u>\$14,604,887</u>	4.19%
Expenses:			
Program Expenses			
Instruction:			
Regular	\$3,311,479	\$4,053,455	-18.30%
Special	967,187	642,988	50.42%
Other	74,449	102,327	-27.24%
Support Services:			
Tuition	4,944,041	4,537,729	8.95%
Student & Instruction Staff	1,184,853	1,069,526	10.78%
General & Business Administration	582,065	587,425	-0.91%
School Administration	355,150	340,014	4.45%
Maintenance	860,599	887,937	-3.08%
Transportation	614,513	542,010	13.38%
Unallocated Benefits	2,409,345	2,474,291	-2.62%
Special Schools	0	8,670	-100.00%
Unallocated Depreciation and Amortization	66,317	96,772	-31.47%
Interest on Long-term Debt	<u>107,828</u>	<u>150,323</u>	-28.27%
Total Expenses	<u>\$15,477,827</u>	<u>\$15,493,468</u>	-0.10%
Increase (Decrease) in Governmental Activities Net Assets	<u>(261,560)</u>	<u>(888,582)</u>	-70.56%

Table 2
Changes in Net Assets
For the Fiscal Years Ended June 30, 2012

Business-type Activities:	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Revenues			
Program Revenues:			
Charges for Services	\$147,652	\$250,561	-41.07%
Operating Grants	25,621	11,410	124.55%
Other	13	0	
Total Revenues	<u>\$173,286</u>	<u>\$261,971</u>	-33.85%
Expenses			
Program Expenses			
Food Service	\$168,787	\$143,762	17.41%
Child Care, Summer Camp, Summer Enrichment	0	112,262	-100.00%
Total Expenses	\$168,787	\$256,024	-34.07%
Residual Equity Transfers	<u>0</u>	<u>(73,677)</u>	
Increase (Decrease) in Business-type Activities Net Assets	<u>\$4,500</u>	<u>(\$67,730)</u>	-106.64%

The net assets of the District's Governmental Activities decreased by \$261,560. Revenue realization for FY 2011-2012 included favorable GAAP based variances of \$772,453 for governmental activities.

The net assets of the District's Business-type Activities increased by \$4,500. This increase in net assets is primarily attributable to the newly negotiated Food Service Management Contract.

Table 3
Cost of Governmental Services
Year Ending 6/30/11

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$4,798,770	\$4,199,363
Support Services:		
Tuition	4,537,729	4,537,729
Student & Instructional Staff	1,069,526	1,055,783
General & Business Admin.	587,425	587,425
School Administration	340,014	340,014
Plant Operations & Maintenance	887,937	880,132
Pupil Transportation	542,010	499,036
Unallocated Benefits	2,474,292	1,778,770
Interest on Long-Term Debt	150,323	150,323
Special Schools	8,700	8,700
Unallocated Depreciation	96,772	96,772
 Total Expenses	 <u>\$15,493,468</u>	 <u>\$14,134,018</u>

Table 3
Cost of Governmental Services
Year Ending 6/30/12

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$4,353,115	\$3,701,091
Support Services:		
Tuition	4,944,041	4,944,041
Student & Instructional Staff	1,184,853	1,170,149
General & Business Admin.	582,065	561,966
School Administration	355,150	339,546
Plant Operations & Maintenance	860,599	875,569
Pupil Transportation	614,513	649,650
Unallocated Benefits	2,409,345	1,666,438
Interest on Long-Term Debt	107,828	177,457
Special Schools	0	42,058
Unallocated Depreciation	66,317	94,993
 Total Expenses	 <u>\$15,477,827</u>	 <u>\$14,391,500</u>

The Cost of Governmental Activities (see Table 3) this year was \$15.5 million, an overall decrease of \$15,641 from the preceding year. As shown on the Statement of Activities (financial statement A-2) our taxpayers ultimately financed \$13.5 million of those activities through property taxes.

As shown on the Statement of Activities (see financial statements A-2) \$1.49 million of the revenues, which support governmental activities, were received from the State of New Jersey and federal government. Overall state and federal revenues increased by \$125,719 or 9.2% from the preceding year.

The District's Funds

The District's Balance Sheet for Governmental Funds (statement B-1) reports a combined fund balance of \$622,565. The general fund portion of this balance includes a decrease of \$320,789 which resulted from current year's activities. In the FY 2012-2013 budget \$244,000 of the remaining fund balance has been included as an offset to local taxes.

General Fund Budgetary Highlights

The FY 2011-2012 revenues of the General, Special Revenue and Debt Service funds amounted to \$15,216,011 14,531,210, an increase of \$684,801 from the prior year. The FY 2011-2012 expenditures of the General, Special Revenue and Debt Service funds amounted to \$15,536,800 15,314,777, an increase of \$222,023 from the prior year.

Capital Asset and Debt Administration

Capital Assets

The District had \$8,774,074 invested in capital assets as shown on Table 4, Capital Assets Net of Depreciation at June 30, 2012. This year's additions which, were funded from current year's governmental operating revenues included:

Improvements other than Buildings	<u>\$11,432</u>
Total FY 2011-2012 Additions (Note 3)	<u>\$11,432</u>

Table 4
Capital Assets Net of Depreciation
At June 30, 2012

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Land	\$1,875,070		\$1,875,070
Land Improvements	95,022		95,022
Buildings & Improvements	6,694,794		6,694,794
Machinery & Equipment	<u>73,231</u>	<u>35,957</u>	<u>109,188</u>
Total	<u>\$8,738,117</u>	<u>\$35,957</u>	<u>\$8,774,074</u>

Debt

The District's outstanding debt is shown in Table 5, Outstanding Debt at June 30, 2012. The District's general obligation bond issue in July 2001 carried a Moody's rating of Aaa. Bonds, which are rated Aaa, are judged to be of the best quality. They carry the smallest degree of investment risk. Interest payments are protected by a large or an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. Because of this strength and very favorable market conditions, the District refinanced the remaining outstanding debt on this issue at an annual interest savings of \$21,803. The District may consider the assumption of additional debt in the coming years to renovate and upgrade the Deerfield School and fund district wide energy improvements. Even with this possible consideration, the district will remain well within the state allowable limit of \$55 million for debt issuance, which is limited to 3% of the average equalized value of taxable property within the District.

Table 5
Outstanding Debt

	<u>6/30/12</u>	<u>6/30/11</u>
2001 General Obligation Bonds	\$ 0	\$230,000
2011 School Refunding Bonds	<u>3,110,000</u>	<u>3,130,000</u>
Total Bonded Debt	<u>\$3,110,000</u>	<u>\$3,360,000</u>
Total Outstanding Debt	<u>\$3,110,000</u>	<u>\$3,360,000</u>

Economic Factors and Next Year's Budgets and Rates

The FY 2012-2013 operating budget was developed by employing better estimates of new revenue streams. These new sources include subscription bussing fees, pay-to-play activity fees, increased facility rental fees, power reduction rebates, and a new interest structure for all invested funds. Continued prudent fiscal management will still be necessary in the formation of the District's FY 2013-2014 budget.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the school district's finances and to show the school district's accountability for the money it received. If you have any questions about this report or wish to request additional financial information, contact the Office of the School Business Administrator/Board Secretary, at Mountainside Board of Education, 1497 Woodacres Drive, Mountainside, New Jersey 07092.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

SECTION – A

MOUNTAINSIDE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 850,492.06	\$ 47,141.68	\$ 897,633.74
Investments			
Receivables, Net	77,964.74	1,933.32	79,898.06
Receivables from Other Funds	88,040.24		88,040.24
Inventory		4,690.41	4,690.41
Deferred Bond Issue Costs, Net	48,824.09		48,824.09
Restricted Assets:			
Restricted Cash and Cash Equivalents	100,000.00		100,000.00
Capital Assets, (Note 1):	<u>8,738,116.50</u>	<u>35,956.68</u>	<u>8,774,073.18</u>
Total Assets	<u>9,903,437.63</u>	<u>89,722.09</u>	<u>9,993,159.72</u>
<u>LIABILITIES</u>			
Accounts Payable	491,572.84	27,733.36	519,306.20
Accrued Interest Payable	45,636.16		45,636.16
Interfund Payable	2,125.00	16,086.42	18,211.42
Deferred Revenue	233.75	4,916.12	5,149.87
Noncurrent Liabilities (Note 2):			
Due Within One Year	306,000.00		306,000.00
Due Beyond One Year	3,068,000.00		3,068,000.00
Unamortized Premium on Refinancing	176,378.95		176,378.95
Deferred Amount on Refinancing	<u>(67,185.83)</u>		<u>(67,185.83)</u>
Total liabilities	<u>4,022,760.87</u>	<u>48,735.90</u>	<u>4,071,496.77</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	5,628,116.50	35,956.68	5,664,073.18
Restricted for:			
Other Purposes	396,727.65		396,727.65
Unrestricted (Deficit)	<u>(144,167.39)</u>	<u>5,029.51</u>	<u>(139,137.88)</u>
Total Net Assets	<u>\$ 5,880,676.76</u>	<u>\$ 40,986.19</u>	<u>\$ 5,921,662.95</u>

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

MOUNTAINSIDE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:						
Instruction:						
Regular	\$3,311,478.85			(\$3,311,478.85)		(\$3,311,478.85)
Special Education	967,187.19		652,024.27	(315,162.92)		(315,162.92)
Other Instruction	74,449.03			(74,449.03)		(74,449.03)
Support Services:						
Tuition	4,944,041.11			(4,944,041.11)		(4,944,041.11)
Student & Instruction Related Services	1,184,853.11		14,704.07	(1,170,149.04)		(1,170,149.04)
School Administrative Services	355,149.87			(355,149.87)		(355,149.87)
General and Business Administrative Services	582,064.84			(582,064.84)		(582,064.84)
Plant Operations and Maintenance	860,599.08			(860,599.08)		(860,599.08)
Pupil Transportation	614,513.15			(614,513.15)		(614,513.15)
Unallocated Benefits	2,409,345.44		818,440.52	(1,590,904.92)		(1,590,904.92)
Interest on Long-Term Debt	107,827.91			(107,827.91)		(107,827.91)
Unallocated Depreciation and Amortization	66,317.04			(66,317.04)		(66,317.04)
Total Governmental Activities	15,477,826.62		1,485,168.86	(13,992,657.76)		(13,992,657.76)
Business-Type Activities:						
Food Service	168,786.62	147,652.07	25,621.40		4,486.85	4,486.85
Total Business-Type Activities	168,786.62	147,652.07	25,621.40		4,486.85	4,486.85
Total Primary Government	\$15,646,613.24	\$147,652.07	\$1,510,790.26	(\$13,992,657.76)	\$4,486.85	(\$13,988,170.91)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$13,433,645.00		\$13,433,645.00
Taxes Levied for Debt Service				100,767.00		100,767.00
Investment Earnings					12.88	12.88
Miscellaneous Income				196,685.84		196,685.84
Total General Revenues and Transfers				13,731,097.84	12.88	13,731,110.72
Change in Net Assets				(261,559.92)	4,499.73	(257,060.19)
Net Assets—Beginning				6,142,236.68	36,486.46	6,178,723.14
Net Assets—Ending				\$5,880,676.76	\$40,986.19	\$5,921,662.95

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

FUND FINANCIAL STATEMENTS

SECTION – B

GOVERNMENTAL FUNDS

MOUNTAINSIDE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents (Deficit)	\$ 849,395.81	\$ 1,096.25	\$ 850,492.06
Interfund Accounts Receivable	88,040.24		88,040.24
Receivables from Other Governments	57,316.74		57,316.74
Other Accounts Receivable	20,648.00		20,648.00
Restricted Cash and Cash Equivalents	<u>100,000.00</u>		<u>100,000.00</u>
Total assets	<u>1,115,400.79</u>	<u>1,096.25</u>	<u>1,116,497.04</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	490,710.34	862.50	491,572.84
Deferred Revenue		233.75	233.75
Interfund Accounts Payable	<u>2,125.00</u>		<u>2,125.00</u>
Total liabilities	<u>492,835.34</u>	<u>1,096.25</u>	<u>493,931.59</u>
Fund Balances:			
Restricted:			
Reserved Excess Surplus	131,394.65		131,394.65
Capital Reserve Account	100,000.00		100,000.00
Capital Reserve Account-Designated for Subsequent Year Expenditures	100,000.00		100,000.00
Maintenance Reserve Account	65,333.00		65,333.00
Assigned:			
Designated for Subsequent Year's Expenditures	144,000.00		144,000.00
Unassigned:			
General Fund	<u>81,837.80</u>		<u>81,837.80</u>
Total Fund Balances	<u>622,565.45</u>		<u>622,565.45</u>
Total Liabilities and Fund Balances	<u>\$ 1,115,400.79</u>	<u>\$ 1,096.25</u>	<u>\$ 1,116,497.04</u>

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

MOUNTAINSIDE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:	\$ 622,565.45
The costs associated with the issues of the various bonds are expensed in the governmental funds in the year the bonds are issued but are capitalized on the statement of net assets. The bond issuance costs are \$56,824 and the accumulated amortization is \$8,000	48,824.09
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The carrying value of the assets is \$13,928,003, and the accumulated depreciation is \$5,189,886.	8,738,116.50
Long-term liabilities, including bonds and judgments payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,374,000.00)
Short-term Liabilities, including accrued interest on long-term debt, are not due payable in the current period and therefore are not reported as liabilities in the funds.	(45,636.16)
The premium received on the sale of bonds is recorded in the governmental funds as an addition to Fund Balance, but are carried on the statement of net assets and amortized over the life of the bonds. The carrying value of bond premiums is \$234,093 and the accumulated amortization is \$57,714	(176,378.95)
The difference between the face amount of Refunded Bonds and the escrow deposit required to legally defease the Bonds is recorded as a decrease to fund balance in the governmental funds, but is carried on the statement of net assets and amortized over the life of the Bonds. The Deferred Amount from Refunding is \$75,921 and accumulated amortization is \$8,735	<u>67,185.83</u>
Net assets of governmental activities	\$ <u><u>5,880,676.76</u></u>

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

MOUNTAINSIDE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Tax Levy	\$ 13,433,645.00	\$	\$ 100,767.00	\$ 13,534,412.00
Other Local Sources	196,685.84			196,685.84
State Sources	1,259,306.52			1,259,306.52
Federal Sources	26,675.00	198,931.25		225,606.25
Total Revenues	<u>14,916,312.36</u>	<u>198,931.25</u>	<u>100,767.00</u>	<u>15,216,010.61</u>
<u>EXPENDITURES</u>				
Current:				
Regular Instruction	3,185,080.62			3,185,080.62
Special Education Instruction	782,960.01	184,227.18		967,187.19
Other Instruction	74,449.03			74,449.03
Support Services and Undistributed Costs:				
Tuition	4,944,041.11			4,944,041.11
Student & Instruction Related Services	1,170,149.04	14,704.07		1,184,853.11
School Administrative Services	355,149.87			355,149.87
Other Administrative Services	562,618.96			562,618.96
Plant Operations and Maintenance	860,599.08			860,599.08
Pupil Transportation	614,513.15			614,513.15
Unallocated Benefits	2,409,345.44			2,409,345.44
Debt Service:				
Principal			250,000.00	250,000.00
Interest Charges			117,530.00	117,530.00
Capital Outlay	11,432.00			11,432.00
Total Expenditures	<u>14,970,338.31</u>	<u>198,931.25</u>	<u>367,530.00</u>	<u>15,536,799.56</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(54,025.95)</u>		<u>(266,763.00)</u>	<u>(320,788.95)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in			266,763.00	266,763.00
Transfers out	(266,763.00)			(266,763.00)
Total Other Financing Sources and Uses	<u>(266,763.00)</u>		<u>266,763.00</u>	
Net Change in Fund Balances	(320,788.95)		-	(320,788.95)
Fund Balance—Beginning	943,354.40			943,354.40
Fund Balance—Ending	<u>\$ 622,565.45</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 622,565.45</u>

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

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

Total net change in fund balances - governmental funds (from B-2)		\$ (320,788.95)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.		
	Depreciation expense	(243,073.52)
	Capital Outlays	<u>11,432.00</u>
		(231,641.52)
Repayment of bond and lease obligation (long-term debt) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		250,000.00
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)		9,702.09
Bond issuance costs are reported in the governmental funds as expenditures in the year the bonds are issued. However, in the statement of activities, the costs are amortized over the life of the bonds. Bond Issue Costs Paid on Refunding Bonds The annual amortization is a reduction in the reconciliation.		(6,514.16)
Transactions related to a current refunding of a long-term debt, refinancing of lease obligations (costs of issuance, premium on refinancing, deferred amount on refinancing) are amortized over the life of the bonds		
	Premium on Refunding Bonds	44,373.34
	Deferred Amount from Refunding	<u>(6,690.72)</u>
		37,682.62
Change in net assets of governmental activities		\$ <u>(261,559.92)</u>

