

**SCHOOL DISTRICT
OF
THE TOWNSHIP OF MONTAGUE**

**Township of Montague School District
Board of Education
Montague, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010**

**Comprehensive Annual
Financial Report**

of the

**Township of Montague School District
Board of Education**

Montague, New Jersey

For the Fiscal Year Ended June 30, 2010

Prepared by

**Township of Montague School District
Board of Education**

Finance Department

MONTAGUE TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2010

INTRODUCTORY SECTION

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

FINANCIAL SECTION 8

Independent Auditors' Report..... 9

Required Supplementary Information..... 11

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

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

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

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

A-2 Statement of Activities 25

B. Fund Financial Statements 27

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

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

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

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

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

B-6 Statement of Cash Flows – Proprietary Funds 34

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

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

Notes to the Basic Financial Statements 37

Required Supplementary Schedules (Sections C. to I.)

C. Budgetary Comparison Schedules..... 57

C-1 Budgetary Comparison Schedule – General Fund..... 58

C-2 Combining Budgetary Schedule – Special Revenue Fund 66

C-3 Budgetary Comparison Schedule- Note to Required Supplementary Information 67

D. School Level Schedules (Not Applicable) 69

MONTAGUE TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

FINANCIAL SECTION (Cont'd)

Required Supplementary Schedules (Sections C. to I.) (Cont'd)

E. Special Revenue Fund	70
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis	71
E-2 Preschool Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable)	
F. Capital Projects Fund	73
F-1 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance.....	74
F-1a Schedule of Project Revenues, Expenditures, Project Balance and Project Status - School Remodeling Project.....	75
G. Proprietary Funds	76
Enterprise Funds:	
G-1 Statement of Net Assets.....	77
G-2 Statement of Revenue, Expenses and Changes in Fund Net Assets.....	78
G-3 Statement of Cash Flows	79
H. Fiduciary Funds.....	80
H-1 Combining Statement of Fiduciary Net Assets	81
H-2 Combining Statement of Changes in Fiduciary Net Assets.....	82
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	83
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	84
I. Long-Term Debt.....	85
I-1 Schedule of Serial Bonds.....	86
I-2 Schedule of Obligations Under Capital Leases (Not Applicable).....	87
I-3 Debt Service Fund Budgetary Comparison Schedule.....	88

STATISTICAL SECTION

J. Statistical Section (Unaudited).....	89
J-1 Net Assets by Component	90
J-2 Changes in Net Assets	91
J-3 Fund Balances- Governmental Funds.....	94
J-4 Changes in Fund Balances- Governmental Funds.....	95
J-5 General Fund Other Local Revenue by Source	97
J-6 Assessed Value and Actual Value of Taxable Property	98
J-7 Direct and Overlapping Property Tax Rates.....	99
J-8 Principal Property Tax Payers	100
J-9 Property Tax Levies and Collections.....	101
J-10 Ratios of Outstanding Debt by Type	102
J-11 Ratios of Net General Bonded Debt Outstanding.....	103
J-12 Ratios of Overlapping Governmental Activities Debt.....	104
J-13 Legal Debt Margin Information	105
J-14 Demographic and Economic Statistics	106
J-15 Principal Employers	107

MONTAGUE TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

STATISTICAL SECTION (CONT'D)

J. Statistical Section (Unaudited) (Cont'd)	
J-16 Full-Time Equivalent District Employees by Function/Program	108
J-17 Operating Statistics.....	109
J-18 School Building Information	110
J-19 Schedule of Required Maintenance for School Facilities.....	111
J-20 Insurance Schedule.....	112
K. SINGLE AUDIT SECTION	113
K-1 Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	114
K-2 Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04	116
Schedule of Expenditures of Federal Awards	118
Schedule of Expenditures of State Awards	120
Notes to the Schedules of Expenditures of Federal and State Awards.....	122
Schedule of Findings and Questioned Costs	124
Summary Schedule of Prior Audit Findings	126

INTRODUCTORY SECTION

**MONTAGUE TOWNSHIP SCHOOL DISTRICT
MONTAGUE ELEMENTARY SCHOOL**

475 Route 206

Montague, NJ 07827

V: 973 293 7131 / F: 973 293 3391

www.montagueschool.org

Janice L. Hodge

Chief School Administrator/Principal

John W. Waycie

Business Administrator/Bd. Secretary

Patricia Romyns

Assistant to the Chief School Administrator

Dominic Esposito

Assistant Principal

September 20, 2010

The Honorable President and Members of
the Board of Education
Montague Township School District
County of Sussex, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Montague Township School District (the "District") for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

The District provides a full range of educational services appropriate for PSD and grade levels K through 12 with students in grades 7 through 12 being educated through a sending-receiving relationship with the Port Jervis School District, Port Jervis, New York. Additionally, students in grades 9 through 12 can attend Sussex County Technical School and there is also an optional 7th and 8th grade program at Sussex County Charter School for Montague resident students. Educational Services include regular, vocational as well as special education for educationally disabled youngsters.

The Honorable President and Members of
the Board of Education
Montague Township School District
Page 2
September 20, 2010

The District completed the 2009-2010 fiscal year with an enrollment of 492 students including Montague's K-6 school, Montague resident students at Sussex Tech, Montague resident students in the Port Jervis School District, and special education students sent to other districts. The following details the changes in the student average daily enrollment of the District's Elementary School over the last six years:

<u>Average Daily Enrollment (District Elementary School Only)</u>		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2009-2010	290.4	-0.27%
2008-2009	291.2	3.12%
2007-2008	282.4	-5.65%
2006-2007	299.3	-3.08%
2005-2006	308.8	-5.45%
2004-2005	326.6	-2.36%

2) MAJOR INITIATIVES: One major capital project that is finally being addressed is the partial replacement of a large section of the school's roof. Funds for the partial roof replacement/repair were originally in the 2005-2006 school budget. Unfortunately that budget was defeated and the funds allocated for the project were lost. This past year the District was approved for a Section 15 Grant for the roof project. The grant will provide 40% (\$158,050) of the total projected cost of \$395,125. There was a referendum approved by the voters in January 2010 authorizing the District to borrow the remaining 60% (\$237,075) of the projected costs. The project went out to bid in June 2010 and has been substantially completed as of the beginning of the school year.

3) ECONOMIC CONDITION AND OUTLOOK: Commercial properties have stabilized resulting in a slower decline in the ratables in Montague. The Township continues to experience slight growth in the area of residential development and expansion. These indicators are in line with the slight increase in property taxes. There have been ongoing discussions with the Montague Township concerning the proposed development of several hundred housing units at the Community Corporation of Highpoint, Inc. A project of this size would most certainly necessitate additional classroom instructional areas due to the current extremely limited space. The additional instructional area most likely would require construction and/or the purchase/lease of modular classrooms.

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

The Honorable President and Members of
the Board of Education
Montague Township School District
Page 3
September 20, 2010

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

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

7) DEBT ADMINISTRATION: In November 1995, a referendum was passed that allowed \$1.2 million in general obligation bonds for eight classrooms, a cafeteria, expanded library, septic system, and a ball field. At June 30, 2010, the District's outstanding debt issues consisted of \$459,000 for outstanding serial bonds for this project.

The District approved a referendum in December 2009 for a new roof. The District has bonds and notes authorized but not issued of \$237,075 relating to this project at June 30, 2010.

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

9) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. Insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule, contained in the District's CAFR.

The District is a member of the New Jersey School Boards Association Insurance Group ("NJSBAIG") which is a risk-sharing public entity pool, that are an insured and self-administered group of school boards established for the purpose of providing low-cost insurance coverage for their respective members. Additional information on the pool is included in Note 10 to the Basic Financial Statements.

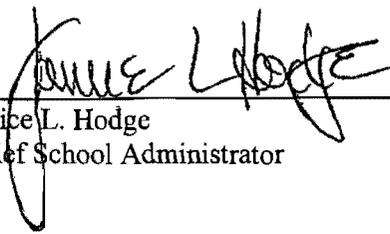
The Honorable President and Members of
the Board of Education
Montague Township School District
Page 4
September 20, 2010

10) OTHER INFORMATION:

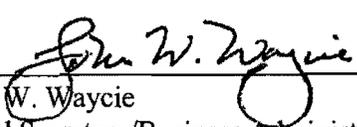
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia & Company LLP, CPAs, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes,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

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

Respectfully submitted,

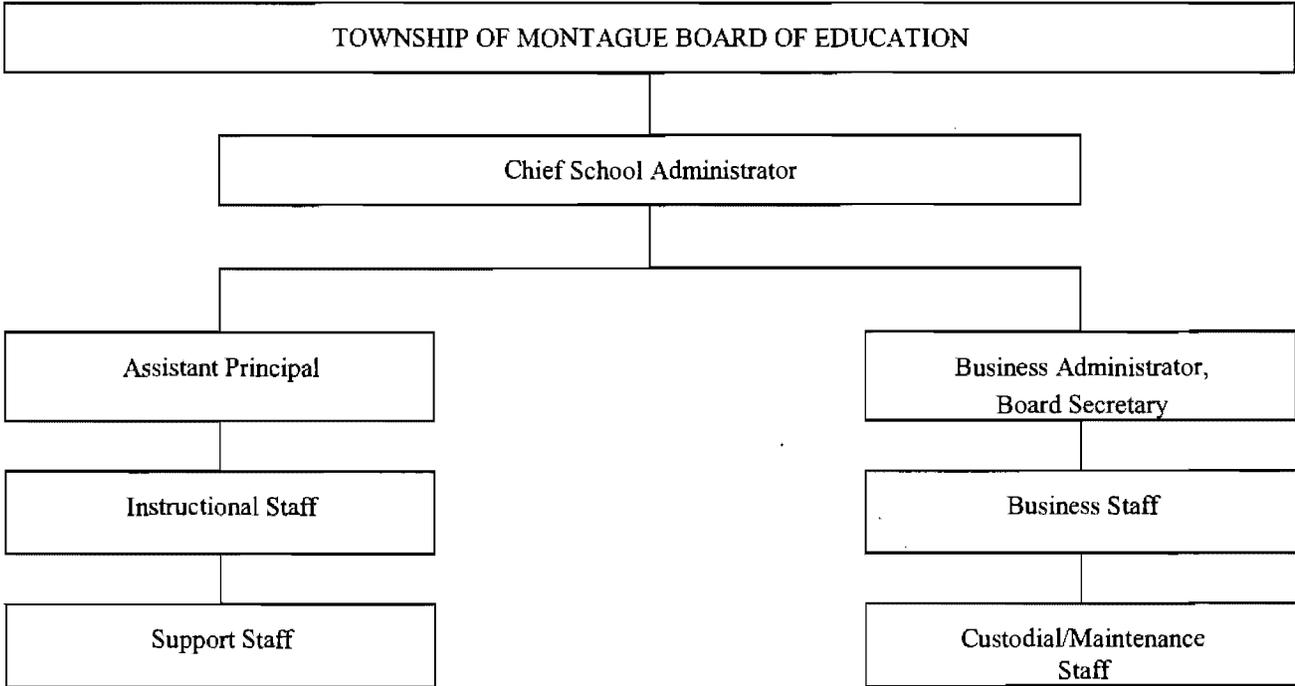


Janice L. Hodge
Chief School Administrator



John W. Waycie
Board Secretary/Business Administrator

Township of Montague Board of Education
Montague, New Jersey 07827



<u>Members of the Board of Education</u>	<u>Term Expires</u>
Thomas E. Bolen, President	2012
James Marion, Vice President	2013
Barbara Holstein	2013
Beverly Borrego	2011
Kenneth M. O'Connor	2011
Richard Innella	2013
Adrienne Raefski	2012

Other OfficialsTitle

Janice L. Hodge	Chief School Administrator
John W. Waycie	School Business Administrator/Board Secretary
Michelle Lastarza	Treasurer of School Monies

**Montague Township School District
Consultants and Advisors**

Audit Firm

Nisivoccia & Company LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856-1320
and
Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

Attorney

Morris, Downing, & Sherred LLP
One Main Street
Newton, NJ 07860

Official Depositories

Sussex Bank
399 Route 23
Franklin, New Jersey 07416

State of New Jersey Cash Management Fund
Division of Investment
Department of the Treasury
Trenton, New Jersey 08625

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road Suite 300
 Mount Arlington, NJ 07856-1320
 Phone: 973-328-1825
 Fax: 973-328-0507

Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 Phone: 973-383-6699
 Fax: 973-383-6555

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Montague Township School District
 County of Sussex, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Montague Township School District in the County of Sussex, as of and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Montague Township School District in the County of Sussex as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2010 on our consideration of the Board of Education of the Montague Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Honorable President and Members
of the Board of Education
Montague Township School District
Page 2

The Management's Discussion and Analysis section and the Budgetary Comparison Information in Exhibits C-1 through C-3 and I-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Montague Township School District's basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards 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 Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary combining and individual fund financial statements, supplementary schedules, and the schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mount Arlington, New Jersey
September 20, 2010

NISIVOCCIA & COMPANY LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

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

**MONTAGUE TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

This section of Montague Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's net assets status increased by \$252,721 on a district-wide basis. The District's Governmental net assets increased by \$244,039, primarily as a result of an increase in property taxes and decreases in instructional services.
- Enrollment in the District and cost per pupil remains relatively stable.
- The District had a net reduction in its outstanding long-term debt of 11.48 percent.

