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, 2011

Comprehensive Annual Financial Report

of the

Township of Montague School District Board of Education

Montague, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

Township of Montague School District
Board of Education

Finance Department

MONTAGUE TOWNSHIP SCHOOL DISTRICT
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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 23, 2011

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, 2011, 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 23, 2011

The District completed the 2010-2011 fiscal year with an enrollment of 566 students including students at Montague's K-6 elementary school, Montague resident students at Sussex Tech, Montague resident students at the Sussex County Charter School, Montague resident students at 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:

Average Daily Enrollment (District Elementary School Only)

Fiscal Year	Student Enrollment	Percent Change
2010-2011	302.1	4.03%
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	-7.68%

2. MAJOR INITIATIVES: One major capital project that was finally addressed was the partial replacement/repair of a large section of the school's roof. This past year the District was approved for a Section 15 Grant for the roof project. The grant provided 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 was completed in the summer of 2011 in time for the school's scheduled September opening.

The Board of Education, in the furtherance of its educational goals and constitutional duties to provide a thorough and efficient education, is considering bringing back the 7th and 8th grade students to Montague. In order to facilitate such a return, additional space will be needed at the facility to accommodate these additional students. The Board has procured the services of Bond Counsel and Parette Somjen Architects to prepare a feasibility study to determine the viability of constructing a middle school building. As part of this study, initial steps were taken to submit the project to the New Jersey Department of Education to determine the level of State support (i.e. state aid). Once the level of State Aid is determined, the Board of Education will have to make a decision as to whether or not to prepare a resolution to move forward with the project for taxpayer approval.

3) ECONOMIC CONDITION AND OUTLOOK: Commercial properties have stabilized resulting in a slower decline in the ratables in Montague. The Township is experiencing very slight growth in the area of residential development and expansion. There were ongoing discussions with 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 certainty 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.

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 fund balance restrictions, commitments and assignments at June 30, 2011.

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, 2011, the District's outstanding debt issues consisted of $389,000 for outstanding serial bonds for this project.

The District approved a referendum in December 2009 for a new roof. The District has $237,075 of temporary notes relating to this project at June 30, 2011.

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 is 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 11 to the Basic Financial Statements.

10) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board'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 OMB 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.

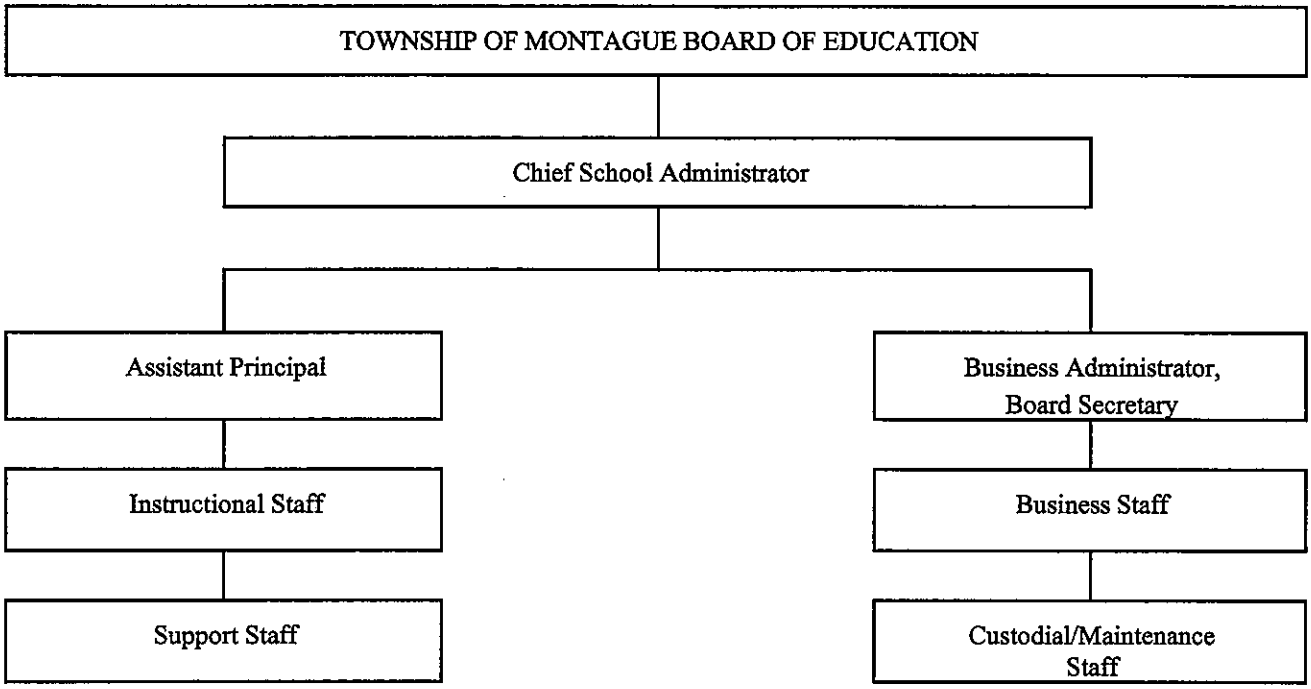
11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Montague Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of 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



MONTAGUE TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2011

Members of the Board of Education	Term Expires
Kenneth M. O'Connor, President	2014
Beverly Borrego, Vice President	2014
Thomas E. Bolan	2012
James Marion	2013
Barbara Holstein	2012
Sheila Hughes	2013
Adrienne Raefski	2012

Other Officials	Title
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 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 (through 6/30/2011)
One Main Street
Newton, NJ 07860

Adams Stern Gutierrez & Lattiboudere, LLC (from 6/30/11)
1037 Raymond Boulevard, Suite 900
Newark, New Jersey 07102

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

NISIVOCCIA LLP
Certified Public Accountants & Advisors

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

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

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
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, 2011, 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 and Regulatory Compliance, 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, 2011, 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 23, 2011 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 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 23, 2011

NISIVOCCIA 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, 2011
(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, 2011. 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 $295,393 on a district-wide basis. The District's Governmental net assets increased by $283,862, 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 decrease in its outstanding long-term debt of 11.69 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

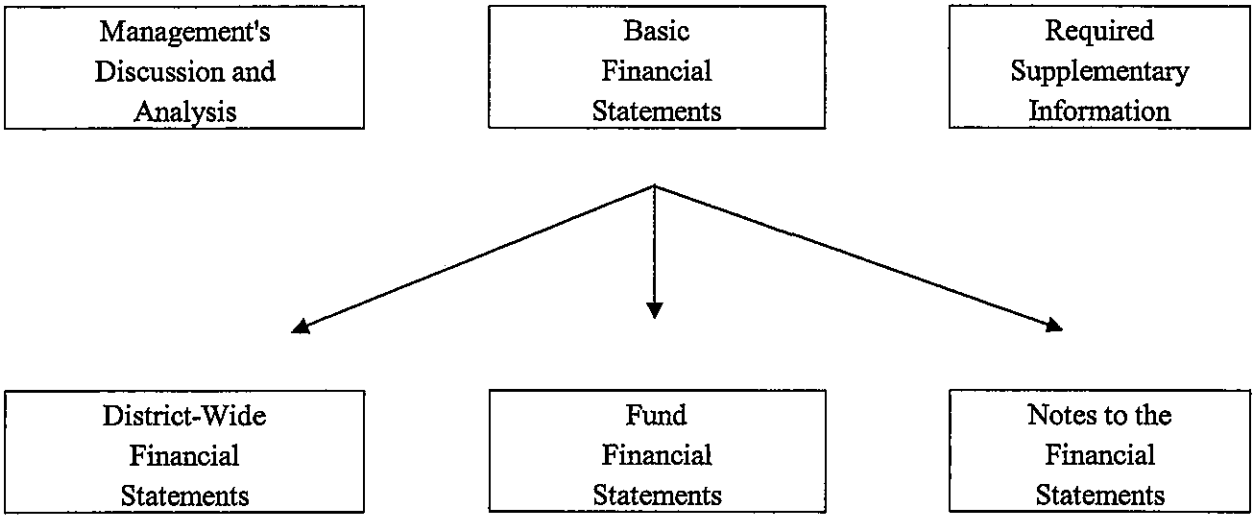


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents 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	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenue, expenditures, and changes in fund balances	• Statement of net assets • Statement of revenue, expenses, and changes in net assets • Statement of cash flows	• 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 program is included here.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that is it 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 18.90%. Net assets from governmental activities increased $283,862 and net assets from business-type activities increased by $11,531. Net assets invested in capital assets decreased $12,862, restricted net assets increased $206,113, and unrestricted net assets increased $102,142.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2011
Current and Other Assets	$ 1,185,555	$ 904,674	$ 36,392	$ 32,693	$ 1,221,947	$ 937,367	30.36%
Capital Assets, Net	1,999,304	1,844,800	3,043	3,334	2,002,347	1,848,134	8.34%
Total Assets	3,184,859	2,749,474	39,435	36,027	3,224,294	2,785,501	15.75%
Long-Term Debt Outstanding	527,023	596,758			527,023	596,758	-11.69%
Other Liabilities	838,744	617,486	456	8,579	839,200	626,065	34.04%
Total Liabilities	1,365,767	1,214,244	456	8,579	1,366,223	1,222,823	11.73%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	1,610,304	1,385,800	3,043	3,334	1,613,347	1,389,134	16.14%
Restricted	173,490	204,452			173,490	204,452	-15.14%
Unrestricted/(Deficit)	35,298	(55,022)	35,936	24,114	71,234	(30,908)	330.47%
Total Net Assets	$ 1,819,092	$ 1,535,230	$ 38,979	$ 27,448	$ 1,858,071	$ 1,562,678	18.90%

Changes in Net Assets. The District's *combined* net assets were $1,858,071 on June 30, 2011, $295,393 or 18.90% more than the prior year (See Figure A-3). Net assets invested in capital assets decreased $12,862 due to the $272,130 increase in capital assets and the payment of $70,000 in bond principal offset by $117,917 in depreciation. Restricted net assets increased by $206,113 due to an increase in encumbrances of $32,340, an increase in capital projects committed fund balance of $78,741, an increase in capital reserve of $95,031, and increase in $1 in restricted for debt service fund. Unrestricted net assets increased by $102,142 (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
	2011	2010	2011	2010	2011	2010	2011
Revenue:							
Program Revenue:							
Charges for Services			$ 27,168	$ 28,703	$ 27,168	$ 28,703	-5.35%
Grants and Contributions:							
Operating	$ 1,340,307	$ 1,258,605	79,558	80,636	1,419,865	1,339,241	6.02%
Capital	105,556				105,556		100.00%
General Revenue:							
Property Taxes	5,375,206	5,363,631			5,375,206	5,363,631	0.22%
Federal and State Aid Not Restricted	2,114,510	2,329,279			2,114,510	2,329,279	-9.22%
Other	28,136	26,305	59	123	28,195	26,428	6.69%
Total Revenue	8,963,715	8,977,820	106,785	109,462	9,070,500	9,087,282	-0.18%
Expenses:							
Instruction	3,330,328	3,383,835			3,330,328	3,383,835	-1.58%
Pupil and Instruction Services	2,587,292	2,919,162			2,587,292	2,919,162	-11.37%
Administrative and Business	583,857	567,479			583,857	567,479	2.89%
Maintenance and Operations	504,207	533,232			504,207	533,232	-5.44%
Transportation	725,546	747,527			725,546	747,527	-2.94%
Other	948,623	567,246	95,254	116,080	1,043,877	683,326	52.76%
Total Expenses	8,679,853	8,718,481	95,254	116,080	8,775,107	8,834,561	-0.67%
Transfers		(15,300)		15,300			0.00%
Increase/(Decrease) in Net Assets	$ 283,862	$ 244,039	$ 11,531	$ 8,682	$ 295,393	$ 252,721	-16.89%

