

**SCHOOL DISTRICT
OF
THE TOWNSHIP OF MONTAGUE**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013**

**Comprehensive Annual
Financial Report**

of the

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

Montague, New Jersey

For the Fiscal Year Ended June 30, 2013

Prepared by

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

Finance Department

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MONTAGUE TOWNSHIP SCHOOL DISTRICT
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**MONTAGUE TOWNSHIP SCHOOL DISTRICT
MONTAGUE ELEMENTARY SCHOOL**

475 Route 206

Montague, NJ 07827

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www.montagueschool.org

Janice L. Hodge
Chief School Administrator/Principal

John W. Waycie
Business Administrator/Bd. Secretary

Patricia Romyns
Assistant to the Chief School Administrator

Christopher Gregory
Assistant Principal

November 8, 2013

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

Dear Board Members:

The comprehensive annual financial report of the Montague Township School District (the "District") for the fiscal year ended June 30, 2013, 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 Non-Profit 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 Montague Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Montague Township Board of Education and its school constitute the District's reporting entity.

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

The Honorable President and Members of
the Board of Education
Montague Township School District
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The District completed the 2012-2013 fiscal year with an enrollment of 532 students including students at Montague's K-6 elementary school, Montague resident students at Sussex Tech, Montague resident students at the Sussex County Charter School, Montague resident students at the Port Jervis School District and special education students sent to other districts.

2) MAJOR INITIATIVES: The Montague Board of Education continues to meet the educational needs of all Montague's children. Adding seventh and eighth grade to existing K-6 school has been a long standing goal for the Board and the community. Two years ago, the Board submitted a middle school expansion project to the DOE for approval. Since the state did not provide any funding to offset the cost to the taxpayer for the expansion project, the Board determined not to move forward with a referendum. The Board continued to review all possible alternatives for transitioning Montague students back to New Jersey. The Board had multiple discussions with High Point Regional High School concerning a possible send/receive agreement for Montague's ninth through twelfth grade students. The outcome of these talks was the signing of a send/receive agreement between the districts this past year. The Board had several talks with both the Lafayette School District and Frankford School District establishing a send/receive agreement for Montague 7th and 8th grade students. These talks eventually did not lead to fruition. During the past year the freeze that had been placed on state aid for expansion projects was lifted; consequently the Board approved the submission of an application for the construction of a Middle School. It is assumed if the application is accepted and debt service aid is made available, the Board will go for a public referendum for construction.

3) ECONOMIC CONDITION AND OUTLOOK: Commercial properties have stabilized resulting in a slower decline in the ratables in Montague. The Township is experiencing very slight growth in the area of residential development and expansion. There were ongoing discussions with Montague Township concerning the proposed development of several hundred housing units at the Community Corporation of Highpoint, Inc. Currently, it does not appear that this project will be undertaken in the near future.

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 is 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
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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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2013.

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) 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.

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

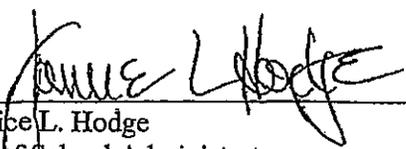
The District is a member of the New Jersey School Boards Association Insurance Group ("NJSBAIG") which is a risk-sharing public entity risk management pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance coverage for their respective members. Additional information on the pool is included in Note 11 to the Basic Financial Statements.

9) 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 Non-Profit 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 and *Government Auditing Standards* are included in the single audit section of this report.

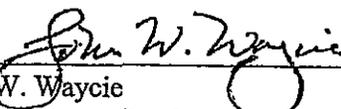
The Honorable President and Members of
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November 8, 2013