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

PROPRIETARY FUNDS

MOUNTAINSIDE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPPRIETARY FUNDS
JUNE 30, 2012

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND FOOD SERVICE	TOTAL ENTERPRISE FUND TOTAL
<u>ASSETS</u>		
Current assets:		
Cash and Cash Equivalents	\$ 47,141.68	\$ 47,141.68
Accounts Receivable (Net)	1,933.32	1,933.32
Inventory	4,690.41	4,690.41
Total Current Assets	53,765.41	53,765.41
Noncurrent Assets:		
Furniture, Machinery & Equipment	130,452.68	130,452.68
Less Accumulated Depreciation	(94,496.00)	(94,496.00)
Total Noncurrent Assets	35,956.68	35,956.68
Total Assets	89,722.09	89,722.09
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	27,733.36	27,733.36
Deferred revenue	4,916.12	4,916.12
Interfunds payable	16,086.42	16,086.42
Total Current Liabilities	48,735.90	48,735.90
<u>NET ASSETS</u>		
Invested in Capital Assets Net of Related Debt	35,956.68	35,956.68
Unrestricted (Deficit)	5,029.51	5,029.51
Total Net Assets	\$ 40,986.19	\$ 40,986.19

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

MOUNTAINSIDE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>	<u>TOTAL ENTERPRISE FUND</u>
	<u>FOOD SERVICE</u>	
Operating Revenues:		
Charges for Services:		
Daily Sales - Non-reimbursable Programs	\$ 147,652.07	\$ 147,652.07
Total Operating Revenues	<u>147,652.07</u>	<u>147,652.07</u>
Operating Expenses:		
Cost of Sales	83,855.11	83,855.11
Salaries	53,939.20	53,939.20
Employee benefits	7,515.72	7,515.72
Administrative Expenses	6,527.57	6,527.57
Miscellaneous Expenses	2,340.47	2,340.47
Transportation	820.55	820.55
Management Fee	7,700.00	7,700.00
Depreciation	<u>6,088.00</u>	<u>6,088.00</u>
Total Operating Expenses	<u>168,786.62</u>	<u>168,786.62</u>
Operating Income (Loss)	<u>(21,134.55)</u>	<u>(21,134.55)</u>
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	1,708.66	1,708.66
Federal Sources:		
USDA Commodities	6,623.25	6,623.25
National School Lunch Program	17,289.49	17,289.49
Interest and Investment Revenue	<u>12.88</u>	<u>12.88</u>
Total Nonoperating Revenues (Expenses)	<u>25,634.28</u>	<u>25,634.28</u>
Income (Loss) Before Transfers	4,499.73	4,499.73
Change in Net Assets	4,499.73	4,499.73
Total Net Assets—Beginning	<u>36,486.46</u>	<u>36,486.46</u>
Total Net Assets—Ending	<u>\$ 40,986.19</u>	<u>\$ 40,986.19</u>

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

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

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		TOTAL ENTERPRISE FUND
	FOOD SERVICE	CHILD CARE	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from Customers	\$ 153,049.23	\$ 11,059.90	\$ 164,109.13
Payments to Suppliers	(142,565.87)		(142,565.87)
Net Cash Provided by (Used for) Operating Activities	<u>10,483.36</u>	<u>11,059.90</u>	<u>21,543.26</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Federal and State Sources	19,576.97		19,576.97
Operating Subsidies and Transfers (to) from Other Funds		(11,623.90)	(11,623.90)
Net Cash Provided by (Used for) Non-capital Financing Activities	<u>19,576.97</u>	<u>(11,623.90)</u>	<u>7,953.07</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest and dividends	12.88		12.88
Net cash provided by (used for) investing activities	<u>12.88</u>		<u>12.88</u>
Net Increase (Decrease) in Cash and Cash Equivalents	30,073.21	(564.00)	10,366.53
Balances—Beginning of Year	<u>17,068.47</u>	<u>564.00</u>	<u>17,632.47</u>
Balances—End of Year	\$ <u>47,141.68</u>	\$ <u> </u>	\$ <u>27,999.00</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (21,134.55)		(21,134.55)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Depreciation and Net Amortization	6,088.00		6,088.00
USDA Commodities	6,623.25		6,623.25
(Increase) Decrease in Accounts Receivable	1,383.93	11,059.90	12,443.83
(Increase) Decrease in Inventory	(4,690.41)		
Increase (Decrease) in Deferred Revenue	4,916.12		
(Increase) Decrease in Interfunds Receivable	(902.89)		(902.89)
(Increase) Decrease in Other Assets			
Increase (Decrease) in Accounts Payable	<u>18,199.91</u>		<u>18,199.91</u>
Total Adjustments	<u>31,617.91</u>	<u>11,059.90</u>	<u>42,677.81</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 10,483.36</u>	<u>11,059.90</u>	<u>21,543.26</u>

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

FIDUCIARY FUNDS

MOUNTAINSIDE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

	Nonexpendable Trust Fund		AGENCY			Expendable Trust Fund			TOTALS
	Rosenstiehl Scholarship Fund	Student Activity	Payroll Agency	Net Payroll	De Rosa Scholarship Fund	Rothstock Scholarship Fund	Unemployment Compensation Insurance Trust Fund		
<u>ASSETS</u>									
Cash and Cash Equivalents	\$ 93,963.65	\$ 36,475.74	\$ 44,768.92	\$ 34,924.68	\$ 8,167.54	\$ 24,748.68	\$ 135,897.71	\$ 378,946.92	
Interfund Accounts Receivable	400.00				1,725.00			2,125.00	
Total Assets	<u>\$ 94,363.65</u>	<u>\$ 36,475.74</u>	<u>\$ 44,768.92</u>	<u>\$ 34,924.68</u>	<u>\$ 9,892.54</u>	<u>\$ 24,748.68</u>	<u>\$ 135,897.71</u>	<u>\$ 381,071.92</u>	
<u>LIABILITIES AND NET ASSETS</u>									
Liabilities:									
Interfund Accounts Payable	\$	\$	\$ 37,029.14	\$ 34,924.68	\$	\$	\$	\$ 71,953.82	
Unemployment Benefits Payable							5,248.89	5,248.89	
Payroll Deductions and Withholdings Due to Student Groups		36,475.74	7,739.78					7,739.78	
Total Liabilities		<u>36,475.74</u>	<u>44,768.92</u>	<u>34,924.68</u>			<u>5,248.89</u>	<u>121,418.23</u>	
Net Assets:									
Reserved for:									
Unemployment Compensation Insurance Principal Portion - Nonexpandable Trust	94,363.65						130,648.82	130,648.82	
Unreserved					9,892.54	24,748.68		34,641.22	
Total Net Assets	<u>94,363.65</u>				<u>9,892.54</u>	<u>24,748.68</u>	<u>130,648.82</u>	<u>259,653.69</u>	
Total Liabilities and Net Assets	<u>\$ 94,363.65</u>	<u>\$ 36,475.74</u>	<u>\$ 44,768.92</u>	<u>\$ 34,924.68</u>	<u>\$ 9,892.54</u>	<u>\$ 24,748.68</u>	<u>\$ 135,897.71</u>	<u>\$ 381,071.92</u>	

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

MOUNTAINSIDE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Expendable Trust Fund			Nonexpendable Trust Fund	Totals
	De Rosa Scholarship Fund	Rothstock Scholarship Fund	Unemployment Compensation Insurance Trust Fund	Rosenstiehl Scholarship Fund	
<u>ADDITIONS:</u>					
Deductions from Employees' Salaries	\$	\$	\$ 9,067.51	\$	\$ 9,067.51
Interest	3.68	11.18	93.02	42.98	150.86
Contributions	1,400.00		61,896.70		.
Total Additions	<u>1,403.68</u>	<u>11.18</u>	<u>71,057.23</u>	<u>42.98</u>	<u>72,515.07</u>
<u>DEDUCTIONS:</u>					
Unemployment Benefits			69,566.38		69,566.38
Scholarship Payments	2,200.00	-		3,000.00	5,200.00
Total Deductions	<u>2,200.00</u>	<u>-</u>	<u>69,566.38</u>	<u>3,000.00</u>	<u>74,766.38</u>
Change in Net Assets	<u>(796.32)</u>	<u>11.18</u>	<u>1,490.85</u>	<u>(2,957.02)</u>	<u>(2,251.31)</u>
Net Assets - Beginning	<u>10,688.68</u>	<u>24,737.50</u>	<u>129,157.97</u>	<u>97,320.67</u>	<u>261,904.82</u>
Net Assets - Ending	<u>\$ 9,892.36</u>	<u>\$ 24,748.68</u>	<u>\$ 130,648.82</u>	<u>\$ 94,363.65</u>	<u>\$ 259,653.51</u>

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

**MOUNTAINSIDE SCHOOL DISTRICT
COUNTY OF UNION, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of the Borough of Mountainside School District (District) have been prepared in conformity with generally accepted accounting principles (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 GASB has issued codification of governmental accounting and financial reporting standards dated June 30, 2005. This codification and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments. This financial report has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, issued in June 1999.

The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Borough of Mountainside School District is a Type II district located in the County of Union, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of seven members elected to three-year terms. The purpose of the district is to educate students in grades Pre-K-12. High school students (grades 9-12) are sent to Governor Livingston High School, located in adjacent Berkeley Heights Township, pursuant to a contractual agreement by and between the Berkeley Heights School District and the Mountainside School District. The Borough of Mountainside School District had an average daily enrollment of 789 students in grades Pre-K through 8 for the 2011-2012 school year, and was sending students to Governor Livingston High School pursuant to a sending/receiving agreement.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization’s board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

Basic Financial Statement Presentation

The District-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The Fiduciary Funds are only reported in the Statements of Fiduciary Net Assets at the Fund Financial Statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basic Financial Statement Presentation (Cont'd):

specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net assets are available. Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The effect of interfund activity has been removed from these statements. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide statements.

B. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, as follows:

General Fund - The General Fund is the general operating fund of the District. It 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 noninstructional equipment which are classified in the Capital Outlay subfund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

GOVERNMENTAL FUNDS

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles 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 that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. State Aid in the form of Economic Development Authority Grants under EFCFA are also financial resources of this fund

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Permanent Fund – The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the District’s programs.

PROPRIETARY FUNDS

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise Funds - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

PROPRIETARY FUNDS (CONT'D)

The District's Enterprise Funds are comprised of the Food Service Fund and the Child Care Fund.

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 total assets) is segregated into contributed capital and unreserved retained earnings, 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:

Food Service Fund:	
Equipment	15-20 Years

FIDUCIARY FUNDS

Agency Fund – The Agency Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include payroll and student activities funds.

Employee Benefit Trust (Unemployment Insurance) – Employee Benefit Trust should be used to report resources that are required to be held in trust for members and beneficiaries of employee benefit plans.

Private Purpose Scholarship Trust – The Private Purpose Scholarship Trust should be used to report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

C. Basis of Accounting and Measurement Focus:

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available is collected within one year.

Ad Valorem (Property) Taxes are susceptible to accrual and 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 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 District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. The exception to this general rule is that interest and principal expenditures in the Debt Service Fund are recognized on their due dates.

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District’s proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. New Jersey statutes place limits on the Board’s ability to increase budgeted expenditures through the appropriation of previously undesignated fund balance and requires the District to obtain additional approvals when budgetary transfers exceed certain thresholds. The Board of Education did not make any supplemental budgetary appropriations during the fiscal year that required additional approvals from oversight agencies.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

The following 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.

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) "revenues" from the budgetary comparison schedules	\$14,964,338.36	\$198,931.25
Difference- budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and revenues (Net)	0.00	0.00
Certain State Aid payments are recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33).	(201,789.00)	0.00
State Aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	<u>153,763.00</u>	<u>0.00</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance – governmental funds.	<u>\$14,916,312.36</u>	<u>\$198,931.25</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows"		
From the budgetary comparison schedule	\$14,970,338.31	\$198,931.25
Difference- budget to GAAP:		
Encumbrances for supplies and equipment ordered but not yet are reported in the year the encumbrance is placed for budgetary purposes, but in the year the goods are received for financial reporting purposes (Net)	<u>0.00</u>	0.00
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds.	<u>\$14,970,338.31</u>	<u>\$198,931.25</u>

E. Reserve for Encumbrances:

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

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

F. Cash, Cash Equivalents and Investments:

Cash and cash equivalents 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. 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. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Cash, Cash Equivalents and Investments (Cont'd.):

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 Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. GUDPA was amended, effective July 1, 2010, by P.L. 2009, c. 326. The amendments provide a greater level of security protection for covered deposits by increasing collateralization requirements and revising the enforcement protocol to allow for timely response in the event that a member bank shows signs of stress.

Under the new law, collateralization of GUDPA deposits up to 75% of New Jersey capital is based on a sliding scale that requires the minimum of 5% collateral for Well Capitalized institutions to a maximum of 120% collateral for Critically Undercapitalized institutions. All uninsured GUDPA deposits in excess of 75% of New Jersey capital require 100% collateral. 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.

G. Tuition Receivable/Payable

Tuition charges for the fiscal years 2010-2011 and 2011-2012 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined. Adjustments were made to the preliminary rates originally established for the 2012-2013 school year based upon the certification of 2010-2011 rates.

H. Inventories and Prepaid Expenses:

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

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Pursuant to the contract by and between the District and its food service operator, ownership of inventories of food and supplies remains with the operator.

Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

I. Short-Term Interfund Receivables/Payables:

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

J. Capital Assets:

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$2,000.00 or more for capitalizing capital assets. The system for accumulation of fixed assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated costs.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

J. Capital Assets (Cont'd.):

Capital assets are recorded in the District-wide financial statements, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

K. 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 District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that related to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place. The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences".

Based upon existing personnel policies and collective bargaining agreements, employees are granted varying amounts of annual sick, personal and vacation leave. Sick leave may be accumulated for use in subsequent years. Unused personal leave is added to unused sick leave accumulations annually. Accumulations of unused sick leave may be used only for illnesses in subsequent periods. Generally, the amount of unused vacation pay that may be carried forward is limited to five (5) days. Based upon the limited number of employees who are entitled to vacation pay, the estimated value of amounts carried forward is considered to be de minimus. Accordingly, no amount has been reported in the district-wide financial statements as a liability for compensated absences at June 30, 2012.

L. Deferred Revenue:

Deferred revenue in the special revenue fund represents cash that has been received but not yet earned. Deferred revenue in the proprietary funds represents payments received from customers for services to be provided in future periods.

M. Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Amounts payable in future periods based upon legal judgments and settlements of litigation matters are included as long-term obligations in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Annual installments due to others pursuant to legal judgments and settlements of litigation matters are recognized in the fund financial statements as expenditures in the period that the installments become due.

N. Fund Equity:

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Restricted amounts represent those portions of fund equity legally segregated for a specific future use. Assigned amounts represent fund equity that has been designated for a future use by the District.

O. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as capital reserve requirements and proceeds from the issuing of the bonds and leases related to the capital project.

P. Net Assets:

Net assets represent the difference between assets and liabilities in the District-wide financial statements. 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 long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the District-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Q. Estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

S. Costs of Issuance/Premium/Deferred Amount on Refunding

Issuance costs, bond premiums and deferred amounts on refunding/refinancing are deferred and amortized over the term of the bonds/leases using the straight-line method. Unamortized issuance costs are recorded as other assets, whereas unamortized bond premiums and deferred amounts on refunding are presented as additions and reductions of outstanding bond principal.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Mountainside Board of Education had the following depository accounts. All deposits are carried at cost plus accrued interest. The government does not have a deposit policy.

Depository Account	Bank Balance
Insured - FDIC	\$250,000.00
Insured – NJGUDPA (N.J.S.A.17:94.1)	1,698,461.51
Uninsured – NJCMF (see below)	<u>131,136.71</u>
Total Deposits	<u>\$2,079,598.22</u>

Custodial Credit Risk – Deposits- Custodial credit risk is the risk that in the event of a bank failure, the board’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2012, \$0.00 of the Board’s bank balance of \$1,948,461.51 was exposed to custodial risk . (See Note 1-F. relating to statutory mitigation of custodial risk in the event of a bank failure).

