

**SCHOOL DISTRICT
OF
THE BOROUGH OF MOUNT ARLINGTON**

**Borough of Mount Arlington School District
Board of Education
Mount Arlington, New Jersey**

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

**Comprehensive Annual
Financial Report**

of the

**Borough of Mount Arlington School District
Board of Education**

Mount Arlington, New Jersey

For the Fiscal Year Ended June 30, 2012

Prepared by

**Borough of Mount Arlington School District
Board of Education**

Finance Department

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INTRODUCTORY SECTION

Mount Arlington Public Schools

446 Howard Blvd • Mount Arlington, NJ 07856 • (973) 770-7140 (Phone) • (973) 398-4668 (Fax)

Jane Mullins Jameson, M.S.Ed.
Superintendent of Schools

Joseph P. Kelly, CPA
Business Administrator/Board Secretary

November 3, 2012

The Honorable President and Members of
the Board of Education
Borough of Mount Arlington School District
County of Morris, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Borough of Mount Arlington School District (the "District") for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (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 OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the 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 Borough of Mount Arlington 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 Borough of Mount Arlington School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8 (Although the approximately 185 Mount Arlington students in grades 9-12 are sent to the Roxbury Public School District and are properly included in their enrollment numbers, the Mount Arlington Public School District is responsible for paying tuition, transportation and special education costs for these students, and these costs are include in the District's financial statements). These in-district services are provided for regular and special education for the handicapped youngsters. The District completed the 2011-2012 fiscal year with an average daily enrollment of 363 students, which is 10 students below the previous year's average daily enrollment. The following details the changes in the student average daily enrollment of the District over the last five years

The Honorable President and Members of
the Board of Education
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November 3, 2012

| Fiscal Year | Average Daily Enrollment | |
|-------------|--------------------------|----------------|
| | Student Enrollment | Percent Change |
| 2011-2012 | 363 | -2.68% |
| 2010-2011 | 373 | -2.61% |
| 2009-2010 | 383 | -1.29% |
| 2008-2009 | 388 | 2.37% |
| 2007-2008 | 379 | -7.11% |

2) ECONOMIC CONDITIONS AND OUTLOOK: The development of the Mount Arlington area has been slow to recover following the nationwide recession, as have other areas of Morris County. New adult communities opened in recent years, however, have resulted in an increase to the tax base without a significant increase in the number of students being served. Recent approvals granted by the Borough for new businesses along Howard Boulevard and for new community enhancing physical improvements, such as street lighting and sidewalks, have improved the desirability of Mount Arlington as a family-friendly community. The District has faced significant budget constraints in recent years as a result of the State's drastic reduction of aid to school districts, primarily in the 2009/10 and 2010/11 school years. Those cuts necessitate the elimination of extracurricular programs, secretarial and custodial positions, administrative salary increases and needed facilities improvements. Modest increases in state aid in the 2011/12 and 2012/13 school years have enabled the district to reestablish extracurricular programs and to proceed with building improvements. The District does not anticipate a quick improvement in the State's financial condition and, consequently, does not anticipate the State will be contributing its legally mandated share of the District's operating expenditures at any point in the near future.

3) MAJOR INITIATIVES: During the 2011/12 and 2012/13 school years, the District made capital improvements to both schools by renovating HVAC and window systems, installing a hardwood gymnasium floor and renovating locker rooms. In addition, the District has purchased new instructional materials, program guides and improved the technology infrastructure.

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.

The Honorable President and Members of
 the Board of Education
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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 re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2012.

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: At June 30, 2012, the District's outstanding debt issues consisted of \$2,725,000 of general obligation bonds.

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 Board is a member of the Morris Essex Insurance Group (the "Group"). The Group is a risk-sharing public entity risk 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 Group is included in Note 1 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 OMB's Circular 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.

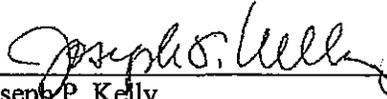
The Honorable President and Members of
the Board of Education
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November 3, 2012

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

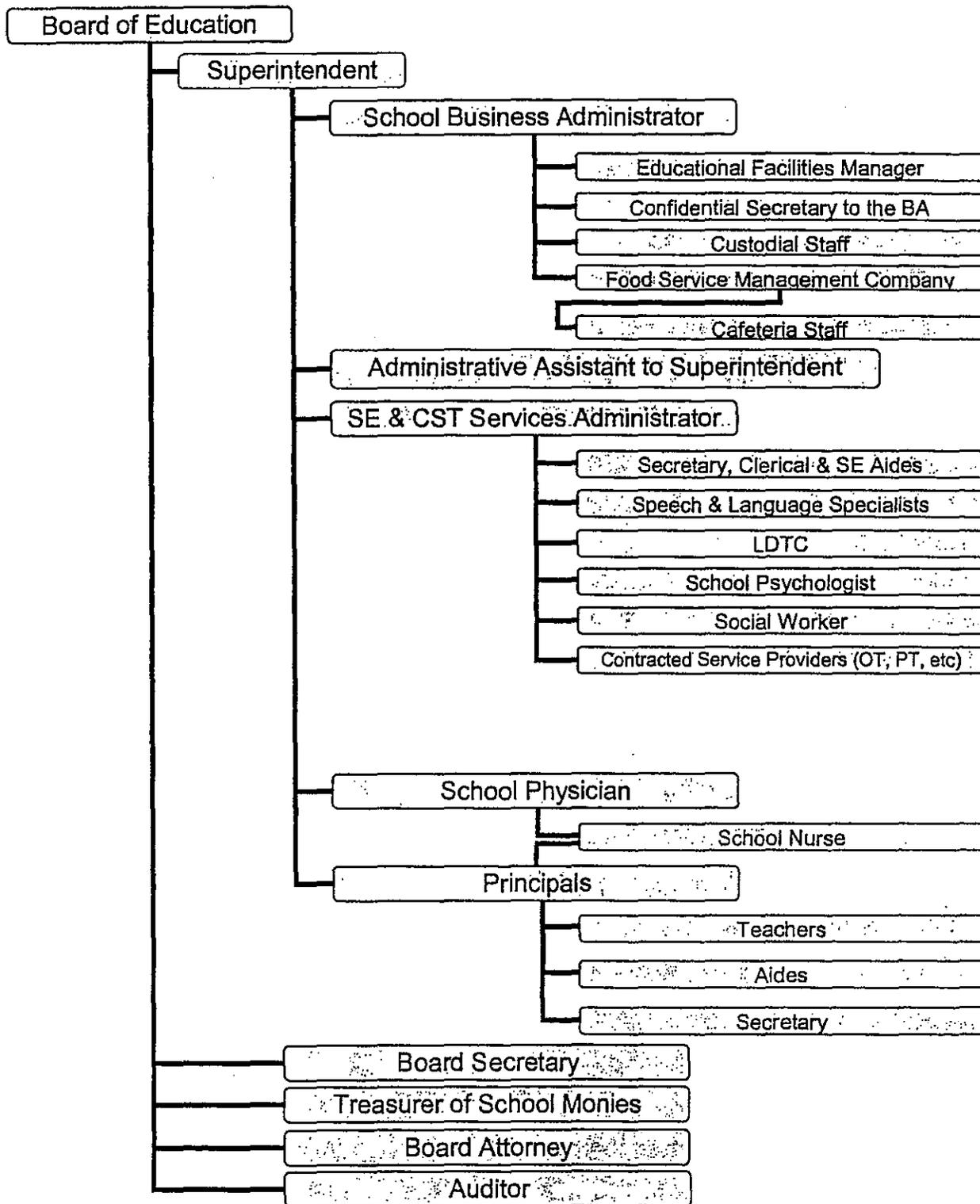
Respectfully submitted,



Jane Mullins Jameson
Superintendent of Schools



Joseph P. Kelly
Board Secretary/Business Administrator



**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2012**

| <u>Members of the Board of Education</u> | | <u>Term Expires</u> |
|--|----------------|---------------------|
| Elizabeth D'Abbraccio | President | 2013 |
| Eugene Paradiso | Vice President | 2014 |
| Rachel Byrne | | 2014 |
| Elizabeth Cangiano | | 2013 |
| John Albert Decena | | 2012 |
| John Longtine | | 2014 |
| Shelia Studint | | 2012 |

| <u>Other Officials</u> | <u>Title</u> |
|------------------------|---|
| Jane Mullins Jameson | Superintendent of Schools |
| Joseph P. Kelly | School Business Administrator/Board Secretary |

BOROUGH OF MOUNT ARLINGTON 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

Porzio, Bromberg, & Newman, P.C.
136 Madison Avenue
Morristown, NJ 07962-1997

Bond Counsel

Wilentz, Goldman & Spitzer
90 Woodbridge Center Drive
Woodbridge, NJ 07059-0958

Official Depositories

Bank of America
Howard Boulevard
Mount Arlington, NJ 07856

Skylands Bank
Route 46
Rockaway, NJ 07866

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0607 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
 Borough of Mount Arlington School District
 County of Morris, 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 Borough of Mount Arlington School District in the County of Morris, as of and for the fiscal year ended June 30, 2012 which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Mount Arlington School District in the County of Morris, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

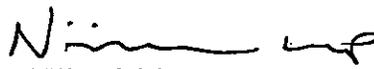
In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2012, on our consideration of the Board of Education of the Borough of Mount Arlington School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Honorable President and Members
of the Board of Education
Borough of Mount Arlington School District
Page 2

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report, and Budgetary Comparison Information in Exhibits C-1 through C-3 and I-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Mount Arlington, New Jersey
November 3, 2012


NISIVOCIA LLP


David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant

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

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

This section of Borough of Mount Arlington School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's net assets status increased by \$790,859 on a district-wide basis. The District's General Fund fund balance increased by \$274,594, primarily as a result of conservative fiscal management of the budget.
- Overall revenue was \$10.69 million.
- Enrollment in the District has been decreasing for each of the last several years but cost per pupil remains relatively stable.
- The District had a net reduction in its outstanding long-term debt of 4.29 percent.

Overview of the Financial Statements

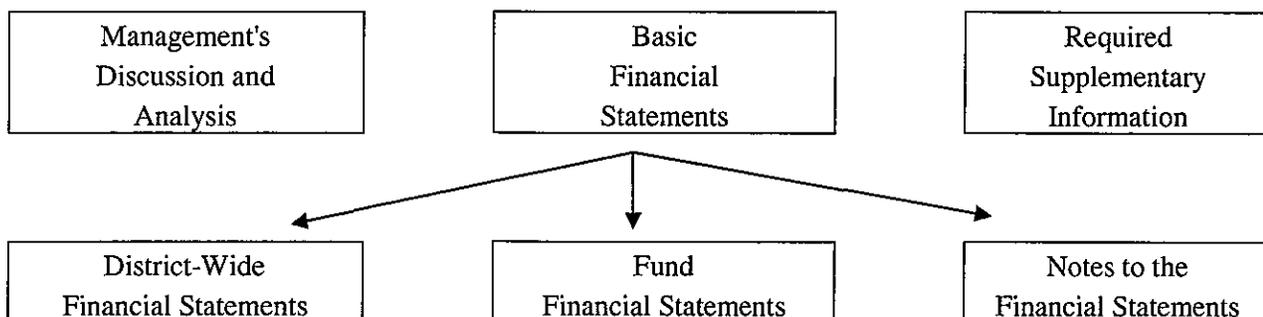
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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.
- *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 Borough of Morris Plains School District's Financial Report



**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

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 |
| Required Financial Statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses, and changes in net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of Asset/Liability Information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of Inflow/Outflow Information | All revenue and expenses during the year, regardless of when cash is received or paid | Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All revenue and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

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 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 it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

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

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

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 22.50%. Net assets from governmental activities increased \$782,480 and net assets from business-type activities increased by \$8,379. Net assets invested in capital assets increased \$517,378, restricted net assets increased \$354,035, and unrestricted net assets decreased \$80,554.

Figure A-3

Condensed Statement of Net Assets

| | Governmental Activities | | Business-Type Activities | | Total School District | | Total Percentage Change |
|---|-------------------------|---------------------|--------------------------|------------------|-----------------------|---------------------|-------------------------------|
| | 2011/2012 | 2010/2011 | 2011/2012 | 2010/2011 | 2011/2012 | 2010/2011 | 2011/2012 |
| Current and Other Assets | \$ 2,184,125 | \$ 2,117,641 | \$ 44,514 | \$ 50,962 | \$ 2,228,639 | \$ 2,168,603 | 2.77% |
| Capital Assets, Net | 4,915,115 | 4,532,703 | 23,553 | 13,587 | 4,938,668 | 4,546,290 | 8.63% |
| Total Assets | <u>7,099,240</u> | <u>6,650,344</u> | <u>68,067</u> | <u>64,549</u> | <u>7,167,307</u> | <u>6,714,893</u> | 6.74% |
| Long-Term Debt Outstanding | 2,755,538 | 2,879,150 | | | 2,755,538 | 2,879,150 | -4.29% |
| Other Liabilities | 98,681 | 308,653 | 6,599 | 11,460 | 105,280 | 320,113 | -67.11% |
| Total Liabilities | <u>2,854,219</u> | <u>3,187,803</u> | <u>6,599</u> | <u>11,460</u> | <u>2,860,818</u> | <u>3,199,263</u> | -10.58% |
| Net Assets: | | | | | | | |
| Invested in Capital Asset, Net of Related Debt | 2,190,115 | 1,682,703 | 23,553 | 13,587 | 2,213,668 | 1,696,290 | 30.50% |
| Restricted | 1,577,761 | 1,223,726 | | | 1,577,761 | 1,223,726 | 28.93% |
| Unrestricted | <u>477,145</u> | <u>556,112</u> | <u>37,915</u> | <u>39,502</u> | <u>515,060</u> | <u>595,614</u> | -13.52% |
| Total Net Assets | <u>\$ 4,245,021</u> | <u>\$ 3,462,541</u> | <u>\$ 61,468</u> | <u>\$ 53,089</u> | <u>\$ 4,306,489</u> | <u>\$ 3,515,630</u> | 22.50% |

Changes in Net Assets. The District's combined net assets were \$4,306,489 on June 30, 2012, \$790,859 or 22.50% more than the prior year (See Figure A-3). Net assets invested in capital assets increased \$517,378 due to the payment of \$125,000 in bond principal, fixed asset additions of \$551,935 and deletions of 20,400, offset by \$149,123 in depreciation. Restricted net assets increased by \$354,035 due to an increase in excess surplus of \$119,962 combined with a net increases in capital reserve of \$236,523. Unrestricted net assets decreased by \$80,554. (See Figure A-3).

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

**Figure A-4
Changes in Net Assets from Operating Results**

| | Governmental Activities | | Business-Type Activities | | Total School District | | Total Percentage Change |
|--|-------------------------|-------------------|--------------------------|-------------------|-----------------------|-------------------|-------------------------------|
| | 2011/2012 | 2010/2011 | 2011/2012 | 2010/2011 | 2011/2012 | 2010/2011 | 2011/2012 |
| Revenue: | | | | | | | |
| Program Revenue: | | | | | | | |
| Charges for Services | | \$ 17,254 | \$ 106,463 | \$ 106,514 | \$ 106,463 | \$ 123,768 | -13.98% |
| Grants and Contributions: | | | | | | | |
| Operating | \$ 1,145,954 | 1,109,685 | 34,749 | 36,694 | 1,180,703 | 1,146,379 | 2.99% |
| Capital | 1,800 | 4,200 | | | 1,800 | 4,200 | -57.14% |
| General Revenue: | | | | | | | |
| Property Taxes | 9,157,603 | 8,981,575 | | | 9,157,603 | 8,981,575 | 1.96% |
| Federal and State Aid Not Restricted | 207,123 | 16,606 | | | 207,123 | 16,606 | 1147.28% |
| Other | 23,156 | 231,723 | 14,139 | | 37,295 | 231,723 | -83.91% |
| Total Revenue | 10,535,636 | 10,361,043 | 155,351 | 143,208 | 10,690,987 | 10,504,251 | 1.78% |
| Expenses: | | | | | | | |
| Instruction | 3,506,797 | 3,505,059 | | | 3,506,797 | 3,505,059 | 0.05% |
| Pupil and Instruction Services | 4,049,355 | 4,216,320 | | | 4,049,355 | 4,216,320 | -3.96% |
| Administrative Services | 722,496 | 706,648 | | | 722,496 | 706,648 | 2.24% |
| Maintenance and Operations | 642,281 | 678,469 | | | 642,281 | 678,469 | -5.33% |
| Transportation | 503,858 | 511,725 | | | 503,858 | 511,725 | -1.54% |
| Other | 328,369 | 247,388 | 146,972 | 148,138 | 475,341 | 395,526 | 20.18% |
| Total Expenses | 9,753,156 | 9,865,609 | 146,972 | 148,138 | 9,900,128 | 10,013,747 | -1.13% |
| Increase/(Decrease) in Net Assets | \$ 782,480 | \$ 495,434 | \$ 8,379 | \$ (4,930) | \$ 790,859 | \$ 490,504 | 61.23% |

Revenue Sources. The District's total revenue for the 2011/2012 school year was \$10,690,987 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$9,157,603 of the total, or 85.66 percent (See Figure A-5). Another 13.00 percent came from state and federal aid for specific programs and contributions, 1.00 percent came from charges for services and 0.34 percent came from other miscellaneous sources. It is important to note that of the categorical grants amount of \$923,828, \$273,953 is included in funds that are not paid to the District, but are included in funding for pension and post-retirement medical contributions that the State of New Jersey is paying on behalf of the District. The Borough of Mount Arlington School District primarily conducts its operations from the revenue it receives from its local taxpayers.

**Figure A-5
Sources of Revenue for Fiscal Year**

| | Amount | Percentage |
|--------------------------------------|----------------------|----------------|
| State Formula Aid | \$ 465,798 | 4.36% |
| Property Taxes | 9,157,603 | 85.66% |
| Federal and State Categorical Grants | 923,828 | 8.64% |
| Charges for Services | 106,463 | 1.00% |
| Other | 37,295 | 0.34% |
| | \$ 10,690,987 | 100.00% |

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The total cost of all programs and services was \$9,900,128. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (81.42 percent) (See Figure A-6). The District's administrative and business activities accounted for 7.30 percent of total costs. It is important to note that depreciation of \$153,296 is included in expenses for the year.