Overview of the Financial Statements

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

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

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

Figure A-1
Organization of the Montague Township School District's Financial Report

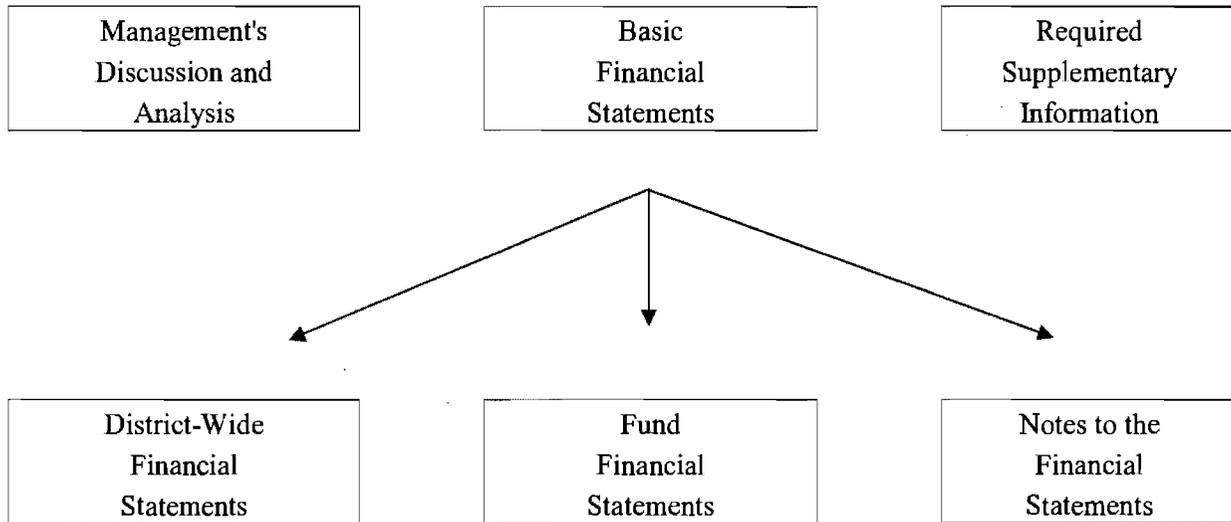


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

Fund Financial Statements

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

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets increased by 19.29%. Net assets from governmental activities increased \$244,039 and net assets from business-type activities increased by \$8,682. Net assets invested in capital assets decreased \$39,681, restricted net assets increased \$142,439, and unrestricted net assets increased \$149,963.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2010
Current and Other Assets	\$ 904,674	\$ 566,256	\$ 32,693	\$ 25,340	\$ 937,367	\$ 591,596	58.45%
Capital Assets, Net	1,844,800	1,954,190	3,334	3,625	1,848,134	1,957,815	-5.60%
Total Assets	<u>2,749,474</u>	<u>2,520,446</u>	<u>36,027</u>	<u>28,965</u>	<u>2,785,501</u>	<u>2,549,411</u>	9.26%
Long-Term Debt Outstanding	596,758	674,139			596,758	674,139	-11.48%
Other Liabilities	617,486	555,116	8,579	10,199	626,065	565,315	10.75%
Total Liabilities	<u>1,214,244</u>	<u>1,229,255</u>	<u>8,579</u>	<u>10,199</u>	<u>1,222,823</u>	<u>1,239,454</u>	-1.34%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	1,385,800	1,425,190	3,334	3,625	1,389,134	1,428,815	-2.78%
Restricted	204,452	62,013			204,452	62,013	229.69%
Unrestricted/(Deficit)	<u>(55,022)</u>	<u>(196,012)</u>	<u>24,114</u>	<u>15,141</u>	<u>(30,908)</u>	<u>(180,871)</u>	82.91%
Total Net Assets	<u>\$ 1,535,230</u>	<u>\$ 1,291,191</u>	<u>\$ 27,448</u>	<u>\$ 18,766</u>	<u>\$ 1,562,678</u>	<u>\$ 1,309,957</u>	19.29%

Changes in Net Assets. The District's combined net assets were \$1,562,678 on June 30, 2010, \$252,721 or 19.29% more than the prior year (See Figure A-3). Net assets invested in capital assets decreased \$39,681 due to the \$8,401 increase in capital assets, the payment of \$70,000 in bond principal, offset by \$118,082 in depreciation. Restricted net assets increased by \$142,439 due to an increase in encumbrances of \$99,307, an increase in excess surplus of \$42,961, and an increase in capital reserve of \$172, offset by a \$1 decrease in reserve for debt service fund. Unrestricted net assets increased by \$149,963 (See Figure A-3).

Figure A-4
Changes in Net Assets from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2010
Revenue:							
Program Revenue:							
Charges for Services			\$ 28,703	\$ 32,993	\$ 28,703	\$ 32,993	-13.00%
Grants and Contributions:							
Operating	\$ 1,258,605	\$ 1,200,022	80,636	76,191	1,339,241	1,276,213	4.94%
General Revenue:							
Property Taxes	5,363,631	5,159,049			5,363,631	5,159,049	3.97%
Federal and State Aid Not Restricted	2,329,279	2,391,852			2,329,279	2,391,852	-2.62%
Other	26,305	16,254	123	194	26,428	16,448	60.68%
Total Revenue	<u>8,977,820</u>	<u>8,767,177</u>	<u>109,462</u>	<u>109,378</u>	<u>9,087,282</u>	<u>8,876,555</u>	2.37%
Expenses:							
Instruction	3,383,835	3,466,007			3,383,835	3,466,007	-2.37%
Pupil and Instruction Services	2,919,162	3,133,971			2,919,162	3,133,971	-6.85%
Administrative and Business	567,479	552,268			567,479	552,268	2.75%
Maintenance and Operations	533,232	541,326			533,232	541,326	-1.50%
Transportation	747,527	789,202			747,527	789,202	-5.28%
Other	567,246	497,278	116,080	187,660	683,326	684,938	-0.24%
Total Expenses	<u>8,718,481</u>	<u>8,980,052</u>	<u>116,080</u>	<u>187,660</u>	<u>8,834,561</u>	<u>9,167,712</u>	-3.63%
Transfers	(15,300)	(72,664)	15,300	72,664			0.00%
Increase/(Decrease) in Net Assets	<u>\$ 244,039</u>	<u>\$ (285,539)</u>	<u>\$ 8,682</u>	<u>\$ (5,618)</u>	<u>\$ 252,721</u>	<u>\$ (291,157)</u>	186.80%

Revenue Sources. The District's total revenue for the 2009/2010 school year was \$9,087,282 (See Figure A-5). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$5,363,631 of the total, or 59.02 percent (See Figure A-5). Another 40.37 percent came from state and federal aid for specific programs and contributions, 0.32 percent came from charges for services and the remainder from other miscellaneous sources. It is important to note that of the categorical grants amount of \$1,153,546, \$161,623 is included in funds that are not paid to the District, but are included in funding for non-contributory insurance and post-retirement medical contributions that the State of New Jersey is paying on behalf of the District. The Montague Township School District primarily conducts its operations from the revenue it receives from its local taxpayers.

Figure A-5
Sources of Revenue for Fiscal Year 2010

Sources of Income:	Amount	Percentage
State Formula Aid	\$ 2,514,974	27.68%
Property Taxes	5,363,631	59.02%
Federal and State Categorical Grants	1,153,546	12.69%
Charges for Services	28,703	0.32%
Other	26,428	0.29%
	<u>\$ 9,087,282</u>	<u>100.00%</u>

The total cost of all programs and services was \$8,834,561. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (79.8 percent) (See Figure A-6). The District's administrative and business activities accounted for 6.42 percent of total costs. It is important to note that depreciation of \$118,082 is included in expenses for the year.

Figure A-6
Expenses for Fiscal Year 2010

Expense Category:	Amount	Percentage
Instruction	\$ 3,383,835	38.30%
Pupil and Instruction Services	2,919,162	33.04%
Administrative and Business	567,479	6.42%
Maintenance and Operations	533,232	6.04%
Transportation	747,527	8.46%
Other	683,326	7.73%
	<u>\$ 8,834,561</u>	<u>100.00%</u>

Governmental Activities

Maintaining existing programs with increased enrollment, the provision of a multitude of special programs/services for disabled pupils, and increases in District health benefits costs places a great demand on the District's resources. As a result, careful management of expenses remains essential for the District to sustain its financial health.

Because State aid has remained relatively flat over the past few years, the burden of funding education in the District has fallen on property taxes. Therefore, it is crucial that the District examine its expenses carefully, since any proposed increase to the School District budget will be funded entirely through property taxes.

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

Figure A-7
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction	\$ 3,383,835	\$ 3,466,007	\$ 2,554,874	\$ 2,583,757
Pupil and Instruction Services	2,919,162	3,133,971	2,919,162	3,133,971
Administrative and Business	567,479	552,268	556,471	540,980
Maintenance and Operations	533,232	541,326	533,232	541,326
Transportation	747,527	789,202	328,891	482,718
Other	567,246	497,278	567,246	497,278
	<u>\$ 8,718,481</u>	<u>\$ 8,980,052</u>	<u>\$ 7,459,876</u>	<u>\$ 7,780,030</u>

- The cost of all governmental activities this year was \$8.72 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$1.26 million).
- Most of the District's costs, however, were financed by District taxpayers (\$5.36 million).
- A portion of governmental activities was financed with state aid based on the CEIFA formula (\$2.51 million).
- The remainder of governmental activities funding came from private contributions, investment earnings and miscellaneous revenue.

Business-Type Activities

Net assets from the District's business-type activities increased by \$8,682 (Refer to Figure A-4) which is primarily due to a decrease in the cost of sales.

Financial Analysis of the District's Funds

The District's financial situation improved despite difficult economic times which have a direct impact upon the District's revenue sources. Interest from investments increased as compared to prior year. However, rates of the municipality remain more or less stable, thus generating concern for the local tax levy in the future.

As a result, to maintain a stable financial position, the District must continue to practice sound fiscal management.

General Fund Budgetary Highlights

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

- Changes made within budgetary line items were in school-based needs for programs and textbooks, and increased maintenance, legal and other professional services.

Capital Asset and Debt Administration

Figure A-8
Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2010
	2010	2009	2010	2009	2010	2009	
Sites (Land)	\$ 45,148	\$ 45,148			\$ 45,148	\$ 45,148	0.00%
Site Improvements	29,512	33,705			29,512	33,705	-12.44%
Buildings and Building Improvements	1,658,970	1,746,178			1,658,970	1,746,178	-4.99%
Machinery and Equipment	111,170	129,159	\$ 3,334	\$ 3,625	114,504	132,784	-13.77%
Total Capital Assets (Net of Depreciation)	<u>\$ 1,844,800</u>	<u>\$ 1,954,190</u>	<u>\$ 3,334</u>	<u>\$ 3,625</u>	<u>\$ 1,848,134</u>	<u>\$ 1,957,815</u>	<u>-5.60%</u>

The District's overall capital assets decreased due to depreciation expense exceeding the cost of additions.

Long-term Debt

At year-end, the District had \$459,000 in general obligation bonds – a reduction of \$70,000 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the basic financial statements.)

Figure A-9
Outstanding Long-Term Debt

	Total School District		Total Percentage Change 2010
	2010	2009	
General Obligation Bonds (Financed with Property Taxes)	\$ 459,000	\$ 529,000	-13.23%
Other Long-term Debt	137,758	145,139	-5.09%
	<u>\$ 596,758</u>	<u>\$ 674,139</u>	<u>-11.48%</u>

- The District continued to pay down its debt, retiring \$70,000 of outstanding bonds.
- The District's other liabilities consist of compensated absences payable.