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment’s existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the “Other-than-State” participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2012, the District had \$131,136.71 on deposit with the New Jersey Cash Management Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. GENERAL LONG-TERM DEBT (CONT'D):

A. Bonds Payable -- Bonds are authorized in accordance with State law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds.

Principal and interest due on bonds outstanding as at June 30, 2012 is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	240,000.00	128,600.00	368,600.00
2014	250,000.00	120,000.00	370,000.00
2015	260,000.00	109,800.00	369,800.00
2016	270,000.00	99,200.00	369,200.00
2017	280,000.00	88,200.00	368,200.00
2018	295,000.00	75,962.50	370,962.50
2019	305,000.00	62,462.50	367,462.50
2020	305,000.00	48,356.25	353,356.25
2021	305,000.00	33,868.75	338,868.75
2022	300,000.00	19,312.50	319,312.50
2023	<u>300,000.00</u>	<u>6,000.00</u>	<u>306,000.00</u>
	<u>\$ 3,110,000.00</u>	<u>\$791,762.50</u>	<u>\$ 3,901,762.50</u>

B. Bonds Authorized But Not Issued -- As of June 30, 2012, the District had \$323.80 of authorized but not issued bonds.

C. Advance Refunding of 2003 School Bonds – On March 10, 2011, the District issued \$3,130,000.00 Refunding School Bonds, Series 2011 (the “Bonds”) to advance refund \$3,233,000.00 of its callable 2001 School Bonds. Interest Rates on the Refunding Bonds ranged from 3.0% to 4.875%, while Yields, which reflect premiums or discounts, ranged from 1.0% to 4.06%. The Net Interest Cost (NIC) on the Bonds was 3.33%. The net proceeds of the sale of \$3,308,920.94, which includes premiums of \$234,092.85 and deducts \$55,171.91 of underwriting fees and other costs associated with the issuance of the Bonds, were used to purchase U.S. Government Securities, which were deposited to an irrevocable Trust with an escrow agent. The escrow will provide for all future debt service payments through July 15, 2011 and will redeem the outstanding callable principal of these bonds on that date. The 2001 School Bonds are considered to be defeased and have been removed from the District-wide statement of net assets. On July 15, 2011, the Trustee called the defeased bonds and paid the holders from the escrow fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$75,920.94. This difference, reported in the accompanying District-wide financial statements as a “contra” amount to bonds payable, is being charged as a Governmental Activities expense through the school year ended June 30, 2023. Annual charges to amortize the Deferred Amount from Refunding are calculated on a “straight line” basis.

NOTE 5. PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund or the Defined Contribution Retirement Program which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Defined Contribution Retirement System (DCRP) - The DCRP was established effective July 1, 2007 to provide coverage to certain elected and appointed officials who became excluded from the PERS system pursuant to the provisions of P.L. 2007, c. 92. In addition, certain members of the PERS and TPAF, enrolled after July 1, 2007 who earn salary in excess of those systems' maximum compensation limits are eligible for DCRP membership for the compensation not credited to PERS or TPAF participation.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits for PERS and TPAF systems vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONT'D):

Vesting in the DCRP occurs after one year of membership. Employer contributions to the DCRP are set at 3% of base salary.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

<u>Three-Year Trend Information for PERS</u>			
<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 110,421	100 %	\$ 0
6/30/11	119,326	100 %	0
6/30/10	95,583	100 %	0

Three-Year Trend Information for TPAF (Paid on-behalf of the District, excluding post-retirement medical benefits which are reported in Note 6)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 160,557.00	Unknown %	\$ 0
6/30/11	16,281.00	Unknown %	0
6/30/10	16,982.00	Unknown %	0

During the three school years from 2008-2009 through 2010-2011, the State of New Jersey made no on-behalf payments to the TPAF system for normal pension costs or accrued liability. The amounts reported above for these years represent payments for the costs of non-contributory group life insurance premiums. In 2011-2012, the State resumed funding for normal pension and accrued liability costs, and \$15,560 of the on-behalf payment represents NCGI premiums. In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$331,159.24 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 24.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. POST-RETIREMENT BENEFITS

The State of New Jersey sponsors and administers the post-employment health benefits program for school districts. Free coverage is provided to members of the TPAF who retire after accumulating 25 years of credited service or on a disability retirement. The State is also responsible for the costs attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage.

The Division of Pensions issues a publicly available financial report that includes the financial statements and required supplementary information for the Health Benefits Program Fund – Local Government. This report may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

At June 30, 2011, there were approximately 93,323 retirees receiving State paid post retirement health 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 benefits was changed from a pre-funding basis to a pay-as-you-go basis in Fiscal Year 1994.

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

The State's contributions to the Health Benefits Program Fund on-behalf of the District for TPAF retiree health benefits, for the last three years, is as follows:

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year Funding</u>	<u>Annual Post Retirement Medical Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 322,762	100 %	\$ 0
6/30/11	345,807	100 %	0
6/30/10	318,954	100 %	0

NOTE 7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

of the coverages provided by the Fund can be found in the statistical section of the Comprehensive Annual Financial Report. Audited financial information for the Fund relating to the level of claims reserves, estimated amounts of claims incurred but not reported and net assets were not available for inclusion in this report.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RISK MANAGEMENT (CONT'D.)

Property and Liability Insurance - The District, along with other school districts, is a member of the School Alliance Insurance Fund (the "Fund"), a governmental joint insurance fund. SAIF has adopted a formal risk management plan that involves a combination of District risk retention (through the use of per claim and aggregate per line deductibles), Fund retention of risk and the procurement of excess insurance and reinsurance through commercial reinsurers and the School Excess Liability Fund. A complete listing of the coverages provided by the Fund can be found in the statistical section of the Comprehensive Annual Financial Report. Surety bond coverage for the School Business Administrator is provided through the Fund.

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

<u>Fiscal Year</u>	<u>Board Contrib.</u>	<u>Employee Contrib.</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$ 61,897	\$ 9,068	\$ 69,566	\$ 130,649
2010-2011	200,580	9,816	74,824	129,158
2009-2010	93,248	10,551	111,005	324
2008-2009	22,108	11,666	45,941	7,529
2007-2008	22,704	10,586	30,041	19,641
2006-2007	4,386	10,396	6,800	15,997

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 88,040.24	2,125.00
Proprietary Funds		16,086.42
Fiduciary Funds	<u>2,125.00</u>	<u>71,953.82</u>
Total	<u>\$ 90,165.24</u>	<u>\$ 90,165.24</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9: FUND BALANCE APPROPRIATED

General Fund - Of the \$824,354.45 General Fund balance at June 30, 2011 (Budgetary Basis), Legally restricted balances include \$200,000.00 of Capital Reserves, of which \$100,000.00 is Designated for expenditure in the 2012-13 school year. \$65,333.00 is the undesignated balance of the Maintenance Reserve. Of the unrestricted fund balance, \$144,000.00 has been assigned for expenditure in the 2012-13 school year and \$283,626.80 is unassigned.

The total General Fund balance and reserve for excess surplus must be reduced by \$201,789.00 of state aid that was realized as revenue on the budgetary basis but is not permitted to arrive at the amounts reported as components of fund balance in the governmental fund financial statements.

NOTE 10. CALCULATION OF EXCESS SURPLUS

In accordance with *N.J.S.A.* 18A:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. Based upon the statutory calculation, there was excess fund balance of \$131,394.65 at June 30, 2012 that must be appropriated as part of the 2013-14 school budget. There was no excess fund balance at June 30, 2011 that was required to be appropriated as part of the 2012-13 school budget.

NOTE 11. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District of Mountainside Board of Education by inclusion of \$1.00 during fiscal year 2003 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR), including the payment of debt service on such projects. Upon submission of the LRFP to the department, a district may deposit funds into the capital reserve at any time upon board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Pursuant to N.J.A.C. 6:23A-5.1 (d) 7, the balance in the account cannot at any time exceed the local support costs of uncompleted projects in its approved LRFP. During the 2011-12 School Year, the District utilized \$266,763 of the \$366,763 capital reserve balance to fund debt service costs. At June 30, 2012 the District transferred an additional \$100,000 to the capital reserve and reported a total of \$200,000 of legally restricted general fund balance in the Capital Reserve Account. Of that total, \$100,000 has been included in the 2012-13 budget as a planned withdrawal to fund debt service costs.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER RESERVE ACCOUNTS

Pursuant to enabling legislation and rulemaking, the District established legally restricted Reserve Funds for Maintenance and Emergencies during the month of June, 2009, in the amounts of \$245,339.00 and \$189,528.00, respectively. Of these amounts, \$83,000 and \$0 were included in the 2009-10 budget as a planned withdrawals to fund the local share of costs. The 2010-11 budget included planned withdrawals of \$87,700 from the maintenance reserve and \$111,238 from the emergency reserve, leaving balances of \$74,639 and \$78,290, respectively. Of these amounts, the entire \$78,290 emergency reserve balance was appropriated and designated for 2011-12 budget expenditures. \$9,306 of the Maintenance Reserve was appropriated during 2011-12 for eligible maintenance projects, leaving a balance of \$65,333 at June 30, 2012

NOTE 13. DEFICIT FUND BALANCES

The District did not report a deficit fund balance at June 30, 2012 in its General Fund in the fund statements (modified accrual basis). P.L. 2003 c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, ie., if one government recognizes an asset, the other government recognizes a liability. Since the District is not recording the last two state aid payments, including Extraordinary Aid, on the GAAP financial statements until the year the State records the payable, it is possible that a positive fund balance could be reported on a mandated budgetary basis while a deficit is reported on a GAAP basis based upon nonrecognition of revenue on the GAAP basis for the final state aid payment.

Pursuant to *N.J.S.A.* 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action.

NOTE 14. TUITION SETTLEMENT

During the 2010-2011 school year, a settlement with the receiving district was reached regarding tuition adjustments for the costs of certain special education programs provided by the receiving district. The settlement called for a total adjustment of \$330,000, payable in five (5) equal installments of \$66,000, due in July of each year commencing in 2011. The 2012 payment is included as a component of budgeted tuition in the 2012-13 Budget.

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART II

BUDGETARY COMPARISON SCHEDULES

SECTION – C

MOUNTAINSIDE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	13,433,645.00		13,433,645.00	13,433,645.00	
Preschool Tuition-Individuals				28,300.00	28,300.00
Transportation Fees-Individuals	195,000.00		195,000.00	47,444.14	(147,555.86)
Other Restricted Miscellaneous Revenue	75,025.00		75,025.00	51,227.50	(23,797.50)
Refunds-Prior Yr. Exp.				635.74	635.74
Unrestricted Miscellaneous Revenue	35,796.00		35,796.00	69,078.46	33,282.46
Total - Local Sources	<u>13,739,466.00</u>		<u>13,739,466.00</u>	<u>13,630,330.84</u>	<u>(109,135.16)</u>
State Sources:					
Special Ed. Aid	202,718.00		202,718.00	347,369.00	144,651.00
Extraordinary Aid	175,000.00		175,000.00	168,142.00	(6,858.00)
Non-Public Transportation Aid				56.00	56.00
On-behalf TPAF Post-Retirement Medical Contrib. (non-budgeted)				322,762.00	322,762.00
On-behalf TPAF Pension Payments (non-budgeted)				160,557.00	160,557.00
On-behalf TPAF Employer FICA Contrib. (non-budgeted)				308,446.52	308,446.52
Total - State Sources	<u>377,718.00</u>		<u>377,718.00</u>	<u>1,307,332.52</u>	<u>929,614.52</u>
Federal Sources					
Education Jobs Fund	25,865.00	810.00	26,675.00	26,675.00	
Total - Federal Sources	<u>25,865.00</u>	<u>810.00</u>	<u>26,675.00</u>	<u>26,675.00</u>	
Total Revenues	<u>14,143,049.00</u>	<u>810.00</u>	<u>14,143,859.00</u>	<u>14,964,338.36</u>	<u>820,479.36</u>

MOUNTAINSIDE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Preschool	31,338.00	3,494.00	34,832.00	33,107.18	1,724.82
Kindergarten	329,774.00	12,304.00	342,078.00	330,513.18	11,564.82
Grades 1- 5	1,684,429.00	(148,961.00)	1,535,468.00	1,503,184.84	32,283.16
Grades 6- 8	1,308,451.00	(89,297.00)	1,219,154.00	1,192,551.12	26,602.88
Regular Programs - Home Instruction:					
Salaries of Teachers		1,966.00	1,966.00	1,965.66	0.34
Regular Programs- Undistributed Instruction:					
Other Salaries for Instruction	256,200.00	(256,200.00)			
Purchased Technical Services	3,000.00		3,000.00	2,529.00	471.00
Other Purchased Services	8,400.00	5,194.00	13,594.00	13,594.00	
General Supplies	67,889.00	11,603.00	79,492.00	74,265.10	5,226.90
Textbooks	40,000.00	(10,344.00)	29,656.00	28,954.51	701.49
Other Objects	24,400.00	(19,983.00)	4,417.00	4,416.03	0.97
Total Regular Programs	<u>3,753,881.00</u>	<u>(490,224.00)</u>	<u>3,263,657.00</u>	<u>3,185,080.62</u>	<u>78,576.38</u>
Special Education:					
Resource Room/Resource Center:					
Salaries of Teachers	458,594.00	57,346.00	515,940.00	468,046.97	47,893.03
Other Salaries for Instruction		272,980.00	272,980.00	265,108.94	7,871.06
Total Resource Room/Resource Center	<u>458,594.00</u>	<u>330,326.00</u>	<u>788,920.00</u>	<u>733,155.91</u>	<u>55,764.09</u>
Preschool Disabilities - Part-time:					
Salaries of Teachers	31,338.00	3,414.00	34,752.00	32,160.77	2,591.23
Other Salaries for Instruction		16,155.00	16,155.00	16,154.20	0.80
Total Preschool Disabilities - Part-time	<u>31,338.00</u>	<u>19,569.00</u>	<u>50,907.00</u>	<u>48,314.97</u>	<u>2,592.03</u>

MOUNTAINSIDE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012

- 63 -

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES (CONT'D):					
Current Expense (Cont'd):					
Instruction-Special Education (Cont'd):					
Home Instruction:					
Salaries of Teachers	894.00	614.00	1,508.00	1,489.13	18.87
Total Preschool Disabilities - Full-time	894.00	614.00	1,508.00	1,489.13	18.87
Total Special Education	490,826.00	350,509.00	841,335.00	782,960.01	58,374.99
School Sponsored					
Co-Curricular Acitivites:					
Salaries	35,941.00	3,836.00	39,777.00	39,776.86	0.14
Supplies	750.00		750.00	685.72	64.28
Other Objects		7,988.00	7,988.00	7,818.00	170.00
Total Co-Curricular Acitivites:	36,691.00	11,824.00	48,515.00	48,280.58	234.42
Athletic Acitivites:					
Salaries	22,120.00		22,120.00	20,847.45	1,272.55
Other Purchased Services	2,500.00	(676.00)	1,824.00	1,824.00	
Supplies	3,300.00	(89.00)	3,211.00	3,072.00	139.00
Other Objects		425.00	425.00	425.00	
Total Athletic Activities	27,920.00	(340.00)	27,580.00	26,168.45	1,411.55
Total Instruction	4,309,318.00	(128,231.00)	4,181,087.00	4,042,489.66	138,597.34
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State- Regular	3,875,032.00	(1,000.00)	3,874,032.00	3,874,032.00	
Tuition to Other LEAs Within the State- Speical	440,053.00	35,372.00	475,425.00	472,971.22	2,453.78
Tuition to Cty. Vocational Sch. Dist.- Regular	180,500.00	88,850.00	269,350.00	269,350.00	
Tuition to Private Schools for the Disabled- Within State	452,173.00	(123,225.00)	328,948.00	327,687.89	1,260.11
Total Undistrib. Expend. - Instruction:	4,947,758.00	(3.00)	4,947,755.00	4,944,041.11	3,713.89