**Figure A-6
Expenses for Fiscal Year**

| Expense Category: | <u>Amount</u> | <u>Percentage</u> |
|--------------------------------|---------------------|-------------------|
| Instruction | \$ 3,506,797 | 35.43% |
| Pupil and Instruction Services | 4,049,355 | 40.90% |
| Administrative and Business | 722,496 | 7.30% |
| Maintenance and Operations | 642,281 | 6.49% |
| Transportation | 503,858 | 5.09% |
| Other | 475,341 | 4.79% |
| | <u>\$ 9,900,128</u> | <u>100.00%</u> |

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District improved. However, maintaining existing programs and the provision of a multitude of special programs/services for disabled pupils 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 either remained relatively flat or been reduced over the past few years, the burden of funding education in the District has fallen on local 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**

| | <u>Total Cost of Services</u> | | <u>Net Cost of Services</u> | |
|--------------------------------|-------------------------------|---------------------|-----------------------------|---------------------|
| | <u>2011/2012</u> | <u>2010/2011</u> | <u>2011/2012</u> | <u>2010/2011</u> |
| Instruction | \$ 3,506,797 | \$ 3,505,059 | \$ 2,518,611 | \$ 2,565,554 |
| Pupil and Instruction Services | 4,049,355 | 4,216,320 | 3,916,709 | 4,069,805 |
| Administrative and Business | 722,496 | 706,648 | 698,880 | 692,188 |
| Maintenance and Operations | 642,281 | 678,469 | 642,281 | 678,469 |
| Transportation | 503,858 | 511,725 | 500,552 | 481,066 |
| Other | 328,369 | 247,388 | 328,369 | 247,388 |
| | <u>\$ 9,753,156</u> | <u>\$ 9,865,609</u> | <u>\$ 8,605,402</u> | <u>\$ 8,734,470</u> |

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

- The cost of all governmental activities this year was \$9.75 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$1.35 million).
- Most of the District's costs, however, were financed by District taxpayers (\$9.16 million).
- A portion of governmental activities was financed with state aid based on the CEIFA formula (\$0.32 million).
- The remainder of governmental activities funding came from private contributions, tuition, investment earnings and miscellaneous revenue.

Business-Type Activities

Net assets from the District's business-type activities increased by \$8,379 due to a decrease in the food service fund expenses, and an increase in food service revenue (Refer to Figure A-4).

Financial Analysis of the District's Funds

The District's financial situation improved in spite of difficult economic times which have had a direct impact upon the District's revenue sources. Interest from investments and tuition revenue both decreased as compared to years past. 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 |
|---|-------------------------|---------------------|--------------------------|------------------|-----------------------|---------------------|-------------------------------|
| | 2011/2012 | 2010/2011 | 2011/2012 | 2010/2011 | 2011/2012 | 2010/2011 | |
| Sites (Land) | \$ 611,500 | \$ 611,500 | | | \$ 611,500 | \$ 611,500 | 0.00% |
| Construction in Progress | | | | | | | |
| Site Improvements | 284,886 | 47,365 | | | 284,886 | 47,365 | 501.47% |
| Buildings and Building Improvements | 3,924,819 | 3,765,038 | | | 3,924,819 | 3,765,038 | 4.24% |
| Machinery and Equipment | 93,910 | 108,800 | \$ 23,553 | \$ 13,587 | 117,463 | 122,387 | -4.02% |
| Total Capital Assets (Net of Depreciation) | \$ 4,915,115 | \$ 4,532,703 | \$ 23,553 | \$ 13,587 | \$ 4,938,668 | \$ 4,546,290 | 8.63% |

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The District's overall capital assets decreased due to depreciation expense exceeding capital additions. At year-end, the District had \$2,725,000 in general obligation bonds – a reduction of \$125,000 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 |
|---|-----------------------|---------------------|-----------------------------------|
| | 2011/2012 | 2010/2011 | Percentage Change 2011/2012 |
| General Obligation Bonds (Financed with Property Taxes) | \$ 2,725,000 | \$ 2,850,000 | -4.39% |
| Other Long-term Debt | 30,538 | 29,150 | 4.76% |
| | <u>\$ 2,755,538</u> | <u>\$ 2,879,150</u> | <u>-4.29%</u> |

- The District continued to pay down its debt, retiring \$125,000 of outstanding bonds.
- The District's other liabilities consist of compensated absences payable.

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

While significant decreases in aid from the State in prior years have been partially offset by increases in more recent years, the District does not anticipate a quick improvement in the State's financial condition and, consequently, does not anticipate the State will be contributing its legally mandated share of the District's operating expenditures at any point in the near future.

Increasing State regulations and State-mandated submissions and reporting requirements will have a negative impact on the ability of the existing administration to comply with all State directives while maintaining the day to day operations of the schools.

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 Board of Education Office, 466 Howard Boulevard, Mount Arlington, New Jersey 07856.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|---------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 905,737 | \$ 37,203 | \$ 942,940 |
| Internal Balances | | 3,490 | 3,490 |
| Receivables from Federal Government | | 1,781 | 1,781 |
| Receivables from State Government | 221,153 | 95 | 221,248 |
| Receivables from Other Governments | 660 | | 660 |
| Interfund Receivable | 12,297 | | 12,297 |
| Inventory | | 1,945 | 1,945 |
| Restricted Assets: | | | |
| Capital Reserve Account - Cash | 1,044,278 | | 1,044,278 |
| Capital Assets, Net: | | | |
| Sites (Land) | 611,500 | | 611,500 |
| Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment | 4,303,615 | 23,553 | 4,327,168 |
| Total Assets | <u>7,099,240</u> | <u>68,067</u> | <u>7,167,307</u> |
| LIABILITIES | | | |
| Accrued Interest Payable | 49,148 | | 49,148 |
| Interfund Balances | 3,490 | | 3,490 |
| Payable to Local Grantor Agency | 5,592 | | 5,592 |
| Accounts Payable - Vendors | 37,201 | 5,430 | 42,631 |
| Deferred Revenue | 3,250 | 1,169 | 4,419 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 125,000 | | 125,000 |
| Due Beyond One Year | 2,630,538 | | 2,630,538 |
| Total Liabilities | <u>2,854,219</u> | <u>6,599</u> | <u>2,860,818</u> |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | 2,190,115 | 23,553 | 2,213,668 |
| Restricted for: | | | |
| Capital Projects | 894,278 | | 894,278 |
| Other Purposes | 683,483 | | 683,483 |
| Unrestricted | 477,145 | 37,915 | 515,060 |
| Total Net Assets | <u>\$ 4,245,021</u> | <u>\$ 61,468</u> | <u>\$ 4,306,489</u> |

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses)/Revenues and Changes in Net Assets | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental Activities: | | | | | | | |
| Instruction: | | | | | | | |
| Regular | \$ 2,680,990 | | \$ 402,466 | | \$ (2,278,524) | | \$ (2,278,524) |
| Special Education | 660,316 | | 559,787 | \$ 1,800 | (98,729) | | (98,729) |
| Other Special Instruction | 156,166 | | 22,770 | | (133,396) | | (133,396) |
| Other Instruction | 9,325 | | 1,363 | | (7,962) | | (7,962) |
| Support services: | | | | | | | |
| Tuition | 3,010,648 | | 132,646 | | (2,878,002) | | (2,878,002) |
| Student & Instruction Related Services | 1,038,707 | | | | (1,038,707) | | (1,038,707) |
| General Administrative Services | 354,269 | | | | (354,269) | | (354,269) |
| School Administrative Services | 211,121 | | 23,616 | | (187,505) | | (187,505) |
| Central Services | 157,106 | | | | (157,106) | | (157,106) |
| Plant Operations and Maintenance | 642,281 | | | | (642,281) | | (642,281) |
| Pupil Transportation | 503,858 | | 3,306 | | (500,552) | | (500,552) |
| Unallocated Depreciation | 128,231 | | | | (128,231) | | (128,231) |
| Capital Outlay | 39,797 | | | | (39,797) | | (39,797) |
| Interest on Long-Term Debt | 109,432 | | | | (109,432) | | (109,432) |
| Charter Schools | 50,909 | | | | (50,909) | | (50,909) |
| Total Governmental Activities | 9,753,156 | | 1,145,954 | 1,800 | (8,605,402) | | (8,605,402) |
| Business-Type Activities: | | | | | | | |
| Food Service | 146,972 | \$ 106,463 | 34,749 | | | \$ (5,760) | (5,760) |
| Total Business-Type Activities | 146,972 | 106,463 | 34,749 | | | (5,760) | (5,760) |
| Total Primary Government | \$ 9,900,128 | \$ 106,463 | \$ 1,180,703 | \$ 1,800 | (8,605,402) | (5,760) | (8,611,162) |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses)/Revenues and Changes in Net Assets | | |
|--------------------|----------|-------------------------|--|--|---|-----------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| | | | | | \$ 8,921,309 | | \$ 8,921,309 |
| | | | | | 236,294 | | 236,294 |
| | | | | | 207,123 | | 207,123 |
| | | | | | 8,906 | | 8,906 |
| | | | | | 28,389 | | 28,389 |
| | | | | | (14,139) | \$ 14,139 | |
| | | | | | <u>9,387,882</u> | <u>14,139</u> | <u>9,402,021</u> |
| | | | | | 782,480 | 8,379 | 790,859 |
| | | | | | <u>3,462,541</u> | <u>53,089</u> | <u>3,515,630</u> |
| | | | | | <u>\$ 4,245,021</u> | <u>\$ 61,468</u> | <u>\$ 4,306,489</u> |

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

FUND FINANCIAL STATEMENTS

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|---------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 902,487 | \$ 3,250 | | | \$ 905,737 |
| Interfund Receivable | 12,297 | | | | 12,297 |
| Receivables from State Government | 221,153 | | | | 221,153 |
| Receivables from Other Governments | 660 | | | | 660 |
| Restricted Cash and Cash Equivalents | 1,044,278 | | | | 1,044,278 |
| Total Assets | \$ 2,180,875 | \$ 3,250 | \$ -0- | \$ -0- | \$ 2,184,125 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Interfund Payable | \$ 3,490 | | | | \$ 3,490 |
| Other Current Liabilities | 5,592 | | | | 5,592 |
| Accounts Payable - Vendors | 37,201 | | | | 37,201 |
| Deferred Revenue | | \$ 3,250 | | | 3,250 |
| Total Liabilities | 46,283 | 3,250 | | | 49,533 |
| Fund Balances: | | | | | |
| Restricted | | | | | |
| Capital Reserve Account | 894,278 | | | | 894,278 |
| Maintenance Reserve | 50,000 | | | | 50,000 |
| Tuition Reserve - 2012-2013 | 100,000 | | | | 100,000 |
| Excess Surplus - 2012-2013 | 253,371 | | | | 253,371 |
| Excess Surplus - 2013-2014 | 273,995 | | | | 273,995 |
| Assigned | | | | | |
| Designated For Subsequent Year's Expenditures | 215,000 | | | | 215,000 |
| Other Purposes | 6,117 | | | | 6,117 |
| Unassigned | | | | | |
| | 341,831 | | | | 341,831 |
| Total Fund Balances | 2,134,592 | | | | 2,134,592 |
| Total Liabilities and Fund Balances | \$ 2,180,875 | \$ 3,250 | \$ -0- | \$ -0- | |

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 \$7,950,408 and the accumulated depreciation is \$3,035,293. | 4,915,115 |
| Interest on long term debt is not accrued in government funds, but rather is recognized as expenditure when due. | (49,148) |
| Long-Term Liabilities, Including Bonds Payable, are not due and payable in the current period and therefore is not reported as a liability in the Funds. | (2,755,538) |
| Net Assets of Governmental Activities | \$ 4,245,021 |

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|--|-------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| REVENUES | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 8,921,309 | | | \$ 236,294 | \$ 9,157,603 |
| Interest Earned on Capital Reserve Funds | 3,473 | | | | 3,473 |
| Miscellaneous | 33,822 | | | | 33,822 |
| Total - Local Sources | 8,958,604 | | | 236,294 | 9,194,898 |
| State Sources | 1,170,712 | \$ 2,611 | | | 1,173,323 |
| Federal Sources | | 181,554 | | | 181,554 |
| Total Revenues | 10,129,316 | 184,165 | | 236,294 | 10,549,775 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Regular Instruction | 1,877,687 | 45,223 | | | 1,922,910 |
| Special Education Instruction | 461,124 | 4,496 | | | 465,620 |
| Other Instruction | 108,483 | | | | 108,483 |
| School Sponsored Instruction | 6,496 | | | | 6,496 |
| Support Services and Undistributed Costs: | | | | | |
| Tuition | 2,878,002 | 132,646 | | | 3,010,648 |
| Student & Instruction Related Services | 818,502 | | | | 818,502 |
| General Administrative Services | 299,658 | | | | 299,658 |
| School Administrative Services | 148,874 | | | | 148,874 |
| Central Services | 126,504 | | | | 126,504 |
| Plant Operations and Maintenance | 578,578 | | | | 578,578 |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|-----------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Pupil Transportation | \$ 500,360 | | | | \$ 500,360 |
| Unallocated Benefits | 1,415,874 | | | | 1,415,874 |
| Transfer to Charter Schools | 50,909 | | | | 50,909 |
| Capital Outlay | 40,949 | \$ 1,800 | \$ 528,583 | | 571,332 |
| Debt Service: | | | | | |
| Principal | | | | \$ 125,000 | 125,000 |
| Interest and Other Charges | | | | 111,294 | 111,294 |
| Total Expenditures | 9,312,000 | \$ 184,165 | 528,583 | 236,294 | 10,261,042 |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | 817,316 | | (528,583) | | 288,733 |
| OTHER FINANCING SOURCES/(USES) | | | | | |
| Transfers In | | | 542,722 | | 542,722 |
| Transfers Out | (542,722) | | (14,139) | | (556,861) |
| Total Other Financing Sources/(Uses) | (542,722) | | 528,583 | | (14,139) |
| Net Change in Fund Balances | 274,594 | | | | 274,594 |
| Fund Balance—July 1 | 1,859,998 | | | | 1,859,998 |
| Fund Balance—June 30 | \$ 2,134,592 | \$ -0- | \$ -0- | \$ -0- | \$ 2,134,592 |

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

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

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 274,594

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 and disposals of assets with carrying value differs from capital outlays in the period.

| | | | |
|--|--|----------------|---------|
| | Depreciation expense | \$ (163,043) | |
| | Disposal of Assets with Carrying Value | (6,480) | |
| | Capital outlays | <u>551,935</u> | |
| | | | 382,412 |

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 (+). (1,388)

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 (+). 1,862

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+) 125,000

Change in Net Assets of Governmental Activities (A-2) \$ 782,480

Exhibit B-4

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Business-Type Activities - Enterprise Funds Food Service</u> |
|--|---|
| ASSETS: | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 37,203 |
| Intergovernmental Receivable: | |
| Federal | 1,781 |
| State | 95 |
| Interfund Receivable | 3,490 |
| Inventory | <u>1,945</u> |
| Total Current Assets | <u>44,514</u> |
| Non-Current Assets: | |
| Capital Assets | 114,139 |
| Less: Accumulated Depreciation | <u>(90,586)</u> |
| Total Non-Current Assets | <u>23,553</u> |
| Total Assets | <u>68,067</u> |
| LIABILITIES: | |
| Accounts Payable - Vendors | 5,430 |
| Deferred Revenue | <u>1,169</u> |
| Total Liabilities | <u>6,599</u> |
| NET ASSETS: | |
| Investment in Capital Assets Net of Related Debt | 23,553 |
| Unrestricted | <u>37,915</u> |
| Total Net Assets | <u><u>\$ 61,468</u></u> |

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

Exhibit B-5

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Business-Type Activities - Enterprise Funds <u>Food Service</u> |
|--|--|
| Operating Revenue: | |
| Charges for Services: | |
| Daily Sales - Reimbursable Programs | \$ 81,899 |
| Daily Sales - Non-Reimbursable Programs | 23,256 |
| Miscellaneous | <u>1,308</u> |
| Total Operating Revenue | <u>106,463</u> |
| Operating Expenses: | |
| Cost of Sales | 65,737 |
| Salaries, Benefits & Payroll Taxes | 60,378 |
| Supplies, Insurance & Other Costs | 8,937 |
| Purchased Professional Services | 7,747 |
| Depreciation Expense | <u>4,173</u> |
| Total Operating Expenses | <u>146,972</u> |
| Operating Loss | <u>(40,509)</u> |
| Non-Operating Revenue: | |
| Federal Sources: | |
| National School Lunch Program | 23,852 |
| National School Breakfast Program | 3,039 |
| Special Milk Program | 804 |
| Food Distribution Program | 5,619 |
| State Sources | |
| State School Lunch Program | <u>1,435</u> |
| Total Non-Operating Revenue | <u>34,749</u> |
| Change in Net Assets Before Operating Transfer In - General Fund | (5,760) |
| Operating Transfers In - Capital Contribution | <u>14,139</u> |
| Change in Net Assets | 8,379 |
| Net Assets - Beginning of Year | <u>53,089</u> |
| Net Assets - End of Year | <u>\$ 61,468</u> |

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

Exhibit B-6

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Business-Type Activities - Enterprise Funds Food Service</u> |
|--|---|
| Cash Flows from Operating Activities: | |
| Receipts from Customers | \$ 146,146 |
| Payments to Food Service Vendor | <u>(142,494)</u> |
| Net Cash Provided by Operating Activities | <u>3,652</u> |
| Cash Flows from Noncapital Financing Activities: | |
| State and Federal Subsidy Reimbursements | <u>30,315</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>30,315</u> |
| Net Increase in Cash and Cash Equivalents | 33,967 |
| Cash and Cash Equivalents, July 1 | <u>3,236</u> |
| Cash and Cash Equivalents, June 30 | <u>\$ 37,203</u> |
| Reconciliation of Operating Loss to | |
| Net Cash Provided by Operating Activities: | |
| Operating Loss | \$ (40,509) |
| Adjustment to Reconcile Operating Loss to Net | |
| Cash Provided by Operating Activities: | |
| Depreciation | 4,173 |
| Food Distribution Program | 5,619 |
| Changes in Assets and Liabilities: | |
| Decrease in Intergovernmental Accounts Receivable | 39,683 |
| (Increase) in Inventory | (453) |
| (Decrease) in Accounts Payable | (5,495) |
| Increase in Deferred Revenue | <u>634</u> |
| Net Cash Provided by Operating Activities | <u>\$ 3,652</u> |

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$6,253 and utilized U.S.D.A. Commodities valued at \$5,619.