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

At the time these financial statements were prepared and audited, the District was aware of two existing circumstances that could significantly affect its financial health in the future:

- The volatility of heating gas and electric costs continue to be a concern that could potentially impact the District's future financial resources.
- The volatility of health costs continue to be a concern that could impact the District's financial resources.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Administrator at the Montague Board of Education, 475 Route 206, Montague, New Jersey 07827.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 747,092	\$ 25,645	\$ 772,737
Receivables from Other Governments	142,340	4,904	147,244
Receivables - Other	658		658
Inventory		2,144	2,144
Restricted Assets:			
Capital Reserve Account - Cash	14,584		14,584
Capital Assets, Net:			
Sites (Land)	45,148		45,148
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	1,799,652	3,334	1,802,986
Total Assets	<u>2,749,474</u>	<u>36,027</u>	<u>2,785,501</u>
LIABILITIES			
Accrued Interest Payable	9,037		9,037
Accounts Payable	585,840	6,435	592,275
Deferred Revenue	22,609	2,144	24,753
Noncurrent Liabilities:			
Due Within One Year	70,000		70,000
Due Beyond One Year	526,758		526,758
Total Liabilities	<u>1,214,244</u>	<u>8,579</u>	<u>1,222,823</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,385,800	3,334	1,389,134
Restricted for:			
Capital Projects	14,584		14,584
Debt Service	3		3
Other Purposes	189,865		189,865
Unrestricted/(Deficit)	<u>(55,022)</u>	<u>24,114</u>	<u>(30,908)</u>
Total Net Assets	<u>\$ 1,535,230</u>	<u>\$ 27,448</u>	<u>\$ 1,562,678</u>

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 2,330,524		\$ 287,566		\$ (2,042,958)		\$ (2,042,958)
Special Education	748,757		494,241		(254,516)		(254,516)
Other Special Instruction	180,228		32,969		(147,259)		(147,259)
Other Instruction	124,326		14,185		(110,141)		(110,141)
Support services:							
Student & Instruction Related Services	2,919,162				(2,919,162)		(2,919,162)
General Administrative Services	296,462				(296,462)		(296,462)
School Administrative Services	97,247		11,008		(86,239)		(86,239)
Central Services	125,235				(125,235)		(125,235)
Administration Information Technology	48,535				(48,535)		(48,535)
Plant Operations and Maintenance	533,232				(533,232)		(533,232)
Pupil Transportation	747,527		418,636		(328,891)		(328,891)
Interest on Long-Term Debt	26,395				(26,395)		(26,395)
Charter Schools	540,851				(540,851)		(540,851)
Total Governmental Activities	8,718,481		1,258,605		(7,459,876)		(7,459,876)
Business-Type Activities:							
Food Service	116,080	28,703	80,636			\$ (6,741)	(6,741)
Total Business-Type Activities	116,080	28,703	80,636			(6,741)	(6,741)
Total Primary Government	\$ 8,834,561	\$ 28,703	\$ 1,339,241		\$ (7,459,876)	\$ (6,741)	\$ (7,466,617)

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
General Revenues:							
Taxes:							
	Property Taxes, Levied for General Purposes, Net				\$ 5,286,654		\$ 5,286,654
	Taxes Levied for Debt Service				76,977		76,977
	Federal and State Aid Not Restricted				2,329,279		2,329,279
	Investment Earnings				172	\$ 123	295
	Miscellaneous Income				26,133		26,133
	Transfers				(15,300)	15,300	
	Total General Revenues, Special Items, and Transfers				<u>7,703,915</u>	<u>15,423</u>	<u>7,719,338</u>
	Change in Net Assets				244,039	8,682	252,721
	Net Assets - Beginning				<u>1,291,191</u>	<u>18,766</u>	<u>1,309,957</u>
	Net Assets - Ending				<u>\$ 1,535,230</u>	<u>\$ 27,448</u>	<u>\$ 1,562,678</u>

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

FUND FINANCIAL STATEMENTS

Exhibit B-1

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 747,089			\$ 3	\$ 747,092
Interfund Receivable	13,767				13,767
Receivables from Federal Government		\$ 35,718			35,718
Receivables from State Government	106,622				106,622
Restricted Cash and Cash Equivalents	14,584				14,584
Total Assets	\$ 882,062	\$ 35,718	\$ -0-	\$ 3	\$ 917,783
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable		\$ 13,109			\$ 13,109
Accounts Payable	\$ 585,840				585,840
Deferred Revenue		22,609			22,609
Total Liabilities	585,840	35,718			621,558
Fund Balances:					
Reserved for:					
Encumbrances	146,904				146,904
Excess Surplus	42,961				42,961
Capital Reserve Account	14,584				14,584
Unreserved/(Deficit), Reported in:					
General Fund - Undesignated	91,773				91,773
Debt Service Fund - Undesignated				\$ 3	3
Total Fund Balances	296,222			3	296,225
Total Liabilities and Fund Balances	\$ 882,062	\$ 35,718	\$ -0-	\$ 3	

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

Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The cost of the assets is \$3,954,245 and the accumulated depreciation is \$2,109,445.	1,844,800
Long-Term Liabilities, Including Bonds Payable, are not due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds (see Note 7).	(596,758)
Accrued Interest on Long-Term Liabilities, Including Bonds Payable, is not due and Payable in the Current Period and Therefore is not Reported as a Liability in the Funds.	(9,037)
Net Assets of Governmental Activities	\$ 1,535,230

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 5,286,654			\$ 76,977	\$ 5,363,631
Interest Earned on Capital Reserve Funds	172				172
Miscellaneous	26,133				26,133
Total - Local Sources	5,312,959			76,977	5,389,936
State Sources	2,960,406			20,795	2,981,201
Federal Sources	406,420	\$ 200,263			606,683
Total Revenues	8,679,785	200,263		97,772	8,977,820
EXPENDITURES					
Current:					
Regular Instruction	1,581,813	54,736			1,636,549
Special Education Instruction	426,852	124,816			551,668
Other Special Instruction	177,038				177,038
School Sponsored Instruction	30,975				30,975
Support Services and Undistributed Costs:					
Student & Instruction Related Services	2,705,455				2,705,455
General Administrative Services	250,328				250,328
School Administrative Services	70,009				70,009
Central Services	93,019				93,019
Administration Information Technology	35,552				35,552
Plant Operations and Maintenance	450,019				450,019
Pupil Transportation	717,329				717,329
Unallocated Benefits	1,310,574				1,310,574

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Current:					
Transfer to Charter Schools	\$ 540,851				\$ 540,851
Debt Service:					
Principal				\$ 70,000	70,000
Interest and Other Charges				27,773	27,773
Capital Outlay		\$ 20,711			20,711
Total Expenditures	8,389,814	200,263		97,773	8,687,850
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	289,971	-0-	-0-	(1)	289,970
OTHER FINANCING SOURCES/(USES)					
Transfers Out	(15,300)				(15,300)
Total Other Financing Sources/(Uses)	(15,300)				(15,300)
Net Change in Fund Balances	274,671			(1)	274,670
Fund Balance—July 1	21,551	-0-	-0-	4	21,555
Fund Balance—June 30	\$ 296,222	\$ -0-	\$ -0-	\$ 3	\$ 296,225

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ 274,670
<p>Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:</p>		
<p>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.</p>		
	Depreciation expense	\$ (117,791)
	Capital adjustments	<u>8,401</u> (109,390)
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).</p>		
		7,381
<p>In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).</p>		
		1,378
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+)</p>		
		<u>70,000</u>
Change in Net Assets of Governmental Activities		<u>\$ 244,039</u>

Exhibit B-4

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUND
AS OF JUNE 30, 2010

	Business-Type Activities - Enterprise Funds
	Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 25,645
Intergovernmental Receivable:	
Federal	4,603
State	301
Inventory	2,144
Total Current Assets	32,693
Non-Current Assets:	
Capital Assets	17,219
Less: Accumulated Depreciation	(13,885)
Total Non-Current Assets	3,334
Total Assets	36,027
LIABILITIES:	
Accounts Payable	6,435
Deferred Revenue	2,144
Total Liabilities	8,579
NET ASSETS:	
Investment in Capital Assets Net of Related Debt	3,334
Unrestricted	24,114
Total Net Assets	\$ 27,448

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 28,703
Total Operating Revenue	<u>28,703</u>
Operating Expenses:	
Cost of Sales	97,054
Salaries, Benefits & Payroll Taxes	15,300
Supplies, Insurance & Other Costs	1,963
Purchased Professional Services	1,472
Depreciation Expense	291
Total Operating Expenses	<u>116,080</u>
Operating Loss	<u>(87,377)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	35,539
National School Breakfast Program	30,791
Food Distribution Program	10,079
State Sources	
State School Lunch Program	1,676
State School Breakfast Program	2,551
Interest Income	123
Total Non-Operating Revenue	<u>80,759</u>
Net Loss Before Operating Transfers	(6,618)
Operating Transfers In - General Fund	<u>15,300</u>
Change in Net Assets	8,682
Net Assets - Beginning of Year	<u>18,766</u>
Net Assets - End of Year	<u>\$ 27,448</u>

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

Exhibit B-6

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 28,703
Payments to Employees Salaries and Benefits	(15,300)
Payments to Suppliers for Goods and Services	(92,686)
Net Cash Used for Operating Activities	<u>(79,283)</u>
Cash Flows from Noncapital Financing Activities:	
General Fund Transfers	15,300
State and Federal Subsidy Reimbursements	85,405
Net Cash Provided by Noncapital Financing Activities	<u>100,705</u>
Cash Flows from Investing Activities:	
Interest on Investments	123
Net Cash Provided by Investing Activities	<u>123</u>
Net Increase in Cash and Cash Equivalents	21,545
Cash and Cash Equivalents, July 1	<u>4,100</u>
Cash and Cash Equivalents, June 30	<u>\$ 25,645</u>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (87,377)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	291
Food Distribution Program	10,079
Changes in Assets and Liabilities:	
(Increase) in Inventory	(656)
(Decrease) in Accounts Payable	(2,276)
Increase in Deferred Revenue	656
Net Cash Used for Operating Activities	<u>\$ (79,283)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$10,735 and utilized U.S.D.A. Commodities valued at \$10,079.

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2010

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:			
Cash and Cash Equivalents	\$ 136,506	\$ 2,035	\$ 1,865
Total Assets	<u>136,506</u>	<u>2,035</u>	<u>1,865</u>
LIABILITIES:			
Payroll Deductions and Withholdings	19,621		
Accrued Salaries and Wages	114,685		
Interfund Payable	658		
Due to Student Groups	1,542		
Total Liabilities	<u>136,506</u>		
NET ASSETS:			
Reserved for Scholarships Held in Trust for Unemployment Claims		2,035	1,865
Total Net Assets	<u>\$ -0-</u>	<u>\$ 2,035</u>	<u>\$ 1,865</u>

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>
ADDITIONS:		
Contributions:		
Budget Appropriation	\$ 8,000	
Investment Earnings:		
Interest	4	\$ 4
Total Contributions	<u>8,004</u>	<u>4</u>
Total Additions	<u>8,004</u>	<u>4</u>
DEDUCTIONS:		
Unemployment Claims and Contributions	9,769	
Scholarships Awarded		50
Total Deductions	<u>9,769</u>	<u>50</u>
Change in Net Assets	(1,765)	(46)
Net Assets - Beginning of the Year	<u>3,800</u>	<u>1,911</u>
Net Assets - End of the Year	<u>\$ 2,035</u>	<u>\$ 1,865</u>

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for all expendable 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.

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

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

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.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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 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. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions or the annual budgets during the year).

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 8,694,709	\$ 222,872
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not		(22,609)
State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	(279,788)	
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	264,864	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 8,679,785	\$ 200,263

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 8,389,814	\$ 222,872
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		(22,609)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 8,389,814	\$ 200,263

E. Cash and Cash Equivalents and Investments:

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

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

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

F. Interfund Transactions:

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

F. Interfund Transactions: (Cont'd)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as 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 revenue at fiscal year end.

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2010.

K. Capital Assets:

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

K. Capital Assets: (Cont'd)

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

	<u>Estimated Useful Life</u>
Buildings	40 years
Site Improvements	15 to 30 years
Machinery and Equipment	5 to 20 years
Computer and Related Technology	5 years
Vehicles	8 years

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

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

M. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2010, the amount earned by these employees but not disbursed was \$114,685.

N. Compensated Absences:

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

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

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$296,222 General Fund fund balance at June 30, 2010, \$146,904 is reserved for encumbrances; \$14,584 is reserved in the capital reserve account; \$42,961 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be included as anticipated revenue for the year ending June 30, 2012; and \$91,773 is unreserved and undesignated fund balance.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2010 of \$3 is unreserved and undesignated.

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 Reserved 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 reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus as noted above.

The District's unreserved/undesignated fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$279,788 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record the related state aid payments 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, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditures. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and capital as defined by State law.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

R. Net Assets:

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

S. Deficit Net Assets

The District has a deficit of \$55,022 in unrestricted net assets in Governmental Activities. This is primarily due to the last two state aid payments totaling \$279,788 not being recognized on the GAAP basis of accounting as well as compensated absences payable. The deficit does not mean that the District is facing financial difficulties and is a permitted practice under generally accepted accounting principles.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

V. Management Estimates:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

Deposits:

New Jersey statutes permit the deposit of public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School Districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

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

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

Investments:

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

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

As of June 30, 2010, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Capital Reserve Account	Total
Checking and Savings Accounts	\$ 673,203	\$ 14,584	\$ 687,787
New Jersey Cash Management Fund	239,940		239,940
	<u>\$ 913,143</u>	<u>\$ 14,584</u>	<u>\$ 927,727</u>

During the period ended June 30, 2010, the District did not hold any investments.

The carrying amount of the Board's cash and cash equivalents at June 30, 2010, was \$927,727 and the bank balance was \$1,004,479. The \$239,940 in the New Jersey Cash Management Fund is uninsured and unregistered.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District on September 27, 2000 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). Upon submission of the LRFP to the State Department of Education, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question on the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1g, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2009 to June 30, 2010 fiscal year is as follows:

Beginning Balance, July 1, 2009	\$ 14,412
Interest Earnings	<u>172</u>
Ending Balance, June 30, 2010	<u>\$ 14,584</u>

The June 30, 2010 LRFP balance of local support costs of uncompleted capital projects exceeds the June 30, 2010 capital reserve account balance. There were no withdrawals from the capital reserve for use in the current fiscal year.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2010, the District did not have any transfers to Capital Outlay.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2010 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 45,148			\$ 45,148
Total Capital Assets Not Being Depreciated	45,148			45,148
Capital Assets Being Depreciated:				
Buildings and Building Improvements	3,222,969			3,222,969
Site Improvements	117,487			117,487
Machinery and Equipment	676,202		\$ (107,561)	568,641
Total Capital Assets Being Depreciated	4,016,658		(107,561)	3,909,097
Governmental Activities Capital Assets	4,061,806		(107,561)	3,954,245
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(1,476,791)	\$ (87,208)		(1,563,999)
Site Improvements	(83,782)	(4,193)		(87,975)
Machinery and Equipment	(547,043)	(26,390)	115,962	(457,471)
	(2,107,616)	(117,791)	115,962	(2,109,445)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 1,954,190	\$ (117,791)	\$ 8,401	\$ 1,844,800
	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 17,219			\$ 17,219
Less Accumulated Depreciation	(13,594)	\$ (291)		(13,885)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 3,625	\$ (291)	\$ -0-	\$ 3,334
Depreciation expense was charged to governmental functions as follows:				
Regular Instruction				\$ 28,495
Special Education				7,690
Other Instruction				3,190
School Sponsored Instruction				558
Student and Instruction Related Services				48,740
General Administrative Services				4,510
School Administrative Services				1,262
Central Services				1,676
Administration Information Technology				640
Plant Operations and Maintenance				8,107
Pupil Transportation				12,923
				\$ 117,791

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2010, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>1/0/1900</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>1/0/1900</u>
Serial Bonds Payable	\$ 529,000		\$ 70,000	\$ 459,000
Compensated Absences Payable	145,139	\$ 3,857	11,238	137,758
	<u>\$ 674,139</u>	<u>\$ 3,857</u>	<u>\$ 81,238</u>	<u>\$ 596,758</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. The current portion of bonds at June 30, 2010 is \$70,000 and the long-term portion is \$389,000. The Debt Service Fund will be used to liquidate bonds payable.