MOUNTAINSIDE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Undistributed Expenditures (Cont'd.):					
Attendance & Social Services:					
Salaries	54,636.00	1,109.00	55,745.00	55,745.00	
Total Attendance & Social Services:	<u>54,636.00</u>	<u>1,109.00</u>	<u>55,745.00</u>	<u>55,745.00</u>	
Health Services:					
Salaries	114,394.00	5,849.00	120,243.00	117,643.00	2,600.00
Purchased Profess. and Tech. Serv.	2,500.00	4,760.00	7,260.00	7,260.00	
Supplies and Materials	3,350.00	(359.00)	2,991.00	2,965.91	25.09
Other Objects		85.00	85.00	85.00	
Total Health Services:	<u>120,244.00</u>	<u>10,335.00</u>	<u>130,579.00</u>	<u>127,953.91</u>	<u>2,625.09</u>
Speech, OT, PT & Related Services:					
Salaries	191,616.00	3,382.00	194,998.00	194,997.78	0.22
Purchased Professional/Educational Services	80,934.00	24,269.00	105,203.00	96,679.75	8,523.25
Total Speech, OT, PT & Related Services:	<u>272,550.00</u>	<u>27,651.00</u>	<u>300,201.00</u>	<u>291,677.53</u>	<u>8,523.47</u>
Other Support Services-Student Extra:					
Purchased Professional/Educational Services	102,140.00	9,693.00	111,833.00	90,067.25	21,765.75
Total Other Support Services- Student Extra:	<u>102,140.00</u>	<u>9,693.00</u>	<u>111,833.00</u>	<u>90,067.25</u>	<u>21,765.75</u>
Other Support Services-Guidance:					
Salaries of Other Professional Staff	32,782.00	665.00	33,447.00	33,446.60	0.40
Purchased Professional/Educational Services	15,000.00	(15,000.00)			
Other Purchased Services	2,125.00	(2,117.00)	8.00		8.00
Supplies and Materials	525.00	(86.00)	439.00	94.00	345.00
Total Guidance:	<u>50,432.00</u>	<u>(16,538.00)</u>	<u>33,894.00</u>	<u>33,540.60</u>	<u>353.40</u>

MOUNTAINSIDE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Undistributed Expenditures (Cont'd.):					
Other Support Services-Child Study Teams:					
Salaries of Other Professional Staff	120,425.00	54,977.00	175,402.00	156,913.29	18,488.71
Salaries of Secret. & Clerical Assts.	49,530.00	973.00	50,503.00	48,902.92	1,600.08
Purchased Professional/Educational Services	103,685.00	(56,985.00)	46,700.00	37,240.00	9,460.00
Other Purchased Prof./Tech. Services	9,200.00	(2,063.00)	7,137.00	7,120.75	16.25
Misc. Purchased Services	16,187.00	(12,569.00)	3,618.00	1,850.58	1,767.42
Supplies and Materials	8,250.00	(2,294.00)	5,956.00	5,892.27	63.73
Other Objects	5,985.00	(3,370.00)	2,615.00	2,450.54	164.46
Total Child Study Teams:	<u>313,262.00</u>	<u>(21,331.00)</u>	<u>291,931.00</u>	<u>260,370.35</u>	<u>31,560.65</u>
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	108,974.00	(22,933.00)	86,041.00	59,173.21	26,867.79
Other Purchased Services	1,000.00	5,219.00	6,219.00	6,219.00	
Supplies and Materials	3,000.00	(3,000.00)			
Other Objects	1,725.00	(1,725.00)			
Total Improvement of Instructional Services:	<u>114,699.00</u>	<u>(22,439.00)</u>	<u>92,260.00</u>	<u>65,392.21</u>	<u>26,867.79</u>
Educational Media Services/School Library:					
Salaries	109,748.00	2,228.00	111,976.00	111,976.00	
Other Purchased Services	36,550.00	81,641.00	118,191.00	118,115.56	75.44
Supplies and Materials	18,050.00	(3,562.00)	14,488.00	14,486.25	1.75
Other Objects	375.00	(259.00)	116.00		116.00
Total Educational Media Services/School Library:	<u>164,723.00</u>	<u>80,048.00</u>	<u>244,771.00</u>	<u>244,577.81</u>	<u>193.19</u>
Instructional Staff Training Services:					
Travel	5,000.00	(3,910.00)	1,090.00	824.38	265.62
Total Instructional Staff Training Services:	<u>5,000.00</u>	<u>(3,910.00)</u>	<u>1,090.00</u>	<u>824.38</u>	<u>265.62</u>

MOUNTAINSIDE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Undistributed Expenditures (Cont'd.):					
Support Services- General Administration:					
Salaries	120,490.00	5,914.00	126,404.00	126,403.34	0.66
Legal Services	32,000.00	51,343.00	83,343.00	83,342.31	0.69
Audit Fees	24,000.00	3,157.00	27,157.00	27,157.00	
Purchased Technical Services	20,000.00	(4,085.00)	15,915.00	15,240.00	675.00
Communications/Telephone	60,000.00	(5,128.00)	54,872.00	54,263.70	608.30
BOE Other Purchased Services	2,500.00	(1,963.00)	537.00	536.69	0.31
Misc. Purchased Services	24,200.00	(11,343.00)	12,857.00	12,847.83	9.17
General Supplies	12,325.00	(5,068.00)	7,257.00	6,091.07	1,165.93
Judgments		22,953.20	22,953.20	22,953.20	
Misc. Expenditures	29,175.00	(16,525.00)	12,650.00	12,649.99	0.01
BOE Membership Dues & Fees		7,904.00	7,904.00	7,904.00	
Total Support Servi. - General Administration:	324,690.00	47,159.20	371,849.20	369,389.13	2,460.07
Support Services- School Administration:					
Salaries of Principals/Asst. Principals	192,434.00	9,925.00	202,359.00	202,358.29	0.71
Salaries of Secretarial and Clerical Assistants	131,362.00	6,466.00	137,828.00	137,827.84	0.16
Other Purchased Services	5,000.00	1,310.00	6,310.00	6,310.00	
Supplies and Materials	11,325.00	(3,701.00)	7,624.00	7,618.74	5.26
Other Objects	1,000.00	134.00	1,134.00	1,035.00	99.00
Total Support Serv. - School Administration:	341,121.00	14,134.00	355,255.00	355,149.87	105.13
Central Services:					
Salaries	158,600.00	9,009.00	167,609.00	167,608.64	0.36
Purchased Technical Services		21,716.00	21,716.00	21,715.40	0.60
Misc. Purchased Services	4,000.00	(2,820.00)	1,180.00	1,071.89	108.11
Supplies and Materials	1,900.00	857.00	2,757.00	2,734.90	22.10
Misc. Expenditures	1,000.00	(900.00)	100.00	99.00	1.00
Total Central Services:	165,500.00	27,862.00	193,362.00	193,229.83	132.17

MOUNTAINSIDE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Undistributed Expenditures (Cont'd):					
Required Maint. For School Facilities:					
Salaries	81,403.00	1,652.00	83,055.00	83,054.60	0.40
Cleaning, Repair, and Maintenance services	35,000.00	33,113.00	68,113.00	68,111.94	1.06
General Supplies	7,750.00	997.00	8,747.00	8,745.73	1.27
Total Required Maint. For School Facilities:	<u>124,153.00</u>	<u>35,762.00</u>	<u>159,915.00</u>	<u>159,912.27</u>	<u>2.73</u>
Custodial Services:					
Salaries	282,742.00	19,570.00	302,312.00	302,310.50	1.50
Purchased Profess. And Tech. Svcs.	10,000.00	(3,300.00)	6,700.00	6,080.00	620.00
Cleaning, Repair, and Maintenance Services		10,429.00	10,429.00	10,428.44	0.56
Other Purchased Property Svcs.	57,500.00	(43,475.00)	14,025.00	12,912.03	1,112.97
Insurance	38,859.00	(3,446.00)	35,413.00	35,221.00	192.00
General Supplies	41,525.00	(11,702.00)	29,823.00	29,585.60	237.40
Energy (Natural Gas)	320,000.00	(1,200.00)	318,800.00	284,128.64	34,671.36
Other Objects	200.00	50.00	250.00	250.00	
Total Custodial Services:	<u>750,826.00</u>	<u>(33,074.00)</u>	<u>717,752.00</u>	<u>680,916.21</u>	<u>36,835.79</u>
Care & Upkeep of Grounds					
Cleaning, Repair, and Maintenance Services		28,547.00	28,547.00	19,770.60	8,776.40
Total Care & Upkeep of Grounds		<u>28,547.00</u>	<u>28,547.00</u>	<u>19,770.60</u>	<u>8,776.40</u>
Student Transportation Services:					
Contracted Services (Between Home & School) - Vendors	241,400.00	(2,746.00)	238,654.00	233,202.92	5,451.08
Contracted Services (Other Than Between Home & School) - Vendors	34,250.00	(15,435.00)	18,815.00	10,453.26	8,361.74
Contracted Services (Special Ed. Students) - Vendors	334,741.00	9,755.00	344,496.00	297,484.97	47,011.03
Contracted Services - Aid in Lieu of Payments	66,000.00	7,372.00	73,372.00	73,372.00	
Total Student Transportation Services:	<u>676,391.00</u>	<u>(1,054.00)</u>	<u>675,337.00</u>	<u>614,513.15</u>	<u>60,823.85</u>

MOUNTAINSIDE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012

Exhibit - C-1
 Page 8 of 9

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Undistributed Expenditures (Cont'd.):					
Unallocated Employee Benefits:					
Social Security Contributions	120,250.00		120,250.00	111,279.64	8,970.36
Other Retirement Contribs. - PERS	125,000.00	(12,461.00)	112,539.00	110,421.00	2,118.00
Unemployment Compensation	200,000.00		200,000.00	61,896.70	138,103.30
Workmen's Compensation	73,450.00	(724.00)	72,726.00	72,726.00	
Health Benefits	1,238,764.00	(11,070.00)	1,227,694.00	1,251,000.02	(23,306.02)
Tuition Reimbursements	37,500.00	(20,160.00)	17,340.00	9,402.00	7,938.00
Other Employee Benefits	2,500.00	(1,189.20)	1,310.80	854.56	456.24
Total Unallocated Employee Benefits:	<u>1,797,464.00</u>	<u>(45,604.20)</u>	<u>1,751,859.80</u>	<u>1,617,579.92</u>	<u>134,279.88</u>
On-behalf TPAF Post-Retirement Medical Contrib. (non-budgeted)				322,762.00	(322,762.00)
On-behalf TPAF Pension Payments (non-budgeted)				160,557.00	(160,557.00)
On-behalf TPAF Employer FICA Contrib. (non-budgeted)				<u>308,446.52</u>	<u>(308,446.52)</u>
Total Undistributed Expenditures	10,325,589.00	138,347.00	10,463,936.00	10,916,416.65	(452,480.65)
Total Expenditures - Current Expense	14,634,907.00	10,116.00	14,645,023.00	14,958,906.31	(313,883.31)
CAPITAL OUTLAY:					
Facilities Acquisition and Construction Services:					
Other Objects	11,432.00		11,432.00	11,432.00	
Total Facil. Acquis./Const. Svcs.:	<u>11,432.00</u>		<u>11,432.00</u>	<u>11,432.00</u>	
Total Capital Outlay:	<u>11,432.00</u>		<u>11,432.00</u>	<u>11,432.00</u>	

MOUNTAINSIDE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012

Exhibit - C-1
 Page 9 of 9

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONT'D.):					
Total Expenditures	14,646,339.00	10,116.00	14,656,455.00	14,970,338.31	(313,883.31)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(503,290.00)	(9,306.00)	(512,596.00)	(5,999.95)	506,596.05
Other Financing Sources (Uses)					
Operating Transfers In (Out)					
Capital Outlay - Transfer to Debt Service	(266,763.00)		(266,763.00)	(266,763.00)	
Total Other Financing Sources (Uses)	(266,763.00)		(266,763.00)	(266,763.00)	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(770,053.00)	(9,306.00)	(779,359.00)	(272,762.95)	506,596.05
Prior Period Adjustments					
Overstatement of Prior Year Extraordinary Aid				(53,790.00)	(53,790.00)
Understatement of Prior Year Capital Outlay Exp.				(19,658.00)	(19,658.00)
Net Change in Fund Balance	(770,053.00)	(9,306.00)	(779,359.00)	(346,210.95)	433,148.05
Fund Balances, July 1	1,170,565.40		1,170,565.40	1,170,565.40	
Fund Balances, June 30	400,512.40	(9,306.00)	391,206.40	824,354.45	433,148.05
Recapitulation:					
Restricted:					
Reserved Excess Surplus				131,394.65	
Capital Reserve				100,000.00	
Capital Reserve-Designated for Subsequent Year Expenditures				100,000.00	
Maintenance Reserve				65,333.00	
Assigned:					
Designated for Subsequent Year Expenditures				144,000.00	
Unassigned				283,626.80	
				824,354.45	
Reconciliation to Governmental Funds Statements (GAAP):					
State Aid Payments not recognized on GAAP basis				201,789.00	
Fund Balance per Governmental Funds (GAAP)				622,565.45	

MOUNTAINSIDE SCHOOL DISTRICT
 COMBINING BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET			BUDGET TRANSFERS			FINAL BUDGET			ACTUAL		
	Operating Funds 11-13	Ed.Jobs Fund 18	Tot. Gen. Fund	Operating Funds 11-13	Ed.Jobs Fund 18	Tot. Gen. Fund	Operating Funds 11-13	Ed.Jobs Fund 18	Tot. Gen. Fund	Operating Funds 11-13	Ed.Jobs Fund 18	Tot. Gen. Fund
REVENUES:												
Local Sources	\$ 13,739,466.00	\$	\$ 13,739,466.00	\$	\$	\$	\$ 13,739,466.00	\$	\$ 13,739,466.00	\$ 13,630,330.84	\$	\$ 13,630,330.84
State Sources	377,718.00		377,718.00				377,718.00		377,718.00	1,307,332.52		1,307,332.52
Federal Sources		25,865.00	25,865.00		810.00	810.00		26,675.00	26,675.00		26,675.00	26,675.00
Total Revenues	14,117,184.00	25,865.00	14,143,049.00		810.00	810.00	14,117,184.00	26,675.00	14,143,859.00	14,937,663.36	26,675.00	14,964,338.36
EXPENDITURES:												
Current Expense:												
Regular Instruction	3,753,881.00		3,753,881.00	(490,224.00)		(490,224.00)	3,263,657.00		3,263,657.00	3,185,080.62		3,185,080.62
Special Education Instruction	490,826.00		490,826.00			350,509.00			841,335.00	782,960.01		782,960.01
Other Instruction	64,611.00		64,611.00	11,484.00		11,484.00			76,095.00	74,449.03		74,449.03
Total Instruction	4,309,318.00		4,309,318.00	(128,231.00)		(128,231.00)	4,181,087.00		4,181,087.00	4,042,489.66		4,042,489.66
Support Services and Undistributed Costs:												
Tuition	4,947,758.00		4,947,758.00	(3.00)		(3.00)	4,947,755.00		4,947,755.00	4,944,041.11		4,944,041.11
Student & Instruction Related Services	1,197,686.00		1,197,686.00	64,618.00		64,618.00	1,262,304.00		1,262,304.00	1,170,149.04		1,170,149.04
School Administrative Services	341,121.00		341,121.00	14,134.00		14,134.00	355,255.00		355,255.00	355,149.87		355,149.87
Other Administrative Services	490,190.00		490,190.00	75,021.20		75,021.20	565,211.20		565,211.20	562,618.96		562,618.96
Plant Operations and Maintenance	874,979.00		874,979.00	31,235.00		31,235.00	906,214.00		906,214.00	860,599.08		860,599.08
Pupil Transportation	676,391.00		676,391.00	(1,054.00)		(1,054.00)	675,337.00		675,337.00	614,513.15		614,513.15
Unallocated Benefits	1,771,599.00	25,865.00	1,797,464.00	(46,414.20)	810.00	(45,604.20)	1,725,184.80	26,675.00	1,751,859.80	2,382,670.44	26,675.00	2,409,345.44
Total Support/Undistributed	10,299,724.00	25,865.00	10,325,589.00	137,537.00	810.00	138,347.00	10,437,261.00	26,675.00	10,463,936.00	10,889,741.65	26,675.00	10,916,416.65
Total Expenditures-Current Expense	14,609,042.00	25,865.00	14,634,907.00	9,306.00	810.00	10,116.00	14,618,348.00	26,675.00	14,645,023.00	14,932,231.31	26,675.00	14,958,906.31
Capital Outlay	11,432.00		11,432.00				11,432.00		11,432.00	11,432.00		11,432.00
Transfer of Funds to Charter Schools												
Total Expenditures	14,620,474.00	25,865.00	14,646,339.00	9,306.00	810.00	10,116.00	14,629,780.00	26,675.00	14,656,455.00	14,943,663.31	26,675.00	14,970,338.31
Excess (Deficiency) of Revenues Over (Under) Expenditures	(503,290.00)		(503,290.00)	(9,306.00)		(9,306.00)	(512,596.00)		(512,596.00)	(5,999.95)		(5,999.95)
Other Financing Sources (Uses)												
Operating Transfers In (out)	(266,763.00)		(266,763.00)				(266,763.00)		(266,763.00)	(266,763.00)		(266,763.00)
Total Other Financing Sources (Uses)	(266,763.00)		(266,763.00)				(266,763.00)		(266,763.00)	(266,763.00)		(266,763.00)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(770,053.00)		(770,053.00)	(9,306.00)		(9,306.00)	(779,359.00)		(779,359.00)	(272,762.95)		(272,762.95)
Prior Period Adjustments												
Overstatement of Prior Year Extraordinary Aid										(53,790.00)		(53,790.00)
Understatement of Prior Year Capital Outlay Exp.										(19,658.00)		(19,658.00)
Net Change in Fund Balance	(770,053.00)		(770,053.00)	(9,306.00)		(9,306.00)	(779,359.00)		(779,359.00)	(346,210.95)		(346,210.95)
Fund Balances, July 1	1,170,565.40		1,170,565.40				1,170,565.40		1,170,565.40	1,170,565.40		1,170,565.40
Fund Balances, June 30	\$ 400,512.40	\$	\$ 400,512.40	\$ (9,306.00)	\$	\$ (9,306.00)	\$ 391,206.40	\$	\$ 391,206.40	\$ 824,354.45	\$	\$ 824,354.45
Details of Ed Jobs Fund Expended:												
Unallocated Employee Benefits:												
Health Benefits	1,212,899.00	25,865.00	1,238,764.00	(11,880.00)	810.00	(11,070.00)	1,201,019.00	26,675.00	1,227,694.00	1,224,325.02	26,675.00	1,251,000.02
Totals	\$ 1,212,899.00	\$ 25,865.00	\$ 1,238,764.00	\$ (11,880.00)	\$ 810.00	\$ (11,070.00)	\$ 1,201,019.00	\$ 26,675.00	\$ 1,227,694.00	\$ 1,224,325.02	\$ 26,675.00	\$ 1,251,000.02