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

Exhibit B-7

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

| | <u>Agency</u> | <u>Unemployment Compensation Trust</u> |
|---------------------------------------|---------------|--|
| ASSETS: | | |
| Cash and Cash Equivalents | \$ 94,715 | \$ 22,905 |
| Interfund Receivable | | 21,513 |
| | <hr/> | <hr/> |
| Total Assets | 94,715 | 44,418 |
| | <hr/> | <hr/> |
| LIABILITIES: | | |
| Payroll Deductions and Withholdings | 48,773 | |
| Interfund Payable | 33,810 | |
| Due to Student Groups | 12,132 | |
| | <hr/> | <hr/> |
| Total Liabilities | 94,715 | |
| | <hr/> | <hr/> |
| NET ASSETS: | | |
| Held in Trust for Unemployment Claims | | 44,418 |
| | <hr/> | <hr/> |
| Total Net Assets | \$ -0- | \$ 44,418 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

Exhibit B-8

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Unemployment Compensation Trust</u> |
|---------------------------------------|--|
| ADDITIONS: | |
| Contributions: | |
| Employee Deductions | \$ 5,852 |
| Investment Earnings: | |
| Total Contributions | <u>119</u> |
| | <u>5,971</u> |
| Total Additions | <u>5,971</u> |
| | |
| DEDUCTIONS: | |
| Unemployment Claims and Contributions | <u>27,269</u> |
| Total Deductions | <u>27,269</u> |
| Change in Net Assets | (21,298) |
| Net Assets - Beginning of the Year | <u>65,716</u> |
| Net Assets - End of the Year | <u>\$ 44,418</u> |

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Borough of Mount Arlington 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 superintendent 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 and a middle school located in the Borough of Mount Arlington. 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.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for 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 the 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 expense by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue from 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.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund and Unemployment Compensation Insurance Trust 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. Non-exchange 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 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 resources 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 Enterprise 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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2012 was submitted to the County office and was voted upon at the school election on the fourth Wednesday 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 and Special Revenue Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last state aid payments for the current and prior years. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

| | General Fund | Special Revenue Fund |
|---|-----------------|----------------------------|
| Sources/Inflows of Resources: | | |
| Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule | \$ 10,149,528 | \$ 183,190 |
| 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 | | 975 |
| Current Year State Aid Payments Recognized for Budgetary Purposes , not Recognized for GAAP Statements | (48,598) | |
| Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes | 28,386 | |
| Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | \$ 10,129,316 | \$ 184,165 |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

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

| | General Fund | Special Revenue Fund |
|---|-----------------|----------------------------|
| Uses/Outflows of Resources: | | |
| Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule | \$ 9,854,722 | \$ 183,190 |
| 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 | | 975 |
| | | |
| Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | \$ 9,854,722 | \$ 184,165 |

E. Cash and Cash Equivalents and Investments:

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

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

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

F. Interfund Transactions:

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

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, 2012.

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.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

K. Capital Assets: (Cont'd)

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

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

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

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond premiums and 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. Issue costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

M. Accrued Salaries and Wages:

The District allows employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year. The amount of accrued salaries and wages as of June 30, 2012 was \$-0-.

N. Compensated Absences:

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$2,134,592 General Fund fund balance at June 30, 2012, \$6,117 is assigned for encumbrances; \$894,278 is restricted in the capital reserve account; \$50,000 has been restricted in the maintenance reserve account; \$100,000 has been restricted for tuition adjustment for the fiscal year ended June 30, 2013 in accordance with N.J.A.C. 6A:23-3.1(F)(8); \$253,371 is restricted as prior year excess surplus in accordance with N.J.S.A. 18A:7F (S1701) and has been appropriated and included as anticipated revenue for the year ending June 30, 2013, \$273,995 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the year ending June 30, 2014; \$215,000 of assigned fund balance has been appropriated and included as anticipated revenue for the year ended June 30, 2013; and \$341,831 is unassigned fund balance, which is \$48,598 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2013.

Special Revenue: The Special Revenue Fund fund balance at June 30, 2012 is \$-0-.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2012 is \$-0-.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2012 is \$-0-.

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 defined above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$48,598, as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, 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 these 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 state aid payments and not the fund balance reported on the fund statement which excludes the last state aid payments.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

Q. 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.

R. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the prior 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 have been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus, a capital reserve, a tuition reserve, and a maintenance reserve.

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 no committed resources at June 30, 2012.

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, 2012.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

S. 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.

T. Operating Revenue and Expenses:

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

U. Management Estimates:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

Investments: (Cont'd)

- (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; or
- (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.

| | Cash and Cash Equivalents | Restricted Cash and Cash Equivalents | Total |
|-------------------------------|------------------------------|---|--------------|
| Checking and Savings Accounts | \$ 1,060,560 | \$ 1,044,278 | \$ 2,104,838 |

During the period ended June 30, 2012, the District did not hold any investments.

The carrying amount of the Board's cash and cash equivalents at June 30, 2012, was \$2,104,838 and the bank balance was \$3,052,858.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District by inclusion of \$2,500 on October 12, 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). 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 at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

| | | | |
|--|----|----|----------------|
| Beginning Balance, July 1, 2011 | | \$ | 757,755 |
| Interest Earnings | \$ | | 3,473 |
| Deposits by Board Resolution - June 21, 2012 | | | 500,000 |
| | | | 503,473 |
| | | | 1,261,228 |
| Budgeted Withdrawals | | | (366,950) |
| Ending Balance, June 30, 2012 | | | \$ 894,278 |

The June 30, 2012 LRFP balance of local support costs of uncompleted capital projects exceeds the June 30, 2012 capital reserve account balance. The withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

| | Beginning Balance | Increases | Adjustments/ Decreases | Ending Balance |
|---|----------------------|------------|---------------------------|-------------------|
| Governmental Activities: | | | | |
| Capital Assets not Being Depreciated: | | | | |
| Sites (Land) | \$ 611,500 | | | \$ 611,500 |
| Total Capital Assets Not Being Depreciated | 611,500 | | | 611,500 |
| Capital Assets Being Depreciated: | | | | |
| Site Improvements | 135,114 | \$ 248,483 | | 383,597 |
| Buildings and Building Improvements | 6,149,179 | 280,100 | | 6,429,279 |
| Machinery and Equipment | 523,080 | 23,352 | \$ (20,400) | 526,032 |
| Total Capital Assets Being Depreciated | 6,807,373 | 551,935 | (20,400) | 7,338,908 |
| Governmental Activities Capital Assets | 7,418,873 | 551,935 | (20,400) | 7,950,408 |
| Less Accumulated Depreciation for: | | | | |
| Site Improvements | (87,749) | (10,962) | | (98,711) |
| Buildings and Building Improvements | (2,384,141) | (120,319) | | (2,504,460) |
| Machinery and Equipment | (414,280) | (31,762) | 13,920 | (432,122) |
| | (2,886,170) | (163,043) | 13,920 | (3,035,293) |
| Governmental Activities Capital Assets, Net of Accumulated Depreciation | \$ 4,532,703 | \$ 388,892 | \$ (6,480) | \$ 4,915,115 |
| Business-Type Activities: | | | | |
| Capital Assets Being Depreciated: | | | | |
| Machinery and Equipment | \$ 100,000 | \$ 14,139 | | \$ 114,139 |
| Less Accumulated Depreciation | (86,413) | (4,173) | | (90,586) |
| Business-Type Activities Capital Assets, Net of Accumulated Depreciation | \$ 13,587 | \$ 9,966 | \$ -0- | \$ 23,553 |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------------|-------------------|
| Regular Instruction | \$ 15,485 |
| General Administrative Services | 4,484 |
| Plant Operations and Maintenance | 923 |
| Unallocated | <u>128,231</u> |
| | <u>\$ 149,123</u> |

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2012, the District did not transfer any funds to the capital outlay accounts.

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the district-wide financial statements:

| | <u>Balance</u> <u>6/30/2011</u> | <u>Accrued</u> | <u>Retired</u> | <u>Balance</u> <u>6/30/2012</u> |
|------------------------------|------------------------------------|-----------------|-------------------|------------------------------------|
| Serial Bonds Payable | \$ 2,850,000 | | \$ 125,000 | \$ 2,725,000 |
| Compensated Absences Payable | 29,150 | \$ 1,388 | | <u>30,538</u> |
| | <u>\$ 2,879,150</u> | <u>\$ 1,388</u> | <u>\$ 125,000</u> | <u>\$ 2,755,538</u> |

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. The current portion of bonds at June 30, 2012 is \$125,000 and the long-term portion is \$2,600,000. The Debt Service Fund will be used to liquidate bonds payable.

The District had bonds outstanding as of June 30, 2012 as follows:

| <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Amount</u> |
|-----------------------|----------------------|---------------------|
| 1/15/2028 | 3.375% - 4.000% | <u>\$ 2,725,000</u> |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

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

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|---------------------|
| 2013 | \$ 125,000 | \$ 107,231 | \$ 232,231 |
| 2014 | 130,000 | 103,013 | 233,013 |
| 2015 | 135,000 | 98,463 | 233,463 |
| 2016 | 145,000 | 93,400 | 238,400 |
| 2017 | 145,000 | 87,600 | 232,600 |
| Thereafter: | | | |
| 2018-2022 | 825,000 | 345,800 | 1,170,800 |
| 2023-2027 | 1,000,000 | 167,200 | 1,167,200 |
| 2028 | 220,000 | 8,800 | 228,800 |
| | <u>\$ 2,725,000</u> | <u>\$ 1,011,507</u> | <u>\$ 3,736,507</u> |

B. Bonds Authorized But Not Issued:

As of June 30, 2012, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District did not have any Capital Leases Payable as of June 30, 2012.

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 \$30,538. There is no current portion of compensated absences payable.

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, 2012, no liability existed for compensated absences in the Enterprise Funds.

The General Fund will be used to liquidate other long-term liabilities which include compensated absences payable.

NOTE 8. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$50,000 was established by the Borough of Mount Arlington School District by board resolution on June 21, 2011. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 8. MAINTENANCE RESERVE ACCOUNT (Cont'd)

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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 non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of PERS and retire at a specified 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 legislation. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS and TPAF went from 5.5% to 6.50% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits. Under current statute, the District is a noncontributing employer of the TPAF.

District Contributions to PERS amounted to \$84,262, \$68,827 and \$62,158 for the fiscal years ended June 30, 2012, 2011 and 2010, respectively.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

During the fiscal years ended June 30, 2012, 2011 and 2010 the State of New Jersey contributed \$91,007, \$-0- and \$-0-, respectively, to the TPAF for normal pension benefits on-behalf of the District.

NOTE 10. POST-RETIREMENT BENEFITS

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

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

The State's on-behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$182,946, \$179,030, and \$181,376 for 2012, 2011, and 2010, 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 the Oxford Health Plan.

Property and Liability Insurance

The Borough of Mount Arlington School District is a member of the Morris Essex Insurance Group (the "Group"). The Group provides general liability, property, 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 Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for their respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

The audit report for the year ended June 30, 2012 was not available as of the date of this report. Selected, summarized financial information for the Group as of June 30, 2011 is as follows:

| | <u>Morris-Essex Insurance Group</u> |
|--|---|
| Total Assets | \$ 7,361,713 |
| Net Assets | \$ 3,049,206 |
| Total Revenue | \$ 2,926,184 |
| Total Expenses | \$ 1,765,941 |
| Change in Net Assets for the Year Ended June 30 | \$ 567,949 |
| Net Assets Distribution to Participating Members | \$ 592,294 |

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

Burton Agency
44 Bergen Street
P.O. Box 270
Westwood, NJ 07675
(201) 664-0310

New Jersey Unemployment Compensation Insurance

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

| <u>Fiscal Year</u> | <u>District Contributions</u> | <u>Interest Earned</u> | <u>Employee Contributions</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|--------------------|-----------------------------------|----------------------------|-----------------------------------|------------------------------|---------------------------|
| 2011-2012 | | \$ 119 | \$ 5,852 | \$ 27,269 | \$ 44,418 |
| 2010-2011 | \$ 67,835 | 94 | 5,704 | 67,775 | 65,716 |
| 2009-2010 | 40,500 | 73 | 9,957 | 11,673 | 59,858 |

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.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2012 there were interfund receivables and payables as follows:

| <u>Fund</u> | <u>Receivable</u> | <u>Payable</u> |
|------------------|-------------------|------------------|
| General Fund | \$ 12,297 | \$ 3,490 |
| Proprietary Fund | 3,490 | |
| Fiduciary Fund | 21,513 | 33,810 |
| | <u>\$ 37,300</u> | <u>\$ 37,300</u> |

The interfund receivable in the General Fund represents employee health contributions held in the Fiduciary Fund. The interfund payable in the General Fund due to the Proprietary Fund is comprised of a federal and state School Nutrition subsidy reimbursements that were received in the General Fund but not yet turned over to the Food Service Fund. The interfund receivable and payable in the Fiduciary Fund represent unemployment contributions held in the Payroll Agency Account.

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) and 457. The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Lincoln Life
AXA Equitable

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.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 16. 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.

Arbitrage

The District is not subject to liability for arbitrage payable to the federal government relative to its \$3,260,000 School Bonds dated September 14, 2005 as the District is considered a small issuer with debt under \$15,000,000.

Encumbrances

At June 30, 2012, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

| <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Total Governmental Funds</u> |
|-------------------------|-------------------------------------|---|
| <u>6,117</u> | <u>975</u> | <u>7,092</u> |
| <u>\$ 6,117</u> | <u>\$ 975</u> | <u>\$ 7,092</u> |

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 \$975 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized on a GAAP basis and are reflected as either a reduction in grants receivables or an increase in deferred revenue.

NOTE 17. TUITION RESERVE ACCOUNT

A tuition reserve account may be established in accordance with N.J.A.C. 6A:23-3.1(f) for tuition between two Boards of Education that are in a formal sending/receiving relationship. The maximum amount that may be restricted at year end is 10% of the estimated contract year. Upon certification of tuition rates in the third year following the contract year, full appropriation of the applicable year's reserve must be liquidated and any remaining balance related to that year must be reserved and budgeted for tax relief.