Revenue Sources. The District's total revenue for the 2010/2011 school year was $9,070,500 (See Figure A-5). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for $5,375,206 of the total, or 59.26 percent (See Figure A-5). Another 40.13 percent came from state and federal aid for specific programs and contributions, 0.30 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 $1,184,474, $177,435 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 2011

Sources of Income:	Amount	Percentage
State Formula Aid	$ 2,455,457	27.07%
Property Taxes	5,375,206	59.26%
Federal and State Categorical Grants	1,184,474	13.06%
Charges for Services	27,168	0.30%
Other	28,195	0.31%
	$ 9,070,500	100.00%

The total cost of all programs and services was $8,775,107. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (75.70 percent) (See Figure A-6). The District's administrative and business activities accounted for 6.65 percent of total costs. It is important to note that depreciation of $117,917 is included in expenses for the year.

Figure A-6
Expenses for Fiscal Year 2011

Expense Category:	Amount	Percentage
Instruction	$ 3,330,328	37.95%
Pupil and Instruction Services	2,587,292	29.48%
Administrative and Business	583,857	6.65%
Maintenance and Operations	504,207	5.75%
Transportation	725,546	8.27%
Other	1,043,877	11.90%
	$ 8,775,107	100.00%

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	
	2011	2010	2011	2010
Instruction	$ 3,330,328	$ 3,383,835	$ 2,244,526	$ 2,583,757
Pupil and Instruction Services	2,587,292	2,919,162	2,573,081	3,133,971
Administrative and Business	583,857	567,479	560,126	540,980
Maintenance and Operations	504,207	533,232	493,210	541,326
Transportation	725,546	747,527	414,424	482,718
Other	948,623	567,246	948,623	497,278
	$ 8,679,853	$ 8,718,481	$ 7,233,990	$ 7,780,030

- The cost of all governmental activities this year was $8.68 million.
- The federal and state governments subsidized certain programs with grants and contributions ($1.34 million).
- Most of the District's costs, however, were financed by District taxpayers ($5.38 million).
- A portion of governmental activities was financed with state aid based on the CEIFA formula ($2.46 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 $11,531 (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 decreased as compared to the prior year. However, ratables 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
	2011	2010	2011	2010	2011	2010	2011
Sites (Land)	$ 45,148	$ 45,148			$ 45,148	$ 45,148	0.00%
Construction in Progress	263,890				263,890		100.00%
Site Improvements	25,321	29,512			25,321	29,512	-14.20%
Buildings and Building Improvements	1,571,764	1,658,970			1,571,764	1,658,970	-5.26%
Machinery and Equipment	93,181	111,170	$ 3,043	$ 3,334	96,224	114,504	-15.96%
Total Capital Assets (Net of Depreciation)	$ 1,999,304	$ 1,844,800	$ 3,043	$ 3,334	$ 2,002,347	$ 1,848,134	8.34%

The District's overall capital assets increased due to construction in progress additions exceeding depreciation expense.

Long-term Debt

At year-end, the District had $389,000 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
	2011	2010	2011
General Obligation Bonds (Financed with Property Taxes)	$ 389,000	$ 459,000	-15.25%
Other Long-term Debt	138,023	137,758	0.19%
	$ 527,023	$ 596,758	-11.69%

- 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

Exhibit A-1

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 789,203	$ 14,382	$ 803,585
Internal Balances	(15,465)	15,465	
Receivables from Other Governments	301,493	6,089	307,582
Receivables - Other	709		709
Inventory		456	456
Restricted Assets:			
Capital Reserve Account - Cash	109,615		109,615
Capital Assets, Net:			
Sites (Land)	45,148		45,148
Construction in Progress	263,890		263,890
Depreciable Site Imorovements, Buildings and Building Improvements and Furniture, Machinery and Equipment	1,690,266	3,043	1,693,309
Total Assets	3,184,859	39,435	3,224,294
LIABILITIES			
Accrued Interest Payable	13,606		13,606
Accounts Payable	546,527		546,527
Temporary Notes Payable	237,075		237,075
Deferred Revenue	41,536	456	41,992
Noncurrent Liabilities:			
Due Within One Year	75,000		75,000
Due Beyond One Year	452,023		452,023
Total Liabilities	1,365,767	456	1,366,223
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,610,304	3,043	1,613,347
Restricted for:			
Capital Projects	(48,719)		(48,719)
Debt Service			
Other Purposes	222,209		222,209
Unrestricted	35,298	35,936	71,234
Total Net Assets	$ 1,819,092	$ 38,979	$ 1,858,071

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, 2011

		Program Revenues			Net (Expenses)/Revenues and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	$ 2,231,773		$ 350,664	$ 37,018	$ (1,844,091)		$ (1,844,091)
Special Education	784,326		630,990	9,322	(144,014)		(144,014)
Other Instruction	221,075		36,539	5,345	(179,191)		(179,191)
School-Sponsored Instruction	93,154		15,834	90	(77,230)		(77,230)
Support services:							
Student & Instruction Related Services	2,587,292			14,211	(2,573,081)		(2,573,081)
General Administrative Services	293,982			6,024	(287,958)		(287,958)
School Administrative Services	106,341		12,424	1,847	(92,070)		(92,070)
Central Services	123,846			2,322	(121,524)		(121,524)
Administration Information Technology	59,688			1,114	(58,574)		(58,574)
Plant Operations and Maintenance	504,207			10,997	(493,210)		(493,210)
Pupil Transportation	725,546		293,856	17,266	(414,424)		(414,424)
Interest on Long-Term Debt	28,666				(28,666)		(28,666)
Charter Schools	919,957				(919,957)		(919,957)
Total Governmental Activities	8,679,853		1,340,307	105,556	(7,233,990)		(7,233,990)
Business-Type Activities:							
Food Service	95,254	$ 27,168	79,558			$ 11,472	11,472
Total Business-Type Activities	95,254	27,168	79,558			11,472	11,472
Total Primary Government	$ 8,775,107	$ 27,168	$ 1,419,865	$ 105,556	$ (7,233,990)	$ 11,472	$ (7,222,518)

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses)/Revenues and Changes in Net Assets: Governmental Activities	Net (Expenses)/Revenues and Changes in Net Assets: Business-type Activities	Net (Expenses)/Revenues and Changes in Net Assets: Total
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					$ 5,298,120		$ 5,298,120
Taxes Levied for Debt Service					77,086		77,086
Federal and State Aid Not Restricted					2,114,510		2,114,510
Investment Earnings					31	$ 59	90
Miscellaneous Income					28,105		28,105
Total General Revenues					7,517,852	59	7,517,911
Change in Net Assets					283,862	11,531	295,393
Net Assets - Beginning					1,535,230	27,448	1,562,678
Net Assets - Ending					$ 1,819,092	$ 38,979	$ 1,858,071

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, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 789,199			$ 4	$ 789,203
Interfund Receivable	53,247				53,247
Receivables from Federal Government		$ 67,259			67,259
Receivables from State Government	128,678		$ 105,556		234,234
Restricted Cash and Cash Equivalents	109,615				109,615
Total Assets	$ 1,080,739	$ 67,259	$ 105,556	$ 4	$ 1,253,558
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable	$ 15,465	$ 25,723	$ 26,815		$ 68,003
Accounts Payable	546,527				546,527
Temporary Notes Payable			237,075		237,075
Deferred Revenue		41,536			41,536
Total Liabilities	561,992	67,259	263,890		893,141
Fund Balances:					
Restricted:					
Excess Surplus - Designated for Subsequent Year's Expenditures	42,961			4	42,965
Capital Reserve Account	109,615				109,615
Committed			(158,334)		(158,334)
Assigned:					
Year-End Encumbrances	179,244				179,244
Unassigned	186,927				186,927
Total Fund Balances	518,747		(158,334)	4	360,417
Total Liabilities and Fund Balances	$ 1,080,739	$ 67,259	$ 105,556	$ 4	

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 $4,226,375 and the accumulated depreciation is $2,227,071.	1,999,304
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).	(527,023)
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.	(13,606)
Net Assets of Governmental Activities	$ 1,819,092

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
SUMMARY
FOR THE YEAR ENDED JUNE 30, 2011

	General	Special Revenue	Capital Projects	Debt Service	Total Governmental
REVENUES					
Local Sources:					
Local Tax Levy	$ 5,298,120			$ 77,086	$ 5,375,206
Interest Earned on Capital Reserve Funds	31				31
Miscellaneous	28,105				28,105
Total - Local Sources	5,326,256			77,086	5,403,342
State Sources	2,944,074		$ 105,556	17,012	3,066,642
Federal Sources	151,317	$ 342,414			493,731
Total Revenues	8,421,647	342,414	105,556	94,098	8,963,715
EXPENDITURES					
Current:					
Regular Instruction	1,489,598	108,914			1,598,512
Special Education Instruction	375,127	233,500			608,627
Other Special Instruction	215,119				215,119
School Sponsored Instruction	3,599				3,599
Support Services and Undistributed Costs:					
Student & Instruction Related Services	2,420,156				2,420,156
General Administrative Services	242,437				242,437
School Administrative Services	74,345				74,345
Central Services	93,413				93,413
Administration Information Technology	44,794				44,794
Plant Operations and Maintenance	442,502				442,502
Pupil Transportation	694,822				694,822
Unallocated Benefits	1,182,010				1,182,010

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Transfer to Charter Schools	$ 919,957				$ 919,957
Debt Service:					
Principal				$ 70,000	70,000
Interest and Other Charges				24,097	24,097
Capital Outlay	1,243		$ 263,890		265,133
Total Expenditures	8,199,122	$ 342,414	263,890	94,097	8,899,523
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	222,525	-0-	(158,334)	1	64,192
Fund Balance—July 1	296,222	-0-	-0-	3	296,225
Fund Balance/ (Deficit)—June 30	$ 518,747	$ -0-	$ (158,334)	$ 4	$ 360,417