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

Respectfully submitted,

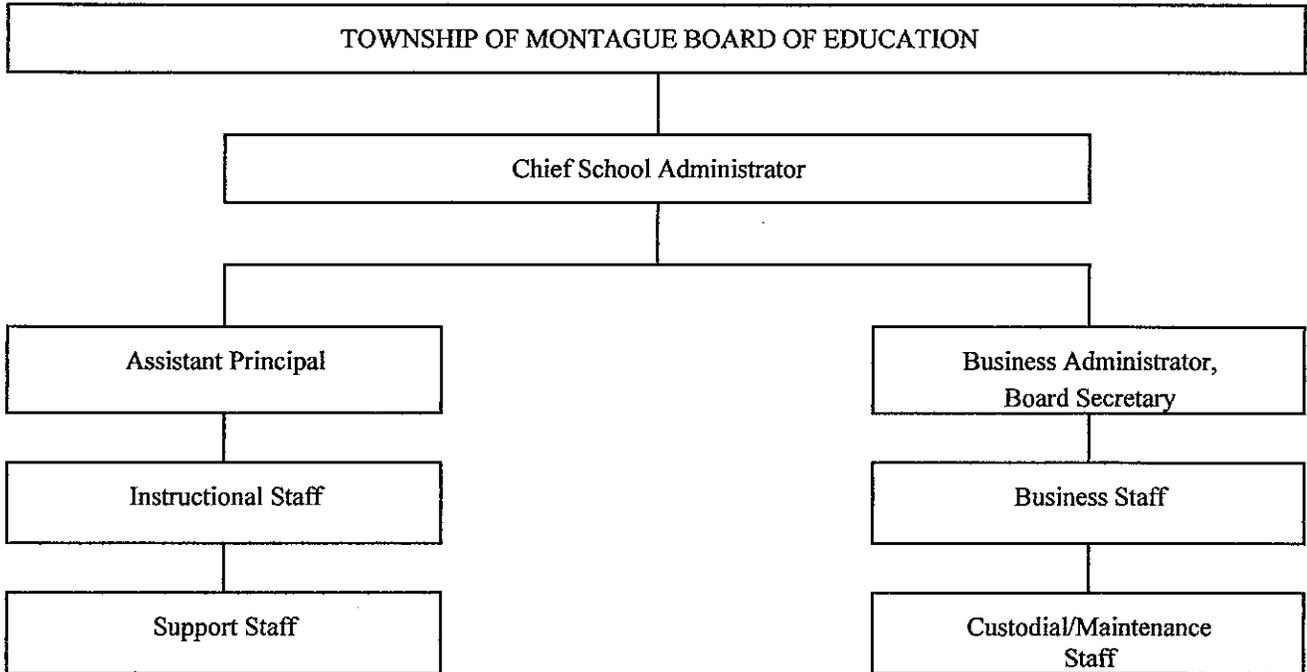


Janice L. Hodge
Chief School Administrator



John W. Waycie
Board Secretary/Business Administrator

Township of Montague Board of Education
Montague, New Jersey 07827



**MONTAGUE TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2013**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Beverley Borrego, President	2014
Thomas E. Bolan, Vice President	2013
James Marion	2013
Barbara Holstein	2013
Sheila Hughes	2013
Adrienne Raefski	2013
George Geldeman	2013

Other OfficialsTitle

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

**Montague Township School District
Consultants and Advisors**

Audit Firm

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

Attorneys

Adams Stern Gutierrez & Lattiboudere, LLC
1037 Raymond Boulevard, Suite 900
Newark, New Jersey 07102

Official Depositories

Sussex Bank
399 Route 23
Franklin, New Jersey 07416

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

FINANCIAL SECTION



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

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

Independent Auditors' Report

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

Report on the Financial Statements

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 Township of Montague School District (the "District") in the County of Sussex, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable President and Members
of the Board of Education
Montague Township School District
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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 Montague Township School District, in the County of Sussex, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, and the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable President and Members
of the Board of Education
Montague Township School District
Page 3

The accompanying other information such as the introductory and statistical sections 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
November 8, 2013

NISIVOCCIA LLP



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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**MONTAGUE TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

This section of Montague Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2013. 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 position status decreased by \$38,794 on a district-wide basis.
- Enrollment in the District declined by 20 students and cost per pupil increased \$4,528.
- The District had a net decrease in its outstanding long-term debt of 14.47 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 the Montague Township School District's Financial Report

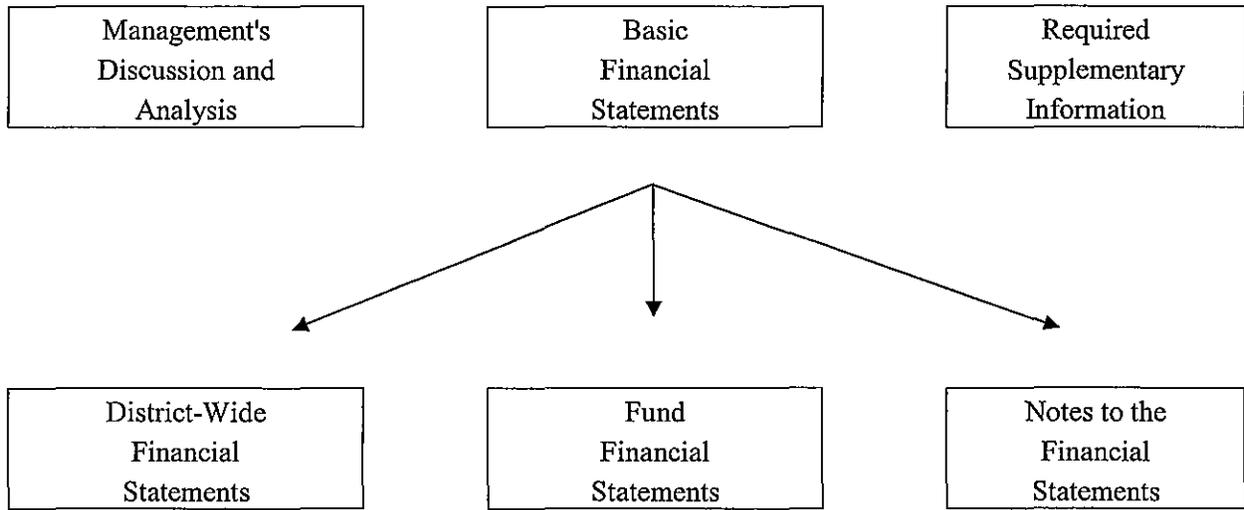


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position 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 position* and how they have changed. Net position – 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 position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