The District established a \$100,000 tuition reserve during 2010/2011 which will be used to pay for any tuition adjustments for the fiscal year ending June 30, 2013.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|-------------------|-------------------------------------|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 8,921,309 | | \$ 8,921,309 | \$ 8,921,309 | |
| Tuition from Other LEAs | 62,612 | | 62,612 | | \$ (62,612) |
| Interest Earned on Capital Reserve Funds | 400 | | 400 | 3,473 | 3,073 |
| Miscellaneous | 218,845 | | 218,845 | 33,822 | (185,023) |
| Total - Local Sources | 9,203,166 | | 9,203,166 | 8,958,604 | (244,562) |
| State Sources: | | | | | |
| Categorical Special Education Aid | 323,322 | | 323,322 | 323,322 | |
| Extraordinary Special Education Costs Aid | 70,000 | | 70,000 | 207,123 | 137,123 |
| Categorical Security Aid | 51,468 | | 51,468 | 51,468 | |
| Categorical Transportation Aid | 10,382 | \$ 100,838 | 111,220 | 111,220 | |
| Nonpublic School Transportation Costs | | | | 3,306 | 3,306 |
| TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted) | | | | 91,007 | 91,007 |
| TPAF Post Retirement Medical (On-Behalf - Non-Budgeted) | | | | 182,946 | 182,946 |
| TPAF Social Security (Reimbursed - Non-Budgeted) | | | | 220,532 | 220,532 |
| Total State Sources | 455,172 | 100,838 | 556,010 | 1,190,924 | 634,914 |
| Federal Sources: | | | | | |
| Education Jobs Fund | 26,135 | 819 | 26,954 | | (26,954) |
| Total Federal Sources | 26,135 | 819 | 26,954 | | (26,954) |
| TOTAL REVENUES | 9,684,473 | 101,657 | 9,786,130 | 10,149,528 | 363,398 |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|------------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Regular Programs - Instruction: | | | | | |
| Kindergarten - Salaries of Teachers | \$ 56,475 | | \$ 56,475 | \$ 56,475 | |
| Grades 1-5 - Salaries of Teachers | 981,535 | \$ (13,499) | 968,036 | 884,568 | \$ 83,468 |
| Grades 6-8 - Salaries of Teachers | 709,763 | 51,498 | 761,261 | 760,943 | 318 |
| Other Purchased Services (400-500 series) | 47,945 | (19,792) | 28,153 | 28,153 | |
| General Supplies | 144,818 | (22,367) | 122,451 | 120,401 | 2,050 |
| Textbooks | 28,909 | (3,768) | 25,141 | 22,966 | 2,175 |
| Other Objects | 1,001 | 3,180 | 4,181 | 4,181 | |
| Total Regular Programs - Instruction | 1,970,446 | (4,748) | 1,965,698 | 1,877,687 | 88,011 |
| Special Education - Instruction: | | | | | |
| Multiple Disabilities: | | | | | |
| Salaries of Teachers | 63,070 | | 63,070 | 20,600 | 42,470 |
| Other Salaries for Instruction | 222 | | 222 | | 222 |
| Total Multiple Disabilities | 63,292 | | 63,292 | 20,600 | 42,692 |
| Resource Room/Resource Center: | | | | | |
| Salaries of Teachers | 324,106 | | 324,106 | 302,153 | 21,953 |
| Other Salaries for Instruction | 33,923 | | 33,923 | 30,930 | 2,993 |
| General Supplies | 672 | | 672 | | 672 |
| Total Resource Room/Resource Center | 358,701 | | 358,701 | 333,083 | 25,618 |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Preschool Disabilities - Part-time: | | | | | |
| Salaries of Teachers | | \$ 103,606 | \$ 103,606 | \$ 103,606 | |
| General Supplies | \$ 3,600 | 235 | 3,835 | 3,835 | |
| Total Preschool Disabilities - Part-time | <u>3,600</u> | <u>103,841</u> | <u>107,441</u> | <u>107,441</u> | |
| Preschool Disabilities - Full-time: | | | | | |
| Salaries of Teachers | 115,609 | | 115,609 | | \$ 115,609 |
| General Supplies | 2,209 | | 2,209 | | 2,209 |
| Total Preschool Disabilities - Full-time | <u>117,818</u> | | <u>117,818</u> | | <u>117,818</u> |
| Total Special Education Instruction | <u>543,411</u> | <u>103,841</u> | <u>647,252</u> | <u>461,124</u> | <u>186,128</u> |
| Basic Skills/Remedial - Instruction: | | | | | |
| Salaries of Teachers | 51,768 | 45,926 | 97,694 | 97,694 | |
| General Supplies | 633 | (5) | 628 | | 628 |
| Total Basic Skills/Remedial - Instruction | <u>52,401</u> | <u>45,921</u> | <u>98,322</u> | <u>97,694</u> | <u>628</u> |
| Bilingual Education - Instruction: | | | | | |
| Salaries of Teachers | 10,789 | | 10,789 | 10,789 | |
| Total Bilingual - Instruction | <u>10,789</u> | | <u>10,789</u> | <u>10,789</u> | |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|------------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| School-Sponsored Cocurricular Activities - Instruction: | | | | | |
| Salaries | \$ 8,474 | | \$ 8,474 | \$ 6,496 | \$ 1,978 |
| Purchased Services (300-500 series) | 200 | | 200 | | 200 |
| Total School-Sponsored Cocurricular Activities - Instruction | <u>8,674</u> | | <u>8,674</u> | <u>6,496</u> | <u>2,178</u> |
| Other Instructional Programs - Instruction: | | | | | |
| Salaries | 20,716 | | 20,716 | | 20,716 |
| Total Other Instructional Programs - Instruction | <u>20,716</u> | | <u>20,716</u> | | <u>20,716</u> |
| Total Instruction | <u>2,606,437</u> | <u>\$ 145,014</u> | <u>2,751,451</u> | <u>2,453,790</u> | <u>297,661</u> |
| Undistributed Expenditures: | | | | | |
| Instruction: | | | | | |
| Tuition to Other LEAs Within the State - Regular | 2,407,483 | 4,463 | 2,411,946 | 2,401,118 | 10,828 |
| Tuition to Other LEAs Within the State - Special | 217,567 | (96,521) | 121,046 | 121,046 | |
| Tuition to CSSD & Regional Day Schools | 52,300 | 90,477 | 142,777 | | 142,777 |
| Tuition to Private Schools for the Disabled - Within the State | 600,055 | (198,652) | 401,403 | 313,403 | 88,000 |
| Tuition - State Facilities | | 62,100 | 62,100 | 42,435 | 19,665 |
| Total Undistributed Expenditures - Instruction | <u>3,277,405</u> | <u>(138,133)</u> | <u>3,139,272</u> | <u>2,878,002</u> | <u>261,270</u> |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Attendance and Social Work: | | | | | |
| Salaries | \$ 7,752 | | \$ 7,752 | \$ 7,040 | \$ 712 |
| Total Attendance and Social Work | <u>7,752</u> | | <u>7,752</u> | <u>7,040</u> | <u>712</u> |
| Health Services: | | | | | |
| Salaries | 129,977 | \$ 540 | 130,517 | 130,517 | |
| Purchased Professional and Technical Services | 7,000 | (300) | 6,700 | 4,400 | 2,300 |
| Supplies and Materials | 1,827 | (170) | 1,657 | 973 | 684 |
| Other Objects | | 470 | 470 | 470 | |
| Total Health Services | <u>138,804</u> | <u>540</u> | <u>139,344</u> | <u>136,360</u> | <u>2,984</u> |
| Speech, OT, PT and Related Services: | | | | | |
| Salaries | 118,980 | 110,653 | 229,633 | 229,633 | |
| Purchased Professional - Educational Services | 167,301 | (131,568) | 35,733 | 8,296 | 27,437 |
| Supplies and Materials | 2,866 | (2,065) | 801 | | 801 |
| Total Speech, OT, PT, and Related Services | <u>289,147</u> | <u>(22,980)</u> | <u>266,167</u> | <u>237,929</u> | <u>28,238</u> |
| Other Support Services - Students - Extraordinary Services: | | | | | |
| Salaries | <u>120,908</u> | <u>12,640</u> | <u>133,548</u> | <u>133,548</u> | |
| Total Other Support Services - Students - Extraordinary Services | <u>120,908</u> | <u>12,640</u> | <u>133,548</u> | <u>133,548</u> | |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Other Support Services - Students - Guidance: | | | | | |
| Salaries of Other Professional Staff | | \$ 15,121 | \$ 15,121 | \$ 15,121 | |
| Salaries of Secretarial and Clerical Assistants | \$ 17,772 | | 17,772 | | \$ 17,772 |
| Total Other Support Services - Students - Guidance | 17,772 | 15,121 | 32,893 | 15,121 | 17,772 |
| Other Support Services - Students - Child Study Teams: | | | | | |
| Salaries of Other Professional Staff | 167,548 | 16,069 | 183,617 | 183,617 | |
| Salaries of Secretarial and Clerical Assistants | 21,148 | | 21,148 | 18,932 | 2,216 |
| Other Purchased Professional and Technical Services | 12,000 | 21,013 | 33,013 | 33,013 | |
| Supplies and Materials | 257 | 279 | 536 | 525 | 11 |
| Other Objects | | 225 | 225 | 225 | |
| Total Other Support Services - Students - Child Study Teams | 200,953 | 37,586 | 238,539 | 236,312 | 2,227 |
| Improvement of Instructional Services: | | | | | |
| Salaries of Supervisor of Instruction | | 12,257 | 12,257 | 12,257 | |
| Other Purchased Professional and Technical Services | 31,103 | (12,257) | 18,846 | | 18,846 |
| Total Improvement of Instructional Services | 31,103 | | 31,103 | 12,257 | 18,846 |
| Instructional Staff Training Services: | | | | | |
| Other Purchased Professional and Technical Services | 4,550 | 2,316 | 6,866 | 6,075 | 791 |
| Total Instructional Staff Training Services | 4,550 | 2,316 | 6,866 | 6,075 | 791 |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Educational Media Services/School Library: | | | | | |
| Salaries | \$ 33,885 | | \$ 33,885 | \$ 33,362 | \$ 523 |
| Supplies and Materials | 5,408 | \$ (4,427) | 981 | 374 | 607 |
| Other Objects | 46 | 78 | 124 | 124 | |
| Total Educational Media Services/School Library | 39,339 | (4,349) | 34,990 | 33,860 | 1,130 |
| Support Services - General Administration: | | | | | |
| Salaries | 184,816 | 18,714 | 203,530 | 189,479 | 14,051 |
| Legal Services | 25,000 | (9,841) | 15,159 | 11,747 | 3,412 |
| Audit Fees | 13,000 | | 13,000 | 12,150 | 850 |
| Other Purchased Professional Services | 1,000 | 9,564 | 10,564 | 10,564 | |
| Communications/Telephone | 39,885 | (11,179) | 28,706 | 26,304 | 2,402 |
| BOE Other Purchased Services | 3,000 | (1,993) | 1,007 | 800 | 207 |
| Miscellaneous Purchased Services (400-500 series) | 22,100 | 12,746 | 34,846 | 34,846 | |
| General Supplies | 1,000 | | 1,000 | 98 | 902 |
| Miscellaneous Expenditures | 2,700 | 5,111 | 7,811 | 7,676 | 135 |
| BOE Membership Dues and Fees | 5,600 | 394 | 5,994 | 5,994 | |
| Total Support Services - General Administration | 298,101 | 23,516 | 321,617 | 299,658 | 21,959 |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| School Administration: | | | | | |
| Salaries of Principals/Assistant Principals | \$ 96,532 | \$ 15,980 | \$ 112,512 | \$ 112,512 | |
| Salaries of Secretarial and Clerical Assistants | 33,496 | (3,184) | 30,312 | 30,312 | |
| Purchased Professional and Technical Services | 3,000 | 2,979 | 5,979 | 5,979 | |
| Other Purchased Services (400-500 series) | 350 | (350) | | | |
| Supplies and Materials | 1,000 | (929) | 71 | 71 | |
| Other Objects | 1,000 | (1,000) | | | |
| Total School Administration | <u>135,378</u> | <u>13,496</u> | <u>148,874</u> | <u>148,874</u> | |
| Central Services: | | | | | |
| Salaries | 28,648 | 92,760 | 121,408 | 106,177 | \$ 15,231 |
| Other Purchased Services | 92,192 | (85,654) | 6,538 | 3,029 | 3,509 |
| Purchased Technical Services | 10,000 | 4,905 | 14,905 | 14,744 | 161 |
| Supplies and Materials | 2,500 | | 2,500 | 1,931 | 569 |
| Miscellaneous Expenditures | 1,698 | | 1,698 | 623 | 1,075 |
| Total Central Services | <u>135,038</u> | <u>12,011</u> | <u>147,049</u> | <u>126,504</u> | <u>20,545</u> |
| Required Maintenance of School Facilities: | | | | | |
| Salaries | 47,757 | | 47,757 | 23,780 | 23,977 |
| Cleaning, Repair and Maintenance Services | 80,219 | (4,080) | 76,139 | 72,998 | 3,141 |
| General Supplies | 15,000 | (14,709) | 291 | 291 | |
| Other Objects | | 14,859 | 14,859 | | 14,859 |
| Total Required Maintenance of School Facilities | <u>142,976</u> | <u>(3,930)</u> | <u>139,046</u> | <u>97,069</u> | <u>41,977</u> |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Custodial Services: | | | | | |
| Salaries | \$ 148,525 | \$ 32,651 | \$ 181,176 | \$ 181,176 | |
| Purchased Professional and Technical Services | | 5,018 | 5,018 | 5,018 | |
| Cleaning, Repair and Maintenance Services | 48,990 | (3,341) | 45,649 | 41,547 | \$ 4,102 |
| Other Purchased Property Services | 43,000 | (1,993) | 41,007 | 35,165 | 5,842 |
| Insurance | 57,500 | | 57,500 | 57,097 | 403 |
| General Supplies | 26,000 | 3,450 | 29,450 | 28,204 | 1,246 |
| Energy (Electricity) | 103,421 | 143 | 103,564 | 75,593 | 27,971 |
| Energy (Natural Gas) | 37,856 | | 37,856 | 24,577 | 13,279 |
| Energy (Oil) | 30,000 | (332) | 29,668 | 19,837 | 9,831 |
| Other Objects | | 432 | 432 | 432 | |
| Total Custodial Services | 495,292 | 36,028 | 531,320 | 468,646 | 62,674 |
| Care and Upkeep of Grounds: | | | | | |
| Salaries | 17,294 | | 17,294 | 12,863 | 4,431 |
| Cleaning, Repair and Maintenance Services | 4,800 | | 4,800 | 4,800 | 4,800 |
| General Supplies | 1,500 | | 1,500 | 1,500 | 1,500 |
| Total Care and Upkeep of Grounds | 23,594 | | 23,594 | 12,863 | 10,731 |
| Student Transportation Services: | | | | | |
| Salaries for Pupil Transportation: | | | | | |
| Between Home and School - Regular | 16,101 | | 16,101 | 12,138 | 3,963 |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Student Transportation Services (Cont'd): | | | | | |
| Contracted Services: | | | | | |
| Between Home and School - Vendors | | \$ 450 | \$ 450 | \$ 450 | |
| Other Than Between Home and School - Vendors | \$ 5,000 | | 5,000 | 1,342 | \$ 3,658 |
| Between Home and School - Joint Agreements | 116,528 | (103,666) | 12,862 | 1,411 | 11,451 |
| Special Education Students - Joint Agreements | 153,700 | (62,719) | 90,981 | 71,555 | 19,426 |
| Regular Students - ESC's and CTSA's | 265,144 | 42,089 | 307,233 | 272,233 | 35,000 |
| Special Education Students - ESC's and CTSA's | | 122,543 | 122,543 | 122,543 | |
| Aid in Lieu - Nonpublic Schools | 19,448 | | 19,448 | 18,688 | 760 |
| Total Student Transportation Services | <u>575,921</u> | <u>(1,303)</u> | <u>574,618</u> | <u>500,360</u> | <u>74,258</u> |
| Unallocated Benefits: | | | | | |
| Social Security Contributions | 79,498 | | 79,498 | 68,143 | 11,355 |
| Other Retirement Contributions - Regular | 89,242 | | 89,242 | 84,262 | 4,980 |
| Unemployment Compensation | 100,000 | (25,410) | 74,590 | | 74,590 |
| Workmen's Compensation | 42,047 | 220 | 42,267 | 42,267 | |
| Health Benefits | 832,931 | (43,190) | 789,741 | 716,309 | 73,432 |
| Tuition Reimbursement | 36,500 | 819 | 37,319 | 10,408 | 26,911 |
| Total Unallocated Benefits | <u>1,180,218</u> | <u>(67,561)</u> | <u>1,112,657</u> | <u>921,389</u> | <u>191,268</u> |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|------------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| On-Behalf Contributions: | | | | | |
| On-Behalf TPAF Non-Contributory Insurance (non-budgeted) | | | | \$ 91,007 | \$ (91,007) |
| On-Behalf TPAF Post Retirement Medical (non-Budgeted) | | | | 182,946 | (182,946) |
| Reimbursed TPAF Social Security Contributions (non-budgeted) | | | | 220,532 | (220,532) |
| Total On-Behalf Contributions | | | | <u>494,485</u> | <u>(494,485)</u> |
| Total Personal Services - Employee Benefits | <u>\$ 1,180,218</u> | <u>\$ (67,561)</u> | <u>\$ 1,112,657</u> | <u>1,415,874</u> | <u>(303,217)</u> |
| Total Undistributed Expenses | <u>7,114,251</u> | <u>(85,002)</u> | <u>7,029,249</u> | <u>6,766,352</u> | <u>262,897</u> |
| TOTAL GENERAL CURRENT EXPENSE | <u>9,720,688</u> | <u>60,012</u> | <u>9,780,700</u> | <u>9,220,142</u> | <u>560,558</u> |
| Transfer of Funds to Charter Schools | <u>23,717</u> | <u>27,192</u> | <u>50,909</u> | <u>50,909</u> | |
| CAPITAL OUTLAY | | | | | |
| Facilities Acquisition and Construction Services: | | | | | |
| Other Purchased Professional and Technical Services | 9,100 | 9,849 | 18,949 | 18,949 | |
| Construction Services | 171,000 | (171,000) | | | |
| Supplies and Materials | 22,000 | | 22,000 | 22,000 | |
| Infrastructure | 168 | (168) | | | |
| Total Facilities Acquisition and Construction Services | <u>202,268</u> | <u>(161,319)</u> | <u>40,949</u> | <u>40,949</u> | |
| Capital Reserve - Transfer To Capital Projects Fund | <u>366,950</u> | <u>175,772</u> | <u>542,722</u> | <u>542,722</u> | |
| TOTAL CAPITAL OUTLAY | <u>569,218</u> | <u>14,453</u> | <u>583,671</u> | <u>583,671</u> | |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|---------------------|-------------------------------------|
| TOTAL EXPENDITURES | \$ 10,313,623 | \$ 101,657 | \$ 10,415,280 | \$ 9,854,722 | \$ 560,558 |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | (629,150) | | (629,150) | 294,806 | 923,956 |
| Fund Balance, July 1 | \$ 1,888,384 | | \$ 1,888,384 | \$ 1,888,384 | |
| Fund Balance, June 30 | \$ 1,259,234 | \$ -0- | \$ 1,259,234 | \$ 2,183,190 | \$ 923,956 |
| Recapitulation: | | | | | |
| Restricted: | | | | | |
| Excess Surplus | | | | \$ 273,995 | |
| Excess Surplus - Designated for Subsequent Year's Expenditures | | | | 253,371 | |
| Capital Reserve | | | | 894,278 | |
| Tuition Reserve 2012-2013 | | | | 100,000 | |
| Maintenance Reserve | | | | 50,000 | |
| Assigned: | | | | | |
| Year-End Encumbrances | | | | 6,117 | |
| Designated for Subsequent Year's Expenditures | | | | 215,000 | |
| Unassigned | | | | 390,429 | |
| | | | | <u>2,183,190</u> | |
| Reconciliation to Governmental Funds Statement (GAAP): | | | | | |
| Last Two State Aid Payments not Recognized on GAAP Basis | | | | (48,598) | |
| Fund Balance per Governmental Funds (GAAP) | | | | <u>\$ 2,134,592</u> | |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|-------------------|-------------------------------------|
| REVENUES: | | | | | |
| Local Sources | | | \$ 1,750 | | \$ (1,750) |
| State Sources | | \$ 2,611 | 2,611 | \$ 2,611 | |
| Federal Sources | \$ 152,175 | 29,379 | 181,554 | 180,579 | (975) |
| Total Revenues | <u>\$ 152,175</u> | <u>\$ 31,990</u> | <u>\$ 185,915</u> | <u>\$ 183,190</u> | <u>\$ (2,725)</u> |
| EXPENDITURES: | | | | | |
| Instruction | | | | | |
| Salaries of Teachers | \$ 19,395 | \$ (4,897) | \$ 14,498 | \$ 14,498 | |
| Tuition | 113,686 | 18,960 | 132,646 | 132,646 | |
| Other Purchased Services | | 4,496 | 4,496 | 4,496 | |
| General Supplies | | 5,835 | 5,835 | 4,085 | \$ 1,750 |
| Textbooks | | 1,075 | 1,075 | 1,075 | |
| Total Instruction | <u>133,081</u> | <u>25,469</u> | <u>158,550</u> | <u>156,800</u> | <u>1,750</u> |
| Support Services | | | | | |
| Purchased Professional - Educational Services | | | | | |
| Personal Services - Employee Benefits | | 4,436 | 4,436 | 4,436 | |
| Other Purchased Professional Services | | 975 | 975 | | 975 |
| Purchased Professional and Technical Services | 19,094 | 1,060 | 20,154 | 20,154 | |
| Total Support Services | <u>19,094</u> | <u>6,471</u> | <u>25,565</u> | <u>24,590</u> | <u>975</u> |
| Facilities Construction: | | | | | |
| Construction | | 1,800 | 1,800 | 1,800 | |
| Total Facilities Construction | | <u>1,800</u> | <u>1,800</u> | <u>1,800</u> | |
| Total Expenditures | <u>\$ 152,175</u> | <u>\$ 33,740</u> | <u>\$ 185,915</u> | <u>\$ 183,190</u> | <u>\$ 2,725</u> |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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 | \$ 10,149,528 | \$ 183,190 |
| 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 | | 975 |
| Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements | (48,598) | |
| Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes | 28,386 | |
| Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. | \$ 10,129,316 | \$ 184,165 |
| Uses/Outflows of Resources: | | |
| Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule | \$ 9,854,722 | \$ 183,190 |
| 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 | | 975 |
| Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | \$ 9,854,722 | \$ 184,165 |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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 fourth Wednesday 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 the GAAP revenue due to a difference in the recognition of the last state aid payments for the current year. Since the State is recording the last 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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>No Child Left Behind</u> | | <u>Nonpublic Textbooks</u> | <u>Nonpublic Nursing</u> |
|--|-----------------------------|----------------------------|--------------------------------|------------------------------|
| | <u>Title I</u> | <u>Title II Part A</u> | | |
| REVENUE: | | | | |
| State Sources | | | \$ 1,075 | \$ 1,536 |
| Federal Sources | \$ 21,483 | \$ 20,154 | | |
| Total Revenue | <u>21,483</u> | <u>20,154</u> | | <u>1,536</u> |
| EXPENDITURES: | | | | |
| Instruction: | | | | |
| Salaries of Teachers | 14,498 | | | |
| Tuition | | | | |
| Other Purchased Services | | | | |
| General Supplies | 4,085 | | | |
| Textbooks | | | 1,075 | |
| Total Instruction | <u>18,583</u> | | <u>1,075</u> | |
| Support Services: | | | | |
| Personal Services - Employee Benefits | 2,900 | | | |
| Purchased Professional and Technical Services | | 20,154 | | 1,536 |
| Total Support Services | <u>2,900</u> | <u>20,154</u> | | <u>1,536</u> |
| Facilities Acquisition and Construction Services: | | | | |
| Construction Services | | | | |
| Total Facilities Acquisition and Constructional Services | | | | |
| Total Expenditures | <u>\$ 21,483</u> | <u>\$ 20,154</u> | <u>\$ 1,075</u> | <u>\$ 1,536</u> |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>IDEA Part B</u> | | | <u>Totals</u> |
|---|--------------------|-----------------------|------------------|-------------------|
| | <u>Basic</u> | <u>Basic ARRA</u> | <u>Preschool</u> | |
| REVENUE: | | | | |
| State Sources | | | | \$ 2,611 |
| Federal Sources | \$ 132,646 | \$ 1,800 | \$ 4,496 | 180,579 |
| Total Revenue | <u>132,646</u> | <u>1,800</u> | <u>4,496</u> | <u>183,190</u> |
| EXPENDITURES: | | | | |
| Instruction: | | | | |
| Salaries of Teachers | | | | 14,498 |
| Tuition | 132,646 | | | 132,646 |
| Other Purchased Services | | | 4,496 | 4,496 |
| General Supplies | | | | 4,085 |
| Textbooks | | | | 1,075 |
| Total Instruction | <u>132,646</u> | | <u>4,496</u> | <u>156,800</u> |
| Support Services: | | | | |
| Personal Services - Employee Benefits | | | | 2,900 |
| Purchased Professional and Technical Services | | | | 21,690 |
| Total Support Services | | | | <u>24,590</u> |
| Facilities Acquisition and Construction Services: | | | | |
| Contruccion Services | | 1,800 | | 1,800 |
| Total Facilities Acquisition and Constructional Services | | <u>1,800</u> | | <u>1,800</u> |
| Total Expenditures | <u>\$ 132,646</u> | <u>\$ 1,800</u> | <u>\$ 4,496</u> | <u>\$ 183,190</u> |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOT APPLICABLE