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

Exhibit B-3

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, 2011

Total Net Change in Fund Balances - Governmental Funds (from B-2)		$ 64,192
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differed from capital outlays in the period.		
Depreciation expense	$ (117,626)	
Capital Outlays	272,130	154,504
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).		(265)
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 (+).		(4,569)
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. (+)		70,000
Change in Net Assets of Governmental Activities		$ 283,862

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

Exhibit B-4

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUND
AS OF JUNE 30, 2011

	Business-Type Activities - Enterprise Funds	
		Food Service
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$	14,382
Intergovernmental Receivable:		
Federal		5,943
State		146
Interfund Accounts Receivable		15,465
Inventory		456
Total Current Assets		36,392
Non-Current Assets:		
Capital Assets		17,219
Less: Accumulated Depreciation		(14,176)
Total Non-Current Assets		3,043
Total Assets		39,435
LIABILITIES:		
Deferred Revenue		456
Total Liabilities		456
NET ASSETS:		
Investment in Capital Assets Net of Related Debt		3,043
Unrestricted		35,936
Total Net Assets	$	38,979

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

Exhibit B-5

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, 2011

	Business-Type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	$ 27,168
Total Operating Revenue	27,168
Operating Expenses:	
Cost of Sales	90,197
Supplies, Insurance & Other Costs	4,766
Depreciation Expense	291
Total Operating Expenses	95,254
Operating Loss	(68,086)
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	36,905
National School Breakfast Program	32,002
Food Distribution Program	9,533
State Sources	
State School Lunch Program	1,118
Interest Income	59
Total Non-Operating Revenue	79,617
Change in Net Assets	11,531
Net Assets - Beginning of Year	27,448
Net Assets - End of Year	$ 38,979

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, 2011

	Business-Type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	$ 27,168
Payments to Suppliers for Goods and Services	(91,865)
Net Cash Used for Operating Activities	(64,697)
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	53,375
Net Cash Provided by Noncapital Financing Activities	53,375
Cash Flows from Investing Activities:	
Interest on Investments	59
Net Cash Provided by Investing Activities	59
Net Decrease in Cash and Cash Equivalents	(11,263)
Cash and Cash Equivalents, July 1	25,645
Cash and Cash Equivalents, June 30	$ 14,382
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	$ (68,086)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	291
Food Distribution Program	9,533
Changes in Assets and Liabilities:	
Decrease in Inventory	1,688
(Decrease) in Accounts Payable	(6,435)
(Decrease) in Deferred Revenue	(1,688)
Net Cash Used for Operating Activities	$ (64,697)

Noncash Investing, Capital and Financing Activities:
The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at $7,846 and utilized U.S.D.A. Commodities valued at $9,533.

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

Exhibit B-7

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	Agency	Unemployment Compensation Trust	Private Purpose Scholarship Trust
ASSETS:			
Cash and Cash Equivalents	$ 162,048	$ 3,599	$ 1,819
Total Assets	162,048	3,599	1,819
LIABILITIES:			
Payroll Deductions and Withholdings	41,873		
Accrued Salaries and Wages	118,286		
Interfund Payable	709		
Due to Student Groups	1,180		
Total Liabilities	162,048		
NET ASSETS:			
Reserved for Scholarships			1,819
Held in Trust for Unemployment Claims		3,599	
Total Net Assets	$ -0-	$ 3,599	$ 1,819

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

Exhibit B-8

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Unemployment Compensation Trust	Scholarship Fund
ADDITIONS:		
Contributions:		
Budget Appropriation	$ 12,000	
Investment Earnings:		
Interest	5	$ 4
Total Contributions	12,005	4
Total Additions	12,005	4
DEDUCTIONS:		
Unemployment Claims	10,441	
Scholarships Awarded		50
Total Deductions	10,441	50
Change in Net Assets	1,564	(46)
Net Assets - Beginning of the Year	2,035	1,865
Net Assets - End of the Year	$ 3,599	$ 1,819

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, 2011

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, 2011

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

The District reports the following proprietary fund:

Enterprise Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria operations. The Food Service Fund is utilized to account for operations that are

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

B. Basis of Presentation: (Cont'd)

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.

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

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

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.

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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

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).

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 of the annual budgets during the year).

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

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

The 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.

The capital project fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants. Grants are recognized in full year the grants are awarded on the budgetary basis; but, are not recognized on the GAAP basis until they are expended and submitted for reimbursement.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	$ 8,382,521	$ 361,340
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		
Prior Year Encumbrances		22,609
Current Year Encumbrances		(41,535)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	(240,662)	
Current Year State Aid Payments Recognized for Budgetary Purposes, notRecognized for GAAP Statements	279,788	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	$ 8,421,647	$ 342,414

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	$ 8,199,122	$ 361,340
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.		(18,926)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 8,199,122	$ 342,414

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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

	Capital Projects Fund
Fund Balance (Budgetary Basis)	$ (105,840)
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	(52,494)
Fund Balance per Governmental Funds (GAAP)	$ (158,334)

	Capital Projects Fund
Amount Per Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (per Exhibit F-1)	$ 158,050
SDA Grant Revenue/Receivable Recognized for Budgetary Purposes, not Recognized on GAAP Basis	(52,494)
Amount Per Statement of Revenue, Expenditures and Changes in Fund Balances - Govermental Funds (GAAP Basis) (per Exhibit B-2)	$ 105,556

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.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing 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.

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

K. Capital Assets:

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

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

	Estimated Useful Life
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, 2011, the amount earned by these employees but not disbursed was $118,286.

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.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

N. Compensated Absences: (Cont'd)

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

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

O. Deferred Revenue:

Deferred revenue in the 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 $518,747 General Fund fund balance at June 30, 2011, $179,244 is assigned for encumbrances; $109,615 is restricted in the capital reserve account; $42,961 is restricted for the current year's excess surplus designated for subsequent year's expenditures 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 $186,927 is unassigned fund balance.

Capital Projects Fund: The Capital Projects fund balance at June 30, 2011 of $(105,840) is committed for capital projects. This fund balance does not include the temporary authorized notes of $237,075 and the SDA grant revenue of $52,494 which is not recognized on a GAAP basis.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2011 of $4 is restricted.

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

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by $240,662 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.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

Q. Fund Balance Restrictions, Commitments, and Assignments:

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

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

Fund balance restrictions have been established for excess surplus, a capital reserve, and debt service.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources for year-end encumbrances at June 30, 2011.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2011.

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.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

S. Deficit Fund Balance/ Net Assets:

The District has a deficit in committed fund balance of $105,840 in the Capital Projects Fund primarily due to $237,075 of bond proceeds and the $52,494 of School Development Authority grant revenue not recognized.

The deficit does not mean the District is facing financial difficulties and is a permitted practice by 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 of food. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates:

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

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.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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.

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;

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

(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.

As of June 30, 2011, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Capital Reserve Account	Total
Checking and Savings Accounts	$ 720,610	$ 109,615	$ 830,225
New Jersey Cash Management Fund	250,441		250,441
	$ 971,051	$ 109,615	$ 1,080,666

During the period ended June 30, 2011, the District did not hold any investments.

The carrying amount of the Board's cash and cash equivalents at June 30, 2011, was $1,080,666 and the bank balance was $1,864,750. The $250,441 in the New Jersey Cash Management Fund is uninsured and unregistered.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2010	$ 14,584
Interest Earnings	31
Deposits - Budgeted Increase	95,000
Ending Balance, June 30, 2011	$ 109,615

The June 30, 2011 LRFP balance of local support costs of uncompleted capital projects exceeds the June 30, 2011 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, 2011, the District transferred a total of $43,298 to the capital outlay accounts. $25,643 of the total amount transferred was for equipment and did not require County Superintendent approval. The District obtained the required County Superintendent approval for the remaining $17,655 transfer to land improvements.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	$ 45,148			$ 45,148
Construction in Progress		$ 263,890		263,890
Total Capital Assets Not Being Depreciated	45,148	263,890		309,038
Capital Assets Being Depreciated:				
Buildings and Building Improvements	3,222,969			3,222,969
Site Improvements	117,487			117,487
Machinery and Equipment	568,641	8,240		576,881
Total Capital Assets Being Depreciated	3,909,097	8,240		3,917,337
Governmental Activities Capital Assets	3,954,245	272,130		4,226,375
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(1,563,999)	(87,206)		(1,651,205)
Site Improvements	(87,975)	(4,191)		(92,166)
Machinery and Equipment	(457,471)	(26,229)		(483,700)
	(2,109,445)	(117,626)		(2,227,071)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	$ 1,844,800	$ 154,504	$ -0-	$ 1,999,304

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	$ 41,251
Special Education	10,388
Other Instruction	5,956
School Sponsored Instruction	100
Student and Instruction Related Services	15,837
General Administrative Services	6,713
School Administrative Services	2,058
Central Services	2,587
Administration Information Technology	1,241
Plant Operations and Maintenance	12,254
Pupil Transportation	19,241
	$ 117,626

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2011, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2010	Accrued	Retired	Balance 6/30/2011
Serial Bonds Payable	$ 459,000		$ 70,000	$ 389,000
Compensated Absences Payable	137,758	20,195	19,930	138,023
	$ 596,758	$ 20,195	$ 89,930	$ 527,023

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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, 2011 is $75,000 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, 2011 as follows:

Final Maturity	Interest Rate	Amount
08/01/2016	5.25%	$ 389,000

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

Year Ending June 30,	Principal	Interest	Total
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
	$ 389,000	$ 61,952	$ 450,952

B. Bonds Authorized But Not Issued:

The Board had no bonds authorized but not issued as of June 30, 2011.

C. Capital Leases Payable:

The District did not have any Capital Leases Payable as of June 30, 2011.

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 $138,023. 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, 2011, no liability existed for compensated absences in the Enterprise Funds.

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

NOTE 8. TEMPORARY NOTES

Final Maturity	Purpose	Interest Rate	Amount
8/15/2011	Repair and Partial Replacement of Roof-Montague Elementary School	2.875%	$ 237,075

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 9. 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 a specific age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes 'final average salary" during years of 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.

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

District Contributions to PERS amounted to $57,273, $51,917 and $38,296 for the fiscal years ended June 30, 2011, 2010 and 2009, respectively.

During the fiscal years ended June 30, 2011, 2010 and 2009 the State of New Jersey contributed $-0-, $-0- and $-0-, respectively, to the TPAF for normal pension benefits on-behalf of the District.

NOTE 10. 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, 2010, there were 87,288 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.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 10. POST-RETIREMENT BENEFITS (Cont'd)

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 $126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

The State's on-behalf Post Retirement Medical Contributions to TPAF for the District amounted to $169,457, $153,453, and $148,242 for 2011, 2010, and 2009, respectively.

NOTE 11. 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.