MOUNTAINSIDE SCHOOL DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE 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					
Title II	\$ 11,546.00	\$ (517.00)	\$ 11,029.00	\$ 10,796.07	\$ (232.93)
IDEA Part B	148,838.00	31,070.00	179,908.00	179,907.18	(0.82)
IDEA Preschool	6,990.00	1,238.00	8,228.00	8,228.00	-
Total Federal Revenues	<u>167,374.00</u>	<u>31,791.00</u>	<u>199,165.00</u>	<u>198,931.25</u>	<u>(233.75)</u>
Total Revenues	<u>167,374.00</u>	<u>31,791.00</u>	<u>199,165.00</u>	<u>198,931.25</u>	<u>(233.75)</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers			-		-
Other Purchased Services (400-500 series)	155,828.00	20,172.00	176,000.00	175,999.18	0.82
Total Instruction	<u>155,828.00</u>	<u>20,172.00</u>	<u>176,000.00</u>	<u>175,999.18</u>	<u>0.82</u>
Support Services					
Personal Services - Employee Benefits			-		-
Purchased Technical Services		8,228.00	8,228.00	8,228.00	-
Purchased Professional - Educational Services	11,546.00	(10,546.00)	1,000.00	1,000.00	-
Other Purchased Services (400-500 series)		11,987.00	11,987.00	11,754.07	232.93
Supplies & Materials		1,950.00	1,950.00	1,950.00	-
Total Support Services	<u>11,546.00</u>	<u>11,619.00</u>	<u>23,165.00</u>	<u>22,932.07</u>	<u>232.93</u>
Total Expenditures	<u>167,374.00</u>	<u>31,791.00</u>	<u>199,165.00</u>	<u>198,931.25</u>	<u>233.75</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION

MOUNTAINSIDE SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 NOTE TO RSI
FOR THE YEAR ENDED JUNE 30, 2012

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

		General Fund		Special Revenue Fund
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1)	\$14,964,338.36	(C-2)	198,931.25
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized (Net)		0.00		
State aid payment recognized for budgetary purposes, not recognized for GAAP statements (Net)		<u>(48,026.00)</u>		<u>0.00</u>
Total revenues as reported on the statement of revenues, expenditures and change in fund balances - governmental funds	(B-2)	<u>14,916,312.36</u>	(B-2)	<u>198,931.25</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1)	14,970,338.31	(C-2)	198,931.25
Difference - budget to GAAP:				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		<u>0.00</u>		<u>0.00</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	(B-2)	<u>\$14,970,338.31</u>	(B-2)	<u>198,931.25</u>

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES

SECTION – D

SPECIAL REVENUE FUND

SECTION – E

MOUNTAINSIDE SCHOOL DISTRICT Exhibit - E-1
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>I.D.E.A. PART B BASIC 2011-2012</u>	<u>I.D.E.A. PART B PRESCHOOL 2011-2012</u>	<u>TITLE II PART A 2011-2012</u>	<u>TOTAL TOTALS 2011-2012</u>
<u>REVENUES</u>				
Federal Sources	\$ <u>179,907.18</u>	\$ <u>8,228.00</u>	\$ <u>10,796.07</u>	\$ <u>198,931.25</u>
Total Revenues	<u>179,907.18</u>	<u>8,228.00</u>	<u>10,796.07</u>	<u>198,931.25</u>
<u>EXPENDITURES</u>				
Instruction:				
Purch. Prof. & Tech. Services		8,228.00		8,228.00
Other Purch. Services (400-500 series)	<u>175,999.18</u>			<u>175,999.18</u>
Total Instruction	<u>175,999.18</u>	<u>8,228.00</u>		<u>184,227.18</u>
Support Services:				
Purch. Prof. - Educ. Services			1,000.00	1,000.00
Other Purch. Services (400-500 series)	2,458.00		9,296.07	11,754.07
Supplies and Materials	<u>1,450.00</u>		<u>500.00</u>	<u>1,950.00</u>
Total Support Services	<u>3,908.00</u>		<u>10,796.07</u>	<u>14,704.07</u>
Total Expenditures	<u>\$ 179,907.18</u>	<u>\$ 8,228.00</u>	<u>\$ 10,796.07</u>	<u>\$ 198,931.25</u>

CAPITAL PROJECTS FUND

SECTION – F

PROPRIETARY FUNDS

SECTION – G

ENTERPRISE FUND

MOUNTAINSIDE SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
JUNE 30, 2012

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND	TOTAL ENTERPRISE FUND
	FOOD SERVICE	TOTAL
<u>ASSETS</u>		
Current assets:		
Cash and Cash Equivalents	\$ 47,141.68	\$ 47,141.68
Accounts Receivable (Net)	4,067.72	4,067.72
Interfund Receivable		
Inventory	4,690.41	4,690.41
Total Current Assets	55,899.81	55,899.81
Noncurrent Assets:		
Furniture, Machinery & Equipment	130,452.68	130,452.68
Less Accumulated Depreciation	(94,496.00)	(94,496.00)
Total Noncurrent Assets	35,956.68	35,956.68
Total Assets	91,856.49	91,856.49
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	27,733.36	27,733.36
Deferred revenue	4,916.12	4,916.12
Interfunds payable	18,409.17	18,409.17
Total Current Liabilities	51,058.65	51,058.65
<u>NET ASSETS</u>		
Invested in Capital Assets Net of Related Debt	35,956.68	35,956.68
Unrestricted (Deficit)	4,841.16	4,841.16
Total Net Assets	\$ 40,797.84	\$ 40,797.84

MOUNTAINSIDE SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND FOOD SERVICE</u>	<u>TOTAL ENTERPRISE FUND</u>
Operating Revenues:		
Charges for Services:		
Daily Sales - Non-reimbursable Programs	\$ 147,463.72	\$ 147,463.72
Total Operating Revenues	<u>147,463.72</u>	<u>147,463.72</u>
Operating Expenses:		
Cost of Sales	83,855.11	83,855.11
Salaries	53,939.20	53,939.20
Employee benefits	7,515.72	7,515.72
Administrative Expenses	6,527.57	6,527.57
Miscellaneous Expenses	2,340.47	2,340.47
Transportation	820.55	820.55
Management Fee	7,700.00	7,700.00
Depreciation	6,088.00	6,088.00
Total Operating Expenses	<u>168,786.62</u>	<u>168,786.62</u>
Operating Income (Loss)	<u>(21,322.90)</u>	<u>(21,322.90)</u>
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	1,708.66	1,708.66
Federal Sources:		
USDA Commodities	6,623.25	6,623.25
National School Lunch Program	17,289.49	17,289.49
Interest and Investment Revenue	12.88	12.88
Total Nonoperating Revenues (Expenses)	<u>25,634.28</u>	<u>25,634.28</u>
Income (Loss) Before Transfers	4,311.38	4,311.38
Change in Net Assets	4,311.38	4,311.38
Total Net Assets—Beginning	<u>36,486.46</u>	<u>36,486.46</u>
Total Net Assets—Ending	<u>\$ 40,797.84</u>	<u>\$ 40,797.84</u>

MOUNTAINSIDE SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>		<u>TOTAL ENTERPRISE FUND</u>
	<u>FOOD SERVICE</u>	<u>CHILD CARE</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from Customers	\$ 153,049.23	\$ 11,059.90	\$ 164,109.13
Payments to Suppliers	<u>(142,565.87)</u>	<u> </u>	<u>(142,565.87)</u>
Net Cash Provided by (Used for) Operating Activities	<u>10,483.36</u>	<u>11,059.90</u>	<u>21,543.26</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Federal and State Sources	19,576.97		19,576.97
Operating Subsidies and Transfers (to) from Other Funds	<u> </u>	<u>(11,623.90)</u>	<u>(11,623.90)</u>
Net Cash Provided by (Used for) Non-capital Financing Activities	<u>19,576.97</u>	<u>(11,623.90)</u>	<u>7,953.07</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest and dividends	<u>12.88</u>	<u> </u>	<u>12.88</u>
Net cash provided by (used for) investing activities	<u>12.88</u>	<u> </u>	<u>12.88</u>
Net Increase (Decrease) in Cash and Cash Equivalents	30,073.21	(564.00)	29,509.21
Balances—Beginning of Year	<u>17,068.47</u>	<u>564.00</u>	<u>17,632.47</u>
Balances—End of Year	\$ <u>47,141.68</u>	\$ <u> </u>	\$ <u>47,141.68</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ <u>(21,322.90)</u>	<u> </u>	<u>(21,322.90)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Depreciation and Net Amortization	6,088.00		6,088.00
USDA Commodities	6,623.25		6,623.25
(Increase) Decrease in Accounts Receivable	(669.39)	11,059.90	10,390.51
(Increase) Decrease in Inventory	(4,771.49)		(4,771.49)
Increase (Decrease) in Deferred Revenue	4,916.12		4,916.12
Increase (Decrease) in Interfund Payables	1,419.86		1,419.86
Increase (Decrease) in Accounts Payable	<u>18,199.91</u>	<u> </u>	<u>18,199.91</u>
Total Adjustments	<u>31,806.26</u>	<u>11,059.90</u>	<u>42,866.16</u>
Net Cash Provided by (Used for) Operating Activities	\$ <u><u>10,483.36</u></u>	<u><u>11,059.90</u></u>	<u><u>21,543.26</u></u>

INTERNAL SERVICE FUND

FIDUCIARY FUNDS

SECTION - H

MOUNTAINSIDE SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

	Nonexpendable	AGENCY				Expendable Trust Fund			TOTALS
	Trust Fund	Student Activity	Payroll Agency	Net Payroll	De Rosa Scholarship Fund	Rothstock Scholarship Fund	Unemployment Compensation Insurance Trust Fund		
	Rosenstiehl Scholarship Fund								
<u>ASSETS</u>									
Cash and Cash Equivalents	\$ 93,963.65	\$ 36,475.74	\$ 44,768.92	\$ 34,924.68	\$ 8,167.54	24,748.68	\$ 135,897.71	\$ 378,946.92	
Interfund Accounts Receivable	400.00				1,725.00			2,125.00	
Total Assets	<u>\$ 94,363.65</u>	<u>\$ 36,475.74</u>	<u>\$ 44,768.92</u>	<u>\$ 34,924.68</u>	<u>\$ 9,892.54</u>	<u>24,748.68</u>	<u>\$ 135,897.71</u>	<u>\$ 381,071.92</u>	
<u>LIABILITIES AND NET ASSETS</u>									
Liabilities:									
Interfund Accounts Payable	\$	\$	\$ 37,029.14	\$ 34,924.68	\$	\$	\$	\$ 71,953.82	
Unemployment Benefits Payable							5,248.89	5,248.89	
Payroll Deductions and Withholdings Due to Student Groups		36,475.74	7,739.78					7,739.78	
Total Liabilities		<u>36,475.74</u>	<u>44,768.92</u>	<u>34,924.68</u>			<u>5,248.89</u>	<u>121,418.23</u>	
Net Assets:									
Restricted for:									
Unemployment Compensation Insurance Principal Portion - Nonexpandable Trust	94,363.65						130,648.82	130,648.82	
Unrestricted					9,892.54	24,748.68		94,363.65	
Total Net Assets	<u>94,363.65</u>				<u>9,892.54</u>	<u>24,748.68</u>	<u>130,648.82</u>	<u>259,653.69</u>	
Total Liabilities and Net Assets	<u>\$ 94,363.65</u>	<u>\$ 36,475.74</u>	<u>\$ 44,768.92</u>	<u>\$ 34,924.68</u>	<u>\$ 9,892.54</u>	<u>24,748.68</u>	<u>\$ 135,897.71</u>	<u>\$ 381,071.92</u>	

MOUNTAINSIDE SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Expendable Trust Fund			Nonexpendable Trust Fund	Totals
	De Rosa Scholarship Fund	Rothstock Scholarship Fund	Unemployment Compensation Insurance Trust Fund	Rosenstiehl Scholarship Fund	
ADDITIONS:					
Deductions from Employees' Salaries	\$		\$ 9,067.51	\$	\$ 9,067.51
Interest	3.68	11.18	93.02	42.98	150.86
Contributions	1,400.00		61,896.70		63,296.70
Total Additions	1,403.68	11.18	71,057.23	42.98	72,515.07
DEDUCTIONS:					
Unemployment Benefits			69,566.38		69,566.38
Scholarship Payments	2,200.00			3,000.00	5,200.00
Total Deductions	2,200.00	0.00	69,566.38	3,000.00	74,766.38
Change in Net Assets	(796.32)	11.18	1,490.85	(2,957.02)	(2,251.31)
Net Assets - Beginning	10,688.68	24,737.50	129,157.97	97,320.67	261,904.82
Net Assets - Ending	\$ 9,892.36	\$ 24,748.68	\$ 130,648.82	\$ 94,363.65	\$ 259,653.51

MOUNTAINSIDE SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	BALANCE JUNE 30, 2011	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2012
<u>Student Activity Funds:</u>				
Deerfield School	\$ 23,135.67	\$ 64,296.52	\$ 57,867.67	\$ 29,564.52
Student Council Fund	3,536.91	10,926.43	8,983.04	5,480.30
Athletic Fund	900.95	4,896.57	4,367.00	1,430.52
Total Student Activity Funds	\$ <u>27,573.53</u>	\$ <u>80,119.52</u>	\$ <u>71,217.71</u>	\$ <u>36,475.34</u>

MOUNTAINSIDE SCHOOL DISTRICT
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 PAYROLL AGENCY FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	BALANCE JUNE 30, 2011	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2012
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 40,665.45	\$ 2,394,975.23	\$ 2,390,871.76	\$ 44,768.92
Total Assets	\$ 40,665.45	\$ 2,394,975.23	\$ 2,390,871.76	\$ 44,768.92
<u>LIABILITIES</u>				
Interfund Accounts Payable	\$ 32,559.29	\$ 4,469.85		\$ 37,029.14
Payroll Deductions and Withholdings	8,106.16	2,390,505.38	2,390,871.76	7,739.78
Total Liabilities	\$ 40,665.45	\$ 2,394,975.23	\$ 2,390,871.76	\$ 44,768.92