The District had bonds outstanding as of June 30, 2010 as follows:

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
08/01/2016	5.25%	\$ 459,000

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

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 70,000	\$ 24,098	\$ 94,098
2012	75,000	20,423	95,423
2013	75,000	16,485	91,485
2014	80,000	12,548	92,548
2015	80,000	8,348	88,348
2016	79,000	4,148	83,148
	<u>\$ 459,000</u>	<u>\$ 86,050</u>	<u>\$ 545,050</u>

B. Bonds Authorized But Not Issued:

The Board has bonds authorized but not issued in the amount of \$237,075 as of June 30, 2010.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

C. Capital Leases Payable:

The District did not have any Capital Leases Payable as of June 30, 2010.

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The long-term liability balance of compensated absences is \$137,758. There is no current portion of the compensated absences liability.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2010, no liability existed for compensated absences in the Enterprise Funds.

The General Fund will be used to liquidate compensated absences payable.

NOTE 8. PENSION PLANS

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

Employees who are members of TPAF or PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service.

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Three-Year Trend for TPAF (Paid on-behalf of District)			
Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ -0-	100.00%	\$ -0-
2009	-0-	100.00%	-0-
2008	175,273	100.00%	175,273

During the fiscal year ended June 30, 2010, the State of New Jersey contributed \$-0- to the TPAF for normal pension benefits on behalf of the District.

Three-Year Trend for PERS			
Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 51,917	100.00%	\$ 51,917
2009	38,296	100.00%	38,296
2008	35,198	80.00%	28,158

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PERS for local employers for State fiscal years 2005-2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2005-2008 are as follows:

- 20% for payments due in State fiscal year 2005
- Not more than 40% for payments due in State fiscal year 2006
- Not more than 60% for payments due in State fiscal year 2007
- Not more than 80% for payments due in State fiscal year 2008

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

The State's on-behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$153,453, \$148,242, and \$98,870 for 2010, 2009, and 2008, respectively.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains its health care coverage through Horizon Blue Cross Blue Shield of New Jersey.

Property, Liability and Health Benefits

A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the New Jersey School Boards' Association Insurance Group ("NJSBAIG"). This public entity risk management pool provided general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The NJSBAIG is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the NJSBAIG are elected.

As a member of the NJSBAIG, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the NJSBAIG were to be exhausted, members would become responsible for their respective shares of the NJSBAIG's liabilities. The NJSBAIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10: RISK MANAGEMENT (Cont'd)

Selected financial information for the NJSBAIG as of June 30, 2009 is as follows:

	<u>New Jersey School Boards Association Insurance Group</u>
Total Assets	\$ 224,271,687
Net Assets	\$ 49,065,640
Total Revenue	\$ 86,948,579
Total Expenses	\$ 73,775,715
Change in Net Assets for the Year Ended June 30	\$ 13,172,864
Net Assets Distribution to Participating Members	\$ -0-

Financial statements for the Group are available at the Group's Executive Director's Office:

New Jersey School Board's Association Insurance Group
450 Veterans Drive
Burlington, NJ 08016
(609) 386-6060
www.njsbaig.org
(609) 275-1155

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009-2010	\$ 8,000	\$ 4	\$ -0-	\$ 9,769	\$ 2,035
2008-2009	10,500	37	\$ -0-	8,405	3,800
2007-2008	5,000	31	-0-	7,115	1,668

NOTE 11. ECONOMIC DEPENDENCY

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (Continued)

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2010 there were interfund receivables and payables as follows:

<u>Fund</u>	<u>From</u>	<u>To</u>
General Fund	\$ 13,767	
Special Revenue Fund		\$ 13,109
Agency Fund		658
	<u>\$ 13,767</u>	<u>\$ 13,767</u>

A portion of the interfund receivable in General Fund comprised of \$13,109 is due from Special Revenue Fund for the deficit in the cash balance in the Special Revenue Fund. The remaining interfund receivable in General Fund is due from Agency Fund for accumulated interest in Agency and Net Payroll Accounts.

NOTE 13. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

AXA Equitable Financial

NOTE 14. TAX CALENDAR

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

Taxes are collected by the constituent municipality and are remitted to the school district on a predetermined mutually agreed-upon schedule.

NOTE 15. SUBSEQUENT EVENTS

The District approved a referendum in December 2009 for a new roof. The District has bonds and notes authorized but not issued of \$237,075 relating to this project at June 30, 2010. As of September 20, 2010, the project has not yet been completed but is expected to be completed during the 2010-2011 school year.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 16. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2010:

	<u>Governmental Activities</u>		<u>Business-Type</u>
	<u>General</u>	<u>Total</u>	<u>Activities</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Proprietary</u>
		<u>Funds</u>	<u>Fund</u>
Vendors	\$ 88,788	\$ 88,788	\$ 6,435
Due to Other Governmental Units	497,052	497,052	
	<u>\$ 585,840</u>	<u>\$ 585,840</u>	<u>\$ 6,435</u>

NOTE 17. COMMITMENTS AND CONTINGENCIESLitigation

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

Grant Programs

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

BUDGETARY COMPARISON SCHEDULES

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 5,286,654		\$ 5,286,654	\$ 5,286,654	
Interest Earned on Capital Reserve Funds	225		225	172	\$ (53)
Miscellaneous	15,000		15,000	26,133	11,133
Total - Local Sources	5,301,879		5,301,879	5,312,959	11,080
State Sources:					
Categorical Special Education Aid	235,609		235,609	235,609	
Equalization Aid	1,634,958	\$ (296,657)	1,338,301	1,338,301	
Categorical Security Aid	91,826		91,826	91,826	
Adjustment Aid	459,488		459,488	452,531	(6,957)
Categorical Transportation Aid	411,631		411,631	411,631	
Extraordinary Aid	81,986		81,986	68,946	(13,040)
Nonpublic School Transportation Costs				18,288	18,288
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				8,170	8,170
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				153,453	153,453
TPAF Social Security (Reimbursed - Non-Budgeted)				196,575	196,575
Total State Sources	2,915,498	(296,657)	2,618,841	2,975,330	356,489
Federal Sources:					
IMPACT Aid	130,000		130,000	103,273	(26,727)
Medicaid Reimbursement	6,274		6,274	6,490	216
Equalization Aid - ARRA - ESF		285,601	285,601	285,601	
Equalization Aid - ARRA - GSF		11,056	11,056	11,056	
Total Federal Sources	136,274	296,657	432,931	406,420	(26,511)
TOTAL REVENUES	8,353,651		8,353,651	8,694,709	341,058
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	194,946	(2,188)	192,758	191,970	788
Grades 1-5 - Salaries of Teachers	1,054,035	(23,014)	1,031,021	1,030,308	713
Grades 6-8 - Salaries of Teachers	147,445	(11,625)	135,820	135,507	313

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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 - Home Instruction:					
Salaries of Teachers	\$ 520	\$ (491)	\$ 29	\$ 29	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	114,101	(2,871)	111,230	111,230	
Purchased Professional - Educational Services	400	(325)	75	75	
Purchased Technical Services	10,497	10,527	21,024	18,849	\$ 2,175
Other Purchased Services (400-500 series)	10,697	2,492	13,189	12,053	1,136
General Supplies	48,430	32,466	80,896	63,634	17,262
Textbooks	12,898	11,982	24,880	11,614	13,266
Other Objects	9,000	(2,247)	6,753	6,544	209
Total Regular Programs - Instruction	1,602,969	14,706	1,617,675	1,581,813	35,862
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	139,014	(2,039)	136,975	136,975	
Total Learning and/or Language Disabilities	139,014	(2,039)	136,975	136,975	
Resource Room/Resource Center:					
Salaries of Teachers	216,300		216,300	216,300	
General Supplies	2,668	162	2,830	2,816	14
Total Resource Room/Resource Center	218,968	162	219,130	219,116	14
Preschool Disabilities - Part-time:					
Salaries of Teachers	45,575		45,575	45,575	
Other Salaries for Instruction	25,063	123	25,186	25,186	
Total Preschool Disabilities - Part-time	70,638	123	70,761	70,761	

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Total Special Education Instruction	\$ 428,620	\$ (1,754)	\$ 426,866	\$ 426,852	\$ 14
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	174,412	3,962	178,374	177,038	1,336
Total Basic Skills/Remedial - Instruction	174,412	3,962	178,374	177,038	1,336
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	2,195		2,195	2,100	95
Total School-Sponsored Cocurricular Activities - Instruction	2,195		2,195	2,100	95
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	1,500		1,500	1,500	
Total School-Sponsored Athletics - Instruction	1,500		1,500	1,500	
Other Instructional Programs - Instruction:					
Salaries	27,375		27,375	27,375	
Total Other Instructional Programs - Instruction	27,375		27,375	27,375	
Total Instruction	2,237,071	16,914	2,253,985	2,216,678	37,307
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	1,024,198	(52,406)	971,792	927,694	44,098
Tuition to Other LEAs Within the State - Special	141,956	54,582	196,538	182,520	14,018
Tuition to Private Schools for the Disabled - Within the State	140,100	(76,053)	64,047	43,831	20,216
Tuition to Private Schools for the Disabled & Other LEAs - Outside State	1,036,002	24,230	1,060,232	977,983	82,249
Tuition - State Facilities	4,500	1,600	6,100	6,100	
Total Undistributed Expenditures - Instruction	2,346,756	(48,047)	2,298,709	2,138,128	160,581

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	\$ 53,750		\$ 53,750	\$ 53,750	
Purchased Professional and Technical Services	250	\$ (250)			
Supplies and Materials	171	840	1,011	183	\$ 828
Total Health Services	54,171	590	54,761	53,933	828
Other Support Services - Students - Related Services:					
Salaries	62,125		62,125	62,125	
Supplies and Materials	225		225	225	
Total Other Support Services - Students - Related Services	62,350		62,350	62,350	
Other Support Services - Students - Extraordinary Services:					
Purchased Professional - Educational Services	82,657	15,824	98,481	98,481	
Total Other Support Services - Students - Extraordinary Services	82,657	15,824	98,481	98,481	
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	221,227	62,343	283,570	271,855	11,715
Salaries of Secretarial and Clerical Assistants	21,534	(4,290)	17,244	17,242	2
Purchased Professional - Educational Services	550	550	1,100	1,100	
Supplies and Materials	365	2,264	2,629	427	2,202
Other Objects	100		100	100	
Total Other Support Services - Students - Child Study Teams	243,776	60,867	304,643	290,724	13,919
Improvement of Instructional Services:					
Salaries of Other Professional Staff		21,600	21,600	21,600	
Total Improvement of Instructional Services		21,600	21,600	21,600	

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Educational Media Services/School Library:					
Salaries	\$ 27,375		\$ 27,375	\$ 27,375	
Supplies and Materials	2,740	\$ 642	3,382	3,382	
Total Educational Media Services/School Library	<u>30,115</u>	<u>642</u>	<u>30,757</u>	<u>30,757</u>	
Instructional Staff Training Services:					
Other Purchased Professional and Technical Services	7,000	1,405	8,405	8,180	\$ 225
Other Purchased Services (400-500 series)	1,400	10	1,410	1,302	108
Total Instructional Staff Training Services	<u>8,400</u>	<u>1,415</u>	<u>9,815</u>	<u>9,482</u>	<u>333</u>
Support Services - General Administration:					
Salaries	130,538	(12,471)	118,067	118,007	60
Legal Services	7,192	20,498	27,690	27,690	
Audit Fees	18,900	19,240	38,140	18,900	19,240
Other Purchased Professional Services	6,500	18,885	25,385	4,566	20,819
Purchased Technical Services	3,665	3,745	7,410	7,410	
Communications/Telephone	15,888	3,325	19,213	19,213	
BOE Other Purchased Services	12,895	11,106	24,001	24,001	
Miscellaneous Purchased Services (400-500 series)	3,162	4,127	7,289	7,289	
General Supplies	8,521	596	9,117	8,537	580
Miscellaneous Expenditures	3,709	(1,039)	2,670	2,670	
BOE Membership Dues and Fees	7,842	4,203	12,045	12,045	
Total Support Services - General Administration	<u>218,812</u>	<u>72,215</u>	<u>291,027</u>	<u>250,328</u>	<u>40,699</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	72,000	(2,542)	69,458	69,458	
Salaries of Secretarial and Clerical Assistants		551	551	551	
Total Support Services - School Administration	<u>72,000</u>	<u>(1,991)</u>	<u>70,009</u>	<u>70,009</u>	