The audit report for the fiscal year ended June 30, 2011 was not available as of the date of this report. Selected financial information for the NJSBAIG as of June 30, 2010 is as follows:

	New Jersey School Boards Association Insurance Group
Total Assets	$ 241,084,120
Net Assets	$ 57,984,070
Total Revenue	$ 85,455,060
Total Expenses	$ 76,536,630
Change in Net Assets for the Year Ended June 30	$ 8,918,430
Net Assets Distribution to Participating Members	$ -0-

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 11. RISK MANAGEMENT

Property, Liability and Health Benefits (Cont'd)

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

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.

Fiscal Year	District Contributions	Interest Earned	Employee Contributions	Amount Reimbursed	Ending Balance
2010-2011	$ 12,000	$ 5	$ -0-	$ 10,441	$ 3,599
2009-2010	8,000	4	-0-	9,769	2,035
2008-2009	10,500	37	-0-	8,405	3,800

NOTE 12. 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.

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2011 there were interfund receivables and payables as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	$ 53,247	$ 15,465
Special Revenue Fund		25,723
Capital Projects Fund		26,815
Agency Fund		709
Food Service Fund	15,465	
	$ 68,712	$ 68,712

A portion of the interfund receivable in the General Fund is comprised of $25,723 due from the Special Revenue Fund for the deficit in the cash balance in the Special Revenue Fund and $26,815 is due from the Capital Projects Fund for the deficit in cash balance in the Capital Project Fund. The remaining interfund

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES (Cont'd)

receivable in the General Fund is due from the Agency Fund for accumulated interest in the Payroll Agency and Net Payroll Accounts. The interfund payable is due to the April and May subsidy reimbursements that are due to the Food Service Fund from the General Fund.

NOTE 14. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, 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
Lincoln Life Financial

NOTE 15. 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 16. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2011:

	Governmental Activities	
	General Fund	Total Governmental Funds
Vendors	$ 23,540	$ 23,540
Due to Other Governmental Units	522,987	522,987
	$ 546,527	$ 546,527

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 17. COMMITMENTS AND CONTINGENCIES

Litigation

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.

Encumbrances

At June 30, 2011, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Total Governmental Funds
$ 179,244	$ 41,536	$ 220,780

On the District's Governmental Funds Balance Sheet as of June 30, 2011, $-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is $41,536 less than the actual year-end encumbrance on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in deferred revenue in the Special Revenue Fund.

BUDGETARY COMPARISON SCHEDULES

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	$ 5,298,120		$ 5,298,120	$ 5,298,120	
Interest on Capital Reserve	225		225	31	$ (194)
Miscellaneous	15,000		15,000	28,105	13,105
Total Local Sources	5,313,345		5,313,345	5,326,256	12,911
State Sources:					
Categorical Special Education Aid	235,609		235,609	235,609	
Equalization Aid	1,824,984		1,824,984	1,824,984	
Categorical Security Aid	96,717		96,717	96,717	
Categorical Transportation Aid	259,021		259,021	259,021	
Extraordinary Aid	81,999		81,999	99,391	17,392
Nonpublic Transportation				19,988	19,988
On-behalf TPAF Non-Contributory Insurance (non-budgeted)				7,978	7,978
On-behalf TPAF Post Retirement Contributions (non-budgeted)				169,457	169,457
Reimbursed TPAF Social Security Contributions (non-budgeted)				191,803	191,803
Total State Sources	2,498,330		2,498,330	2,904,948	406,618
Federal Sources:					
Impact Aid	130,000		130,000	141,271	11,271
Medicaid Reimbursement	5,486		5,486	10,046	4,560
Total Federal Sources	135,486		135,486	151,317	15,831
TOTAL REVENUES	7,947,161		7,947,161	8,382,521	435,360
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	187,125	$ 15,481	202,606	202,606	
Grades 1-5 - Salaries of Teachers	1,006,669	(27,478)	979,191	978,891	300
Grades 6-8 - Salaries of Teachers	143,638	6,438	150,076	150,076	

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Home Instruction:					
Salaries of Teachers	$ 520	$ 1,033	$ 1,553	$ 544	$ 1,009
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	105,159	9,298	114,457	114,457	
Purchased Professional - Educational Services		1,000	1,000	1,000	
Purchased Technical Services	12,273	(8,533)	3,740	3,740	
Other Purchased Services (400-500 Series)	10,700	(3,632)	7,068	6,885	183
General Supplies	48,113	(23,984)	24,129	20,936	3,193
Textbooks	12,274	1,477	13,751	7,411	6,340
Other Objects		3,052	3,052	3,052	
Total Regular Programs - Instruction	1,526,471	(25,848)	1,500,623	1,489,598	11,025
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	132,728	8,252	140,980	140,980	
Other Salaries for Instruction	23,001	(23,001)			
Total Learning and/or Language Disabilities	155,729	(14,749)	140,980	140,980	

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Resouce Room/Resouce Center:					
Salaries of Teachers	$ 205,385	$ (41,715)	$ 163,670	$ 163,670	
General Supplies		220	220		$ 220
Total Resouce Room/Resouce Center	205,385	(41,495)	163,890	163,670	220
Preschool Handicapped - Part Time:					
Salaries of Teachers	47,489	(2,676)	44,813	44,813	
Other Salaries for Instruction	26,114	(220)	25,894	25,664	230
Total Preschool Handicapped - Part Time	73,603	(2,896)	70,707	70,477	230
Total Special Education Instruction	434,717	(59,140)	375,577	375,127	450
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	166,737	19,072	185,809	185,809	
Total Basic Skills/Remedial - Instruction	166,737	19,072	185,809	185,809	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	2,195	(78)	2,117	2,099	18
Total School-Sponsored Cocurricular Activities - Instruction	2,195	(78)	2,117	2,099	18
School-Sponsored Athletics - Instruction:					
Salaries	1,500		1,500	1,500	
Total School-Sponsored Athletics - Instruction	1,500		1,500	1,500	

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Other Instructional Programs - Instruction					
Salaries	$ 28,525	$ 708	$ 29,233	$ 29,232	$ 1
Supplies and Materials		78	78	78	
Total Other Instructional Programs - Instruction	28,525	786	29,311	29,310	1
Total Instruction	2,160,145	(65,208)	2,094,937	2,083,443	11,494
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	965,724	(129,745)	835,979	835,979	
Tuition to Other LEAs Within the State - Special	221,196	9,505	230,701	214,717	15,984
Tuition to Private Schools for the Handicapped - Within State	45,583	(38,838)	6,745	6,745	
Tuition to Private Schools for the Handicapped and Other LEAs - Special Outside State	799,048	7,083	806,131	790,822	15,309
Total Undistributed Expenditures - Instruction	2,031,551	(151,995)	1,879,556	1,848,263	31,293
Health Services:					
Salaries	56,008	511	56,519	56,519	
Purchased Professional and Technical Services	250		250		250
Other Purchased Services (400-500 Series)		143	143	143	
Supplies and Materials	1,228	(143)	1,085	639	446
Total Health Services	57,486	511	57,997	57,301	696
Other Support Services - Students - Speech, OT, PT and Related Services:					
Salaries	64,734	781	65,515	65,515	
Purchased Professional - Educational Services		1,700	1,700	1,700	
Supplies and Materials		484	484	484	
Total Other Support Services - Students - Speech, OT, PT and Related Services	64,734	2,965	67,699	67,699	

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Students - Extraordinary Services:					
Purchased Professional - Educational Services	$ 88,992	$ 7,513	$ 96,505	$ 96,505	
Total Other Support Services - Students - Extraordinary Services	88,992	7,513	96,505	96,505	
Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	215,518	51,645	267,163	267,163	
Salaries of Secretarial and Clerical Assistants	22,437	(100)	22,337	22,319	$ 18
Purchased Professional - Educational Services		1,696	1,696	1,696	
Supplies and Materials	365	2,775	3,140	3,140	
Other Objects		100	100	100	
Total Other Support Services - Students - Child Study Team	238,320	56,116	294,436	294,418	18
Improvement of Instructional Services:					
Salaries of Other Professional Staff		24,720	24,720	20,402	4,318
Total Improvement of Instructional Services		24,720	24,720	20,402	4,318

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Educational Media Services/School Library:					
Salaries	$ 28,525	$ 709	$ 29,234	$ 29,232	$ 2
Purchased Professional and Technical Services		137	137		137
Supplies and Materials	2,000	(769)	1,231	275	956
Total Educational Media Services/School Library	30,525	77	30,602	29,507	1,095
Instructional Staff Training Services:					
Other Purchased Professional and Technical Services	4,225	146	4,371	4,351	20
Other Purchased Services (400-500 series)	1,508	202	1,710	1,710	
Total Instructional Staff Training Services	5,733	348	6,081	6,061	20
Support Services - General Administration:					
Salaries	117,746	28,185	145,931	145,931	
Legal Services	15,000	(332)	14,668	14,668	
Audit Fee	38,896	(19,656)	19,240	19,240	
Other Purchased Professional Services	24,319	13,200	37,519	1,085	36,434
Purchased Technical Services	2,665	1,080	3,745	3,745	
Communications/Telephone	15,888	6,363	22,251	22,251	
BOE Other Purchased Services	9,530	6,957	16,487	16,487	
Miscellaneous Purchased Services (400-500 series)	4,358	(2,813)	1,545	1,394	151
General Supplies	9,077	(3,634)	5,443	2,681	2,762
Miscellaneous Expenditures	8,000	(5,520)	2,480	2,480	
BOE Membership Dues and Fees	4,500	7,975	12,475	12,475	
Total Support Services - General Administration	249,979	31,805	281,784	242,437	39,347

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	$ 72,024	$ 2,321	$ 74,345	$ 74,345	
Total Support Services - School Administration	72,024	2,321	74,345	74,345	
Central Services:					
Salaries	92,358	(1,001)	91,357	91,357	
Purchased Professional Services	4,993	(4,993)			
Purchased Technical Services		2,344	2,344	1,894	$ 450
Supplies and Materials	1,000	(53)	947	162	785
Total Central Services	98,351	(3,703)	94,648	93,413	1,235
Administration Information Technology:					
Salaries	30,168	14,626	44,794	44,794	
Total Administration Information Technology	30,168	14,626	44,794	44,794	
Required Maintenance of School Facilities:					
Salaries	66,314	(397)	65,917	65,915	2
Cleaning, Repair and Maintenance Services	30,785	24,496	55,281	39,608	15,673
General Supplies	7,200	2,816	10,016	6,586	3,430
Total Required Maintenance of School Facilities	104,299	26,915	131,214	112,109	19,105