BOROUGH OF MOUNTAINSIDE SCHOOL DISTRICT
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 NET PAYROLL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	BALANCE JUNE 30, 2011	CASH RECEIPTS	CASH DISBURSEMENTS	TRANSFERS	BALANCE JUNE 30, 2012
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 28,929.28	\$ 3,736,977.83	\$ 3,736,830.70	\$ -	\$ 29,076.41
Total Assets	<u>\$ 28,929.28</u>	<u>\$ 3,736,977.83</u>	<u>\$ 3,736,830.70</u>	<u>\$ -</u>	<u>\$ 29,076.41</u>
<u>LIABILITIES</u>					
Accrued Salaries and Benefits	\$ -	\$ 3,736,977.83	\$ 3,736,830.70	\$ (147.13)	\$ -
Interfund Accounts Payable	28,929.28	-	-	147.13	29,076.41
Total Liabilities	<u>\$ 28,929.28</u>	<u>\$ 3,736,977.83</u>	<u>\$ 3,736,830.70</u>	<u>\$ -</u>	<u>\$ 29,076.41</u>

LONG-TERM DEBT

SECTION - I

MOUNTAINSIDE SCHOOL DISTRICT
 LONG-TERM DEBT
 SCHEDULE OF SERIAL BONDS
JUNE 30, 2012

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE</u>	<u>ISSUED</u>	<u>REDEEMED</u>	<u>BALANCE</u>
			<u>DATE</u>	<u>AMOUNT</u>		<u>JUNE 30, 2011</u>			<u>JUNE 30, 2012</u>
Improvements to District Facilities	7/15/2001	\$ 4,968,000		\$		\$ 230,000.00	\$	230,000.00	\$ -
Refunding School Bonds	2/24/2011	\$ 3,130,000	7/15/12	240,000	3.000%	<u>3,130,000.00</u>		<u>20,000.00</u>	<u>3,110,000.00</u>
			39644	250,000	4.000%				
			39645	260,000	4.000%				
			39646	270,000	4.000%				
			39647	280,000	4.000%				
			39648	295,000	4.500%				
			39649	305,000	4.500%				
			39650	305,000	4.750%				
			39651	305,000	4.750%				
			39652	300,000	4.875%				
			39653	300,000	4.000%				
						<u>\$ 3,360,000.00</u>	<u>\$</u>	<u>250,000.00</u>	<u>\$ 3,110,000.00</u>

MOUNTAINSIDE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 LONG-TERM DEBT
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 100,767.00	\$ -	\$ 100,767.00	\$ 100,767.00	\$ -
Total Local Sources:	<u>\$ 100,767.00</u>	<u>\$ -</u>	<u>\$ 100,767.00</u>	<u>\$ 100,767.00</u>	<u>\$ -</u>
Total Revenues	<u>\$ 100,767.00</u>	<u>\$ -</u>	<u>\$ 100,767.00</u>	<u>\$ 100,767.00</u>	<u>\$ -</u>
EXPENDITURES:					
Regular Debt Service:					
Redemption of Bond Principal	250,000.00	-	250,000.00	250,000.00	-
Bond Interest	<u>117,530.00</u>	<u>-</u>	<u>117,530.00</u>	<u>117,530.00</u>	<u>-</u>
Total Regular Debt Service	<u>367,530.00</u>	<u>-</u>	<u>367,530.00</u>	<u>367,530.00</u>	<u>-</u>
Total expenditures	<u>367,530.00</u>	<u>-</u>	<u>367,530.00</u>	<u>367,530.00</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (266,763.00)	\$ -	\$ (266,763.00)	\$ (266,763.00)	\$ -
Other Financing Sources:					
Operating Transfers In:					
Withdrawal from Capital Reserve Fund	<u>266,763.00</u>	<u>-</u>	<u>266,763.00</u>	<u>266,763.00</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	-	-	-	-
Fund Balance - Beginning	-	-	-	-	-
Fund Balance - Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

STATISTICAL SECTION

SECTION – J

MOUNTAINSIDE SCHOOL DISTRICT
Net Assets by Component,
Last Eight Fiscal Years (Unaudited)
(accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities								
Invested in capital assets, net of related debt	\$ 5,503,604	\$ 5,528,540	\$ 5,382,227	\$ 5,497,009	\$ 5,480,718	\$ 5,456,373	\$ 5,609,758	\$ 5,628,117
Restricted	2,709,065	2,077,225	1,900,264	2,855,403	2,474,061	1,572,629	519,692	396,728
Unrestricted	196,578	259,863	268,487	532,909	402,574	1,816	12,787	(144,167)
Total governmental activities net assets	<u>\$ 8,409,247</u>	<u>\$ 7,865,629</u>	<u>\$ 7,550,978</u>	<u>\$ 8,885,321</u>	<u>\$ 8,357,353</u>	<u>\$ 7,030,818</u>	<u>\$ 6,142,237</u>	<u>\$ 5,880,677</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 61,030	\$ 54,142	\$ 47,254	\$ 92,390	\$ 82,643	\$ 72,896	\$ 42,045	\$ 35,957
Restricted	-	-	-	-	-	-	-	-
Unrestricted	102,552	96,297	123,244	90,402	77,732	31,320	(5,558)	5,030
Total business-type activities net assets	<u>\$ 163,582</u>	<u>\$ 150,439</u>	<u>\$ 170,498</u>	<u>\$ 182,792</u>	<u>\$ 160,375</u>	<u>\$ 104,216</u>	<u>\$ 36,486</u>	<u>\$ 40,986</u>
District-wide								
Invested in capital assets, net of related debt	\$ 5,564,634	\$ 5,582,682	\$ 5,429,481	\$ 5,589,398	\$ 5,563,361	\$ 5,529,269	\$ 5,651,803	\$ 5,664,073
Restricted	2,709,065	2,077,225	1,900,264	2,855,403	2,474,061	1,572,629	519,692	396,728
Unrestricted	299,130	356,160	391,731	623,311	480,306	33,137	7,228	(139,138)
Total district net assets	<u>\$ 8,572,829</u>	<u>\$ 8,016,068</u>	<u>\$ 7,721,476</u>	<u>\$ 9,068,113</u>	<u>\$ 8,517,728</u>	<u>\$ 7,135,035</u>	<u>\$ 6,178,723</u>	<u>\$ 5,921,663</u>

MOUNTAINSIDE SCHOOL DISTRICT
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Expenses								
Governmental activities								
Instruction								
Regular	\$ 3,309,315	\$ 3,642,921	\$ 4,434,665	\$ 4,295,657	\$ 4,540,992	\$ 4,229,033	\$ 4,053,455	\$ 3,311,479
Special Education	349,409	413,415	429,410	530,876	522,949	810,510	642,988	967,187
Other Special Education	125							
Other Instruction	69,094	81,945	88,320	83,608	89,320	87,513	102,327	74,449
Support Services:								
Tuition	3,425,192	3,494,600	3,270,331	4,025,221	3,931,275	3,855,537	4,537,729	4,944,041
Student & Instruction Related Services	926,041	1,125,249	1,237,552	1,292,567	1,326,273	1,290,595	1,069,526	1,184,853
School Administrative services	278,675	343,215	323,950	311,063	335,453	339,546	340,014	355,150
General Administration	520,436	547,924	615,563	527,796	576,507	561,966	587,425	582,065
Plant Operations and Maintenance	904,887	848,207	762,030	809,048	840,540	875,569	887,937	860,599
Pupil Transportation	482,723	561,255	644,995	580,827	635,909	649,650	542,010	614,513
Unallocated Benefits	1,773,813	2,060,409	2,545,576	2,612,653	2,173,068	2,389,335	2,474,291	2,409,345
Special Schools	23,306	23,850	34,041	42,727	40,232	42,059	8,670	-
Interest on long-term debt	220,562	212,533	204,409	195,867	186,887	177,457	150,323	107,828
Unallocated depreciation	120,084	120,084	120,084	101,686	94,993	94,993	96,772	66,317
Total governmental activities expenses	<u>12,403,660</u>	<u>13,475,606</u>	<u>14,710,924</u>	<u>15,409,597</u>	<u>15,294,399</u>	<u>15,403,764</u>	<u>15,493,468</u>	<u>15,477,827</u>
Business-type activities:								
Food service	150,285	157,174	172,779	166,947	156,404	144,074	143,762	168,787
Child Care	150,504	158,843	176,952	175,512	184,934	159,072	112,262	-
Total business-type activities expense	<u>300,789</u>	<u>316,017</u>	<u>349,730</u>	<u>342,459</u>	<u>341,338</u>	<u>303,146</u>	<u>256,024</u>	<u>168,787</u>
Total district expenses	<u>\$ 12,704,449</u>	<u>\$ 13,791,623</u>	<u>\$ 15,060,655</u>	<u>\$ 15,752,056</u>	<u>\$ 15,635,737</u>	<u>\$ 15,706,910</u>	<u>\$ 15,749,493</u>	<u>\$ 15,646,613</u>

- 96 -

MOUNTAINSIDE SCHOOL DISTRICT
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues								
Governmental activities:								
Regular	164,395	42,749	158,343	169,989	175,162		290,009	
Special Education Tuition		171,624	-	-	-	276,739	309,399	652,024
Student & Instructional Related Services	27,063	17,514	2,355	13,758	13,662	12,629	13,743	14,704
Pupil Transportation	3,256						42,974	-
Unallocated benefits	558,072	669,291	986,855	1,044,207	742,651	722,896	695,521	818,441
Plant Operations and Maintenance							7,804	-
Total governmental activities program revenues	752,786	901,179	1,147,554	1,227,955	931,475	1,012,264	1,359,450	1,485,169
Business-type activities:								
Charges for services								
Food service	151,969	139,385	149,449	150,838	142,697	126,878	119,081	147,652
Child care	156,675	152,060	202,154	185,817	162,913	115,635	131,481	-
Operating grants and contributions	3,306	4,058	4,290	6,639	11,813	4,435	11,410	25,621
Total business type activities program revenues	311,950	295,503	355,893	343,295	317,423	246,949	261,971	173,273
Total district program revenues	\$ 1,064,736	\$ 1,196,681	\$ 1,503,447	\$ 1,571,250	\$ 1,248,898	\$ 1,259,213	\$ 1,621,421	\$ 1,658,442
Net (Expense)/Revenue								
Governmental activities	\$ (11,650,874)	\$ (12,574,427)	\$ (13,563,371)	\$ (14,181,642)	\$ (14,362,924)	\$ (14,391,500)	\$ (14,134,018)	\$ (13,992,658)
Business-type activities	11,161	(20,514)	6,163	836	(23,915)	(56,198)	5,947	4,487
Total district-wide net expense	\$ (11,639,713)	\$ (12,594,942)	\$ (13,557,207)	\$ (14,180,806)	\$ (14,386,839)	\$ (14,447,698)	\$ (14,128,071)	\$ (13,988,171)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes levied for general purposes, net	\$ 10,276,158	\$ 9,704,615	\$ 10,884,860	\$ 11,694,735	\$ 12,162,524	\$ 12,600,375	\$ 13,104,390	\$ 13,433,645
Taxes levied for debt service	387,219	389,673	391,573	-	-	-	-	100,767
Federal and State Aid not Restricted	634,902	677,274	718,556	762,866	926,713	509,765	-	-
Regional District Dissolution Payments	1,302,857	1,149,850	1,149,850	2,909,491	660,149	-	-	-
Investment Earnings	4,635	103,460	104,110	93,513	29,944	2,496	-	-
Transfer							73,677	-
Miscellaneous income	81,715	5,937	60,286	55,379	55,627	37,769	67,370	196,686
Special Items						(85,440)		
Total governmental activities	12,687,485	12,030,809	13,309,235	15,515,985	13,834,957	13,064,965	13,245,436	13,731,098
Business-type activities:								
Investment Earnings	2,439	7,371	13,896	11,458	1,498	40		13
Transfers							(73,677)	-
Total business-type activities	2,439	7,371	13,896	11,458	1,498	40	(73,677)	13
Total district-wide	\$ 12,689,925	\$ 12,038,180	\$ 13,323,131	\$ 15,527,443	\$ 13,836,454	\$ 13,065,005	\$ 13,171,760	\$ 13,731,111
Change in Net Assets								
Governmental activities	\$ 1,036,611	\$ (543,618)	\$ (254,136)	\$ 1,334,343	\$ (527,968)	\$ (1,326,535)	\$ (888,582)	\$ (261,560)
Business-type activities	13,601	(13,143)	20,060	12,294	(22,417)	(56,158)	(67,730)	4,500
Total district	\$ 1,050,212	\$ (556,762)	\$ (234,076)	\$ 1,346,636	\$ (550,385)	\$ (1,382,693)	\$ (956,312)	\$ (257,060)

MOUNTAINSIDE SCHOOL DISTRICT
Fund Balances, Governmental Funds,
Last Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund									
Reserved	\$ 1,509,758	\$ 2,378,869	\$ 1,089,803	\$ 1,570,068	\$ 2,653,087	\$ 2,274,211	\$ 1,459,710		
Unreserved	322,609	271,993	990,547	339,780	601,935	466,298	65,691		
Total general fund	<u>\$ 1,832,367</u>	<u>\$ 2,650,862</u>	<u>\$ 2,080,350</u>	<u>\$ 1,909,849</u>	<u>\$ 3,255,022</u>	<u>\$ 2,740,509</u>	<u>\$ 1,525,401</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds									
Unreserved, reported in:									
Capital projects fund	374,155	330,196	330,196	330,196	202,316	202,680	112,919		
Total all other governmental funds	<u>\$ 374,155</u>	<u>\$ 330,196</u>	<u>\$ 330,196</u>	<u>\$ 330,196</u>	<u>\$ 202,316</u>	<u>\$ 202,680</u>	<u>\$ 112,919</u>	<u>\$ -</u>	<u>\$ -</u>

- 96 -

<u>Governmental Funds:</u>									
Restricted For:									
Excess Surplus - Current Year								\$ -	\$ 131,395
Emergency Reserve Account								78,290.00	-
Maintenance Reserve Account								74,639.00	65,333.00
Capital Reserve Account								366,763.04	200,000.00
Assigned To:									
General Fund -Designated									
For Ssubsequent Year Expenditures								425,000.00	144,000.00
Unassigned:									
General Fund								(1,337.64)	81,837.80
Total Fund Balances								<u>\$ 943,354</u>	<u>\$ 622,565</u>

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

Fiscal Year Ending June 30,

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues									
Tax levy	\$ 10,561,155	\$ 10,663,377	\$10,094,288	\$ 11,276,433	\$ 11,694,735	\$ 12,162,524	\$ 12,600,375	\$ 13,104,390	\$ 13,534,412
Regional District Dissolutions Payments		1,302,857	1,149,850	1,149,850	2,909,491	660,149	-	-	-
Other Local Revenue	963,588	86,349	109,397	164,396	148,894	85,571	41,015	67,370	196,686
State sources	1,136,488	1,194,226	1,372,165	1,690,364	1,807,073	1,669,363	1,232,661	1,053,424	1,259,307
Federal sources	126,094	193,462	206,288	175,746	183,747	188,824	288,618	306,026	225,606
Total revenue	12,787,325	13,440,271	12,931,987	14,456,788	16,743,940	14,766,431	14,162,669	14,531,210	15,216,011
Expenditures									
Instruction:									
Regular Instruction	3,034,938	3,076,259	3,540,468	4,116,226	3,993,475	4,238,199	4,105,542	3,637,643	3,185,081
Special Education Instruction	238,433	349,409	413,415	429,410	530,876	522,949	533,772	642,988	782,960
Other Instruction	75,641	69,094	81,945	88,320	83,608	89,320	87,513	102,327	74,449
Undistributed:									
Instruction	3,209,935	3,425,192	3,322,976	3,270,331	4,025,221	3,931,275	3,855,537	4,273,729	4,944,041
Attendance and Social Work									55,745
Health Services	114,025	109,728	115,168	119,883	133,116	108,439	119,985	124,006	161,495
Support Services - Students	173,122	190,781	156,809	236,175	297,623	284,314	330,583	335,686	350,438
Support Services - Special	493,028	374,391	620,797	458,443	502,187	515,294	535,340	328,559	291,678
Improvement of Instructional Services	91,622	90,301	83,724	106,998	120,942	113,385	124,019	113,243	65,392
Educ. Media Library	119,793	128,120	122,945	307,608	215,299	284,768	165,956	154,003	244,578
Instructional Staff Services	3,673	5,657	8,291	6,089	9,642	6,411	2,084	285	824
General Administration	336,841	463,469	325,723	391,611	306,487	341,523	322,000	345,536	369,389
School Administration	296,910	278,675	343,215	323,950	311,063	335,453	339,546	340,014	355,150
Central Services			5,855	198,342	200,972	215,986	216,640	222,535	193,230
Operations and Maintenance	773,194	803,406	848,207	779,518	832,624	854,335	875,569	887,937	860,599
Student Transportation	418,035	479,467	561,255	644,995	580,827	635,909	649,650	542,010	614,513
Employee benefits	1,148,741	1,215,741	1,391,118	1,558,721	1,568,445	1,430,418	1,666,438	1,778,770	1,617,580
On-behalf TPAF Pension Contributions	237,696	256,533	324,055	616,671	684,254	340,205	335,936	362,088	483,319
Reimb. TPAF Soc. Sec. Contributions	304,679	291,328	345,236	353,521	359,953	402,446	386,960	331,159	308,447
Special Schools	19,200	23,306	23,850	34,041	42,727	40,232	42,059	8,670	-
Capital Outlay	55,648	119,262	55,151	7,776	155,421	11,537	7,466	32,068	11,432
Debt Service:									
Interest	229,229	222,219	214,673	206,573	190,000	200,000	210,000	220,000	250,000
Principal	160,000	165,000	175,000	185,000	198,135	189,360	180,135	225,494	117,530
Special Revenue:									
Federal	110,224	178,838	171,624	175,746	183,747	188,824	288,618	306,026	198,931
State	7,635	34,333	42,749	1,616	-	-	-	-	-
Other			17,514	9,728	-	-	750		
Total Expenditures	11,803,102	12,350,509	13,502,500	14,627,290	15,526,646	15,280,581	15,382,098	15,314,777	15,536,800