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Central Services:					
Salaries	\$ 87,676	\$ (1)	\$ 87,675	\$ 87,675	
Purchased Professional Services	4,993	(4,993)			
Supplies and Materials		4,622	4,622	4,622	
Miscellaneous Expenditures	1,194	(472)	722	722	
Total Central Services	93,863	(844)	93,019	93,019	
Administration Information Technology:					
Salaries	47,982	(12,430)	35,552	35,552	
Total Administration Information Technology	47,982	(12,430)	35,552	35,552	
Required Maintenance of School Facilities:					
Cleaning, Repair and Maintenance Services	26,600	15,124	41,724	31,539	\$ 10,185
General Supplies	14,200	11,000	25,200	17,391	7,809
Total Required Maintenance of School Facilities	40,800	26,124	66,924	48,930	17,994
Other Operations & Maintenance of Plant:					
Salaries	241,903	(22,831)	219,072	214,950	4,122
Purchased Professional and Technical Services	6,723	12,669	19,392	13,272	
Cleaning, Repair and Maintenance Services	12,300	(1,622)	10,678	10,678	
Insurance	25,260	(3,006)	22,254	22,254	
General Supplies	7,500	14,210	21,710	17,652	4,058
Energy (Electricity)	127,100	(4,600)	122,500	122,283	217
Total Other Operations & Maintenance of Plant	420,786	(5,180)	415,606	401,089	8,397
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	36,763	10,347	47,110	47,110	
Between Home and School - Special	2,000	820	2,820	2,644	176

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services: (Cont'd)					
Contracted Services:					
Between Home and School - Vendors	\$ 389,705	\$ 10,279	\$ 399,984	\$ 391,745	\$ 8,239
Special Education Students - Vendors	388,112	(80,568)	307,544	268,157	39,387
Aid in Lieu - Nonpublic Schools	7,072		7,072	7,072	
Miscellaneous Purchased Services	300	638	938	601	337
Total Student Transportation Services	<u>823,952</u>	<u>(58,484)</u>	<u>765,468</u>	<u>717,329</u>	<u>48,139</u>
Unallocated Benefits:					
Social Security Contributions	56,680		56,680	46,645	10,035
Other Retirement Contributions - Regular	38,480	13,437	51,917	51,917	
Unemployment Compensation	14,560	(1,266)	13,294	10,335	2,959
Workmen's Compensation	33,616	(2,064)	31,552	31,552	
Health Benefits	802,951	(69,773)	733,178	722,278	10,900
Tuition Reimbursement	14,939	3,808	18,747	15,547	3,200
Other Employee Benefits	74,925	7,557	82,482	74,102	8,380
Total Unallocated Benefits	<u>1,036,151</u>	<u>(48,301)</u>	<u>987,850</u>	<u>952,376</u>	<u>35,474</u>
On-Behalf Contributions:					
On-Behalf TPAF Non-Contributory Insurance (non-budgeted)				8,170	(8,170)
On-Behalf TPAF Post Retirement Medical (non-Budgeted)				153,453	(153,453)
Reimbursed TPAF Social Security Contributions (non-budgeted)				196,575	(196,575)
Total On-Behalf Contributions				<u>358,198</u>	<u>(358,198)</u>
Total Personal Services - Employee Benefits	<u>1,036,151</u>	<u>(48,301)</u>	<u>987,850</u>	<u>1,310,574</u>	<u>(322,724)</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Total Undistributed Expenses	\$ 5,582,571	\$ 24,000	\$ 5,606,571	\$ 5,632,285	\$ (31,834)
TOTAL GENERAL CURRENT EXPENSE	<u>7,819,642</u>	<u>40,914</u>	<u>7,860,556</u>	<u>7,848,963</u>	<u>11,593</u>
Transfer of Funds to Charter Schools	566,081	(25,230)	540,851	540,851	
TOTAL EXPENDITURES	<u>8,385,723</u>	<u>15,684</u>	<u>8,401,407</u>	<u>8,389,814</u>	<u>11,593</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(32,072)</u>	<u>(15,684)</u>	<u>(47,756)</u>	<u>304,895</u>	<u>352,651</u>
Other Financing Sources/(Uses):					
Operating Transfers In/(Out):					
Transfers to Cover Deficit (Enterprise Funds)	(15,300)		(15,300)	(15,300)	
Total Other Financing Sources/(Uses)	<u>(15,300)</u>		<u>(15,300)</u>	<u>(15,300)</u>	
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	<u>(47,372)</u>	<u>(15,684)</u>	<u>(63,056)</u>	<u>289,595</u>	<u>352,651</u>
Fund Balance, July 1	<u>286,415</u>		<u>286,415</u>	<u>286,415</u>	
Fund Balance, June 30	<u>\$ 239,043</u>	<u>\$ (15,684)</u>	<u>\$ 223,359</u>	<u>\$ 576,010</u>	<u>\$ 352,651</u>
Recapitulation:					
Reserve for Encumbrances				\$ 146,904	
Excess Surplus				42,961	
Capital Reserve				14,584	
Unreserved - Undesignated				<u>371,561</u>	
				576,010	
Reconciliation to Governmental Funds Statement (GAAP):					
Last Two State Aid Payments not Recognized on GAAP Basis				<u>(279,788)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 296,222</u>	

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Federal Sources	\$ 193,773	\$ 204,540	\$ 398,313	\$ 222,872	\$ (175,441)
Total Revenues	<u>193,773</u>	<u>204,540</u>	<u>398,313</u>	<u>222,872</u>	<u>(175,441)</u>
EXPENDITURES:					
Instruction					
Purchased Professional and Technical Services	73,526	(34,857)	38,669	38,669	
Other Purchased Services		129,969	129,969	6,193	123,776
Tuition	120,247	4,569	124,816	124,816	
General Supplies		45,105	45,105	32,483	12,622
Total Instruction	<u>193,773</u>	<u>144,786</u>	<u>338,559</u>	<u>202,161</u>	<u>136,398</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment		59,754	59,754	20,711	39,043
Total Facilities Acquisition and Construction Services		<u>59,754</u>	<u>59,754</u>	<u>20,711</u>	<u>39,043</u>
Total Expenditures	<u>193,773</u>	<u>204,540</u>	<u>398,313</u>	<u>222,872</u>	<u>175,441</u>
Excess of Revenues Over Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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	\$ 8,694,709	\$ 222,872
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not.		
Current Year Encumbrances		(22,609)
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(279,788)	
State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	264,864	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 8,679,785	\$ 200,263
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 8,389,814	\$ 222,872
Differences - Budget to GAAP		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not.		
Current Year Encumbrances		(22,609)
 Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 8,389,814	\$ 200,263

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

NOTE TO RSI

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

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 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. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions or the annual budgets during the year).

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

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

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

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	No Child Left Behind				Small, Rural School Achievement
	Title I	Title I ARRA	Title II Part D	Title IV	
REVENUE:					
Federal Sources	\$ 66,214	\$ 9,273	\$ 1,028	\$ 830	\$ 20,711
Total Revenue	66,214	9,273	1,028	830	20,711
EXPENDITURES:					
Instruction:					
Personal Services - Salaries					
Purchased Professional and Technical Services	38,669				
Other Purchased Services		4,583	1,028	582	
Tuition					
General Supplies	27,545	4,690		248	
Total Instruction	66,214	9,273	1,028	830	
Facilities Acquisition:					
Instructional Equipment					20,711
Total Facilities Acquisition					20,711
Total Expenditures	\$ 66,214	\$ 9,273	\$ 1,028	\$ 830	\$ 20,711

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	IDEA Part B		
	Basic	Preschool	Totals
REVENUE:			
Federal Sources	\$ 120,247	\$ 4,569	\$ 222,872
Total Revenue	120,247	4,569	222,872
EXPENDITURES:			
Instruction:			
Purchased Professional and Technical Services			38,669
Tuition	120,247	4,569	124,816
General Supplies			32,483
Total Instruction	120,247	4,569	202,161
Facilities Acquisition:			
Instructional Equipment			20,711
Total Facilities Acquisition			20,711
Total Expenditures	\$ 120,247	\$ 4,569	\$ 222,872

CAPITAL PROJECTS FUND

Exhibit F-1

MONTAGUE TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Fund Balance - Beginning	<u>\$ -0-</u>
Fund Balance - Ending	<u>\$ -0-</u>
Recapitulation:	
Unreserved - Undesignated	<u>\$ -0-</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ -0-</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
SCHOOL REMODELING PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant				\$ 158,050
Proceeds on Bonds and Notes				237,075
				<hr/>
Total Revenue and Other Financing Sources	-0-	-0-	-0-	395,125
				<hr/>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services				44,500
Construction Services				318,750
Contingency				31,875
				<hr/>
Total Expenditures and Other Financing Uses	-0-	-0-	-0-	395,125
				<hr/>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources	\$ -0-	\$ -0-	\$ -0-	\$ -0-
	<hr/>	<hr/>	<hr/>	<hr/>

PROPRIETARY FUNDS

Exhibit G-1

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u> Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 25,645
Intergovernmental Receivable:	
Federal	4,603
State	301
Inventory	<u>2,144</u>
Total Current Assets	<u>32,693</u>
Non-Current Assets:	
Capital Assets	17,219
Less: Accumulated Depreciation	<u>(13,885)</u>
Total Non-Current Assets	<u>3,334</u>
Total Assets	<u>36,027</u>
LIABILITIES:	
Accounts Payable	6,435
Deferred Revenue	<u>2,144</u>
Total Liabilities	<u>8,579</u>
NET ASSETS:	
Investment in Capital Assets Net of Related Debt	3,334
Unrestricted	<u>24,114</u>
Total Net Assets	<u>\$ 27,448</u>

Exhibit G-2

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-Type</u> <u>Activities -</u> <u>Enterprise Funds</u> <u>Food</u> <u>Service</u>
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 28,703
Total Operating Revenue	<u>28,703</u>
Operating Expenses:	
Cost of Sales	97,054
Salaries, Benefits & Payroll Taxes	15,300
Supplies, Insurance & Other Costs	1,963
Purchased Professional Services	1,472
Depreciation Expense	291
Total Operating Expenses	<u>116,080</u>
Operating Loss	<u>(87,377)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	35,539
National School Breakfast Program	30,791
Food Distribution Program	10,079
State Sources	
State School Lunch Program	1,676
State School Breakfast Program	2,551
Interest and Investment Revenue	123
Total Non-Operating Revenue	<u>80,759</u>
Net Loss Before Operating Transfers	(6,618)
Operating Transfers In - General Fund	<u>15,300</u>
Change in Net Assets	8,682
Net Assets - Beginning of Year	<u>18,766</u>
Net Assets - End of Year	<u>\$ 27,448</u>

Exhibit G-3

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 28,703
Payments to Employees Salaries and Benefits	(15,300)
Payments to Suppliers for Goods and Services	<u>(92,686)</u>
Net Cash Used for Operating Activities	<u>(79,283)</u>
Cash Flows from Noncapital Financing Activities:	
General Fund Transfers	15,300
State and Federal Subsidy Reimbursements	<u>85,405</u>
Net Cash Provided by Noncapital Financing Activities	<u>100,705</u>
Cash Flows from Investing Activities:	
Interest on Investments	<u>123</u>
Net Cash Provided by Investing Activities	<u>123</u>
Net Increase in Cash and Cash Equivalents	21,545
Cash and Cash Equivalents, July 1	<u>4,100</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 25,645</u></u>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (87,377)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	291
Food Distribution Program	10,079
Changes in Assets and Liabilities:	
(Increase) in Inventory	(656)
(Decrease) in Accounts Payable	(2,276)
Increase in Deferred Revenue	<u>656</u>
Net Cash Used for Operating Activities	<u><u>\$ (79,283)</u></u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$10,735 and utilized U.S.D.A. Commodities valued at \$10,079.