CAPITAL PROJECTS FUND

Exhibit F-1

MOUNT ARLINGTON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

| | |
|---|----------------|
| Expenditures: | |
| Construction Services | 528,583 |
| Transfer to Food Service Fund | 14,139 |
| Total Expenditures | <u>542,722</u> |
| Excess/(Deficiency) of Revenue Over/(Under) Expenditures | (542,722) |
| Other Financing Sources/(Uses): | |
| Operating Transfers In - Capital Outlay | 542,722 |
| Total Other Financing Sources/(Uses) | <u>542,722</u> |
| Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses) | -0- |
| Fund Balance - Beginning Balance | <u>-0-</u> |
| Fund Balance - Ending Balance | <u>\$ -0-</u> |

Exhibit F-1a

MOUNT ARLINGTON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
UPGRADES TO BOROUGH SCHOOLS
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

| | Current Year | Revised Authorized Cost |
|--|-------------------|-------------------------------|
| | <u> </u> | <u> </u> |
| Revenue and Other Financing Sources: | | |
| Transfer from Capital Outlay | \$ 542,722 | \$ 542,722 |
| Total Revenues and Other Financing Sources: | <u>542,722</u> | <u>542,722</u> |
| Expenditures and Other Financing Uses: | | |
| Construction Services | 528,583 | 528,583 |
| Transfer to Food Service Fund | <u>14,139</u> | <u>14,139</u> |
| Total Expenditures and Other Financing Sources | <u>542,722</u> | <u>542,722</u> |
| Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Sources | <u>\$ -0-</u> | <u>\$ -0-</u> |

PROPRIETARY FUNDS

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

ASSETS:

Current Assets:

| | |
|-------------------------------|-----------|
| Cash and Cash Equivalents | \$ 37,203 |
| Intergovernmental Receivable: | |
| Federal | 1,781 |
| State | 95 |
| Interfund Receivable | 3,490 |
| Inventory | 1,945 |

| | |
|----------------------|---------------|
| Total Current Assets | <u>44,514</u> |
|----------------------|---------------|

Non-Current Assets:

| | |
|--------------------------------|-----------------|
| Capital Assets | 114,139 |
| Less: Accumulated Depreciation | <u>(90,586)</u> |

| | |
|--------------------------|---------------|
| Total Non-Current Assets | <u>23,553</u> |
|--------------------------|---------------|

| | |
|--------------|---------------|
| Total Assets | <u>68,067</u> |
|--------------|---------------|

LIABILITIES:

| | |
|----------------------------|--------------|
| Accounts Payable - Vendors | 5,430 |
| Deferred Revenue | <u>1,169</u> |

| | |
|-------------------|--------------|
| Total Liabilities | <u>6,599</u> |
|-------------------|--------------|

NET ASSETS:

| | |
|--|---------------|
| Investment in Capital Assets Net of Related Debt | 23,553 |
| Unrestricted | <u>37,915</u> |

| | |
|------------------|------------------|
| Total Net Assets | <u>\$ 61,468</u> |
|------------------|------------------|

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | |
|--|-------------|
| Operating Revenue: | |
| Charges for Services: | |
| Daily Sales - Reimbursable Programs | \$ 81,899 |
| Daily Sales - Non-Reimbursable Programs | 23,256 |
| Miscellaneous | 1,308 |
| | <hr/> |
| Total Operating Revenue | 106,463 |
| | <hr/> |
| Operating Expenses: | |
| Salaries, Benefits & Payroll Taxes | 60,378 |
| Cost of Sales | 65,737 |
| Supplies, Insurance & Other Costs | 8,937 |
| Purchased Professional Services | 7,747 |
| Depreciation Expense | 4,173 |
| | <hr/> |
| Total Operating Expenses | 146,972 |
| | <hr/> |
| Operating Loss | (40,509) |
| | <hr/> |
| Non-Operating Revenue: | |
| Federal Sources: | |
| National School Lunch Program | 23,852 |
| National School Breakfast Program | 3,039 |
| Special Milk Program | 804 |
| Food Distribution Program | 5,619 |
| State Sources | |
| State School Lunch Program | 1,435 |
| | <hr/> |
| Total Non-Operating Revenue | 34,749 |
| | <hr/> |
| Net Income Before Other Items | (5,760) |
| | <hr/> |
| Operating Transfers In - Capital Projects Fund | 14,139 |
| | <hr/> |
| Change in Net Assets | 8,379 |
| | <hr/> |
| Net Assets - Beginning of Year | 53,089 |
| | <hr/> |
| Net Assets - End of Year | \$ 61,468 |
| | <hr/> <hr/> |

Exhibit G-3

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | |
|--|-------------|
| Cash Flows from Operating Activities: | |
| Receipts from Customers | \$ 146,146 |
| Payments to Food Service Vendor | (142,494) |
| | <hr/> |
| Net Cash Provided by Operating Activities | 3,652 |
| | <hr/> |
| Cash Flows from Noncapital Financing Activities: | |
| State and Federal Subsidy Reimbursements | 30,315 |
| | <hr/> |
| Net Cash Provided by Noncapital Financing Activities | 30,315 |
| | <hr/> |
| Net Increase in Cash and Cash Equivalents | 33,967 |
| Cash and Cash Equivalents, July 1 | 3,236 |
| | <hr/> |
| Cash and Cash Equivalents, June 30 | \$ 37,203 |
| | <hr/> <hr/> |
| Reconciliation of Operating Loss to | |
| Net Cash Provided by Operating Activities: | |
| Operating Loss | \$ (40,509) |
| Adjustment to Reconcile Operating Loss to Net | |
| Cash Provided by Operating Activities: | |
| Depreciation | 4,173 |
| Food Distribution Program | 5,619 |
| Changes in Assets and Liabilities: | |
| Decrease in Intergovernmental Accounts Receivable | 39,683 |
| (Increase) in Inventory | (453) |
| (Decrease) in Accounts Payable | (5,495) |
| Increase in Deferred Revenue | 634 |
| | <hr/> |
| Net Cash Provided by Operating Activities | \$ 3,652 |
| | <hr/> <hr/> |

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$6,253 and utilized U.S.D.A. Commodities valued at \$5,619.

FIDUCIARY FUNDS

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

| | Agency | | Unemployment Compensation Trust | |
|---------------------------------------|---------------------|---------------|---------------------------------------|------------------|
| | Student Activity | Payroll | | Total |
| ASSETS: | | | | |
| Cash and Cash Equivalents | \$ 12,132 | \$ 82,583 | \$ 94,715 | \$ 22,905 |
| Interfund Receivable | | | | 21,513 |
| Total Assets | 12,132 | 82,583 | 94,715 | 44,418 |
| LIABILITIES: | | | | |
| Payroll Deductions and Withholdings | | 48,773 | 48,773 | |
| Interfund Payable | | 33,810 | 33,810 | |
| Due to Student Groups | 12,132 | | 12,132 | |
| Total Liabilities | 12,132 | 82,583 | 94,715 | |
| NET ASSETS: | | | | |
| Held in Trust for Unemployment Claims | | | | 44,418 |
| Total Net Assets | \$ -0- | \$ -0- | \$ -0- | \$ 44,418 |

Exhibit H-2

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Unemployment
 Compensation
 Trust

ADDITIONS:

Contributions:

Employee Deductions

5,852

Investment Earnings

119

Total Contributions

5,971

Total Additions

5,971

DEDUCTIONS:

Unemployment Claims and Contributions

27,269

Total Deductions

27,269

Change in Net Assets

(21,298)

Net Assets - Beginning of the Year

65,716

Net Assets - End of the Year

\$ 44,418

Exhibit H-3

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Balance</u> <u>July 1, 2011</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2012</u> |
|---------------------------|---------------------------------------|-------------------------|-------------------------|--|
| ASSETS: | | | | |
| Cash and Cash Equivalents | <u>\$ 9,205</u> | <u>\$ 59,542</u> | <u>\$ 56,615</u> | <u>\$ 12,132</u> |
| Total Assets | <u><u>\$ 9,205</u></u> | <u><u>\$ 59,542</u></u> | <u><u>\$ 56,615</u></u> | <u><u>\$ 12,132</u></u> |
| LIABILITIES: | | | | |
| Due to Student Groups | <u>\$ 9,205</u> | <u>\$ 59,542</u> | <u>\$ 56,615</u> | <u>\$ 12,132</u> |
| Total Liabilities | <u><u>\$ 9,205</u></u> | <u><u>\$ 59,542</u></u> | <u><u>\$ 56,615</u></u> | <u><u>\$ 12,132</u></u> |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Balance</u> <u>July 1, 2011</u> | <u>Cash</u> <u>Receipts</u> | <u>Cash</u> <u>Disbursements</u> | <u>Balance</u> <u>June 30, 2012</u> |
|-------------------------------------|---------------------------------------|--------------------------------|-------------------------------------|--|
| Elementary School: Class Account | <u>\$ 9,205</u> | <u>\$ 59,542</u> | <u>\$ 56,615</u> | <u>\$ 12,132</u> |
| Total All Schools | <u><u>\$ 9,205</u></u> | <u><u>\$ 59,542</u></u> | <u><u>\$ 56,615</u></u> | <u><u>\$ 12,132</u></u> |

Exhibit H-5

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Balance</u> <u>July 1, 2011</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2012</u> |
|-------------------------------------|---------------------------------------|---------------------|---------------------|--|
| ASSETS: | | | | |
| Cash and Cash Equivalents | \$ 104,642 | \$ 4,205,028 | \$ 4,227,087 | \$ 82,583 |
| Total Assets | <u>\$ 104,642</u> | <u>\$ 4,205,028</u> | <u>\$ 4,227,087</u> | <u>\$ 82,583</u> |
| LIABILITIES: | | | | |
| Payroll Deductions and Withholdings | \$ 29,457 | \$ 1,837,824 | \$ 1,818,508 | \$ 48,773 |
| Interfund Payable | 22,123 | 11,687 | | 33,810 |
| Accrued Salaries and Wages | 53,062 | | 53,062 | |
| Net Salaries and Wages | | <u>2,355,517</u> | <u>2,355,517</u> | |
| Total Liabilities | <u>\$ 104,642</u> | <u>\$ 4,205,028</u> | <u>\$ 4,227,087</u> | <u>\$ 82,583</u> |

LONG-TERM DEBT

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

| Purpose | Date of Issue | Original Issue | Maturities of Bonds Outstanding June 30, 2012 | | Interest Rate | Balance June 30, 2011 | Matured | Balance June 30, 2012 |
|-----------------|---------------|----------------|---|------------|---------------|-----------------------|------------|-----------------------|
| | | | Date | Amount | | | | |
| Refunding Bonds | 09/14/05 | \$ 3,260,000 | 1/15/2013 | \$ 125,000 | 3.375% | | | |
| | | | 1/15/2014 | 130,000 | 3.500% | | | |
| | | | 1/15/2015 | 135,000 | 3.750% | | | |
| | | | 1/15/2016 | 145,000 | 4.000% | | | |
| | | | 1/15/2017 | 145,000 | 4.000% | | | |
| | | | 1/15/2018 | 150,000 | 4.000% | | | |
| | | | 1/15/2019 | 160,000 | 4.000% | | | |
| | | | 1/15/2020 | 165,000 | 4.000% | | | |
| | | | 1/15/2021 | 170,000 | 4.000% | | | |
| | | | 1/15/2022 | 180,000 | 4.000% | | | |
| | | | 1/15/2023 | 185,000 | 4.000% | | | |
| | | | 1/15/2024 | 190,000 | 4.000% | | | |
| | | | 1/15/2025 | 200,000 | 4.000% | | | |
| | | | 1/15/2026 | 210,000 | 4.000% | | | |
| | | | 1/15/2027 | 215,000 | 4.000% | | | |
| 1/15/2028 | 220,000 | 4.000% | \$ 2,850,000 | \$ 125,000 | \$ 2,725,000 | | | |
| | | | | | | \$ 2,850,000 | \$ 125,000 | \$ 2,725,000 |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOT APPLICABLE

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 236,294 | | \$ 236,294 | \$ 236,294 | |
| Total Revenues | <u>236,294</u> | | <u>236,294</u> | <u>236,294</u> | |
| EXPENDITURES: | | | | | |
| Regular Debt Service: | | | | | |
| Interest | 111,294 | | 111,294 | 111,294 | |
| Redemption of Principal | 125,000 | | 125,000 | 125,000 | |
| Total Regular Debt Service | <u>236,294</u> | | <u>236,294</u> | <u>236,294</u> | |
| Total Expenditures | <u>236,294</u> | | <u>236,294</u> | <u>236,294</u> | |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | | | | | |
| Fund Balance, July 1 | | | | | |
| Fund Balance, June 30 | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |

STATISTICAL SECTION
(UNAUDITED)