- 66 -

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

	Fiscal Year Ending June 30,								
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Excess (Deficiency) of revenues over (under) expenditures	984,223	1,089,762	(570,512)	(170,501)	1,217,294	(514,150)	(1,219,429)	(783,568)	(320,789)
Other Financing sources (uses)									
Proceeds-Sale of Refunding Bonds								3,364,093	
Payment to Refunded Bond Escrow Agent								(3,308,921)	
Transfers in	16,908	4,635	7,854	9,860	394,039	389,360	389,360	423,752	266,763
Transfers out	(16,908)	(4,635)	(7,854)	(9,860)	(394,039)	(389,360)	(389,360)	(390,323)	(266,763)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,602</u>	<u>-</u>
Net change in fund balances	<u>\$ 984,223</u>	<u>\$ 1,089,762</u>	<u>\$ (570,512)</u>	<u>\$ (170,501)</u>	<u>\$ 1,217,294</u>	<u>\$ (514,150)</u>	<u>\$ (1,219,429)</u>	<u>\$ (694,966)</u>	<u>\$ (320,789)</u>
Debt service as a percentage of noncapital expenditures	3.31%	3.17%	2.90%	2.68%	2.53%	2.55%	2.54%	2.92%	2.37%

Source: District records

**MOUNTAINSIDE SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS (Unaudited)**
(modified accrual basis of accounting)

FISCAL YEAR ENDED JUNE 30,	TUITION	INTEREST ON INVESTMENTS	TRANSPORT FEES	RENTALS	REFUND	ACTIVITY FEES	DEREGION- ALIZATION	MISCELLANEOUS	TOTAL
2003	\$ 60,598.00	\$ 15,023.00	\$		\$ 18,960.00			\$ 6,856.00	\$ 101,437.00
2004	19,304.00	14,046.00						930,238.00	963,588.00
2005	1,320.00	59,236.00			16,392.00		1,302,857.00	4,767.00	1,384,572.00
2006		95,605.70					1,149,850.18	5,936.80	1,251,392.68
2007	26,950.00	104,110.04					1,149,850.18	13,747.91	1,294,658.13
2008	18,736.70	99,418.09		4,350.00			2,909,491.28	26,388.87	3,058,384.94
2009	27,980.00	29,579.58					660,149.22	27,647.08	745,355.88
2010	19,770.00	2,489.57						17,999.38	40,258.95
2011	33,740.00	0.00			11,363.78			2,265.79	47,369.57
2012	28,300.00	2,416.60	47,444.14	14,400.00		51,227.50		52,897.60	196,685.84

Source: District records.

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

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg	Qfarm	Commerical	Industrial	Apartment	Total Assessed Value	Memo : Tax Exempt Propert	Public Utilities ^a	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^b
2003	\$ 6,582,800	\$ 376,979,000	-	-	\$ 64,171,900	\$ 30,787,900	-	\$ 478,521,600	\$ 136,215,300	\$ 560,034	\$ 477,961,566	\$ 1,156,451,890	2.090
2004	\$ 6,361,200	\$ 380,250,500	-	-	\$ 63,385,100	\$ 30,329,900	-	\$ 480,326,700	\$ 136,112,200	\$ 480,143	\$ 479,846,557	\$ 1,310,340,134	2.220
2005	\$ 6,853,600	\$ 383,295,800	-	-	\$ 62,868,900	\$ 30,145,100	-	\$ 483,163,400	\$ 136,231,800	\$ 410,394	\$ 482,753,006	\$ 1,495,980,806	2.147
2006	\$ 7,074,800	\$ 387,993,600	-	-	\$ 61,522,300	\$ 28,613,200	-	\$ 485,203,900	\$ 136,231,800	\$ 337,699	\$ 484,866,201	\$ 1,803,657,411	2.201
2007	\$ 6,888,000	\$ 391,061,200	-	-	\$ 61,692,600	\$ 26,975,200	-	\$ 486,617,000	\$ 136,162,400	\$ 322,472	\$ 486,294,528	\$ 1,878,558,988	2.359
2008	\$ 6,878,300	\$ 394,297,500	-	-	\$ 60,710,300	\$ 26,769,400	-	\$ 488,655,500	\$ 136,482,500	\$ 328,845	\$ 488,326,655	\$ 1,959,952,232	2.484
2009	\$ 6,715,200	\$ 396,482,500	-	-	\$ 58,609,200	\$ 27,402,500	-	\$ 489,209,400	\$ 136,306,400	\$ 357,989	\$ 488,851,411	\$ 1,973,409,666	2.485
2010	\$ 5,961,500	\$ 397,158,400	-	-	\$ 58,309,200	\$ 26,976,100	-	\$ 488,405,200	\$ 136,197,000	\$ 368,925	\$ 488,036,275	\$ 1,882,852,508	2.630
2011	\$ 5,868,500	\$ 399,275,800	-	-	\$ 56,523,300	\$ 26,553,100	-	\$ 488,220,700	\$ 136,197,000	\$ 437,295	\$ 487,783,405	\$ 1,724,347,175	2.687
2012	\$ 5,941,700	\$ 397,775,200	-	-	\$ 55,364,300	\$ 26,055,200	-	\$ 485,136,400	\$ 136,406,400	\$ 349,967	\$ 484,786,433	\$ 1,677,281,872	2.723

- 102 -

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 the County Board of Taxation requests Treasury to order a reassessment

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

b Tax rates are per \$100

N/A At the time of CAFR completion, this data was not yet available

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

Exhibit J-7

Fiscal Year Ended June 30,	Mountainside School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	(From J-6) Total Direct School Tax Rate	Borough of Mountainside	Union County ^c	
2003	2.090	-	2.090	0.923	1.060	4.073
2004	2.139	0.081	2.220	0.955	1.135	4.310
2005	2.067	0.080	2.147	1.010	1.255	4.412
2006	2.120	0.081	2.201	1.090	1.319	4.610
2007	2.278	0.081	2.359	1.200	1.340	4.899
2008	2.405	0.079	2.484	1.340	1.376	5.200
2009	2.405	0.080	2.485	1.406	1.419	5.310
2010	2.550	0.080	2.630	1.528	1.468	5.626
2011	2.687	-	2.687	1.640	1.503	5.829
2012	2.702	0.021	2.723	1.607	1.499	5.829

Source: Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.

b Rates for debt service are based on each year's requirements.

c Union County- Includes County Open Space Recreation & Historic Preservation for years 2001 and subsequent.

**Mountainside School District
Principal Property Taxpayers,
Current Year and Nine Years Ago
Unaudited**

	2010			2001		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
ECHO RECREATION PARTNERS, L.P.	\$ 7,155,000.00	1	1.46%	Information Unavailable		
BEAR MOUNTAIN REALTY LLC	4,176,000.00	2	0.85%			
DELANEY REAL ESTATE HOLDINGS, L.P.	3,700,600.00	3	0.76%			
HCP PCI NEW JERSEY, LLC	3,300,000.00	4	0.68%			
SAFEGUARD STORAGE PROPERTIES	2,450,000.00	5	0.50%			
152 GLEN ROAD, LLC	2,175,800.00	6	0.45%			
HCR MANORCARE PROPERTIES LLC	2,100,000.00	7	0.43%			
STORAGE ASSETS, LLC	2,026,800.00	8	0.41%			
ASC MOUNTAINSIDE REALTY	1,792,000.00	9	0.37%			
253 SHEFFIELD INC.	1,700,000.00	10	0.35%			
RAGOLD, HEATHER, ET AL (TR), C/O FRIED	1,673,900.00	11	0.34%			
MOUNTAINSIDE GOSPEL CHAPEL	1,477,800.00	12	0.30%			
NG CONSTRUCTION, LLC	1,461,200.00	13	0.30%			
TRIPLE NET INVESTMENTS XV, LLC	1,440,600.00	14	0.29%			
PUBLIC STORAGE EURO PART IX, LTD	1,440,400.00	15	0.29%			
FRIEDRICH, D. & WEILL, J.R. - TR	1,400,000.00	16	0.29%			
MAIKOS LAND DEVELOPMENT, LLC	1,373,900.00	17	0.28%			
JACKAL HOLDINGS MANAGEMENT, LLC	1,358,800.00	18	0.28%			
SNYDER FOUNDATION INC	1,345,100.00	19	0.28%			
MOUNTAINSIDE REALTY, LLC	1,275,800.00	20	0.26%			
Total	\$ 44,823,700		9.17%	\$ -		0.00%

Source: Municipal Tax Assessor

**Mountainside School District
Total Property Tax Levies and Collections,
Last Ten Fiscal Years
Unaudited**

Exhibit J-9

Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a	
		Amount	Percentage of Levy
2002	18,200,996.33	17,944,852.45	98.59%
2003	19,681,065.59	19,377,541.61	98.46%
2004	20,902,636.78	20,589,719.04	98.50%
2005	21,531,895.71	21,190,755.85	98.42%
2006	22,509,511.58	22,162,132.07	98.46%
2007	23,972,832.01	23,587,886.34	98.39%
2008	25,540,138.58	25,253,504.27	98.88%
2009	26,053,330.37	25,622,451.61	98.35%
2010	27,669,775.83	27,271,273.37	98.56%
2011	28,550,686.74	28,178,877.83	98.70%

- 105 -

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 Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

**Mountainside School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (unaudited)**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2003	4,968,000	-	47,964	-	-	5,015,964	1.85%	\$ 759	
2004	4,808,000	-	138,376	-	-	4,946,376	1.77%	\$ 753	
2005	4,643,000	-	82,213	-	-	4,725,213	1.64%	\$ 723	
2006	4,468,000	-	60,682	-	-	4,528,682	1.41%	\$ 693	
2007	4,283,000	-	37,370	-	-	4,320,370	1.30%	\$ 662	
2008	4,093,000	-	13,794	-	-	4,106,794	1.21%	\$ 627	
2009	3,893,000	-	-	-	-	3,893,000	N/A	\$ 590	
2010	3,683,000	-	-	-	-	3,683,000	N/A	N/A	
2011	3,360,000	-	-	-	-	3,360,000	N/A	N/A	
2012	3,110,000	-	-	-	-	3,110,000	N/A	N/A	

- 106 -

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

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Mountainside School District
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Exhibit J-11

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
2003	4,968,000		4,968,000	1.04%	752.04
2004	4,808,000		4,808,000	1.00%	731.81
2005	4,643,000		4,643,000	0.96%	710.37
2006	4,468,000		4,468,000	0.92%	683.60
2007	4,283,000		4,283,000	0.88%	656.60
2008	4,093,000		4,093,000	0.84%	624.79
2009	3,893,000		3,893,000	0.80%	590.12
2010	3,683,000		3,683,000	0.75%	N/A
2011	3,360,000		3,360,000	0.69%	N/A
2012	3,110,000		3,110,000	0.64%	N/A

Notes: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a See Exhibit NJ J-6 for property tax data.

b Population data can be found in Exhibit NJ J-14.

**Mountainside School District
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2012
 Unaudited**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Mountainside	\$ 5,304,931	100.000%	\$ 5,304,931
Other Debt			
Union County General Obligation Debt-Borough Share	537,397,030	2.519%	13,536,870
Rahway Valley Sewerage Authority (6/30/2011)	203,542,316	3.930%	<u>7,999,213</u>
Subtotal, overlapping debt			26,841,014
Mountainside District Direct Debt			<u>3,110,000</u>
Total direct and overlapping debt			<u><u>\$ 29,951,014</u></u>

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

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

Rahway Valley Sewerage Authority Debt is as of December 31, 2010.

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

**Mountainside School District
 Legal Debt Margin Information,
 Last Ten Fiscal Years
 Unaudited**

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized valuation basis	
2011	\$1,726,381,542
2010	\$1,708,905,528
2009	\$1,866,499,046
[A]	\$5,301,786,116
[A/3]	\$1,767,262,039
[B]	70,690,482 a
[C]	3,110,000
[B-C]	\$ 67,580,482

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$29,361,813	\$31,978,869	\$39,531,840	\$44,716,705	\$47,054,891	\$47,054,891	\$50,458,918	\$76,663,801	\$ 73,692,056	\$70,690,482
Total net debt applicable to limit	<u>4,968,000</u>	<u>4,808,000</u>	<u>4,643,000</u>	<u>4,468,000</u>	<u>4,283,000</u>	<u>4,093,000</u>	<u>3,893,000</u>	<u>3,683,000</u>	<u>3,360,000</u>	<u>3,110,000</u>
Legal debt margin	<u>\$24,393,813</u>	<u>\$27,170,869</u>	<u>\$34,888,840</u>	<u>\$40,248,705</u>	<u>\$42,771,891</u>	<u>\$42,961,891</u>	<u>\$46,565,918</u>	<u>\$72,980,801</u>	<u>\$ 70,332,056</u>	<u>\$67,580,482</u>
Total net debt applicable to the limit as a percentage of debt limit	16.92%	15.03%	11.74%	9.99%	9.10%	8.70%	7.72%	4.80%	4.56%	4.40%

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

a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types

**Mountainside School District
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited**

Exhibit 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	6,629	266,863,653	40,257	4.10%
2003	6,606	270,608,184	40,964	4.10%
2004	6,570	279,343,260	42,518	2.30%
2005	6,536	287,989,232	44,062	2.40%
2006	6,536	320,669,232	49,062	2.50%
2007	6,523	333,025,242	51,054	2.30%
2008	6,551	339,440,065	51,815	3.00%
2009	6,597	N/A	N/A	5.30%
2010	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

Mountainside School District
Principal Employers,
Current Year and Nine Years Ago

<u>Employer</u>	<u>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank [Optional]</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Rank [Optional]</u>	<u>Percentage of Total Municipal Employment</u>

Information Unavailable

	<u>-</u>		<u>0.00%</u>			<u>0.00%</u>
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Source: _____

MOUNTAINSIDE SCHOOL DISTRICT
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instruction										
Teachers	N/A	N/A	56	56	72.7	74.8	70.4	66.4	64.7	56.4
Classroom Aides			3	-	12.0	11.7	12.8	7.2	9	10.4
Vocational			-	-	-	-	-	-	-	-
Other instruction			-	-	-	-	-	-	-	-
Nonpublic school programs			-	-	-	-	-	-	-	-
Adult/continuing education programs			-	-	-	-	-	-	-	-
Support Services:										
Tuition			-	-	-	-	-	-	-	-
Student & Instruction Related Services			13	14	14.2	16.2	14.6	13.6	14.0	11.2
General Administration			1	-	1.7	1.7	1.5	1.5	1.7	1.6
School Administrative Services			5	4	4.5	4.5	4.5	4.5	4.5	5.5
Business Administrative Services			3	2	2.5	3.0	3.0	3.0	2.8	2.3
Administrative Information Technology			-	-	-	-	-	-	-	-
Plant operations and maintenance			8	8	8.5	8.0	8.0	8.0	7.0	7.0
Pupil transportation			-	-	-	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>88</u>	<u>84</u>	<u>116.1</u>	<u>119.9</u>	<u>114.8</u>	<u>104.2</u>	<u>103.7</u>	<u>94.4</u>