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services:					
Salaries	$ 107,250	$ 55,683	$ 162,933	$ 160,136	$ 2,797
Purchased Professional and Techincal Services	12,120	2,017	14,137	14,137	
Cleaning, Repair and Maintenance Services	9,740	24,424	34,164	14,079	20,085
Insurance	24,000	(1,113)	22,887	22,841	46
General Supplies	11,558	4,352	15,910	14,490	1,420
Energy (Electricity)	118,500	(14,070)	104,430	104,430	
Other Objects		280	280	280	
Total Custodial Services	283,168	71,573	354,741	330,393	24,348
Student Transportation Services:					
Salary for Pupil Transportation (Between Home & School) - Reg	22,437	15,011	37,448	34,479	2,969
Salary for Pupil Transportation (Between Home & School) - Special Education	2,084	1,106	3,190	3,190	
Contracted Services:					
Between Home and School - Vendors	396,671	(4,670)	392,001	387,673	4,328
Special Education Students - Vendors	328,854	(48,530)	280,324	257,882	22,442
Aid in Lieu - Nonpublic Schools	7,400	3,208	10,608	10,608	
General Supplies	336	32	368	368	
Miscellaneous Purchased Services		622	622	622	
Total Student Transportation Services	757,782	(33,221)	724,561	694,822	29,739

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits:					
Social Security Contributions	$ 59,060	$ (11,834)	$ 47,226	$ 47,226	
Other Retirement Contributions - PERS	44,050	28,223	72,273	57,273	$ 15,000
Unemployment Compensation	35,000	(14,195)	20,805	12,000	8,805
Workmen's Compensation	35,300	(7,151)	28,149	28,149	
Health Benefits	790,538	(138,341)	652,197	645,605	6,592
Tuition Reimbursement	14,700		14,700	4,064	10,636
Other Employee Benefits	8,380	26,992	35,372	18,455	16,917
Total Unallocated Benefits	987,028	(116,306)	870,722	812,772	57,950
On-behalf TPAF Non-Contributory Insurance (non-budgeted)				7,978	(7,978)
On-behalf TPAF Post Retirement Contributions (non-budgeted)				169,457	(169,457)
Reimbursed TPAF Social Security Contributions (non-budgeted)				191,803	(191,803)
Total Undistributed Expenses	5,100,140	(65,735)	5,034,405	5,194,479	(160,074)
TOTAL GENERAL CURRENT EXPENSE	7,260,285	(130,943)	7,129,342	7,277,922	(148,580)
CAPITAL OUTLAY:					
Equipment:					
School Buses - Special		25,643	25,643		25,643
Total Equipment		25,643	25,643		25,643
Facilities Acquisition and Construction Services:					
Other Objects	1,243		1,243	1,243	
Land Improvements		17,655	17,655		17,655
Total Facilities Acquisition and Construction Services	1,243	17,655	18,898	1,243	17,655

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
TOTAL CAPITAL OUTLAY	$ 1,243	$ 43,298	$ 44,541	$ 1,243	$ 43,298
Transfer of Funds to Charter Schools	832,312	87,645	919,957	919,957	
TOTAL EXPENDITURES	8,093,840	-0-	8,093,840	8,199,122	(105,282)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(146,679)		(146,679)	183,399	540,642
Fund Balance, July 1	576,010		576,010	576,010	
Fund Balance, June 30	$ 429,331	$ -0-	$ 429,331	$ 759,409	$ 540,642

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Recapitulation:	
Restricted:	
Excess Surplus Designated for Subsequent Year's Expenditures	$ 42,961
Capital Reserve	109,615
Assigned:	
Year-End Encumbrances	179,244
Unassigned Fund Balance	427,589
	759,409
Reconciliation to Governmental Funds Statements (GAAP):	
Last State Aid Payment not Recognized on GAAP Basis	(240,662)
Fund Balance per Governmental Funds (GAAP)	$ 518,747

Exhibit C-2

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	$ 164,250	$ 235,560	$ 399,810	$ 361,340	$ (38,470)
Total Revenues	164,250	235,560	399,810	361,340	(38,470)
EXPENDITURES:					
Instruction					
Personal Services - Salaries	44,000	(41,123)	2,877	2,877	
Purchased Professional- Educational Services		35,000	35,000	35,000	
Other Purchased Services		153,427	153,427	153,427	
Tuition		122,631	122,631	122,631	
General Supplies		85,454	85,454	46,984	38,470
Total Instruction	44,000	355,389	399,389	360,919	38,470
Support Services					
Personal Services - Salaries of Professional Staff	120,250	(120,250)			
Personal Services - Employee Benefits		421	421	421	
Total Support Services	120,250	(119,829)	421	421	
Total Expenditures	164,250	235,560	399,810	361,340	38,470
Excess of Revenues Over Expenditures	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-

Exhibit C-3
1 of 2

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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	$ 8,382,521	$ 361,340
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.		
Prior Year Encumbrances		22,609
Current Year Encumbrances		(41,535)
Prior Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	279,788	
Current Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	(240,662)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	$ 8,421,647	$ 342,414
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	$ 8,199,122	$ 361,340
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.		
Prior Year Encumbrances		22,609
Current Year Encumbrances		(41,535)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 8,199,122	$ 342,414

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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 of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	No Child Left Behind				
	Title I	Title I ARRA	Title I Carryover	Title II Part A	Title II Part D
REVENUE:					
Federal Sources	$ 65,514	$ 13,839	$ 7,312	$ 6,809	$ 113
Total Revenue	65,514	13,839	7,312	6,809	113
EXPENDITURES:					
Instruction:					
Salaries of Teachers					
Purchased Professional- Educational Services	35,000				
Other Purchased Services		8,529		6,809	
Tuition					
General Supplies	30,514	5,310	7,312		113
Total Instruction	65,514	13,839	7,312	6,809	113
Support Services:					
Personal Services - Employee Benefits					
Total Support Services					
Facilities Acquisition:					
Instructional Equipment					
Total Facilities Acquisition					
Total Expenditures	$ 65,514	$ 13,839	$ 7,312	$ 6,809	$ 113

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	No Child Left Behind Title II Part A Carryover	IDEA Part B Basic	IDEA Part B Basic ARRA	IDEA Part B Preschool	IDEA Part B Preschool ARRA
REVENUE:					
Federal Sources	$ 7,255	$ 121,359	$ 104,231	$ 4,570	$ 3,761
Total Revenue	7,255	121,359	104,231	4,570	3,761
EXPENDITURES:					
Instruction:					
Salaries of Teachers				2,877	
Purchased Professional and Technical Services					
Other Purchased Services	7,255		104,231		3,761
Tuition		121,359		1,272	
General Supplies					
Total Instruction	7,255	121,359	104,231	4,149	3,761
Support Services:					
Personal Services- Employee Benefits				421	
Total Support Services				421	
Total Expenditures	$ 7,255	$ 121,359	$ 104,231	$ 4,570	$ 3,761

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Small, Rural School Achievement	Small, Rural School Achievement Carryover	Totals
REVENUE:			
Federal Sources	$ 19,450	$ 7,127	$ 361,340
Total Revenue	19,450	7,127	361,340
EXPENDITURES:			
Instruction:			
Salaries of Teachers			2,877
Purchased Professional- Educational Services			35,000
Other Purchased Services	15,715	7,127	153,427
Tuition			122,631
General Supplies	3,735		46,984
Total Instruction	19,450	7,127	360,919
Support Services:			
Personal Services - Employee Benefits			421
Total Support Services			421
Total Expenditures	$ 19,450	$ 7,127	$ 361,340

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, 2011

Revenue and Other Financing Sources:	
State Sources - SDA Grant	$ 158,050
Total Revenue and Other Financing Sources	158,050
Expenditures:	
Purchased Professional and Technical Services	39,090
Construction Services	224,800
Total Expenditures	263,890
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	(105,840)
Fund Balance - Beginning	$ -0-
Fund Balance - Ending	$ (105,840)
Recapitulation:	
Fund Balance (Budgetary Basis)	$ (105,840)
	(105,840)
Reconciliation to Governmental Funds Statement (GAAP):	
SDA Grants not Recognized on GAAP Basis	(52,494)
Fund Balance per Governmental Funds (GAAP)	$ (158,334)

Exhibit F-1a

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
REPAIR AND PARTIAL REPLACEMENT OF ROOF
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Totals	Project Authorization
Revenue and Other Financing Sources:				
State Sources - SDA Grant		$ 158,050	$ 158,050	$ 158,050
Bond Proceeds				237,075
Total Revenue and Other Financing Sources	$ -0-	158,050	158,050	395,125
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services		39,090	39,090	76,375
Construction Services		224,800	224,800	318,750
Total Expenditures and Other Financing Uses	-0-	263,890	263,890	395,125
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources	$ -0-	$ (105,840)	$ (105,840)	$ -0-

Additional Project Information:	
Project Number(s)	3300-050-09-1001
Grant Date	3/4/2009
Original Authorized Cost	395,125
Change Orders	-0-
Revised Authorized Cost	395,125
Change Order Percentage	0.00%
Percentage Completion	66.79%
Original Target Completion Date	6/30/2011

Exhibit F-2

MONTAGUE TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF TEMPORARY NOTES PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Purpose	Original Issue	Issue Date	Maturity Date	Interest Rate	Issued	Balance June 30, 2011
Repair and Partial Replacement of Roof-Montague Elementary School	$ 237,075	8/16/2010	8/15/2011	2.875%	$ 237,075	$ 237,075
					$ 237,075	$ 237,075

PROPRIETARY FUNDS

Exhibit G-1

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	Business-Type Activities - Enterprise Funds
	Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 14,382
Intergovernmental Receivable:	
Federal	5,943
State	146
Interfund Accounts Receivable	15,465
Inventory	456
Total Current Assets	36,392
Non-Current Assets:	
Capital Assets	17,219
Less: Accumulated Depreciation	(14,176)
Total Non-Current Assets	3,043
Total Assets	39,435
LIABILITIES:	
Deferred Revenue	456
Total Liabilities	456
NET ASSETS:	
Investment in Capital Assets Net of Related Debt	3,043
Unrestricted	35,936
Total Net Assets	$ 38,979

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, 2011

	Business-Type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	$ 27,168
Total Operating Revenue	27,168
Operating Expenses:	
Cost of Sales	90,197
Supplies, Insurance & Other Costs	4,766
Depreciation Expense	291
Total Operating Expenses	95,254
Operating Loss	(68,086)
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	36,905
National School Breakfast Program	32,002
Food Distribution Program	9,533
State Sources:	
State School Lunch Program	1,118
Interest Income	59
Total Non-Operating Revenue	79,617
Change in Net Assets	11,531
Net Assets - Beginning of Year	27,448
Net Assets - End of Year	$ 38,979

Exhibit G-3

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	$ 27,168
Payments to Suppliers for Goods and Services	(91,865)
Net Cash Used for Operating Activities	(64,697)
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	53,375
Net Cash Provided by Noncapital Financing Activities	53,375
Cash Flows from Investing Activities:	
Interest on Investments	59
Net Cash Provided by Investing Activities	59
Net Decrease in Cash and Cash Equivalents	(11,263)
Cash and Cash Equivalents, July 1	25,645
Cash and Cash Equivalents, June 30	$ 14,382
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	$ (68,086)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	291
Food Distribution Program	9,533
Changes in Assets and Liabilities:	
Decrease in Inventory	1,688
(Decrease) in Accounts Payable	(6,435)
(Decrease) in Deferred Revenue	(1,688)
Net Cash Used for Operating Activities	$ (64,697)

Noncash Investing, Capital and Financing Activities:
The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at $7,846 and utilized U.S.D.A. Commodities valued at $9,533.