FIDUCIARY FUNDS

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Student Activity</u>	<u>Agency Payroll</u>	<u>Total</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:					
Cash and Cash Equivalents	\$ 1,542	\$ 134,964	\$ 136,506	\$ 2,035	\$ 1,865
Total Assets	<u>1,542</u>	<u>134,964</u>	<u>136,506</u>	<u>2,035</u>	<u>1,865</u>
LIABILITIES:					
Payroll Deductions and Withholdings		19,621	19,621		
Accrued Salaries and Wages		114,685	114,685		
Interfund Payable		658	658		
Reserved for Student Groups	1,542		1,542		
Total Liabilities	<u>1,542</u>	<u>134,964</u>	<u>136,506</u>		
NET ASSETS:					
Held in Trust for Unemployment Claims				2,035	
Reserved for Scholarships					1,865
Total Net Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,035</u>	<u>\$ 1,865</u>

Exhibit H-2

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>
ADDITIONS:		
Contributions:		
Plan Member	\$ 8,000	
Investment Earnings:		
Interest	4	\$ 4
Total Contributions	<u>8,004</u>	<u>4</u>
Total Additions	<u>8,004</u>	<u>4</u>
DEDUCTIONS:		
Unemployment Claims and Contributions	9,769	
Scholarships Awarded		50
Total Deductions	<u>9,769</u>	<u>50</u>
Change in Net Assets	(1,765)	(46)
Net Assets - Beginning of the Year	<u>3,800</u>	<u>1,911</u>
Net Assets - End of the Year	<u>\$ 2,035</u>	<u>\$ 1,865</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS:				
Cash and Cash Equivalents	\$ 1,332	\$ 1,808	\$ 1,598	\$ 1,542
Total Assets	<u>\$ 1,332</u>	<u>\$ 1,808</u>	<u>\$ 1,598</u>	<u>\$ 1,542</u>
LIABILITIES:				
Due to Student Groups	\$ 1,332	\$ 1,808	\$ 1,598	\$ 1,542
Total Liabilities	<u>\$ 1,332</u>	<u>\$ 1,808</u>	<u>\$ 1,598</u>	<u>\$ 1,542</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS:				
Cash and Cash Equivalents	\$ 120,806	\$ 3,307,980	\$ 3,293,822	\$ 134,964
Total Assets	<u>\$ 120,806</u>	<u>\$ 3,307,980</u>	<u>\$ 3,293,822</u>	<u>\$ 134,964</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 19,558	\$ 1,406,445	\$ 1,406,382	\$ 19,621
Net Pay		1,790,202	1,790,202	
Accrued Salaries and Wages - Summer Pay	99,336	110,675	95,326	114,685
Interfund Payable - Unemployment Compensation Trust	95		95	
Interfund Payable - General Fund	<u>1,817</u>	<u>658</u>	<u>1,817</u>	<u>658</u>
Total Liabilities	<u>\$ 120,806</u>	<u>\$ 3,307,980</u>	<u>\$ 3,293,822</u>	<u>\$ 134,964</u>

LONG-TERM DEBT

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding June 30, 2010</u>		<u>Interest Rate</u>	<u>Balance June 30, 2009</u>	<u>Matured</u>	<u>Balance June 30, 2010</u>
			<u>Date</u>	<u>Amount</u>				
Building Improvements	02/15/96	\$ 1,199,000	2/1/2011	\$ 70,000	5.25%			
			2/1/2012-13	75,000	5.25%			
			2/1/2014-15	80,000	5.25%			
			2/1/2016	79,000	5.25%			
					\$ 529,000	\$ 70,000	\$ 459,000	
					\$ 529,000	\$ 70,000	\$ 459,000	

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 76,977		\$ 76,977	\$ 76,977	
Debt Service Aid	20,795		20,795	20,795	
Total Revenues	<u>97,772</u>		<u>97,772</u>	<u>97,772</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	27,773		27,773	27,773	
Redemption of Principal	70,000		70,000	70,000	
Total Regular Debt Service	<u>97,773</u>		<u>97,773</u>	<u>97,773</u>	
Total Expenditures	<u>97,773</u>		<u>97,773</u>	<u>97,773</u>	
Deficiency of Revenues Under Expenditures	(1)		(1)	(1)	
Fund Balance, July 1	4		4	4	
Fund Balance, June 30	<u>\$ 3</u>	<u>\$ -0-</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ -0-</u>
Recapitulation:					
Unreserved/Undesignated				\$ 3	
				<u>\$ 3</u>	

STATISTICAL SECTION

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:							
Invested in Capital Assets, Net of Related Debt	\$ 1,292,497	\$ 1,256,524	\$ 1,341,854	\$ 1,479,829	\$ 1,438,185	\$ 1,425,190	\$ 1,385,800
Restricted	13,929	20,193	20,196	13,932	13,982	62,013	204,452
Unrestricted / (Deficit)	390,436	519,299	306,397	147,689	124,563	(196,012)	(55,022)
Total governmental activities net assets	\$ 1,696,862	\$ 1,796,016	\$ 1,668,447	\$ 1,641,450	\$ 1,576,730	\$ 1,291,191	\$ 1,535,230
Business-type Activities:							
Invested in Capital Assets, Net of Related Debt	\$ 13,179	\$ 11,645	\$ 10,112	\$ 8,578	\$ 7,231	\$ 3,625	\$ 3,334
Unrestricted	12,000	19,589	24,807	19,551	17,153	15,141	24,114
Total business-type activities net assets	\$ 25,179	\$ 31,234	\$ 34,919	\$ 28,129	\$ 24,384	\$ 18,766	\$ 27,448
District-wide:							
Invested in Capital Assets, Net of Related Debt	\$ 1,305,676	\$ 1,268,169	\$ 1,351,966	\$ 1,488,407	\$ 1,445,416	\$ 1,428,815	\$ 1,389,134
Restricted	13,929	20,193	20,196	13,932	13,982	62,013	204,452
Unrestricted / (Deficit)	402,436	538,888	331,204	167,240	141,716	(180,871)	(30,908)
Total District Net Assets	\$ 1,722,041	\$ 1,827,250	\$ 1,703,366	\$ 1,669,579	\$ 1,601,114	\$ 1,309,957	\$ 1,562,678

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

Source: School District Financial Reports.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental Activities:							
Instruction:							
Regular	\$ 3,440,397	\$ 3,693,007	\$ 3,751,707	\$ 4,010,859	\$ 3,700,336	\$ 2,385,007	\$ 2,330,524
Special Education	1,416,113	1,364,595	1,529,447	1,749,893	1,867,738	787,052	748,757
Other Special Instruction	40,437	135,956	93,287	127,896	247,095	168,837	180,228
Other Instruction	28,806	5,165	3,502	4,602	4,564	125,111	124,326
Support Services:							
Student & Instruction Related Services	495,478	479,790	486,764	528,669	639,425	3,133,971	2,919,162
General Administrative Services	329,653	361,112	422,659	429,852	270,079	257,755	296,462
School Administrative Services	78,364	100,968	134,252	150,389	215,920	126,550	97,247
Central Services	237,242	193,081	205,066	238,545	176,298	121,423	125,235
Administration Information Technology						46,540	48,535
Plant Operations and Maintenance	327,236	478,309	426,460	526,563	600,721	541,326	533,232
Pupil Transportation	624,250	687,942	725,545	733,985	788,756	789,202	747,527
Charter Schools						467,372	540,851
Interest on Long-term Debt	46,503	36,454	39,718	36,566	33,317	29,906	26,395
Total Governmental Activities Expenses	<u>7,064,479</u>	<u>7,536,379</u>	<u>7,818,407</u>	<u>8,537,819</u>	<u>8,544,249</u>	<u>8,980,052</u>	<u>8,718,481</u>
Business-type Activities:							
Food Service	112,028	151,278	146,424	157,528	161,097	187,660	116,080
Total Business-type Activities Expenses	<u>112,028</u>	<u>151,278</u>	<u>146,424</u>	<u>157,528</u>	<u>161,097</u>	<u>187,660</u>	<u>116,080</u>
Total District Expenses	<u>7,176,507</u>	<u>7,687,657</u>	<u>7,964,831</u>	<u>8,695,347</u>	<u>8,705,346</u>	<u>9,167,712</u>	<u>8,834,561</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2008	2010
Program Revenues							
Governmental Activities:							
Operating Grants and Contributions	\$ 1,391,786	\$ 1,393,438	\$ 1,419,923	\$ 1,618,766	\$ 1,551,559	\$ 1,200,022	\$ 1,258,605
Capital Grants and Contributions	69,378		45,280				
Total Governmental Activities Program Revenues	<u>1,461,164</u>	<u>1,393,438</u>	<u>1,465,203</u>	<u>1,618,766</u>	<u>1,551,559</u>	<u>1,200,022</u>	<u>1,258,605</u>
Program Revenues							
Business-type Activities:							
Charges for Services:							
Food Service	30,086	32,706	37,606	34,753	32,224	32,993	28,703
Operating Grants and Contributions	47,559	81,681	71,351	61,858	59,649	76,191	80,636
Total Business-type Activities Revenues	<u>77,645</u>	<u>114,387</u>	<u>108,957</u>	<u>96,611</u>	<u>91,873</u>	<u>109,184</u>	<u>109,339</u>
Total District Program Revenues	<u>1,538,809</u>	<u>1,507,825</u>	<u>1,574,160</u>	<u>1,715,377</u>	<u>1,643,432</u>	<u>1,309,206</u>	<u>1,367,944</u>
Net (Expense)/Revenue							
Governmental Activities	(5,603,315)	(6,142,941)	(6,353,204)	(6,919,053)	(6,992,690)	(7,780,030)	(7,459,876)
Business-type Activities	(34,383)	(36,891)	(37,467)	(60,917)	(69,224)	(78,476)	(6,741)
Total District-wide Net (Expense)/Revenue	<u>(5,637,698)</u>	<u>(6,179,832)</u>	<u>(6,390,671)</u>	<u>(6,979,970)</u>	<u>(7,061,914)</u>	<u>(7,858,506)</u>	<u>(7,466,617)</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2008	2010
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Property Taxes Levied for General Purposes, Net	\$ 3,894,350	\$ 4,378,814	\$ 4,318,088	\$ 4,941,024	\$ 4,976,774	\$ 5,083,322	\$ 5,286,654
Taxes Levied for Debt Service						75,727	76,977
Unrestricted Grants and Contributions	1,903,647	1,858,478	1,898,255	1,898,475	1,962,287	2,391,852	2,329,279
Loss on Capital Assets		(1,254)					
Investment Earnings	10,189	17,887	41,674	69,098	45,957	431	172
Miscellaneous Income	38,843	36,943	8,699	37,036	8,185	15,823	26,133
Transfers	(42,110)	(48,773)	(41,081)	(53,577)	(65,233)	(72,664)	(15,300)
Total Governmental Activities	<u>5,804,919</u>	<u>6,242,095</u>	<u>6,225,635</u>	<u>6,892,056</u>	<u>6,927,970</u>	<u>7,494,491</u>	<u>7,703,915</u>
Business-type Activities:							
Investment Earnings	131	173		449	246	194	123
Transfers	36,665	42,773	41,152	53,678	65,233	72,664	15,300
Total Business-type Activities	<u>36,796</u>	<u>42,946</u>	<u>41,152</u>	<u>54,127</u>	<u>65,479</u>	<u>72,858</u>	<u>15,423</u>
Total District-wide	<u>5,841,715</u>	<u>6,285,041</u>	<u>6,266,787</u>	<u>6,946,183</u>	<u>6,993,449</u>	<u>7,567,349</u>	<u>7,719,338</u>
Change in Net Assets							
Governmental Activities	201,604	99,154	(127,569)	(26,997)	(64,720)	(285,539)	244,039
Business-type Activities	2,413	6,055	3,685	(6,790)	(3,745)	(5,618)	8,682
Total District	<u>\$ 204,017</u>	<u>\$ 105,209</u>	<u>\$ (123,884)</u>	<u>\$ (33,787)</u>	<u>\$ (68,465)</u>	<u>\$ (291,157)</u>	<u>\$ 252,721</u>

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

Source: School District Financial Reports.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
General Fund:							
Reserved	\$ 166,156	\$ 336,249	\$ 413,661	\$ 129,950	\$ 84,863	\$ 62,009	\$ 307,722
Unreserved/(Deficit)	330,225	315,367	85,760	180,807	220,169	(40,458)	(11,500)
Total General Fund	<u>\$ 496,381</u>	<u>\$ 651,616</u>	<u>\$ 499,421</u>	<u>\$ 310,757</u>	<u>\$ 305,032</u>	<u>\$ 21,551</u>	<u>\$ 296,222</u>
All Other Governmental Funds:							
Unreserved/(Deficit)	\$ (1,065)	\$ 5,200	\$ 5,177	\$ 1	\$ (3,961)	\$ 4	\$ 3
Total All Other Governmental Funds	<u>\$ (1,065)</u>	<u>\$ 5,200</u>	<u>\$ 5,177</u>	<u>\$ 1</u>	<u>\$ (3,961)</u>	<u>\$ 4</u>	<u>\$ 3</u>
Total All Governmental Funds:							
Reserved	\$ 166,156	\$ 336,249	\$ 413,661	\$ 129,950	\$ 84,863	\$ 62,009	\$ 307,722
Unreserved/(Deficit)	329,160	320,567	90,937	180,808	216,208	(40,454)	(11,497)
Total All Governmental Funds	<u>\$ 495,316</u>	<u>\$ 656,816</u>	<u>\$ 504,598</u>	<u>\$ 310,758</u>	<u>\$ 301,071</u>	<u>\$ 21,555</u>	<u>\$ 296,225</u>

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

Source: School District Financial Reports.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
Revenues							
Tax Levy	\$ 3,894,350	\$ 4,378,814	\$ 4,318,088	\$ 4,941,024	\$ 4,976,774	\$ 5,159,049	\$ 5,363,631
Interest Earnings	10,189	17,887	41,674	69,098	45,957	431	172
Miscellaneous	38,843	36,943	8,699	37,036	8,185	15,823	26,133
State Sources	2,819,684	2,870,109	2,953,794	3,061,078	3,179,989	3,242,018	2,981,201
Federal Sources	545,127	381,807	409,664	456,163	333,857	349,856	606,683
Total Revenues	7,308,193	7,685,560	7,731,919	8,564,399	8,544,762	8,767,177	8,977,820
Expenditures							
Instruction:							
Regular Instruction	3,377,032	3,625,686	3,655,252	3,973,178	3,636,114	1,670,131	1,636,549
Special Education Instruction	1,400,153	1,349,599	1,500,405	1,731,688	1,843,096	561,338	551,668
Other Instruction	39,435	132,125	90,528	124,608	240,263	166,061	177,038
School Sponsored Activities and Athletics	5,021	5,019	3,442	4,522	4,479	29,258	30,975
Support Services:							
Student & Instruction Related Services	507,274	467,988	475,169	522,973	621,000	2,912,793	2,705,455
General Administrative Services	324,768	355,763	413,991	422,932	265,191	209,342	250,328
School Administrative Services	75,762	97,996	124,819	146,049	209,673	84,850	70,009
Central Services	229,925	182,260	196,185	238,509	170,172	88,413	93,019
Administration Information Technology						33,278	35,552
Plant Operations and Maintenance	313,641	464,598	414,390	516,486	591,329	457,961	450,019
Pupil Transportation	624,194	687,431	724,517	732,951	787,314	761,943	717,329
Unallocated Benefits						1,394,175	1,310,574
Charter Schools						467,372	540,851
Transfer to Food Service Fund						72,664	(15,300)
Capital Outlay	256,765	3,000	143,460	193,018	20,988	40,929	20,711