Source: District Personnel Records

**Mountainside School District
Operating Statistics,
Last Ten Fiscal Years**

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Pupil/Teacher Ratio				Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff ^b	Elementary	Middle School	Senior High School				
2003	669	10,517,163	15,720.72	7.16%	71.00	1:20	N/A	N/A	669.3	641.7	0.00%	95.88%
2004	664	11,374,375	17,130.08	8.96%	73.00	1:20	N/A	N/A	664.3	635.4	-0.75%	95.65%
2005	717	11,828,670	16,497.45	-3.69%	71.00	1:12	N/A	N/A	716.8	689.5	7.90%	96.19%
2006	711	13,057,675	18,365.23	11.32%	59.00	1:12	N/A	N/A	713.7	704.0	-0.43%	98.64%
2007	708	14,218,214	20,082.22	9.35%	72.70	1:10	N/A	N/A	703.3	676.6	-1.46%	96.20%
2008	763	14,983,090	19,637.08	-2.22%	74.80	1:10	N/A	N/A	756.0	714.1	7.49%	94.46%
2009	760	14,879,684	19,578.53	-0.30%	70.40	1:10	N/A	N/A	766.0	726.5	1.32%	94.84%
2010	789	14,987,635	18,995.74	-2.98%	66.40	1:11	N/A	N/A	789.0	745.6	3.00%	94.50%
2011	813	14,869,283	18,289.40	-6.58%	64.70	1:12	N/A	N/A	809.9	779.3	5.73%	96.22%
2012	821	15,169,270	18,476.58	1.02%	56.40	1:14	N/A	N/A	821.0	783.0	4.06%	95.37%

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 certified staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

MOUNTAINSIDE SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>District Building</u>										
<u>Elementary</u>										
Beechwood										
Square Feet	28,858	35,810	35,810	35,810	35,810	35,810	35,810	35,810	35,810	35,810
Capacity (students)	-	235	235	235	235	235	235	235	235	235
Enrollment ^a	-	N/A	N/A	237	255	217	260	267	270	256
Deerfield										
Square Feet	83,258	83,258	83,258	83,258	83,258	83,258	83,258	83,258	83,258	83,258
Capacity (students)	546	546	546	546	546	546	546	546	546	546
Enrollment	N/A	N/A	N/A	460	486	496	500	522	543	565

Number of Schools at June 30, 2012

Elementary = 1(Pre-K through Grade 2)

Middle School = 1(Grades 3 through 8)

- 114 -

Source: District Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of and additions. Enrollment is based on the annual October district count.

a Beechwood was not used by the school district until 2004.

MOUNTAINSIDE SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Eight Fiscal Years ending June 30, 2011

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

<u>School Facilities</u>	<u>Project #(s)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Deerfield School	SP201453	\$38,420.00	\$21,043.00	\$21,676.00	\$24,463.69	\$17,657.00	\$14,824.00	\$15,358.00	\$265,826.00
Beechwood School	SP201452	<u>4,800.00</u>	<u>1,979.00</u>	<u>12,985.00</u>	<u>8,999.89</u>	<u>8,417.00</u>	<u>30,429.00</u>	<u>15,358.00</u>	<u>120,245.00</u>
Grand Total		<u>\$43,220.00</u>	<u>\$23,022.00</u>	<u>\$34,661.00</u>	<u>\$33,463.58</u>	<u>\$26,074.00</u>	<u>\$45,253.00</u>	<u>\$30,716.00</u>	<u>\$386,071.00</u>

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

BOROUGH OF MOUNTAINSIDE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2012
UNAUDITED

The School Alliance Insurance Fund (herein referred to as SAIF or the Fund) is a Joint Insurance Fund Formed under the provisions of *N.J.S.A. 18A:18:b-1 et seq.* As indicated by the Fund's name, the SAIF's membership is comprised of educational facilities.

The SAIF commenced operations on July 1, 1996 with 69 member districts.

The Fund provides the following coverages to its participants:

1. Comprehensive General liability including Employee Benefits Liability

1. Limit of Liability

- a. Bodily Injury & Property Damage - \$5,000,000 per occurrence & aggregate
- b. Fire Damage - \$5,000,000 per occurrence & aggregate
- c. Employee Benefits Programs - \$1,000,000 per occurrence

2. Workers' Compensation

1. Limits of Liability:

- a. Workers' Compensation – Statutory benefits as required by the State of New Jersey
- b. Employer's Liability - \$5,000,000 per occurrence/per employee/aggregate
- c. Supplementary Workers Compensation - \$1,750 per week

3. Property

1. Limit of Liability – Total Insurance Value on file with the Fund -\$29,555,757
2. Extra Expense - \$1,000,000
3. Member Deductible - \$1,000/occurrence

4. Automobile

1. Bodily Injury & Property – \$5,000,000
2. Personal Injury Protection (PIO) – Statutory
3. Medical Payments - \$10,000
4. Uninsured/Underinsured Motorists - \$1,000,000

BOROUGH OF MOUNTAINSIDE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2012
UNAUDITED

5. Environmental Impairment Liability

1. Limits of Liability – \$1,000,000 per incident/ \$25,000,000 Fund Annual Aggregate
 1. SAIF Self Insured Retention – NIL
 2. Members Deductible – \$10,000 per incident
 3. Insuring Agreement – Provide coverage for on site clean-up costs and third party claims for bodily injury, property damage and clean up costs resulting from environmental impairment conditions.

6. Student Accident Insurance

1. Limits of Liability:
 - a. Compulsory/Full Excess - \$1,000,000 per accident/ 1 year benefit

7. School Leaders Professional Liability

1. Limits of Liability - \$5,000,000 per claim/aggregate per member. \$10,000,000 aggregate per occurrence. Claims made form, Full Prior Acts
 1. SAIF Self Insured Retention – \$25,000 per Claim
 2. Insuring Agreement – Provide coverage for a civil claim to the extent to which this insurance applies because of a wrongful act arising out of the business activities of any member.

8. Excess Liability

1. Limits of Liability – \$5 million per occurrence/aggregate per member

9. Crime

1. Limits of Liability:
 - a Employee Dishonesty - \$500,000 each loss

10. Public Employees Faithful Performance Bonds

Selective Insurance Company:

1. Board Administrator - \$194,000

Source: Borough of Mountainside Board of Education

SINGLE AUDIT SECTION

SECTION – K

HODULIK & MORRISON, P.A.
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MEMBERS OF:
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 NEW JERSEY SOCIETY OF CPA'S
 REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

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

Honorable President and Members
 of the Board of Education
 Borough of Mountainside School District
 County of Union, New Jersey

We have audited the financial statements of the Borough of Mountainside School District, in the County of Union, State of New Jersey, as of and for the year ended June 30, 2012 and have issued our report thereon dated November 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Borough of Mountainside School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Mountainside 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 Borough of Mountainside School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Mountainside 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Borough of Mountainside 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 other matters involving compliance and internal control over financial reporting that we have reported to the Board of Education of the Borough of Mountainside School District in a separate *Auditors' Management Report on Administrative Findings* dated November 26, 2012.

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



HODULIK & MORRISON, P.A.
Certified Public Accountants
Public School Accountants

Highland Park, New Jersey
November 26, 2012

HODULIK & MORRISON, P.A.
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REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
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K-2

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REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH NEW JERSEY OMB CIRCULAR 04-04

Honorable President and Members
of the Board of Education
Borough of Mountainside School District
County of Union, New Jersey

Compliance

We have audited the compliance of the Borough of Mountainside School District, in the County of Union, State of New Jersey, with the types of compliance requirements described in the New Jersey Compliance Manual "State Grant Compliance Supplement" that are applicable to each of its major state programs for the year ended June 30, 2012. The Borough of Mountainside School District's major state programs are identified in the "Summary of Auditor's Results Section" of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Borough of Mountainside School District's management. Our responsibility is to express an opinion on the Borough of Mountainside School District compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants and State Aid*. Those standards and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Mountainside 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 Borough of Mountainside School District's compliance with those requirements.

In our opinion, the Borough of Mountainside School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Borough of Mountainside School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Borough of Mountainside School District's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with NJOMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Mountainside School District's internal control over financial reporting.

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

Our consideration of the 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 Board of Education, management, the New Jersey Department of Education and other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



HODULIK & MORRISON, P.A.
Certified Public Accountants
Public School Accountants

Highland Park, New Jersey
November 26, 2012

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

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL C.F.D.A NO.</u>	<u>GRANT PERIOD</u>	<u>AWARD AMOUNT</u>	<u>DEF.REVENUE/ (ACCTS. REC.) AT JUNE 30, 2011</u>	<u>CASH RECEIVED</u>	<u>BUDGETARY EXPENDITURES</u>	<u>OTHER ADJUSTMENTS</u>	<u>DEF.REVENUE/ (ACCTS. REC.) AT JUNE 30, 2012</u>	<u>MEMO CUMULATIVE TOTAL EXPENDITURES</u>
U.S. Department of Agriculture									
Passed-through State Department of Education:									
National School Lunch Program	10.555	7/1/10-6/30/11		(3,489.36)	3,489.36				
National School Lunch Program	10.555	7/1/11-6/30/12	17,289.49		14,193.72	(17,289.49)		(3,095.77)	
Federal Food Distribution Program	10.555	7/1/11-6/30/12	6,623.25		6,623.25	(6,623.25)			
Total U.S. Department of Agriculture				<u>(3,489.36)</u>	<u>20,816.97</u>	<u>(6,623.25)</u>			
U.S. Department of Education									
Passed-through State Department of Education:									
General Fund:									
Education Jobs Act	84.410A	9/1/11-8/31/12	26,675.00			(26,675.00)		(26,675.00)	(26,675.00)
Special Revenue Fund:									
I.D.E.A. Part B	84.027	9/1/11-8/31/12	179,908.00		179,908.00	(179,907.18)		.82	(179,907.18)
I.D.E.A. Part B, Preschool	84.173	9/1/11-8/31/12	8,224.00	(8,224.00)	8,224.00				
I.D.E.A. Part B, Preschool	84.173	9/1/11-8/31/12	8,228.00		8,228.00	(8,228.00)			(8,228.00)
N.C.L.B. Title IV	84.186	9/1/09-8/31/10	1,063.00	(1,063.00)	1,063.00				
N.C.L.B. Title II, Part A	84.367	9/1/11-8/31/12	11,029.00		11,029.00	(10,796.07)		232.93	(10,796.07)
N.C.L.B. Title II, Part A	84.367	9/1/10-8/31/11	13,743.00	(159.00)			159.00		
N.C.L.B. Title II, Part A	84.367	9/1/09-8/31/10	12,788.00	(8,073.00)	8,073.00				
Total U.S. Department of Education				<u>(17,519.00)</u>	<u>216,525.00</u>	<u>(225,606.25)</u>	<u>159.00</u>	<u>(26,441.25)</u>	<u>(225,606.25)</u>
Total Federal Financial Assistance				<u>(21,008.36)</u>	<u>237,341.97</u>	<u>\$ (232,229.50)</u>	<u>159.00</u>	<u>(26,441.25)</u>	<u>(225,606.25)</u>

Auditor Note: A Single Audit of Federal Awards was not required for the fiscal year ended June 30, 2012 based upon the reported level of expenditures.
 See Accompanying Notes to Schedules of Financial Assistance

MOUNTAINSIDE SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Schedule - B

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NO.	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2011			BUDGETARY EXPENDITURES	ADJUSTMENTS	BALANCE AT JUNE 30, 2012		MEMO CUMULATIVE TOTAL EXPENDITURES
				GAAP (ACCOUNTS RECEIVABLE)	BUDGETARY RECEIVABLE	CASH RECEIVED			GAAP (ACCOUNTS RECEIVABLE)	BUDGETARY RECEIVABLE	
State Department of Education:											
Governmental Funds											
Special Education Aid	12-495-034-5120-011	347,369	7/1/11-6/30/12			313,778.00	(347,369.00)			(33,591.00)	(347,369.00)
Special Education Aid	11-495-034-5120-011	280,649	7/1/10-6/30/11		(23,507.00)	3,849.00		19,658.00			
Extraordinary Aid	12-100-034-5120-473	168,142	7/1/11-6/30/12				(168,142.00)			(168,142.00)	(168,142.00)
Extraordinary Aid	11-100-034-5120-473	149,914	7/1/10-6/30/11		(203,704.00)	149,914.00		53,790.00			
Nonpublic School Transportation	12-495-034-5120-014	56	7/1/11-6/30/12				(56.00)			(56.00)	(56.00)
Nonpublic School Transportation	11-495-034-5120-014	15,660	7/1/10-6/30/11	(15,660.00)		15,660.00					
T.P.A.F. Social Security Aid	12-495-034-5095-002	308,447	7/1/11-6/30/12			277,804.78	(308,446.52)		(30,641.74)		(308,446.52)
T.P.A.F. Pension Contributions	12-495-034-5095-006	144,997	7/1/11-6/30/12			144,997.00	(144,997.00)				(144,997.00)
T.P.A.F. Post Retirement Medical	12-495-034-5095-001	322,762	7/1/11-6/30/12			322,762.00	(322,762.00)				(322,762.00)
T.P.A.F. Non-Contributory Insurance	12-495-034-5095-007	15,560	7/1/11-6/30/12			15,560.00	(15,560.00)				(15,560.00)
Enterprise Funds											
National School Lunch											
Prog. (State Share)	12-100-010-3350-023	1,709	7/1/11-6/30/12			1,399.20	(1,708.66)		(309.46)		(1,708.66)
National School Lunch											
Prog. (State Share)	11-100-010-3350-023	5,048	7/1/10-6/30/11	(406.71)		406.71					
Total State Financial Assistance				<u>(16,066.71)</u>	<u>(227,211.00)</u>	<u>1,246,130.69</u>	<u>(1,309,041.18)</u>	<u>73,448.00</u>	<u>(30,951.20)</u>	<u>(201,789.00)</u>	<u>(1,309,041.18)</u>
Less:											
T.P.A.F. Pension Contributions							(144,997.00)				
T.P.A.F. Post Retirement Medical							(322,762.00)				
T.P.A.F. Non-Contributory Insurance							(15,560.00)				
State Expenditures Subject to Single Audit							<u>(825,722.18)</u>				

Note: See Accompanying Notes to Schedules of Financial Assistance.

MOUNTAINSIDE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE
JUNE 30, 2012

NOTE 1. GENERAL

The accompanying schedules of expenditures of awards and financial assistance include state award activity of the Board of Education of the Mountainside School District. The Board of Education is defined in Note 1(A) to the Board's general-purpose financial statements (GASB 34 Model – basic financial statements). All state awards received directly from state agencies, as well as state assistance passed through other government agencies are included on the schedule of expenditures of state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of financial assistance are presented on the budgetary basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts present in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on 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 P.L. 2003, c.97.(A3521). 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 accompanying schedules agree with amounts reported in the Board's general-purpose financial statements. The general-purpose financial statements present the special revenue fund on both a GAAP basis and a budgetary basis. 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.

See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Award and financial assistance revenues are reported in the Board's general-purpose financial statements on a GAAP basis as presented on the following page:

MOUNTAINSIDE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE
JUNE 30, 2012

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 26,675.00	\$ 1,259,306.52	\$ 1,285,981.52
Special Revenue Fund	198,931.25		198,931.25
Food Service Fund	<u>23,912.74</u>	<u>1,708.66</u>	<u>25,621.40</u>
Total Assistance	\$ <u>249,518.99</u>	\$ <u>1,261,015.18</u>	\$ <u>1,510,534.17</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Post-Retirement Medical, Pension and Non-Contributory Insurance Premium Contributions represent the amount paid by the state on behalf of the District for the year ended June 30, 2012. These amounts are published by the State Division of Pensions annually, and the NJDOE has advised that these In-Kind programs are not to be subject to the state single audit mandate, and no audit procedures are required to be applied to these amounts. 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.

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

K-6

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

1) Material weakness(es) identified? _____ Yes X No

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to basic financial statements noted? _____ Yes X No

Federal Awards-NOT APPLICABLE, FEDERAL SINGLE AUDIT NOT REQUIRED

Internal Control over major programs:

1) Material weakness(es) identified? _____ Yes _____ No

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes _____ No

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

Any audit findings disclosed that are required to be reported in accordance with section.510(a) of Circular A-133? _____ Yes _____ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and B programs: _____

Auditee qualified as low-risk auditee? _____ Yes _____ No

MOUNTAINSIDE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NONE