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

| | <u>Exhibit</u> |
|--|-----------------------|
| <p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p> | J-1 thru J-5 |
| <p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p> | J-6 thru J-9 |
| <p>Debt Capacity</p> <p>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.</p> | J-10 thru J-13 |
| <p>Demographic and Economic Information</p> <p>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.</p> | J-14 thru J-15 |
| <p>Operating Information</p> <p>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.</p> | 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.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

| | Fiscal Year Ending June 30, | | | | | | | | |
|--|-----------------------------|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Governmental Activities: | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 993,257 | \$ 948,825 | \$ 700,394 | \$ 957,432 | \$ 1,322,896 | \$ 1,577,020 | \$ 1,581,654 | \$ 1,682,703 | \$ 2,190,115 |
| Restricted | 97,364 | 60,205 | 79,914 | 171,477 | 512,679 | 634,915 | 1,090,538 | 1,223,726 | 1,577,761 |
| Unrestricted | 62,047 | 37,047 | 50,653 | 156,089 | 261,349 | 243,054 | 294,915 | 556,112 | 477,145 |
| Total governmental activities net assets | \$ 1,152,668 | \$ 1,046,077 | \$ 830,961 | \$ 1,284,998 | \$ 2,096,924 | \$ 2,454,989 | \$ 2,967,107 | \$ 3,462,541 | \$ 4,245,021 |
| Business-type Activities: | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 58,624 | \$ 49,558 | \$ 40,492 | \$ 34,244 | \$ 24,865 | \$ 20,697 | \$ 17,053 | \$ 13,587 | \$ 23,553 |
| Unrestricted/ (Deficit) | (29,627) | 13,135 | 26,225 | 30,412 | 31,043 | 45,699 | 40,966 | 39,502 | 37,915 |
| Total business-type activities net assets | \$ 28,997 | \$ 62,693 | \$ 66,717 | \$ 64,656 | \$ 55,908 | \$ 66,396 | \$ 58,019 | \$ 53,089 | \$ 61,468 |
| District-wide: | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 1,051,881 | \$ 998,383 | \$ 740,886 | \$ 991,676 | \$ 1,347,761 | \$ 1,597,717 | \$ 1,598,707 | \$ 1,696,290 | \$ 2,213,668 |
| Restricted | 97,364 | 60,205 | 79,914 | 171,477 | 512,679 | 634,915 | 1,090,538 | 1,223,726 | 1,577,761 |
| Unrestricted | 32,420 | 50,182 | 76,878 | 186,501 | 292,392 | 288,753 | 335,881 | 595,614 | 515,060 |
| Total District Net Assets | \$ 1,181,665 | \$ 1,108,770 | \$ 897,678 | \$ 1,349,654 | \$ 2,152,832 | \$ 2,521,385 | \$ 3,025,126 | \$ 3,515,630 | \$ 4,306,489 |

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.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST NINE FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

| | Fiscal Year Ending June 30, | | | | | | | | |
|---|-----------------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Expenses: | | | | | | | | | |
| Governmental Activities: | | | | | | | | | |
| Instruction: | | | | | | | | | |
| Regular | \$ 2,756,545 | \$ 2,682,343 | \$ 2,762,922 | \$ 3,026,269 | \$ 2,539,331 | \$ 2,528,689 | \$ 2,683,270 | \$ 2,571,625 | \$ 2,680,990 |
| Special Education | 676,544 | 757,091 | 774,649 | 671,008 | 969,361 | 1,053,335 | 1,128,097 | 898,094 | 660,316 |
| Other Special Instruction | 139,707 | 155,884 | 144,283 | 147,288 | 56,601 | 69,168 | 132,778 | 31,848 | 156,166 |
| School Sponsored Instruction | | | | | 77,794 | 73,413 | 16,985 | 3,492 | 9,325 |
| Support Services: | | | | | | | | | |
| Tuition | 2,043,885 | 2,370,541 | 2,584,006 | 2,843,410 | 2,981,586 | 3,386,585 | 3,298,984 | 3,428,109 | 3,010,648 |
| Student & Instruction Related Services | 690,471 | 699,437 | 789,689 | 821,833 | 1,178,800 | 962,906 | 941,725 | 788,211 | 1,038,707 |
| General Administrative Services | 212,961 | 204,695 | 210,755 | 204,109 | 181,989 | 340,563 | 352,280 | 356,333 | 354,269 |
| School Administrative Services | 335,536 | 413,141 | 391,562 | 419,779 | 379,650 | 220,296 | 237,765 | 189,098 | 211,121 |
| Central Services | | | | | 150,516 | 99,580 | 112,909 | 161,217 | 157,106 |
| Plant Operations and Maintenance | 716,324 | 734,496 | 812,127 | 863,983 | 744,269 | 665,137 | 713,750 | 678,469 | 642,281 |
| Pupil Transportation | 315,701 | 320,226 | 369,243 | 363,929 | 495,142 | 455,249 | 492,486 | 511,725 | 503,858 |
| Unallocated Depreciation | | | | | | | | 122,195 | 128,231 |
| Capital Outlay | | 8,063 | 44,954 | 35,816 | 36,899 | 23,850 | 23,416 | 288 | 39,797 |
| Interest on Long-Term Debt | 254,378 | 177,179 | 131,554 | 130,737 | 76,215 | 120,794 | 117,217 | 113,407 | 109,432 |
| Charter Schools | | | | | | | | 11,498 | 50,909 |
| Total Governmental Activities Expenses | 8,142,052 | 8,523,096 | 9,015,744 | 9,528,161 | 9,868,153 | 9,999,565 | 10,251,662 | 9,865,609 | 9,753,156 |
| Business-type Activities: | | | | | | | | | |
| Food Service | 152,297 | 156,749 | 158,269 | 157,505 | 154,680 | 130,194 | 149,650 | 148,138 | 146,972 |
| Total Business-type Activities Expenses | 152,297 | 156,749 | 158,269 | 157,505 | 154,680 | 130,194 | 149,650 | 148,138 | 146,972 |
| Total District Expenses | 8,294,349 | 8,679,845 | 9,174,013 | 9,685,666 | 10,022,833 | 10,129,759 | 10,401,312 | 10,013,747 | 9,900,128 |
| Governmental Activities: | | | | | | | | | |
| Charges for Services: | | | | | | | | | |
| Instruction (Tuition) | | | | | 29,829 | 28,872 | 18,647 | 17,254 | |
| Operating Grants and Contributions | 785,395 | 794,437 | 821,976 | 631,131 | 1,227,546 | 1,265,201 | 739,454 | 1,109,685 | 1,145,954 |
| Capital Grants and Contributions | | | | | | | 32,514 | 4,200 | 1,800 |
| Total Governmental Activities Program Revenues | 785,395 | 794,437 | 821,976 | 631,131 | 1,257,375 | 1,294,073 | 790,615 | 1,131,139 | 1,147,754 |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST NINE FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

| | Fiscal Year Ending June 30, | | | | | | | | |
|---|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Business-type Activities: | | | | | | | | | |
| Charges for Services: | | | | | | | | | |
| Food Service | \$ 114,189 | \$ 116,137 | \$ 127,642 | \$ 118,162 | \$ 109,702 | \$ 110,337 | \$ 109,140 | \$ 106,514 | \$ 106,463 |
| Operating Grants and Contributions | 28,172 | 33,774 | 34,139 | 33,703 | 35,996 | 30,301 | 32,133 | 36,694 | 34,749 |
| Total Business-type Activities Revenues | 142,361 | 149,911 | 161,781 | 151,865 | 145,698 | 140,638 | 141,273 | 143,208 | 141,212 |
| Total District Program Revenues | 927,756 | 944,348 | 983,757 | 782,996 | 1,403,073 | 1,434,711 | 931,888 | 1,274,347 | 1,288,966 |
| Net (Expense)/Revenue | | | | | | | | | |
| Governmental Activities | (7,356,657) | (7,728,659) | (8,193,768) | (8,897,030) | (8,610,778) | (8,705,492) | (9,461,047) | (8,734,470) | (8,605,402) |
| Business-type Activities | (9,936) | (6,838) | 3,512 | (5,640) | (8,982) | 10,444 | (8,377) | (4,930) | (5,760) |
| Total District-wide Net (Expense)/Revenue | (7,366,593) | (7,735,497) | (8,190,256) | (8,902,670) | (8,619,760) | (8,695,048) | (9,469,424) | (8,739,400) | (8,611,162) |
| General Revenues and Other Changes in Net Assets: | | | | | | | | | |
| Governmental Activities: | | | | | | | | | |
| Property Taxes Levied for General Purposes, Net | 6,179,804 | 6,700,753 | 7,226,022 | 7,976,039 | 8,557,293 | 8,567,494 | 8,752,714 | 8,746,381 | 8,921,309 |
| Taxes Levied for Debt Service | 247,632 | 248,992 | 245,092 | 232,149 | 220,368 | 223,267 | 233,906 | 235,194 | 236,294 |
| Unrestricted Grants and Contributions | 624,714 | 650,016 | 658,781 | 1,034,290 | 486,071 | 139,593 | 604,377 | 16,606 | 207,123 |
| Tuition Charges | 57,915 | 31,230 | 20,964 | 21,470 | | | | | |
| Net Changes Due to Defeasance of Bonds | | | (229,000) | | | | | | |
| Investment Earnings | 12,616 | 26,327 | 51,430 | 85,726 | 61,930 | 103 | 25 | 9,206 | 8,906 |
| Miscellaneous Income | 9,158 | (32,250) | 5,363 | 4,524 | 97,044 | 133,100 | 382,143 | 222,517 | 28,389 |
| Transfers | | | | (3,130) | | | | | (14,139) |
| Total Governmental Activities | 7,131,839 | 7,625,068 | 7,978,652 | 9,351,068 | 9,422,706 | 9,063,557 | 9,973,165 | 9,229,904 | 9,387,882 |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST NINE FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

| | Fiscal Year Ending June 30, | | | | | | | | |
|---------------------------------------|-----------------------------|--------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Business-type Activities: | | | | | | | | | |
| Investment Earnings | | \$ 369 | \$ 513 | \$ 448 | \$ 234 | \$ 44 | | | |
| Miscellaneous Income | | 40,165 | | | | | | | |
| Transfers | | | | 3,130 | | | | | \$ 14,139 |
| Total Business-type Activities | | 40,534 | 513 | 3,578 | 234 | 44 | | | 14,139 |
| Total District-wide | \$ 7,131,839 | 7,665,602 | 7,979,165 | 9,354,646 | 9,422,940 | 9,063,601 | \$ 9,973,165 | \$ 9,229,904 | \$ 9,402,021 |
| Change in Net Assets | | | | | | | | | |
| Governmental Activities | (224,818) | (103,591) | (215,116) | 454,038 | 811,928 | 358,065 | 512,118 | 495,434 | 782,480 |
| Business-type Activities | (9,936) | 33,696 | 4,025 | (2,062) | (8,748) | 10,488 | (8,377) | (4,930) | 8,379 |
| Total District | \$ (234,754) | \$ (69,895) | \$ (211,091) | \$ 451,976 | \$ 803,180 | \$ 368,553 | \$ 503,741 | \$ 490,504 | \$ 790,859 |

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.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

| | Fiscal Year Ending June 30, | | | | | | | | |
|---|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| General Fund: | | | | | | | | | |
| Reserved/Restricted | \$ 15,170 | \$ 131,663 | \$ 157,433 | \$ 258,240 | \$ 503,552 | \$ 634,890 | \$1,090,538 | \$1,215,159 | \$1,571,644 |
| Unreserved | 312,316 | 139,621 | 143,428 | 243,536 | 400,142 | 344,883 | 376,262 | | |
| Assigned | | | | | | | | 208,567 | 221,117 |
| Unassigned | | | | | | | | 436,272 | 341,831 |
| Total General Fund | \$ 327,486 | \$ 271,284 | \$ 300,861 | \$ 501,776 | \$ 903,694 | \$ 979,773 | \$1,466,800 | \$1,859,998 | \$2,134,592 |
| All Other Governmental Funds: | | | | | | | | | |
| Unreserved, Reported in: | | | | | | | | | |
| Special Revenue Fund/(Deficit) | \$ (613) | \$ (627) | \$ (627) | \$ (627) | \$ (627) | | | | |
| Capital Projects Fund | 9,102 | 9,102 | 9,102 | | | | | | |
| Debt Service Fund | | | 12,021 | 21,124 | 9,127 | \$ 25 | | | |
| Total All Other Governmental Funds | \$ 8,489 | \$ 8,475 | \$ 20,496 | \$ 20,497 | \$ 8,500 | \$ 25 | \$ - 0 - | \$ - 0 - | \$ - 0 - |
| Total All Governmental Funds: | | | | | | | | | |
| Reserved/Restricted | \$ 15,170 | \$ 131,663 | \$ 157,433 | \$ 258,240 | \$ 503,552 | \$ 634,890 | \$1,090,538 | \$1,215,159 | \$1,571,644 |
| Unreserved | 320,805 | 148,096 | 163,924 | 264,033 | 408,642 | 344,908 | 376,262 | | |
| Assigned | | | | | | | | 208,567 | 221,117 |
| Unassigned | | | | | | | | 436,272 | 341,831 |
| Total All Governmental Funds | \$ 335,975 | \$ 279,759 | \$ 321,357 | \$ 522,273 | \$ 912,194 | \$ 979,798 | \$1,466,800 | \$1,859,998 | \$2,134,592 |

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.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

| | Fiscal Year Ending June 30, | | | | | | | | |
|--|-----------------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Revenues | | | | | | | | | |
| Tax Levy | \$ 6,427,436 | \$ 6,949,745 | \$ 7,471,114 | \$ 8,208,188 | \$ 8,777,661 | \$ 8,790,761 | \$ 8,986,620 | \$ 8,981,575 | \$ 9,157,603 |
| Tuition Charges | 57,915 | 31,230 | 20,964 | 21,470 | 29,829 | 28,872 | 18,647 | 17,254 | |
| Interest Earnings | 12,616 | 26,327 | 51,430 | 85,726 | 61,930 | 103 | 25 | 2,209 | 3,473 |
| Miscellaneous | 9,158 | (32,250) | 5,363 | 4,524 | 90,966 | 133,100 | 382,143 | 231,014 | 33,822 |
| Other Sources | | | | | 6,078 | 2,000 | | | |
| State Sources | 1,229,959 | 1,243,037 | 1,283,388 | 1,455,582 | 1,527,362 | 1,220,155 | 1,071,501 | 942,802 | 1,173,323 |
| Federal Sources | 180,150 | 198,417 | 197,369 | 209,838 | 186,255 | 182,639 | 304,844 | 186,189 | 181,554 |
| Total Revenues | 7,917,234 | 8,416,506 | 9,029,628 | 9,985,328 | 10,680,081 | 10,357,630 | 10,763,780 | 10,361,043 | 10,549,775 |
| Expenditures | | | | | | | | | |
| Instruction: | | | | | | | | | |
| Regular Instruction | 1,843,318 | 1,760,230 | 1,759,821 | 1,912,373 | 1,798,911 | 1,762,503 | 1,852,346 | 1,857,203 | 1,922,910 |
| Special Education Instruction | 664,128 | 744,343 | 760,853 | 655,631 | 679,361 | 821,890 | 880,935 | 648,581 | 465,620 |
| Other Instruction | 102,457 | 117,577 | 102,895 | 101,157 | 37,708 | 54,600 | 46,628 | 19,481 | 108,483 |
| School Sponsored Instruction | | | | | 56,550 | 56,951 | 62,488 | 8,338 | 6,496 |
| Support Services: | | | | | | | | | |
| Tuition | 2,043,885 | 2,370,541 | 2,584,006 | 2,843,410 | 2,981,586 | 3,386,585 | 3,298,984 | 3,428,109 | 3,010,648 |
| Student & Instruction Related Services | 640,805 | 648,362 | 734,505 | 760,183 | 889,793 | 763,955 | 744,039 | 615,862 | 818,502 |
| General Administrative Services | 322,320 | 343,512 | 377,767 | 407,532 | 297,020 | 286,258 | 291,091 | 294,801 | 299,658 |
| School Administrative Services | 163,295 | 153,620 | 155,571 | 142,459 | 136,469 | 158,318 | 173,379 | 136,413 | 148,874 |
| Central Services | | | | | 109,355 | 88,429 | 101,404 | 131,826 | 126,504 |
| Plant Operations and Maintenance | 530,078 | 542,963 | 594,245 | 620,724 | 634,992 | 597,777 | 646,515 | 731,873 | 578,578 |
| Pupil Transportation | 315,701 | 320,226 | 369,243 | 363,929 | 484,347 | 450,591 | 487,680 | 507,611 | 500,360 |
| Unallocated Benefits | 1,122,212 | 1,157,432 | 1,260,154 | 1,432,582 | 1,496,256 | 1,368,224 | 1,395,009 | 1,336,567 | 1,415,874 |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

| | Fiscal Year Ending June 30, | | | | | | | | |
|--|-----------------------------|--------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Charter Schools | | \$ 8,063 | \$ 44,954 | \$ 35,816 | \$ 36,899 | \$ 23,850 | \$ 23,416 | \$ 11,498 | \$ 50,909 |
| Capital Outlay | | 56,860 | 10,944 | 276,469 | 418,523 | 237,726 | 38,933 | 4,488 | 571,332 |
| Debt Service: | | | | | | | | | |
| Principal | \$ 70,000 | 75,000 | 100,000 | 100,000 | 105,000 | 110,000 | 115,000 | 120,000 | 125,000 |
| Interest and Other Charges | 177,632 | 173,992 | 133,071 | 132,149 | 127,389 | 122,369 | 118,931 | 115,194 | 111,294 |
| Total Expenditures | <u>7,993,827</u> | <u>8,470,716</u> | <u>8,986,023</u> | <u>9,782,407</u> | <u>10,288,151</u> | <u>10,288,017</u> | <u>10,274,768</u> | <u>9,967,845</u> | <u>10,261,042</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(76,593)</u> | <u>(54,210)</u> | 43,605 | 202,921 | 391,930 | 69,613 | 489,012 | 393,198 | 288,733 |
| Other Financing Sources (Uses) | | | | | | | | | |
| Transfers In | 150 | 203 | 301 | 9,102 | | | | | 542,722 |
| Transfers Out | (150) | (203) | (301) | (9,102) | | | | | (556,861) |
| Total Other Financing Sources (Uses) | | | | | | | | | <u>(14,139)</u> |
| Net Change in Fund Balances | <u>\$ (76,593)</u> | <u>\$ (54,210)</u> | <u>\$ 43,605</u> | <u>\$ 202,921</u> | <u>\$ 391,930</u> | <u>\$ 69,613</u> | <u>\$ 489,012</u> | <u>\$ 393,198</u> | <u>\$ 274,594</u> |
| Debt Service as a Percentage of Noncapital Expenditures | 3.2% | 3.0% | 2.7% | 2.5% | 2.4% | 2.4% | 2.3% | 2.4% | 2.5% |