FIDUCIARY FUNDS

Exhibit H-1

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	Agency			Unemployment Compensation Trust	Private Purpose Scholarship Trust
	Student Activity	Payroll	Total		
ASSETS:					
Cash and Cash Equivalents	$ 1,180	$ 160,868	$ 162,048	$ 3,599	$ 1,819
Total Assets	1,180	160,868	162,048	3,599	1,819
LIABILITIES:					
Payroll Deductions and Withholdings		41,873	41,873		
Accrued Salaries and Wages		118,286	118,286		
Interfund Payable		709	709		
Due to Student Groups	1,180		1,180		
Total Liabilities	1,180	160,868	162,048		
NET ASSETS:					
Held in Trust for Unemployment Claims				3,599	
Reserved for Scholarships					1,819
Total Net Assets	$ -0-	$ -0-	$ -0-	$ 3,599	$ 1,819

Exhibit H-2

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Unemployment Compensation Trust	Scholarship Fund
ADDITIONS:		
Contributions:		
Plan Member	$ 12,000	
Investment Earnings:		
Interest	5	$ 4
Total Contributions	12,005	4
Total Additions	12,005	4
DEDUCTIONS:		
Unemployment Claims	10,441	
Scholarships Awarded		50
Total Deductions	10,441	50
Change in Net Assets	1,564	(46)
Net Assets - Beginning of the Year	2,035	1,865
Net Assets - End of the Year	$ 3,599	$ 1,819

Exhibit H-3

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
ASSETS:				
Cash and Cash Equivalents	$ 1,542	$ 203	$ 565	$ 1,180
Total Assets	$ 1,542	$ 203	$ 565	$ 1,180
LIABILITIES:				
Due to Student Groups	$ 1,542	$ 203	$ 565	$ 1,180
Total Liabilities	$ 1,542	$ 203	$ 565	$ 1,180

Exhibit H-4

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
ASSETS:				
Cash and Cash Equivalents	$ 134,964	$ 3,567,589	$ 3,541,685	$ 160,868
Total Assets	$ 134,964	$ 3,567,589	$ 3,541,685	$ 160,868
LIABILITIES:				
Payroll Deductions and Withholdings	$ 19,621	$ 3,449,509	$ 3,427,257	$ 41,873
Accrued Salaries and Wages - Summer Pay	114,685	118,029	114,428	118,286
Interfund Payable - General Fund	658	51		709
Total Liabilities	$ 134,964	$ 3,567,589	$ 3,541,685	$ 160,868

LONG-TERM DEBT

Exhibit I-1

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2011 Date	Amount	Interest Rate	Balance June 30, 2010	Matured	Balance June 30, 2011
Building Improvements	02/15/96	$ 1,199,000	2/1/2012-13	$ 75,000	5.25%			
			2/1/2014-15	80,000	5.25%			
			2/1/2016	79,000	5.25%	$ 459,000	$ 70,000	$ 389,000
						$ 459,000	$ 70,000	$ 389,000

Exhibit I-2

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOT APPLICABLE

Exhibit I-3

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	$ 77,086		$ 77,086	$ 77,086	
State Aid:					
Debt Service Aid	17,012		17,012	17,012	
Total Revenues	94,098		94,098	94,098	
EXPENDITURES:					
Regular Debt Service:					
Interest	24,098		24,098	24,097	$ 1
Redemption of Principal	70,000		70,000	70,000	
Total Regular Debt Service	94,098		94,098	94,097	1
Total Expenditures	94,098		94,098	94,097	1
Excess of Revenues Over Expenditures				1	1
Fund Balance, July 1	3		3	3	
Fund Balance, June 30	$ 3	$ -0-	$ 3	$ 4	$ 1
Recapitulation:					
Restricted - Designated for Subsequent Year's Expenditures				$ 4	

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.

Exhibit J-1

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

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
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	$ 1,610,304
Restricted	13,929	20,193	20,196	13,932	13,982	62,013	204,452	173,490
Unrestricted / (Deficit)	390,436	519,299	306,397	147,689	124,563	(196,012)	(55,022)	35,298
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	$ 1,819,092
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	$ 3,043
Unrestricted	12,000	19,589	24,807	19,551	17,153	15,141	24,114	35,936
Total business-type activities net assets	$ 25,179	$ 31,234	$ 34,919	$ 28,129	$ 24,384	$ 18,766	$ 27,448	$ 38,979
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	$ 1,613,347
Restricted	13,929	20,193	20,196	13,932	13,982	62,013	204,452	173,490
Unrestricted / (Deficit)	402,436	538,888	331,204	167,240	141,716	(180,871)	(30,908)	71,234
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	$ 1,858,071

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 EIGHT FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
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	$ 2,231,773
Special Education	1,416,113	1,364,595	1,529,447	1,749,893	1,867,738	787,052	748,757	784,326
Other Special Instruction	40,437	135,956	93,287	127,896	247,095	168,837	180,228	221,075
School-Sponsored Instruction	28,806	5,165	3,502	4,602	4,564	125,111	124,326	93,154
Support Services:								
Student & Instruction Related Services	495,478	479,790	486,764	528,669	639,425	3,133,971	2,919,162	2,587,292
General Administrative Services	329,653	361,112	422,659	429,852	270,079	257,755	296,462	293,982
School Administrative Services	78,364	100,968	134,252	150,389	215,920	126,550	97,247	106,341
Central Services	237,242	193,081	205,066	238,545	176,298	121,423	125,235	123,846
Administration Information Technology						46,540	48,535	59,688
Plant Operations and Maintenance	327,236	478,309	426,460	526,563	600,721	541,326	533,232	504,207
Pupil Transportation	624,250	687,942	725,545	733,985	788,756	789,202	747,527	725,546
Charter Schools						467,372	540,851	919,957
Interest on Long-term Debt	46,503	36,454	39,718	36,566	33,317	29,906	26,395	28,666
Total Governmental Activities Expenses	7,064,479	7,536,379	7,818,407	8,537,819	8,544,249	8,980,052	8,718,481	8,679,853
Business-type Activities:								
Food Service	112,028	151,278	146,424	157,528	161,097	187,660	116,080	95,254
Total Business-type Activities Expenses	112,028	151,278	146,424	157,528	161,097	187,660	116,080	95,254
Total District Expenses	7,176,507	7,687,657	7,964,831	8,695,347	8,705,346	9,167,712	8,834,561	8,775,107
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	1,340,307
Capital Grants and Contributions	69,378		45,280					105,556
Total Governmental Activities Program Revenues	1,461,164	1,393,438	1,465,203	1,618,766	1,551,559	1,200,022	1,258,605	1,445,863

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

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues								
Business-type Activities:								
Charges for Services:								
Food Service	$ 30,086	$ 32,706	$ 37,606	$ 34,753	$ 32,224	$ 32,993	$ 28,703	$ 27,168
Operating Grants and Contributions	47,559	81,681	71,351	61,858	59,649	76,191	80,636	79,558
Total Business-type Activities Revenues	77,645	114,387	108,957	96,611	91,873	109,184	109,339	106,726
Total District Program Revenues	1,538,809	1,507,825	1,574,160	1,715,377	1,643,432	1,309,206	1,367,944	1,552,589
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)	(7,233,990)
Business-type Activities	(34,383)	(36,891)	(37,467)	(60,917)	(69,224)	(78,476)	(6,741)	11,472
Total District-wide Net (Expense)/Revenue	(5,637,698)	(6,179,832)	(6,390,671)	(6,979,970)	(7,061,914)	(7,858,506)	(7,466,617)	(7,222,518)
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	5,298,120
Taxes Levied for Debt Service						75,727	76,977	77,086
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	2,114,510
Loss on Capital Assets		(1,254)						
Investment Earnings	10,189	17,887	41,674	69,098	45,957	431	172	31
Miscellaneous Income	38,843	36,943	8,699	37,036	8,185	15,823	26,133	28,105
Transfers	(42,110)	(48,773)	(41,081)	(53,577)	(65,233)	(72,664)	(15,300)	
Total Governmental Activities	5,804,919	6,242,095	6,225,635	6,892,056	6,927,970	7,494,491	7,703,915	7,517,852
Business-type Activities:								
Investment Earnings	131	173		449	246	194	123	59
Transfers	36,665	42,773	41,152	53,678	65,233	72,664	15,300	
Total Business-type Activities	36,796	42,946	41,152	54,127	65,479	72,858	15,423	59
Total District-wide	5,841,715	6,285,041	6,266,787	6,946,183	6,993,449	7,567,349	7,719,338	7,517,911

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

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Change in Net Assets								
Governmental Activities	$ 201,604	$ 99,154	$ (127,569)	$ (26,997)	$ (64,720)	$ (285,539)	$ 244,039	$ 283,862
Business-type Activities	2,413	6,055	3,685	(6,790)	(3,745)	(5,618)	8,682	11,531
Total District	$ 204,017	$ 105,209	$ (123,884)	$ (33,787)	$ (68,465)	$ (291,157)	$ 252,721	$ 295,393

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.