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
Debt Service:							
Principal	\$ 110,860	\$ 60,000	\$ 60,000	\$ 60,000	\$ 65,000	\$ 65,000	\$ 70,000
Interest and Other Charges	48,282	43,822	40,898	37,748	34,597	31,185	27,773
Total Expenditures	<u>7,313,112</u>	<u>7,475,287</u>	<u>7,843,056</u>	<u>8,704,662</u>	<u>8,489,216</u>	<u>9,046,693</u>	<u>8,703,150</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,919)</u>	<u>210,273</u>	<u>(111,137)</u>	<u>(140,263)</u>	<u>55,546</u>	<u>(279,516)</u>	<u>274,670</u>
Other Financing Sources (Uses)							
Transfers In	145		67,991	101		3	
Transfers Out	<u>(42,255)</u>	<u>(48,773)</u>	<u>(109,072)</u>	<u>(53,678)</u>	<u>(65,233)</u>	<u>(3)</u>	
Total Other Financing Sources (Uses)	<u>(42,110)</u>	<u>(48,773)</u>	<u>(41,081)</u>	<u>(53,577)</u>	<u>(65,233)</u>	<u>-0-</u>	<u>-0-</u>
Net Change in Fund Balances	<u>\$ (47,029)</u>	<u>\$ 161,500</u>	<u>\$ (152,218)</u>	<u>\$ (193,840)</u>	<u>\$ (9,687)</u>	<u>\$ (279,516)</u>	<u>\$ 274,670</u>
Debt Service as a Percentage of Noncapital Expenditures	2.26%	1.39%	1.31%	1.15%	1.18%	1.07%	1.13%

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

Source: School District Financial Reports.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Tuition</u>	<u>Investments</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2001		\$ 87,050	\$ 3,490	\$ 31,387	\$ 121,927
2002	\$ 7,332	29,292		88,723	125,347
2003	20,076	18,536	174,090	38,137	250,839
2004		10,189		38,843	49,032
2005		17,887		36,943	54,830
2006		41,674		8,699	50,373
2007		69,098		37,036	106,134
2008		45,957		8,185	54,142
2009		11,561	89	4,604	16,254
2010		16,759	374	9,172	26,305

Source: Township of Montague School District records.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2000	\$20,516,550	\$137,722,000	\$7,600,200	\$1,075,110	\$21,267,700	\$2,136,600	\$420,000	\$190,738,160	\$1,494,956	\$192,233,116	1.559	\$195,707,219
2001	19,394,500	140,451,900	7,160,900	1,058,260	20,879,000	2,136,600	420,000	191,501,160	1,474,263	192,975,423	1.584	197,015,141
2002	18,783,900	142,824,100	7,335,600	1,034,960	21,184,000	2,136,600	420,000	193,719,160	1,401,140	195,120,300	1.678	208,703,118
2003	17,765,100	146,462,900	7,118,800	1,031,210	20,987,400	2,136,600	420,000	195,922,010	1,281,931	197,203,941	1.943	229,982,404
2004	17,127,600	151,596,400	7,239,300	1,023,160	20,996,400	2,136,600	420,000	200,539,460	1,087,285	201,626,745	1.943	263,518,372
2005	16,244,800	159,613,500	7,371,600	999,810	21,310,900	2,136,600	420,000	208,097,210	972,159	209,069,369	2.080	305,237,886
2006	15,167,800	166,148,500	8,584,600	1,004,660	21,686,900	2,136,600	420,000	215,149,060	770,279	215,919,339	2.144	391,060,312
2007	14,648,400	171,705,250	8,584,600	1,036,760	21,961,400	2,136,600	420,000	220,493,010	677,937	221,170,947	2.241	452,907,438
2008	14,229,190	176,080,600	8,697,200	1,108,910	22,412,400	2,136,600	420,000	225,084,900	686,971	225,771,871	2.246	479,040,677
2009	13,386,140	177,610,600	9,137,800	1,223,170	22,500,100	2,136,600	420,000	226,414,410	545,181	226,959,591	2.318	481,711,730

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

b - Tax rates are per \$100.

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

Source: Municipal Tax Assessor.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(rate per \$100 of assessed value)
UNAUDITED

Year Ended December 31,	Township of Montague School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Township of Montague	Sussex County	
2000	\$ 1.559		\$ 1.559	\$ 0.279	\$ 0.540	\$ 2.378
2001	1.584		1.584	0.286	0.590	2.460
2002	1.678		1.678	0.284	0.618	2.580
2003	1.901	\$ 0.042	1.943	0.282	0.649	2.874
2004	1.916	0.027	1.943	0.282	0.655	2.880
2005	2.053	0.027	2.080	0.273	0.677	3.030
2006	2.120	0.024	2.144	0.374	0.792	3.310
2007	2.215	0.026	2.241	0.392	0.837	3.470
2008	2.213	0.033	2.246	0.400	0.818	3.464
2009	2.284	0.034	2.318	0.440	0.807	3.565

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.

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

Source: Municipal Tax Collector and School Business Administrator.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Tri State Mall	\$ 8,784,900	1	3.87%	\$ 8,110,700	1	4.22%
High Point Country Club	2,377,000	2	1.05%	1,720,500	2	0.91%
High Point Holdings	1,249,500	3	0.55%			
Individual Taxpayer #1	987,100	4	0.43%			
General Equities	823,700	5	0.36%	823,700	7	0.43%
LAC Realty Corp	697,200	6	0.31%			
McDonald Corporation	660,000	7	0.29%	660,000	9	0.34%
Petrozino, LLC	635,000	8	0.28%			
442 Montague, LLC	616,900	9	0.27%			
Tenneco, Inc	600,000	10	0.26%			
Zitone Construction Company				1,401,100	3	0.71%
Montague Mini-Mall				971,300	4	0.51%
Community Corporation of High Point				905,036	5	0.47%
Chubb Construction Corporation				829,200	6	0.43%
22 Howard Realty				649,300	8	0.34%
Rock View				600,000	10	0.31%
Total	<u>\$ 17,431,300</u>		<u>7.68%</u>	<u>\$ 16,670,836</u>		<u>8.67%</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2001	\$ 3,033,622	\$ 3,033,622	100.00%	\$ -0-
2002	3,080,966	3,080,966	100.00%	-0-
2003	3,394,982	3,383,788	99.67%	11,194
2004	3,894,350	3,894,350	100.00%	-0-
2005	4,378,814	4,378,814	100.00%	-0-
2006	4,318,088	4,318,088	100.00%	-0-
2007	4,941,024	4,941,024	100.00%	-0-
2008	4,976,774	4,976,774	100.00%	-0-
2009	5,159,049	5,159,049	100.00%	-0-
2010	5,363,631	5,363,631	100.00%	-0-

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.

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SIX FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u> <u>Ended June</u> <u>30,</u>	<u>Governmental</u> <u>Activities</u> <u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Total District</u>	<u>Percentage of</u> <u>Personal</u> <u>Income</u> ^a	<u>Per Capita</u> ^a
2005	\$ 779,000	\$ 779,000	0.52%	\$ 212.61
2006	719,000	719,000	0.45%	191.33
2007	659,000	659,000	0.38%	172.38
2008	594,000	594,000	0.32%	153.69
2009	529,000	529,000	0.27%	135.99
2010	459,000	459,000	0.24%	117.51

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

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

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

Source: School District Financial Reports.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST SIX FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 779,000	\$ -0-	\$ 779,000	0.386%	\$ 212.61
2006	719,000	-0-	719,000	0.344%	191.33
2007	659,000	-0-	659,000	0.305%	172.38
2008	594,000	-0-	594,000	0.269%	153.69
2009	529,000	-0-	529,000	0.234%	135.99
2009	459,000	-0-	459,000	0.202%	117.51

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

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

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

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

Source: School District Financial Reports.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2009
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:			
Township of Montague	\$ 320,911	100.00%	\$ 320,911
Sussex County General Obligation Debt	77,111,415	1.32%	<u>1,020,970</u>
Subtotal, Overlapping Debt			1,341,881
Township of Montague School District Direct Debt			<u>459,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 1,800,881</u></u>

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

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

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST SIX FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2010

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>
2009	\$ 449,234,940
2008	477,583,068
2007	469,233,901
	<u>\$1,396,051,909</u>
Average Equalized Valuation of Taxable Property	\$ 465,350,636
Debt Limit (2.5% of Average Equalization Value)	11,633,766 ^a
Net Bonded School Debt	<u>459,000</u>
Legal Debt Margin	<u>\$ 11,174,766</u>

	<u>Fiscal Year</u>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt Limit	\$ 6,466,188	\$ 7,712,211	\$ 9,251,672	\$ 10,748,014	\$ 11,561,878
Total Net Debt Applicable to Limit	<u>779,000</u>	<u>719,000</u>	<u>659,000</u>	<u>594,000</u>	<u>529,000</u>
Legal Debt Margin	<u>\$ 5,687,188</u>	<u>\$ 6,993,211</u>	<u>\$ 8,592,672</u>	<u>\$ 10,154,014</u>	<u>\$ 11,032,878</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.05%	9.32%	7.12%	5.53%	4.58%

	<u>Fiscal Year</u> <u>2010</u>
Debt Limit	\$ 11,633,766
Total Net Debt Applicable to Limit	<u>459,000</u>
Legal Debt Margin	<u>\$ 11,174,766</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.95%

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

a - Limit set by NJSA 18A:24-19 for a K through 6 district; other % limits would be applicable for other districts.

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
UNAUDITED

<u>Year Ended</u> <u>December 31,</u>	<u>Population ^a</u>	<u>Personal</u> <u>Income ^b</u>	<u>Sussex County</u> <u>Per Capita</u> <u>Personal</u> <u>Income ^c</u>	<u>Unemployment</u> <u>Rate ^d</u>
2000	3,411	\$ 127,588,455	\$ 37,405	3.70%
2001	3,425	132,126,225	38,577	4.60%
2002	3,468	134,291,364	38,723	6.60%
2003	3,552	139,721,472	39,336	7.00%
2004	3,664	149,560,816	40,819	5.30%
2005	3,758	159,527,100	42,450	6.60%
2006	3,823	173,747,704	45,448	4.80%
2007	3,865	187,352,010	48,474	7.60%
2008	3,890	193,578,070	49,763	9.60%
2009	3,906	194,374,278	49,763 *	15.50%

* - Latest Sussex County per capita personal income available (2008) was used for calculation purposes.

Source:

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

Exhibit J-15

MONTAGUE TOWNSHIP SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - COUNTY OF SUSSEX,
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>Employer</u>	2010	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Crystal Springs Golf and Spa Resort	2,000	5.05%
Newton Memorial Hospital	1,490	3.76%
Selective Insurance	900	2.27%
County of Sussex	830	2.10%
Mountain Creek Resort	800	2.02%
Shop Rite (Ronetco)	697	1.76%
Ames Rubber Corp	445	1.12%
Walmart	412	1.04%
Andover Subacute and Rehab Center	300	0.76%
Sussex County Community College	300	0.76%
Raider Express	250	0.63%
	<u>8,424</u>	<u>21.27%</u>

<u>Employer</u>	2001	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Selective Insurance	954	2.41%
Andover Subacute and Rehab Center	906	2.29%
County of Sussex	815	2.06%
Mountain Creek Resort	800	2.02%
Newton Memorial Hospital	757	1.91%
Ronetco Supermarkets	711	1.80%
Vernon Township Bd. of Education	629	1.59%
F.O. Phoenix, Inc.	600	1.52%
Hopatcong Board of Education	450	1.14%
Walmart	380	0.96%
	<u>7,002</u>	<u>17.68%</u>

Source: County of Sussex

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instruction:					
Regular	23.6	24.5	24.5	24.5	24.5
Special Education	6.1	4.5	4.5	4.5	4.5
Other Instruction	5.5	5.0	5.0	5.0	5.0
Support Services:					
Student & Instruction Related Services	2.0	2.0	2.0	2.0	2.0
General Administrative Services	3.5	3.5	3.5	3.5	2.5
School Administrative Services	2.0	2.0	2.0	2.0	2.0
Central Services	3.5	3.0	3.0	3.0	3.0
Plant Operations and Maintenance	3.5	3.5	3.5	3.5	3.5
Pupil Transportation	1.0	1.0	1.0	1.0	1.0
Food Service	1.5	1.5	1.5	1.5	1.5
Total	<u>52.2</u>	<u>50.5</u>	<u>50.5</u>	<u>50.5</u>	<u>49.5</u>

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

Source: District Personnel Records.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio Elementary	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2001	366	\$ 5,523,654	\$ 15,092	16.23%	36.0	10:1	333.8	317.3	-3.22%	95.06%
2002	366	6,164,552	16,843	11.60%	36.0	10:1	333.1	318.0	-0.21%	95.47%
2003	365	6,837,325	18,732	11.22%	35.0	10:1	324.5	309.1	-2.58%	95.25%
2004	375	6,897,205	18,393	-1.81%	36.0	10:1	334.5	319.3	3.08%	95.46%
2005	373	7,368,465	19,755	7.41%	41.0	9:1	326.6	311.1	-2.36%	95.25%
2006	312	7,598,698	24,355	23.29%	30.0	10:1	308.8	295.6	-5.45%	95.73%
2007	302	8,413,896	27,861	14.39%	30.0	10:1	299.3	290.5	-3.08%	97.06%
2008	316	8,368,631	26,483	-4.94%	30.0	9:1	282.4	273.3	-5.65%	96.78%
2009	302	8,909,579	29,502	11.40%	30.0	10:1	291.2	284.3	3.12%	97.63%
2010	299	8,584,666	28,711	-2.68%	30.0	10:1	290.4	284.7	-0.27%	98.04%

a - Operating expenditures equal total expenditures less debt service and capital outlay.

b - Teaching staff includes only full-time equivalents of certificated staff.