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

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

| <u>Fiscal Year</u> <u>Ending June 30,</u> | <u>Tuition</u> | <u>Interest on</u> <u>Investments</u> | <u>Prior Year</u> <u>Refunds</u> | <u>Other</u> | <u>Total</u> |
|--|----------------|--|-------------------------------------|--------------|--------------|
| 2003 | \$ 132,128 | \$ 9,144 | | \$ 317 | \$ 141,589 |
| 2004 | 57,915 | 12,465 | | 2,964 | 73,344 |
| 2005 | 31,230 | 26,124 | | (34,811) | 22,543 |
| 2006 | 20,964 | 51,430 | | 5,363 | 77,757 |
| 2007 | 21,470 | 85,726 | | 4,524 | 111,720 |
| 2008 | 29,829 | 61,930 | | 90,942 | 182,701 |
| 2009 | 28,872 | 18,533 | \$ 9,866 | 104,804 | 162,075 |
| 2010 | 18,647 | 10,905 | | 370,158 | 399,710 |
| 2011 | 17,254 | 9,206 | 197,348 | 25,169 | 248,977 |
| 2012 | | 8,906 | 11,813 | 16,576 | 37,295 |

Source: Borough of Mount Arlington School District records.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
UNAUDITED

| Year Ended December 31, | Vacant Land | Residential | Qfarm | Commercial | Industrial | Apartment | Total Assessed Value | Tax-Exempt Property | Add: Public Utilities ^a | Net Valuation Taxable | Total Direct School Tax Rate ^b | Estimated Actual (County Equalized Value) |
|----------------------------|--------------|----------------|-----------|---------------|------------|--------------|-------------------------|------------------------|---------------------------------------|--------------------------|---|--|
| 2002 | \$ 5,516,300 | \$ 241,236,700 | \$ 19,050 | \$ 32,927,950 | \$ 159,500 | \$ 7,097,500 | \$ 286,957,000 | \$ 13,605,800 | \$ 669,669 | \$ 287,626,669 | \$ 1.990 | \$ 398,419,898 |
| 2003 | 7,623,100 | 242,224,600 | 19,050 | 39,994,750 | 145,000 | 7,097,500 | 297,104,000 | 14,025,100 | 617,157 | 297,721,157 | 2.080 | 466,456,626 |
| 2004 | * 12,208,600 | 517,065,500 | 12,300 | 82,199,700 | 234,200 | 14,950,200 | 626,670,500 | 24,593,400 | 916,610 | 627,587,110 | 1.070 | 544,884,863 |
| 2005 | 12,274,600 | 517,190,600 | 12,300 | 82,796,400 | 234,200 | 14,950,200 | 627,458,300 | 25,347,300 | 870,190 | 628,328,490 | 1.150 | 684,081,100 |
| 2006 | 19,179,700 | 557,531,300 | 12,300 | 80,109,600 | 234,200 | 14,950,200 | 672,017,300 | 24,494,400 | 756,987 | 672,774,287 | 1.170 | 819,956,474 |
| 2007 | 16,952,600 | 580,545,900 | 12,300 | 71,623,100 | 234,200 | 22,663,200 | 692,031,300 | 25,200,600 | 689,030 | 692,720,330 | 1.230 | 863,202,903 |
| 2008 | 17,062,800 | 583,095,900 | 6,600 | 69,103,400 | 234,200 | 21,200,000 | 690,702,900 | 25,948,500 | 700,788 | 691,403,688 | 1.270 | 856,015,461 |
| 2009 | 15,397,100 | 588,267,000 | 6,600 | 68,901,100 | 234,200 | 21,200,000 | 694,006,000 | 26,207,200 | 748,832 | 694,754,832 | 1.279 | 861,040,511 |
| 2010 | 14,412,100 | 582,566,100 | 6,600 | 68,131,300 | 234,200 | 21,200,000 | 686,550,300 | 26,302,000 | - | 686,550,300 | 1.280 | 838,688,370 |
| 2011 | 12,513,500 | 584,535,500 | 6,600 | 64,167,500 | 234,200 | 20,700,000 | 682,157,300 | 26,302,000 | - | 682,157,300 | 1.330 | 838,688,370 |

* - Revaluation Year

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

b - Tax rates are per \$100.

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

Source: Municipal Tax Assessor.

Exhibit J-7

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

| Year Ended December 31, | Borough of Mount Arlington School District Direct Rate | | | Overlapping Rates | | Total Direct and Overlapping Tax Rate |
|----------------------------|---|--|--------------|----------------------------------|------------------|--|
| | Basic Rate ^a | General Obligation Debt Service ^b | Total Direct | Borough of Mount Arlington | Morris County | |
| 2002 | 1.903 | 0.087 | 1.990 | 0.660 | 0.410 | 3.060 |
| 2003 | 1.997 | 0.083 | 2.080 | 0.670 | 0.460 | 3.210 |
| 2004 * | 1.031 | 0.039 | 1.070 | 0.350 | 0.250 | 1.670 |
| 2005 | 1.110 | 0.040 | 1.150 | 0.370 | 0.260 | 1.780 |
| 2006 | 1.132 | 0.038 | 1.170 | 0.370 | 0.270 | 1.810 |
| 2007 | 1.196 | 0.034 | 1.230 | 0.420 | 0.290 | 1.940 |
| 2008 | 1.238 | 0.032 | 1.270 | 0.572 | 0.289 | 2.131 |
| 2009 | 1.245 | 0.034 | 1.279 | 0.634 | 0.282 | 2.195 |
| 2010 | 1.247 | 0.033 | 1.280 | 0.633 | 0.283 | 2.196 |
| 2011 | 1.296 | 0.034 | 1.330 | 0.770 | 0.290 | 2.390 |

* - Revaluation Year

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.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

| Taxpayer | 2011 | | | 2002 | | |
|--------------------------------------|------------------------|------|--|------------------------|------|--|
| | Taxable Assessed Value | Rank | % of Total District Net Assessed Value | Taxable Assessed Value | Rank | % of Total District Net Assessed Value |
| Mount Arlington Corporate Center | \$ 27,264,400 | 1 | 3.92% | | | |
| Kara at Mount Arlington, LLC | 11,612,500 | 2 | 1.67% | | | |
| Carriage Club Investors, LLC | 8,500,000 | 3 | 1.22% | | | |
| SNH NS Properties Trust | 7,945,000 | 4 | 1.14% | | | |
| Individual Taxpayer #1 | 7,022,200 | 5 | 1.01% | | | Not Available |
| Mount Arlington Ventures LP | 5,350,000 | 6 | 0.77% | | | |
| Mount Arlington Plaze, LLC | 5,198,100 | 7 | 0.75% | | | |
| Mount Arlington Apartment Associates | 5,022,000 | 8 | 0.72% | | | |
| Shore Hills Apartments | 4,000,000 | 9 | 0.58% | | | |
| Mount Arlington Apartment Associates | 2,389,900 | 10 | 0.34% | | | |
| Total | <u>\$ 84,304,100</u> | | <u>12.13%</u> | | | |

Source: Municipal Tax Assessor.

Exhibit J-9

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST NINE 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 | |
| 2004 | \$ 6,427,436 | \$ 6,427,436 | 100.00% | -0- |
| 2005 | 6,949,745 | 6,949,745 | 100.00% | -0- |
| 2006 | 7,471,114 | 7,471,114 | 100.00% | -0- |
| 2007 | 8,208,188 | 8,208,188 | 100.00% | -0- |
| 2008 | 8,777,661 | 8,777,661 | 100.00% | -0- |
| 2009 | 8,790,761 | 8,790,761 | 100.00% | -0- |
| 2010 | 8,986,620 | 8,986,620 | 100.00% | -0- |
| 2011 | 8,981,575 | 8,981,575 | 100.00% | -0- |
| 2012 | 9,157,603 | 9,157,603 | 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.

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

Source: Borough of Mount Arlington School District records, including the Certificate and Report of School Taxes (A4F form).

Exhibit J-10

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

| Fiscal Year Ended June 30, | <u>Governmental Activities</u> | | <u>Total District</u> | Percentage of Personal Income ^a | <u>Per Capita ^a</u> |
|-------------------------------|---|-----------------------|-----------------------|--|--------------------------------|
| | <u>General Obligation Bonds</u> | <u>Capital Leases</u> | | | |
| 2003 | \$ 3,416,000 | \$ 110,963 | \$ 3,526,963 | 1.24% | \$ 707.80 |
| 2004 | 3,346,000 | -0- | 3,346,000 | 1.08% | 658.01 |
| 2005 | 3,271,000 | -0- | 3,271,000 | 0.98% | 621.51 |
| 2006 | 3,400,000 | -0- | 3,400,000 | 0.88% | 604.66 |
| 2007 | 3,300,000 | -0- | 3,300,000 | 0.82% | 581.60 |
| 2008 | 3,195,000 | -0- | 3,195,000 | 0.77% | 548.31 |
| 2009 | 3,085,000 | -0- | 3,085,000 | 0.78% | 532.36 |
| 2010 | 2,970,000 | -0- | 2,970,000 | 0.73% | 512.51 |
| 2011 | 2,850,000 | -0- | 2,850,000 | 0.81% | 563.91 |
| 2012 | 2,725,000 | -0- | 2,725,000 | 0.77% | 536.63 |

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.

Source: School District Financial Reports.

Exhibit J-11

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN 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 | | |
| 2003 | \$ 3,416,000 | \$ -0- | \$ 3,416,000 | 1.188% | \$ 685.53 |
| 2004 | 3,346,000 | -0- | 3,346,000 | 1.124% | 658.01 |
| 2005 | 3,271,000 | -0- | 3,271,000 | 0.521% | 621.51 |
| 2006 | 3,400,000 | -0- | 3,400,000 | 0.541% | 604.66 |
| 2007 | 3,300,000 | -0- | 3,300,000 | 0.491% | 581.60 |
| 2008 | 3,195,000 | -0- | 3,195,000 | 0.461% | 548.31 |
| 2009 | 3,085,000 | -0- | 3,085,000 | 0.446% | 532.36 |
| 2010 | 2,970,000 | -0- | 2,970,000 | 0.427% | 512.51 |
| 2011 | 2,850,000 | -0- | 2,850,000 | 0.415% | 563.91 |
| 2012 | 2,725,000 | -0- | 2,725,000 | 0.399% | 536.63 |

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.

Exhibit J-12

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2011
UNAUDITED

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable^a</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-----------------------------|--|--|
| Debt Repaid with Property Taxes: | | | |
| Borough of Mount Arlington | \$ 9,129,205 | 100.00% | \$ 9,129,205 |
| Morris County General Obligation Debt | 269,247,125 | 0.90% | <u>2,431,825</u> |
| Subtotal, Overlapping Debt | | | 11,561,030 |
| Borough of Mount Arlington School District Direct Debt | | | <u>2,725,000</u> |
| Total Direct and Overlapping Debt | | | <u><u>\$ 14,286,030</u></u> |

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by residents and businesses of Mount Arlington. 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 Morris County Board of Taxation; debt outstanding data provided by each governmental unit.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST NINE FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2012

| | | |
|--|--|-------------------------|
| | Equalized valuation basis | |
| | 2011 | \$ 801,124,251 |
| | 2010 | 838,688,370 |
| | 2009 | 887,475,703 |
| | | <u>\$ 2,527,288,324</u> |
| | | |
| | Average Equalized Valuation of Taxable Property | \$ 842,429,441 |
| | Debt Limit (3% of average equalization value) ^a | 25,272,883 |
| | Net Bonded School Debt as of June 30, 2012 | <u>2,725,000</u> |
| | Legal Debt Margin | <u>\$ 22,547,883</u> |

| | <u>Fiscal Year</u> | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| Debt Limit | \$ 13,134,509 | \$ 15,764,013 | \$ 18,103,927 | \$ 21,180,600 | \$ 23,645,119 | \$ 25,365,260 | \$ 26,049,678 | \$ 25,813,119 | \$ 25,272,883 |
| Total Net Debt Applicable to Limit | <u>3,346,000</u> | <u>3,271,000</u> | <u>3,400,000</u> | <u>3,300,000</u> | <u>3,195,000</u> | <u>3,085,000</u> | <u>2,970,000</u> | <u>2,850,000</u> | <u>2,725,000</u> |
| Legal Debt Margin | <u>\$ 13,134,509</u> | <u>\$ 12,493,013</u> | <u>\$ 14,703,927</u> | <u>\$ 17,880,600</u> | <u>\$ 20,450,119</u> | <u>\$ 22,280,260</u> | <u>\$ 23,079,678</u> | <u>\$ 22,963,119</u> | <u>\$ 22,547,883</u> |
| Total Net Debt Applicable to the Limit As a Percentage of Debt Limit | 25.47% | 20.75% | 18.78% | 15.58% | 13.51% | 12.16% | 11.40% | 11.04% | 10.78% |

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

a Limit set by NJSA 18A:24-19 for a K through 8 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.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

| Year | Population ^a | Personal Income ^b | Morris County Per Capita Personal Income ^c | Unemployment Rate ^d |
|------|-------------------------|---------------------------------|--|-----------------------------------|
| 2003 | 4,983 | 284,120,694 | 57,018 | 5.60% |
| 2004 | 5,085 | 310,698,585 | 61,101 | 4.50% |
| 2005 | 5,263 | 333,132,111 | 63,297 | 3.20% |
| 2006 | 5,623 | 384,410,772 | 68,364 | 3.40% |
| 2007 | 5,674 | 404,556,200 | 71,300 | 3.40% |
| 2008 | 5,827 | 416,787,829 | 71,527 | 4.10% |
| 2009 | 5,795 | 395,514,545 | 68,251 | 7.00% |
| 2010 | 5,795 | 404,554,745 | 69,811 | 7.00% |
| 2011 | 5,054 | 352,824,794 | 69,811 * | 7.00% |
| 2012 | 5,054 ** | 352,824,794 | 69,811 * | 6.80% |

** - Latest Morris County population available (2010) was used for calculation purposes.

* - Latest Morris County per capita personal income available (2010) 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.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - BOROUGH OF MOUNT ARLINGTON
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

| Employer | 2011 | | 2001 | | 2002 | |
|----------------------------------|------------|--------------------------------|----------|------------|--------------------------------|--|
| | Employees | Percentage of Total Employment | Employer | Employees | Percentage of Total Employment | |
| Enercon Services, Inc. | 100 | N/A | N/A | N/A | N/A | |
| Board of Education | 80 | N/A | N/A | N/A | N/A | |
| Nisivoccia LLP | 75 | N/A | N/A | N/A | N/A | |
| Mount Arlington Senior Living | 70 | N/A | N/A | N/A | N/A | |
| MedPro Systems | 50 | N/A | N/A | N/A | N/A | |
| Borough of Mount Arlington | 44 | N/A | N/A | N/A | N/A | |
| Courtyard by Marriott | 40 | N/A | N/A | N/A | N/A | |
| Suburban Consulting Engineers | 28 | N/A | N/A | N/A | N/A | |
| Benefit Plan Manager Corporation | 15 | N/A | N/A | N/A | N/A | |
| PNC Bank | 7 | N/A | N/A | N/A | N/A | |
| | <u>509</u> | <u>N/A</u> | | <u>N/A</u> | <u>N/A</u> | |

N/A - Information not available

Source: Borough Clerk's Office

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS
UNAUDITED

| <u>Function/Program</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Instruction: | | | | | |
| Regular | 26.5 | 25.8 | 26.0 | 26.2 | 26.2 |
| Special Education | 19.2 | 27.2 | 21.0 | 20.0 | 19.2 |
| Other Special Instruction | 1.5 | | 1.5 | | |
| Support Services: | | | | | |
| Student & Instruction Related Services | 4.9 | 5.2 | 4.5 | 2.9 | 2.1 |
| General Administrative Services | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| School Administrative Services | 4.0 | 4.0 | 4.0 | 1.7 | 2.0 |
| Central Services | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Plant Operations and Maintenance | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 |
| Pupil Transportation | 0.5 | 0.5 | 0.5 | 0.3 | 0.3 |
| Total | <u>65.6</u> | <u>71.7</u> | <u>66.5</u> | <u>60.1</u> | <u>58.8</u> |

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

Source: District Personnel Records.