Exhibit J-3

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

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
General Fund:								
Reserved	$ 166,156	$ 336,249	$ 413,661	$ 129,950	$ 84,863	$ 62,009	$ 204,449	
Unreserved/(Deficit)	330,225	315,367	85,760	180,807	220,169	(40,458)	91,773	
Restricted								$ 42,961
Restricted - Capital Reserve								109,615
Assigned								179,244
Unassigned								186,927
Total General Fund	$ 496,381	$ 651,616	$ 499,421	$ 310,757	$ 305,032	$ 21,551	$ 296,222	$ 518,747
All Other Governmental Funds:								
Unreserved/(Deficit)	$ (1,065)	$ 5,200	$ 5,177	$ 1	$ (3,961)	$ 4	$ 3	
Restricted								$ (158,330)
Total All Other Governmental Funds	$ (1,065)	$ 5,200	$ 5,177	$ 1	$ (3,961)	$ 4	$ 3	$ (158,330)
Total All Governmental Funds:								
Reserved	$ 166,156	$ 336,249	$ 413,661	$ 129,950	$ 84,863	$ 62,009	$ 204,449	
Unreserved/(Deficit)	329,160	320,567	90,937	180,808	216,208	(40,454)	91,776	
Restricted								$ (115,369)
Restricted - Capital Reserve								109,615
Assigned								179,244
Unassigned								186,927
Total All Governmental Funds	$ 495,316	$ 656,816	$ 504,598	$ 310,758	$ 301,071	$ 21,555	$ 296,225	$ 360,417

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 EIGHT FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Revenues								
Tax Levy	$ 3,894,350	$ 4,378,814	$ 4,318,088	$ 4,941,024	$ 4,976,774	$ 5,159,049	$ 5,363,631	$ 5,375,206
Interest Earnings	10,189	17,887	41,674	69,098	45,957	431	172	28,136
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	3,066,642
Federal Sources	545,127	381,807	409,664	456,163	333,857	349,856	606,683	493,731
Total Revenues	7,308,193	7,685,560	7,731,919	8,564,399	8,544,762	8,767,177	8,977,820	8,963,715
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	1,598,512
Special Education Instruction	1,400,153	1,349,599	1,500,405	1,731,688	1,843,096	561,338	551,668	608,627
Other Instruction	39,435	132,125	90,528	124,608	240,263	166,061	177,038	215,119
School Sponsored Activities and Athletics	5,021	5,019	3,442	4,522	4,479	29,258	30,975	3,599
Support Services:								
Student & Instruction Related Services	507,274	467,988	475,169	522,973	621,000	2,912,793	2,705,455	2,420,156
General Administrative Services	324,768	355,763	413,991	422,932	265,191	209,342	250,328	242,437
School Administrative Services	75,762	97,996	124,819	146,049	209,673	84,850	70,009	74,345
Central Services	229,925	182,260	196,185	238,509	170,172	88,413	93,019	93,413
Administration Information Technology						33,278	35,552	44,794
Plant Operations and Maintenance	313,641	464,598	414,390	516,486	591,329	457,961	450,019	442,502
Pupil Transportation	624,194	687,431	724,517	732,951	787,314	761,943	717,329	694,822
Unallocated Benefits						1,394,175	1,310,574	1,182,010
Charter Schools						467,372	540,851	919,957
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	265,133
Debt Service:								
Principal	110,860	60,000	60,000	60,000	65,000	65,000	70,000	70,000
Interest and Other Charges	48,282	43,822	40,898	37,748	34,597	31,185	27,773	24,097
Total Expenditures	7,313,112	7,475,287	7,843,056	8,704,662	8,489,216	9,046,693	8,672,550	8,899,523

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

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (4,919)	$ 210,273	$ (111,137)	$ (140,263)	$ 55,546	$ (279,516)	$ 305,270	$ 64,192
Other Financing Sources (Uses)								
Transfers In	145		67,991	101		3		
Transfers Out	(42,255)	(48,773)	(109,072)	(53,678)	(65,233)	(3)		
Total Other Financing Sources (Uses)	(42,110)	(48,773)	(41,081)	(53,577)	(65,233)	-0-	-0-	-0-
Net Change in Fund Balances	$ (47,029)	$ 161,500	$ (152,218)	$ (193,840)	$ (9,687)	$ (279,516)	$ 305,270	$ 64,192
Debt Service as a Percentage of Noncapital Expenditures	2.26%	1.39%	1.31%	1.15%	1.18%	1.07%	1.13%	1.09%

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.

Exhibit J-5

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

Fiscal Year Ending June 30,	Tuition	Investments	Prior Year Refunds	Other	Total
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
2011		6,425		21,711	28,136

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)
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
2010	13,010,940	179,655,000	8,751,800	1,189,920	22,778,000	2,136,600	420,000	227,942,260	592,314	228,534,574	2.349	453,597,230

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.

Exhibit J-7

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

	Township of Montague School District Direct Rate			Overlapping Rates		
Year Ended December 31,	Basic Rate [a]	General Obligation Debt Service [b]	Total Direct	Township of Montague	Sussex County	Total Direct and Overlapping Tax Rate
2001	$ 1.584		$ 1.584	$ 0.286	$ 0.590	$ 2.460
2002	1.678		1.678	0.284	0.618	2.580
2003	1.902	$ 0.041	1.943	0.282	0.649	2.874
2004	1.916	0.027	1.943	0.282	0.655	2.880
2005	2.054	0.026	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	2.285	0.033	2.318	0.440	0.807	3.565
2010	2.315	0.034	2.349	0.469	0.803	3.621

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

Source: Municipal Tax Collector and School Business Administrator.

Exhibit J-8

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

	2010		
Taxpayer	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Tri-State Mall	$ 6,598,200	1	2.91%
General Equities	760,300	2	0.33%
Ponky LLC	756,100	3	0.33%
LAC Realty Corp	675,000	4	0.30%
McDonald Corp	660,000	5	0.29%
United Tel Co of NJ C/O Tax Dept	646,537	6	0.28%
Petrozino, LLC	635,000	7	0.28%
442 Montague, LLC	616,900	8	0.27%
Tenneco, Inc C/O Property Tax Dept	600,000	9	0.26%
Montague Fasteners, Inc	582,300	10	0.26%
Total	$ 12,530,337		5.52%

	2001		
Taxpayer	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Tri-State Mall	$ 8,010,700	1	4.18%
Zitone Construction Company	1,359,150	2	0.71%
High Point Country Club	1,278,600	3	0.67%
Montague Mini-Mall	846,300	4	0.44%
General Equities	823,700	5	0.43%
22 Howard Realty	679,100	6	0.35%
McDonald's	660,000	7	0.34%
Rock View	600,000	8	0.31%
Chubb Construction Co.	346,400	9	0.18%
Community Corporation of High Point	41,200	10	0.02%
Total	$ 14,645,150		7.63%

Source: Municipal Tax Assessor.

Exhibit J-9

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	
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-
2011	5,375,206	5,375,206	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).

Exhibit J-10

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

Fiscal Year Ended June 30,	Governmental Activities General Obligation Bonds	Total District	Percentage of Personal Income [a]	Per Capita [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	0.28%	135.99
2010	459,000	459,000	0.25%	117.51
2011	389,000	389,000	0.21%	99.59

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.

Exhibit J-11

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST SEVEN 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
2010	459,000	-0-	459,000	0.202%	117.51
2011	389,000	-0-	389,000	0.170%	99.59

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.

Exhibit J-12

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2010
UNAUDITED

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:			
Township of Montague	$ 327,500	100.00%	$ 327,500
Sussex County General Obligation Debt	74,528,115	1.29%	961,364
Subtotal, Overlapping Debt			1,288,864
Township of Montague School District Direct Debt			389,000
Total Direct and Overlapping Debt			$ 1,677,864

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.

Exhibit J-13

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

Legal Debt Margin Calculation for Fiscal Year 2011

Year Ended December 31,	Equalized Valuation Basis
2010	$ 411,151,263
2009	449,234,940
2008	477,583,068
	$1,337,969,271

Average Equalized Valuation of Taxable Property	$ 445,989,757	
Debt Limit (2.5% of Average Equalization Value)	11,149,744	a
Net Bonded School Debt	389,000	
Legal Debt Margin	$ 10,760,744	

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

	Fiscal Year	
	2010	2011
Debt Limit	$ 11,633,766	$ 11,149,744
Total Net Debt Applicable to Limit	459,000	389,000
Legal Debt Margin	$ 11,174,766	$ 10,760,744
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.95%	3.49%

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.

Exhibit J-14

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

Year Ended December 31,	Population [a]	Personal Income [b]	Sussex County Per Capita Personal Income [c]	Unemployment Rate [d]
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	189,940,920	48,828	9.60%
2009	3,906	185,523,282	47,497	15.50%
2010	3,906 *	185,523,282	47,497 *	16.40%

* - Latest Sussex County per capita personal income available (2009) 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

	2011	
Employer	Employees	Percentage of Total Employment
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%
	8,424	21.27%

	2002	
Employer	Employees	Percentage of Total Employment
Selective Insurance Company	954	1.29%
Andover Subacute and Rehab Center	906	1.23%
County of Sussex	815	1.11%
Mountain Creek Resort	800	1.09%
Newton Memorial Hospital	757	1.03%
Shop Rite Supermarkets (Ronetco)	711	0.96%
Vernon Township Board of Education	629	0.85%
F.O. Phoenix, Inc.	600	0.81%
Hopatcong Board of Education	450	0.61%
Wal-Mart	380	0.52%
	7,002	9.50%

Source: County of Sussex

Exhibit J-16

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

Function/Program	2006	2007	2008	2009	2010	2011
Instruction:						
Regular	23.6	24.5	24.5	24.5	24.5	24.5
Special Education	6.1	4.5	4.5	4.5	4.5	4.5
Other Instruction	5.5	5.0	5.0	5.0	5.0	5.0
Support Services:						
Student & Instruction Related Services	2.0	2.0	2.0	2.0	2.0	2.0
General Administrative Services	3.5	3.5	3.5	3.5	2.5	2.5
School Administrative Services	2.0	2.0	2.0	2.0	2.0	2.0
Central Services	3.5	3.0	3.0	3.0	3.0	3.0
Plant Operations and Maintenance	3.5	3.5	3.5	3.5	3.5	2.5
Pupil Transportation	1.0	1.0	1.0	1.0	1.0	1.0
Food Service	1.5	1.5	1.5	1.5	1.5	1.5
Total	52.2	50.5	50.5	50.5	49.5	48.5

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
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	8,554,066	28,609	-3.03%	30.0	10:1	290.4	284.7	-0.27%	98.04%
2011	302	8,540,293	28,279	-1.15%	28.0	11:1	302.1	294.5	4.03%	97.48%

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 SIX FISCAL YEARS
UNAUDITED

District Building	2006	2007	2008	2009	2010	2011
Elementary School						
Square Feet	40,010	40,010	40,010	40,010	40,010	40,010
Capacity (students)	336	327	327	327	327	327
Enrollment	312	302	316	302	299	302

Number of Schools at June 30, 2011
Elementary = 1

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

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

Source: 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:

School Facilities*	Fiscal Year Ended June 30, 2007	2008	2009	2010	2011
Montague Elementary School	$ 50,405	$ 120,572	$ 96,245	$ 48,930	$ 112,109

School Facilities*	Fiscal Year Ended June 30, 2002	2003	2004	2005	2006
Montague Elementary School	$ 45,882	$ 55,437	$ 37,000	$ 82,017	$ 65,105

* - 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.

Exhibit J-20

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2011
UNAUDITED

	Coverage	Deductible
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	250,000	5,000
Selective Insurance Surety Bonds:		
School Business Administrator/Board Secretary	200,000	
Treasurer of School Monies	200,000	

Source: Township of Montague School District records.

SINGLE AUDIT SECTION

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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, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 23, 2011. 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 and Regulatory Compliance, 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 was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, and State of New Jersey. However, we noted certain matters 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 23, 2011

NISIVOCCIA LLP

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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.

Compliance

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, 2011. 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 and Regulatory Compliance,, 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, 2011.