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

d - Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

Note: Enrollment based on annual October District count.

Source: Township of Montague School District records.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST FIVE FISCAL YEARS
UNAUDITED

<u>District Building</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Elementary School					
Square Feet	40,010	40,010	40,010	40,010	40,010
Capacity (students)	336	327	327	327	327
Enrollment	312	302	316	302	299
Number of Schools at June 30, 2010					
Elementary = 1					

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October District count.

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

Source: Township of Montague School District Facilities Office.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

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

<u>School Facilities*</u>	Fiscal Year Ended June 30,				
	2006	2007	2008	2009	2010
Montague Elementary School	\$ 65,105	\$ 50,405	\$ 120,572	\$ 96,245	\$ 48,930

<u>School Facilities*</u>	Fiscal Year Ended June 30,				
	2001	2002	2003	2004	2005
Montague Elementary School	\$ 12,736	\$ 45,882	\$ 55,437	\$ 37,000	\$ 82,017

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

Source: Township of Montague School District records.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2010
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSBAIG		
Property - Blanket Building and Contents	\$ 300,000,000	\$ 5,000
Commercial General Liability	16,000,000	
Commercial Automobile	16,000,000	
Board of Education Liability	16,000,000	5,000
Public Employee Dishonesty Bond	500,000	1,000
Workers Compensation	Statutory	
Environmental - Impairment Liability	1,000,000	5,000
Selective Insurance Surety Bonds:		
School Business Administrator/Board Secretary	200,000	
Treasurer of School Monies	200,000	

SINGLE AUDIT SECTION



Mount Arlington Corporate Center
 200 Valley Road Suite 300
 Mount Arlington, NJ 07856-1320
 Phone: 973-328-1825
 Fax: 973-328-0507

Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 Phone: 973-383-6699
 Fax: 973-383-6555

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

The Honorable President and Members
 of the Board of Education
 Montague Township School District
 County of Sussex, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Montague Township School District, in the County of Sussex (the "Board") as of, and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 20, 2010. 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 the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department").

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and 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.

The Honorable President and Members
of the Board of Education
Montague Township School District
Page 2

Compliance and Other Matters

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

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

Mount Arlington, New Jersey
September 20, 2010

NISIVOCCIA & COMPANY LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant



Mount Arlington Corporate Center
 200 Valley Road Suite 300
 Mount Arlington, NJ 07856-1320
 Phone: 973-328-1825
 Fax: 973-328-0507

Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 Phone: 973-383-6699
 Fax: 973-383-6555

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04

The Honorable President and Members
 of the Board of Education
 Montague Township School District
 County of Sussex, New Jersey

We have audited the compliance of the Board of Education of the Montague Township School District in the County of Sussex (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2010. The Board's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*; and Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards, Federal OMB Circular A-133, and New Jersey's OMB Circular NJOMB 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the Board'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 of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2010.

The Honorable President and Members
of the Board of Education
Montague Township School District
Page 2

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal or 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 OMB Circular A-133 and the *New Jersey State Aid/ Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

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

Mount Arlington, New Jersey
September 20, 2010

NISIVOCCIA & COMPANY LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2009		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2010		
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor				(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education -													
General Fund:													
IMPACT Aid	84.041	40-NJ-2008-4401	7/1/09	6/30/10	\$ 103,273				\$ 103,273	\$ (103,273)			
Equalization Aid - ARRA - ESF	84.394	N/A	7/1/09	6/30/10	285,601				285,601	(285,601)			
Equalization Aid - ARRA - GSF	84.397	N/A	7/1/09	6/30/10	6,490				6,490	(6,490)			
Total U.S. Department of Education									395,364	(395,364)			
U.S. Department of Health and Human Services -													
General Fund:													
Medicaid Reimbursement	93.778	N/A	7/1/09	6/30/10	11,056				11,056	(11,056)			
Total General Fund									406,420	(406,420)			
U.S. Department of Education -													
Passed-through State Department of Education:													
Special Revenue Fund:													
No Child Left Behind:													
Title I	84.010A	NCLB-3300-10	9/1/09	8/31/10	73,526				36,675	(66,214)	\$ (29,539)		
Title I	84.010A	NCLB-3300-09	9/1/08	8/31/09	42,915	\$ (10,187)			10,187	-			
Title I - ARRA	84.389	NCLB-3300-10	9/1/09	8/31/11	23,112				9,273	(9,273)			
Title IID	84.318X	NCLB-3300-10	9/1/09	8/31/10	1,028					(1,028)	(1,028)		
Title IV	84.186A	NCLB-3300-10	9/1/09	8/31/10	830				248	(830)	(582)		
Rural Education Achievement	84.358A	S358A043713	7/1/08	6/30/10	27,838				20,711	(20,711)			
						(10,187)			77,094	(98,056)	(31,149)		
Special Education Cluster:													
I.D.E.A. Part B, Basic Regular	84.027	FT-3300-10	9/1/09	8/31/10	120,247				120,247	(120,247)			
I.D.E.A. Part B, Basic Regular	84.027	FT-3300-09	9/1/08	8/31/09	116,428	(31,595)			31,595				
I.D.E.A. Part B, Preschool	84.173	PS-3300-10	9/1/09	8/31/10	4,569					(4,569)	(4,569)		
Total Special Education Cluster						(31,595)			151,842	(124,816)	(4,569)		
Total U.S. Department of Education						(10,187)			228,936	(222,872)	(35,718)		
Total Special Revenue Fund						(10,187)			228,936	(222,872)	(35,718)		

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2009		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2010		
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor				(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Agriculture -													
Passed-through State Department of Education:													
Enterprise Fund													
Child Nutrition Cluster:													
Food Distribution Program	10.555	N/A	7/1/08	6/30/09	\$ 6,968	\$ 1,488				\$ (1,488)			
Food Distribution Program	10.555	N/A	7/1/09	6/30/10	10,735			\$ 10,735		(8,591)		\$ 2,144	
School Breakfast Program	10.553	N/A	7/1/08	6/30/09	28,564	(8,800)		8,800					
School Breakfast Program	10.553	N/A	7/1/09	6/30/10	30,791			28,408		(30,791)	\$ (2,383)		
National School Lunch Program	10.555	N/A	7/1/08	6/30/09	36,384	(9,695)		9,695					
National School Lunch Program	10.555	N/A	7/1/09	6/30/10	35,539			33,319		(35,539)	(2,220)		
Total U.S. Department of Agriculture/Child Nutrition Cluster							(17,007)		90,957	(76,409)	(4,603)	2,144	
Total Enterprise Fund							(17,007)		90,957	(76,409)	(4,603)	2,144	
TOTAL FEDERAL AWARDS						\$ (27,194)	\$ -0-	\$ -0-	\$ 726,313	\$ (705,701)	\$ (40,321)	\$ 2,144	\$ -0-

N/A - Not Available/Applicable

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2009			Balance at June 30, 2010			MEMO	
		From	To		Budgetary Revenuc/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	GAAP (Accounts Receivable)	Budgetary Deferred Revenue	Due to Grantor	Budgetary Receivable
State Department of Education:												
General Fund:												
Categorical Special Education Aid	09-495-034-5120-089	7/1/08	6/30/09	\$ 215,781	\$ (20,929)	\$ 20,929						\$ 215,781
Equalization Aid	09-495-034-5120-078	7/1/08	6/30/09	747,515	(72,504)	72,504						747,515
Categorical Security Aid	09-495-034-5120-084	7/1/08	6/30/09	30,122	(2,922)	2,922						30,122
Adjustment Aid	09-495-034-5120-085	7/1/08	6/30/09	1,452,256	(156,807)	156,807						1,452,256
Categorical Transportation Aid	09-495-034-5120-014	7/1/08	6/30/09	302,717	(29,362)	29,362						302,717
Extraordinary Special Education Costs Aid	09-100-034-5120-473	7/1/08	6/30/09	64,326	(64,326)	64,326						64,326
Nonpublic School Transportation Costs	N/A	7/1/08	6/30/09	15,684	(15,684)	15,684						15,684
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09	6/30/10	188,654	(9,332)	9,332						188,654
Categorical Special Education Aid	10-495-034-5120-089	7/1/09	6/30/10	235,609		212,344	\$ (235,609)				\$ (23,265)	235,609
Equalization Aid	10-495-034-5120-078	7/1/09	6/30/10	1,338,301		1,176,861	(1,338,301)				(161,440)	1,338,301
Categorical Security Aid	10-495-034-5120-084	7/1/09	6/30/10	91,826		82,759	(91,826)				(9,067)	91,826
Adjustment Aid	10-495-034-5120-085	7/1/09	6/30/10	452,531		407,160	(452,531)				(45,371)	452,531
Categorical Transportation Aid	10-495-034-5120-014	7/1/09	6/30/10	411,631		370,986	(411,631)				(40,645)	411,631
Extraordinary Special Education Costs Aid	10-100-034-5120-473	7/1/09	6/30/10	68,946			(68,946)	\$ (68,946)			(68,946)	68,946
Nonpublic School Transportation Costs	N/A	7/1/09	6/30/10	18,288			(18,288)	(18,288)			(18,288)	18,288
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09	6/30/10	196,575		177,187	(196,575)	(19,388)			(19,388)	196,575
Total General Fund State Aid					(371,866)	2,799,163	(2,813,707)	(106,622)			(386,410)	5,830,762
State Department of Education:												
Debt Service Fund:												
Debt Service State Support	10-100-034-5120-125	7/1/09	6/30/10	20,795		20,795	(20,795)					20,795
Total Debt Service Fund						20,795	(20,795)					20,795
Total State Department of Education					(371,866)	2,819,958	(2,834,502)	(106,622)			(386,410)	5,930,852

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2009			Balance at June 30, 2010			MEMO				
		From	To		Budgetary Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	GAAP (Accounts Receivable)	Budgetary Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures		
State Department of Agriculture:															
Enterprise Fund:															
State School Lunch Program	09-100-010-3350-023	7/1/08	6/30/09	\$ 1,861	\$ (482)	\$ 482						\$ 1,861			
State School Lunch Program	10-100-010-3350-023	7/1/09	6/30/10	1,676		1,567	\$ (1,676)	\$ (109)			\$ (109)	1,676			
State School Breakfast Program	09-100-010-3350-021	7/1/08	6/30/09	2,659	(775)	775						2,659			
State School Breakfast Program	10-100-010-3350-021	7/1/09	6/30/10	2,551		2,359	(2,551)	(192)			(192)	2,551			
Total State Department of Agriculture							(1,257)	5,183	(4,227)	(301)		(301)	8,747		
Total Enterprise Fund							(1,257)	5,183	(4,227)	(301)		(301)	8,747		
TOTAL STATE AWARDS							\$ (373,123)	\$ -0-	\$ 2,825,141	\$ (2,838,729)	\$ (106,923)	\$ -0-	\$ -0-	\$ (386,711)	\$ 5,939,599

N/A - Not Available

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in these schedules is presented in accordance with the requirements of Federal OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to P.L. 2003, C.97 (A3521). For GAAP purposes, these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$14,924) for the general fund and (\$22,609) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include on-behalf TPAF Non-Contributory Insurance and Post Retirement Contributions revenue of \$8,170 and \$153,453 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 406,420	\$ 2,960,406	\$ 3,366,826
Special Revenue Fund	200,263		200,263
Debt Service Fund		20,795	20,795
Food Service Enterprise Fund	76,409	4,227	80,636
Total Financial Assistance	<u>\$ 683,092</u>	<u>\$2,985,428</u>	<u>\$ 3,668,520</u>

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2010. Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major federal and state programs.
- An unqualified report was issued on the District's compliance for major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular NJOMB 04-04 or Federal OMB Circular A-133.
- The District's major state programs for the current fiscal year consisted of the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
Equalization Aid - ARRA - ESF	84.394	7/1/09-6/30/10	\$ 285,601	\$ 285,601
Equalization Aid - ARRA - GSF	84.397	7/1/09-6/30/10	11,056	11,056
I.D.E.A. Part B, Basic Regular	84.027	9/1/09-8/31/10	120,247	120,247
I.D.E.A. Part B, Preschool	84.173	9/1/09-8/31/10	4,569	4,569
<u>State:</u>				
Categorical Special				
Education Aid	10-495-034-5120-089	7/1/09-6/30/10	\$ 235,609	\$ 235,609
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	1,338,301	1,338,301
Categorical Security Aid	10-495-034-5120-084	7/1/09-6/30/10	91,826	91,826
Adjustment Aid	10-495-034-5120-085	7/1/09-6/30/10	452,531	452,531

- The threshold for distinguishing Type A and Type B programs was \$300,000.
- The single audit threshold identified in Federal OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04 was \$500,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Circular for state awards but not for federal awards.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined Federal OMB Circular A-133 for fiscal year ended June 30, 2010.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in Federal OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Status of Prior Year Findings:

The prior year audit findings were all resolved in the current year.