BOROUGH OF MOUNT ARLINGTON 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 | | Average Daily Enrollment (ADE) ^c | Average Daily Attendance (ADA) ^c | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|------------|-------------------------------------|-----------------------------|-------------------|-----------------------------|---------------------|---------------|---|---|--------------------------------------|-------------------------------|
| | | | | | | Elementary | Middle School | | | | |
| 2003 | 447.4 | 6,761,897 | 15,114 | 10.18% | 51.0 | 1:12 | N/A | 447.4 | 429.8 | 2.62% | 96.07% |
| 2004 | 443.8 | 7,746,195 | 17,454 | 15.49% | 51.0 | 1:14 | N/A | 443.8 | 415.2 | 2.62% | 93.56% |
| 2005 | 438.1 | 8,164,864 | 18,637 | 6.78% | 51.0 | 1:14 | N/A | 438.1 | 418.3 | -1.28% | 95.48% |
| 2006 | 635.0 * | 8,742,008 | 13,767 | -26.13% | 48.9 | 1:13 | 1:11 | 416.9 | 400.8 | -4.84% | 96.14% |
| 2007 | 616.0 * | 9,273,789 | 15,055 | 9.36% | 47.4 | 1:11 | 1:10 | 407.6 | 385.7 | -2.23% | 94.63% |
| 2008 | 608.0 * | 9,637,239 | 15,851 | 5.29% | 47.2 | 1:11 | 1:10 | 378.9 | 360.3 | -7.04% | 95.09% |
| 2009 | 578.5 * | 9,817,922 | 16,971 | 7.07% | 53.0 | 1:07 | 1:08 | 387.8 | 370.9 | 2.35% | 95.64% |
| 2010 | 571.0 * | 10,001,904 | 17,516 | 3.21% | 48.5 | 1:07 | 1:08 | 383.3 | 364.8 | -1.16% | 95.17% |
| 2011 | 572.5 * | 9,728,163 | 16,992 | -2.99% | 46.2 | 1:07 | 1:08 | 373.0 | 356.0 | -2.69% | 95.44% |
| 2012 | 553.0 * | 9,453,416 | 17,095 | 0.60% | 45.4 | 1:07 | 1:08 | 363.0 | 352.0 | -2.68% | 96.97% |

* - Includes High School Enrollment

N/A - Not Available

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: Borough of Mount Arlington School District records.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| <u>District Building</u> | | | | | |
| Edith M. Decker School (1975) | | | | | |
| Square Feet | 24,094 | 24,094 | 24,094 | 24,094 | 24,094 |
| Capacity (students) | 142 | 142 | 142 | 142 | 142 |
| Enrollment | N/A | 110 | 123 | 108 | 121 |
| Mount Arlington Public School | | | | | |
| Square Feet | 49,138 | 49,138 | 49,138 | 49,138 | 49,138 |
| Capacity (students) | 339 | 339 | 339 | 339 | 339 |
| Enrollment | N/A | 334 | 305 | 302 | 284 |
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| <u>District Building</u> | | | | | |
| Edith M. Decker School (1975) | | | | | |
| Square Feet | 24,094 | 24,094 | 24,094 | 24,094 | 24,094 |
| Capacity (students) | 142 | 142 | 142 | 142 | 142 |
| Enrollment | 133 | 127 | 130 | 123 | 120 |
| Mount Arlington Public School | | | | | |
| Square Feet | 49,138 | 49,138 | 49,138 | 49,138 | 49,138 |
| Capacity (students) | 339 | 339 | 339 | 339 | 339 |
| Enrollment | 257 | 248 | 247 | 250 | 243 |

Number of Schools at June 30, 2012

 Elementary = 1

 Middle School = 1

N/A - Not Available

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

Source: Borough of Mount Arlington School District Facilities Office.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

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

| <u>School Facilities*</u> | <u>Project # (s)</u> | <u>Fiscal Year Ended June 30,</u> | | | | |
|---------------------------|----------------------|-----------------------------------|------------------|------------------|------------------|------------------|
| | | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
| Edith M. Decker School | N/A | \$ 14,255 | \$ 24,749 | \$ 13,567 | \$ 21,113 | \$ 25,906 |
| Mount Arlington School | N/A | 27,413 | 50,477 | 63,443 | 67,591 | 93,407 |
| Grand Total | | <u>\$ 41,668</u> | <u>\$ 75,226</u> | <u>\$ 77,010</u> | <u>\$ 88,704</u> | <u>\$119,313</u> |

| <u>School Facilities*</u> | <u>Project # (s)</u> | <u>Fiscal Year Ended June 30,</u> | | | | |
|---------------------------|----------------------|-----------------------------------|------------------|------------------|------------------|------------------|
| | | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| Edith M. Decker School | N/A | \$ 29,218 | \$ 44,079 | \$ 23,550 | \$ 19,985 | \$ 19,052 |
| Mount Arlington School | N/A | 98,738 | 53,144 | 90,845 | 144,649 | 53,946 |
| Grand Total | | <u>\$134,640</u> | <u>\$109,221</u> | <u>\$114,395</u> | <u>\$164,634</u> | <u>\$ 72,998</u> |

N/A - Not Applicable.

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

Source: Mount Arlington Board of Education records.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2012
UNAUDITED

| | Coverage | Deductible |
|--|---------------|------------|
| <u>Morris Essex Insurance Group</u> | | |
| Blanket Building and Contents | \$ 13,862,315 | \$ 5,000 |
| Comprehensive General Liability | 2,000,000 | |
| Umbrella Liability | 10,000,000 | 10,000 |
| Workers' Compensation | 5,000,000 | |
| Educator's Liability Fund | 1,000,000 | 10,000 |
| Business Auto | 1,000,000 | 1,000 |
| | | |
| Student Accident - People's Benefit Life | 1,000,000 | |
| | | |
| Public Officials Bond: | | |
| Board Secretary/Business Administrator | 200,000 | |

Source: Mount Arlington Board of Education records.

SINGLE AUDIT SECTION



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 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
 Borough of Mount Arlington School District
 County of Morris, 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 Borough of Mount Arlington School District, in the County of Morris (the "Board") as of, and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 our opinions on the financial statements, but not for the purpose of expressing our 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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Honorable President and Members
of the Board of Education
Borough of Mount Arlington School District
Page 2

Compliance and Other Matters

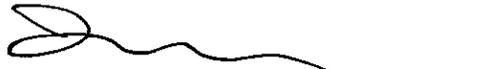
As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. However, we noted certain matters that we have reported to the Board in the *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated November 3, 2012.

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
November 3, 2012



NISIVOCCIA LLP



David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
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 11 Lawrence Road
 Newton, NJ 07860
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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 OMB's Circular 04-04

The Honorable President and Members
 of the Board of Education
 Borough of Mount Arlington School District
 County of Morris, New Jersey

Compliance

We have audited the compliance of the Board of Education of the Borough of Mount Arlington School District in the County of Morris (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 the Board's major state programs for the fiscal year ended June 30, 2012. The Board's major 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 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 Office of School Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the 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 on 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 state programs for the year ended June 30, 2012.

The Honorable President and Members
of the Board of Education
Borough of Mount Arlington School District
Page 2

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major 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.

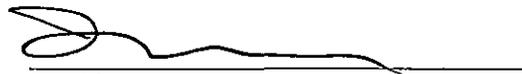
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 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
November 3, 2012


NISIVOCIA LLP


David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant

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

| Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title | Federal CFDA Number | Grant or State Project Number | Grant Period | | Program or Award Amount | Balance at | Cash | Budgetary | Prior Year | Balance at June 30, 2012 | | |
|--|---------------------------|----------------------------------|--------------|---------|-------------------------------|---|-----------|-------------|------------|--------------------------|--------------|--------------------------|
| | | | From | To | | June 30, 2011 Deferred Revenue/ (Accounts Receivable) | | | | Received | Expenditures | Encumbrances Canceled |
| U.S. Department of Education - | | | | | | | | | | | | |
| Passed-through State Department of Education: | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | |
| No Child Left Behind: | | | | | | | | | | | | |
| Title I | 84.010A | NCLB-3410-11 | 9/1/10 | 8/31/11 | \$ 22,374 | \$ (22,374) | \$ 22,374 | | | | | |
| Title I | 84.010A | NCLB-3410-12 | 9/1/11 | 8/31/12 | 21,483 | | 21,483 | \$ (21,483) | | | | |
| Title IIA | 84.367A | NCLB -3410-11 | 9/1/10 | 8/31/11 | 22,412 | (22,412) | 22,412 | | | | | |
| Title IIA | 84.367A | NCLB-3410-12 | 9/1/01 | 8/31/12 | 20,154 | | 20,154 | (20,154) | | | | |
| Title IID | 84.318X | NCLB-3410-11 | 9/1/10 | 8/31/11 | 52 | (52) | 52 | | | | | |
| | | | | | | (44,838) | 86,475 | (41,637) | | | | |
| Special Education Cluster: | | | | | | | | | | | | |
| I.D.E.A. Part B, Basic Regular | 84.027 | IDEA-3410-11 | 9/1/10 | 8/31/11 | 129,261 | (129,261) | 129,261 | | | | | |
| I.D.E.A. Part B, Basic Regular | 84.027 | IDEA-3410-12 | 9/1/11 | 8/31/12 | 132,646 | | 132,646 | (132,646) | | | | |
| I.D.E.A. Part B, Preschool | 84.172 | IDEA-3410-11 | 9/1/10 | 8/31/11 | 4,487 | (4,487) | 4,487 | | | | | |
| I.D.E.A. Part B, Preschool | 84.173 | IDEA-3410-12 | 9/1/11 | 8/31/12 | 4,496 | | 4,496 | (4,496) | | | | |
| I.D.E.A. Part B, Basic Regular - ARRA | 84.391 | IDEA-3410-10 | 7/1/09 | 8/31/11 | 120,405 | 1,800 | | (1,800) | | | | |
| Total Special Education Cluster | | | | | | (131,948) | 270,890 | (138,942) | | | | |
| Total U.S. Department of Education | | | | | | (176,786) | 357,365 | (180,579) | | | | |
| Total Special Revenue Fund | | | | | | (176,786) | 357,365 | (180,579) | | | | |
| U.S. Department of Agriculture - | | | | | | | | | | | | |
| Passed-through State Department of Education: | | | | | | | | | | | | |
| Enterprise Fund | | | | | | | | | | | | |
| Child Nutrition Cluster: | | | | | | | | | | | | |
| Food Distribution Program | 10.555 | N/A | 7/1/11 | 6/30/12 | 6,254 | | 6,254 | (5,084) | | | \$ 1,170 | |
| Food Distribution Program | 10.555 | N/A | 7/1/10 | 6/30/11 | 6,714 | 535 | | (535) | | | | |
| School Breakfast Program | 10.553 | N/A | 7/1/11 | 6/30/12 | 3,039 | | 2,827 | (3,039) | | \$ (212) | | |
| School Breakfast Program | 10.553 | N/A | 7/1/10 | 6/30/11 | 2,490 | (326) | 326 | | | | | |
| National School Lunch Program | 10.555 | N/A | 7/1/11 | 6/30/12 | 23,852 | | 22,365 | (23,852) | | (1,487) | | |
| National School Lunch Program | 10.555 | N/A | 7/1/10 | 6/30/11 | 24,926 | (2,504) | 2,504 | | | | | |

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

| Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title | Federal CFDA Number | Grant or State Project Number | Grant Period | | Program or Award Amount | Balance at June 30, 2011 Deferred Revenue/ (Accounts Receivable) | Cash Received | Budgetary Expenditures | Prior Year Encumbrances Canceled | Balance at June 30, 2012 | | |
|--|---------------------------|----------------------------------|--------------|---------|-------------------------------|---|-------------------|---------------------------|--|--------------------------|---------------------|-------------------|
| | | | From | To | | | | | | (Accounts Receivable) | Deferred Revenue | Due to Grantor |
| U.S. Department of Agriculture - Passed-through State Department of Education: Enterprise Fund | | | | | | | | | | | | |
| Child Nutrition Cluster (Cont'd): | | | | | | | | | | | | |
| Special Milk Program | 10.556 | N/A | 7/1/11 | 6/30/12 | \$ 804 | | \$ 722 | \$ (804) | | \$ (82) | | |
| Special Milk Program | 10.556 | N/A | 7/1/10 | 6/30/11 | 856 | \$ (71) | 71 | | | | | |
| Total U.S. Department of Agriculture/Child Nutrition Cluster | | | | | | (2,366) | 35,069 | (33,314) | | (1,781) | \$ 1,170 | |
| Total Enterprise Fund | | | | | | (2,366) | 35,069 | (33,314) | | (1,781) | 1,170 | |
| TOTAL FEDERAL AWARDS | | | | | | \$ (179,152) | \$ 392,434 | \$ (213,893) | \$ -0- | \$ (1,781) | \$ 1,170 | \$ -0- |

N/A - Not Available/Applicable

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| State Grantor/Program Title | Grant or State Project Number | Grant Period | | Program or Award Amount | Balance at June 30, 2011 | | Cash Received | Budgetary Expenditures | Balance at June 30, 2012 | | | MEMO | | |
|---|-------------------------------|--------------|---------|-------------------------|---|----------------|-------------------|------------------------|----------------------------|----------------------------|----------------|----------------------|------------------|---------------------|
| | | From | To | | Budgetary Deferred Revenue/ (Accounts Receivable) | Due to Grantor | | | GAAP (Accounts Receivable) | Budgetary Deferred Revenue | Due to Grantor | Budgetary Receivable | Cumulative Total | |
| | | | | | | | | | | | | | | Expenditures |
| State Department of Education: | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | |
| Categorical Special Education Aid | 11-495-034-5120-089 | 7/1/10 | 6/30/11 | \$ 284,166 | \$ (28,386) | | \$ 28,386 | | | | | | | \$ 284,166 |
| Extraordinary Special Education Costs Aid | 11-100-034-5120-473 | 7/1/10 | 6/30/11 | 211,187 | (211,187) | | 211,187 | | | | | | | 211,187 |
| Nonpublic School Transportation Costs | 11-495-034-5120-014 | 7/1/10 | 6/30/11 | 3,471 | (3,471) | | 3,471 | | | | | | | 3,471 |
| Reimbursed TPAF Social Security Contributions | 11-495-034-5095-002 | 7/1/10 | 6/30/11 | 207,630 | (10,692) | | 10,692 | | | | | | | 207,630 |
| Categorical Special Education Aid | 12-495-034-5120-089 | 7/1/11 | 6/30/12 | 323,322 | | | 290,992 | \$ (323,322) | | | | \$ (32,330) | | 323,322 |
| Categorical Security Aid | 12-495-034-5120-084 | 7/1/11 | 6/30/12 | 51,468 | | | 46,321 | (51,468) | | | | (5,147) | | 51,468 |
| Categorical Transportation Aid | 12-495-034-5120-014 | 7/1/11 | 6/30/12 | 111,220 | | | 100,099 | (111,220) | | | | (11,121) | | 111,220 |
| Extraordinary Special Education Costs Aid | 12-100-034-5120-473 | 7/1/11 | 6/30/12 | 207,123 | | | | (207,123) | \$ (207,123) | | | (207,123) | | 207,123 |
| Nonpublic School Transportation Costs | 12-495-034-5120-014 | 7/1/11 | 6/30/12 | 3,306 | | | | (3,306) | (3,306) | | | (3,306) | | 3,306 |
| Reimbursed TPAF Social Security Contributions | 12-495-034-5095-002 | 7/1/11 | 6/30/12 | 220,532 | | | 209,808 | (220,532) | (10,724) | | | (10,724) | | 220,532 |
| Total General Fund State Aid | | | | | (253,736) | | 900,956 | (916,971) | (221,153) | | | (269,751) | | 1,623,425 |
| State Department of Education: | | | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | | | |
| Nonpublic Textbook Aid | 12-100-034-5120-064 | 7/1/11 | 6/30/12 | 1,075 | | | 1,075 | (1,075) | | | | | | 1,075 |
| Nonpublic Nursing Aid | 12-100-034-5120-070 | 7/1/11 | 6/30/12 | 1,536 | | | 1,536 | (1,536) | | | | | | 1,536 |
| Total Special Revenue Fund | | | | | | | 2,611 | (2,611) | | | | | | 2,611 |
| State Department of Agriculture: | | | | | | | | | | | | | | |
| Enterprise Fund: | | | | | | | | | | | | | | |
| State School Lunch Program | 11-100-010-3350-023 | 7/1/10 | 6/30/11 | 1,452 | (160) | | 160 | | | | | | | 1,452 |
| State School Lunch Program | 12-100-010-3350-023 | 7/1/11 | 6/30/12 | 1,435 | | | 1,340 | (1,435) | (95) | | | (95) | | 1,435 |
| Total State Department of Agriculture | | | | | (160) | | 1,500 | (1,435) | (95) | | | (95) | | 2,887 |
| Total Enterprise Fund | | | | | (160) | | 1,500 | (1,435) | (95) | | | (95) | | 2,887 |
| TOTAL STATE AWARDS | | | | | \$ (253,896) | \$ -0- | \$ 905,067 | \$ (921,017) | \$ (221,248) | \$ -0- | \$ -0- | \$ (269,846) | | \$ 1,628,923 |

N/A - Not Available

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, Borough of Mount Arlington School District under programs of the federal and state governments for the fiscal year ended June 30, 2012. The information in these schedules is 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 OMB's Circular 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 for the prior year and for the last two payments of the current budget year, which is mandated pursuant to P.L. 2003, C.97. For GAAP purposes, the current year 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 and the final payment for the prior year are recognized in the current year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$20,212) for the general fund and \$975 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. The schedule of expenditures of state awards does not include the TPAF Non-Contributory Insurance and Post Retirement Medical contributions paid by the State on behalf of the District of \$91,007 and \$182,946, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below.

| | <u>Federal</u> | <u>State</u> | <u>Total</u> |
|------------------------------|-------------------|---------------------|---------------------|
| General Fund | | \$ 1,170,712 | \$ 1,170,712 |
| Special Revenue Fund | \$ 181,554 | 2,611 | 184,165 |
| Food Service Enterprise Fund | 33,314 | 1,435 | 34,749 |
| Total Financial Assistance | <u>\$ 214,868</u> | <u>\$ 1,174,758</u> | <u>\$ 1,389,626</u> |

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

The Borough of Mount Arlington School District had no loan balances outstanding at June 30, 2012.

NOTE 6. 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, 2012. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

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

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 State programs.
- An unqualified report was issued on the District's compliance for its major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04.
- The District was not subject to the Single Audit provisions of Federal OMB Circular A-133 for the fiscal year ending June 30, 2012 as federal award expenditures were less than the Single Audit threshold of \$500,000 identified in the federal circular.
- The District's major state programs for the current fiscal year consisted of the following:

State:

| | | | | |
|-----------------------------------|------------------|------------------|------------|------------|
| Special Education Categorical Aid | 495-034-5120-089 | 7/1/11 - 6/30/12 | \$ 323,322 | \$ 323,322 |
| Security Aid | 495-034-5120-084 | 7/1/11 - 6/30/12 | 51,468 | 51,468 |
| Categorical Transportation Aid | 495-034-5120-014 | 7/1/11 - 6/30/12 | 111,220 | 111,220 |

- The threshold for distinguishing Type A and Type B State programs was \$300,000.
- The District qualified as a "low-risk" auditee for state programs under the provisions of section 530 of the federal Circular.

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:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal circular and New Jersey OMB's Circular 04-04.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Status of Prior Year Findings:

The District had no prior year audit findings.