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 23, 2011

NISIVOCCIA 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, 2011

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period From	Grant Period To	Program or Award Amount	Balance at June 30, 2010 Deferred Revenue/ (Accounts Receivable)	Balance at June 30, 2010 Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2011 (Accounts Receivable)	Balance at June 30, 2011 Deferred Revenue	Balance at June 30, 2011 Due to Grantor
U.S. Department of Education -													
General Fund:													
IMPACT Aid	84.041	40-NJ-2008-4401	7/1/2010	6/30/2011	$ 141,271				$ 141,271	$ (141,271)			
Total U.S. Department of Education									141,271	(141,271)			
U.S. Department of Health and Human Services -													
General Fund:													
Medicaid Reimbursement	93.778	N/A	7/1/2010	6/30/2011	10,046				10,046	(10,046)			
Total General Fund									151,317	(151,317)			
U.S. Department of Education -													
Passed-through State Department of Education:													
Special Revenue Fund:													
No Child Left Behind:													
Title I	84.010A	NCLB-3300-11	9/1/10	8/31/11	65,514				39,576	(65,514)	$ (25,939)		
Title I	84.010A	NCLB-3300-10	9/1/09	8/31/11	73,526	$ (29,539)			29,539	(7,312)	(7,312)		
Title I - ARRA	84.389	NCLB-3300-10	7/1/09	8/31/11	23,112					(13,839)	(13,839)		
Title IIA	84.367A	NCLB-3300-11	9/1/10	8/31/11	6,809				6,809	(6,809)			
Title IIA	84.367A	NCLB-3300-10	9/1/09	8/31/11	7,255				7,255	(7,255)			
Title IID	84.318X	NCLB-3300-11	9/1/10	8/31/11	113				113	(113)			
Title IID	84.318X	NCLB-3300-10	9/1/09	8/31/10	1,028	(1,028)			1,028				
Rural Education Achievement	84.358A	S358A043713	7/1/10	9/30/12	25,849								
Rural Education Achievement	84.358A	S358A043713	7/1/09	9/30/11	31,916				2,579	(19,450)	(16,871)		
Rural Education Achievement	84.358A	S358A043713	7/1/08	9/30/10	27,838				7,127	(7,127)			
						(31,149)			94,608	(127,419)	(63,961)		
Special Education Cluster:													
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3300-11	9/1/10	8/31/11	121,359				121,359	(121,359)			
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3300-10	9/1/09	8/31/10	120,247								
I.D.E.A. Part B, Basic Regular - ARRA	84.391	IDEA-3300-10	7/1/09	8/31/11	104,231				104,231	(104,231)			
I.D.E.A. Part B, Preschool	84.173	IDEA-3300-11	9/1/10	8/31/11	4,725				1,272	(4,570)	(3,298)		
I.D.E.A. Part B, Preschool	84.173	IDEA-3300-10	9/1/09	8/31/10	4,569	(4,569)			4,569				
I.D.E.A. Part B, Preschool - ARRA	84.392	IDEA-3300-10	7/1/09	8/31/11	3,761				3,761	(3,761)			
Total Special Education Cluster						(4,569)			235,192	(233,921)	(3,298)		
Total U.S. Department of Education						(35,718)			329,800	(361,340)	(67,259)		
Total Special Revenue Fund						(35,718)			329,800	(361,340)	(67,259)		

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period From	Grant Period To	Program or Award Amount	Balance at June 30, 2010 Deferred Revenue/ (Accounts Receivable)	Balance at June 30, 2010 Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2011 (Accounts Receivable)	Balance at June 30, 2011 Deferred Revenue	Balance at June 30, 2011 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	7/1/10	6/30/11	$ 7,845				$ 7,845	$ (7,389)		$ 456	
Food Distribution Program	10.555	N/A	7/1/09	6/30/10	10,735	$ 2,144				(2,144)			
School Breakfast Program	10.553	N/A	7/1/10	6/30/11	32,002				28,906	(32,002)	$ (3,096)		
School Breakfast Program	10.553	N/A	7/1/09	6/30/10	30,791	(2,383)			2,383				
National School Lunch Program	10.555	N/A	7/1/10	6/30/11	36,905				34,058	(36,905)	(2,847)		
National School Lunch Program	10.555	N/A	7/1/09	6/30/10	35,539	(2,220)			2,220				
Total U.S. Department of Agriculture/Child Nutrition Cluster						(2,459)			75,412	(78,440)	(5,943)	456	
Total Enterprise Fund						(2,459)			75,412	(78,440)	(5,943)	456	
TOTAL FEDERAL AWARDS						$ (38,177)	$ -0-	$ -0-	$ 556,529	$ (591,097)	$ (73,202)	$ 456	$ -0-

N/A - Not Available/Applicable

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

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

State Grantor/Program Title	Grant or State Project Number	Grant Period From	Grant Period To	Program or Award Amount	Balance at June 30, 2010 Budgetary Deferred Revenue/ (Accounts Receivable)	Balance at June 30, 2010 Due to Grantor	Cash Received	Budgetary Expenditures	Balance at June 30, 2011 GAAP (Accounts Receivable)	Balance at June 30, 2011 Budgetary Deferred Revenue	Balance at June 30, 2011 Due to Grantor	MEMO Budgetary Receivable	MEMO Cumulative Total Expenditures
State Department of Education:													
General Fund:													
Categorical Special Education Aid	10-495-034-5120-089	7/1/09	6/30/10	$ 235,609	$ (23,265)		$ 23,265						$ 235,609
Equalization Aid	10-495-034-5120-078	7/1/09	6/30/10	1,338,301	(161,440)		161,440						1,338,301
Catergorical Security Aid	10-495-034-5120-084	7/1/09	6/30/10	91,826	(9,067)		9,067						91,826
Adjustment Aid	10-495-034-5120-085	7/1/09	6/30/10	452,531	(45,371)		45,371						452,531
Categorical Transportation Aid	10-495-034-5120-014	7/1/09	6/30/10	411,631	(40,645)		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
Nonpublic School Transportation Costs	10-495-034-5120-014	7/1/09	6/30/10	18,288	(18,288)		18,288						18,288
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09	6/30/10	188,654	(19,388)		19,388						188,654
Categorical Special Education Aid	11-495-034-5120-089	7/1/10	6/30/11	235,609			212,143	$ (235,609)				$ (23,466)	235,609
Equalization Aid	11-495-034-5120-078	7/1/10	6/30/11	1,824,984			1,643,219	(1,824,984)				(181,765)	1,824,984
Catergorical Security Aid	11-495-034-5120-084	7/1/10	6/30/11	96,717			87,084	(96,717)				(9,633)	96,717
Categorical Transportation Aid	11-495-034-5120-014	7/1/10	6/30/11	259,021			233,223	(259,021)				(25,798)	259,021
Nonpublic School Transportation Costs	11-495-034-5120-014	7/1/10	6/30/11	19,988				(19,988)	$ (19,988)			(19,988)	19,988
Extraordinary Special Education Costs Aid	11-100-034-5120-473	7/1/10	6/30/11	99,391				(99,391)	(99,391)			(99,391)	99,391
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/10	6/30/11	191,803			182,504	(191,803)	(9,299)			(9,299)	191,803
Total General Fund State Aid					(386,410)		2,744,583	(2,727,513)	(128,678)			(369,340)	5,533,299
Debt Service Fund:													
Debt Service State Support	11-100-034-5120-125	7/1/10	6/30/11	17,012			17,012	(17,012)					17,012
Total Debt Service Fund							17,012	(17,012)					17,012
Enterprise Fund:													
State School Lunch Program	10-100-010-3350-023	7/1/09	6/30/10	1,676	(109)		109						1,676
State School Lunch Program	11-100-010-3350-023	7/1/10	6/30/11	1,118			972	(1,118)	(146)			(146)	1,118
State School Breakfast Program	10-100-010-3350-021	7/1/09	6/30/10	2,551	(192)		192						2,551
Total Enterprise Fund					(301)		1,273	(1,118)	(146)			(146)	5,345
Total State Department of Education					(386,711)		2,762,868	(2,745,643)	(128,824)			(369,486)	5,634,951

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

State Grantor/Program Title	Grant or State Project Number	Grant Period From	Grant Period To	Program or Award Amount	Balance at June 30, 2010 Budgetary Deferred Revenue/ (Accounts Receivable)	Balance at June 30, 2010 Due to Grantor	Cash Received	Budgetary Expenditures	Balance at June 30, 2011 GAAP (Accounts Receivable)	Balance at June 30, 2011 Budgetary Deferred Revenue	Balance at June 30, 2011 Due to Grantor	MEMO Budgetary Receivable	MEMO Cumulative Total Expenditures
New Jersey School Development Authority Grants:													
Capital Projects Fund:													
Repair and Partial Roof Replacement	SDA-0490-020-09-0ZBD	3/1/09	6/30/12	$ 158,050				$ (105,556)	$ (105,556)			$ (158,050)	
Total Capital Projects Fund								(105,556)	(105,556)			(158,050)	
Total New Jersey School Development Authority Grants								(105,556)	(105,556)			(158,050)	
TOTAL STATE AWARDS					$ (387,012)	$ -0-	$ 2,764,141	$ (2,851,199)	$ (234,526)	$ -0-	$ -0-	$ (527,682)	$ 5,640,296

N/A - Not Available

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Montague Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2011. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund 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 capital projects fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA receivable. SDA grants are recognized on the budgetary basis in full when they are awarded but are recognized on the GAAP basis as they are expended and requested for reimbursement.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is $39,126 for the general fund and ($18,926) 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 $7,978 and $169,457 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

	Federal	State	Total
General Fund	$ 151,317	$ 2,944,074	$ 3,095,391
Special Revenue Fund	342,414		342,414
Debt Service Fund		17,012	17,012
Food Service Enterprise Fund	78,440	1,118	79,558
Capital Projects Fund		105,556	105,556
Total Financial Assistance	$ 572,171	$3,067,760	$ 3,639,931

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, 2011. 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, 2011

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 federal and state programs for the current fiscal year consisted of the following:

	Grant Number	Grant Period	Award Amount	Budgetary Expenditures
Federal:				
I.D.E.A. Part B, Basic Regular	84.027	9/1/10-8/31/11	$ 121,359	$ 121,359
I.D.E.A. Part B, Preschool	84.173	9/1/10-8/31/11	1,272	4,570
ARRA I.D.E.A. Part B, Basic Regular	84.391	7/1/09-8/31/11	104,231	104,231
ARRA I.D.E.A. Part B, Preschool	84.392	7/1/09-8/31/11	3,761	3,761
State:				
Categorical Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	235,609	235,609
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	1,824,984	1,824,984
Categorical Security Aid	11-495-034-5120-084	7/1/10-6/30/11	96,717	96,717

- 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, 2011
(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, 2011.

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, 2011

Status of Prior Year Findings:

There were no prior year audit findings.