Fund Financial Statements

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position decreased by 1.67%. Net position from governmental activities decreased \$41,533 and net position from business-type activities increased by \$2,739. Net investment in capital assets increased \$96,079, restricted net position decreased \$46,818, and unrestricted net position decreased \$88,055.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2013
Current and Other Assets	\$ 1,452,821	\$ 1,059,793	\$ 37,718	\$ 41,106	\$ 1,490,539	\$ 1,100,899	35.39%
Capital Assets, Net	1,947,946	1,926,432	4,521	4,956	1,952,467	1,931,388	1.09%
Total Assets	<u>3,400,767</u>	<u>2,986,225</u>	<u>42,239</u>	<u>46,062</u>	<u>3,443,006</u>	<u>3,032,287</u>	13.54%
Long-Term Debt Outstanding	394,205	460,917			394,205	460,917	-14.47%
Other Liabilities	764,348	241,561		6,562	764,348	248,123	208.05%
Total Liabilities	<u>1,158,553</u>	<u>702,478</u>		<u>6,562</u>	<u>1,158,553</u>	<u>709,040</u>	63.40%
Net Position:							
Net Investment in Capital Assets	1,708,946	1,612,432	4,521	4,956	1,713,467	1,617,388	5.94%
Restricted	167,712	210,789			167,712	210,789	-20.44%
Unrestricted	<u>365,556</u>	<u>460,526</u>	<u>37,718</u>	<u>34,544</u>	<u>403,274</u>	<u>495,070</u>	-18.54%
Total Net Position	<u>\$ 2,242,214</u>	<u>\$ 2,283,747</u>	<u>\$ 42,239</u>	<u>\$ 39,500</u>	<u>\$ 2,284,453</u>	<u>\$ 2,323,247</u>	-1.67%

Changes in Net Position. The District's combined net position was \$2,284,453 on June 30, 2013, \$38,794 or 1.67% less than the prior year (See Figure A-3). Net investment in capital assets increased by \$96,079 due to the \$147,906 in capital assets additions and the payment of \$75,000 in bond principal offset by \$126,827 in depreciation. Restricted net position decreased by \$43,077 due to a decrease in capital reserve. Unrestricted net position decreased by \$91,796 (See Figure A-3).

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2013
Revenue:							
Program Revenue:							
Charges for Services			\$ 21,623	\$ 23,184	\$ 21,623	\$ 23,184	-6.73%
Grants and Contributions:							
Operating	\$ 1,481,482	\$ 1,377,013	88,933	83,244	1,570,415	1,460,257	7.54%
General Revenue:							
Property Taxes	5,570,728	5,534,551			5,570,728	5,534,551	0.65%
Federal and State Aid Not Restricted	2,361,340	2,381,601			2,361,340	2,381,601	-0.85%
Other	24,526	43,103	8	52	24,534	43,155	-43.15%
Total Revenue	<u>9,438,076</u>	<u>9,336,268</u>	<u>110,564</u>	<u>106,480</u>	<u>9,548,640</u>	<u>9,442,748</u>	1.12%
Expenses:							
Instruction	3,538,355	3,231,586			3,538,355	3,231,586	9.49%
Pupil and Instruction Services	3,125,710	2,819,372			3,125,710	2,819,372	10.87%
Administrative and Business	663,054	695,264			663,054	695,264	-4.63%
Maintenance and Operations	570,642	521,967			570,642	521,967	9.33%
Transportation	861,388	848,952			861,388	848,952	1.46%
Other	720,460	752,196	107,825	108,235	828,285	860,431	-3.74%
Total Expenses	<u>9,479,609</u>	<u>8,869,337</u>	<u>107,825</u>	<u>108,235</u>	<u>9,587,434</u>	<u>8,977,572</u>	6.79%
Transfers		(2,276)		2,276			0.00%
Increase/(Decrease) in Net Position	<u>\$ (41,533)</u>	<u>\$ 464,655</u>	<u>\$ 2,739</u>	<u>\$ 521</u>	<u>\$ (38,794)</u>	<u>\$ 465,176</u>	-108.34%

Revenue Sources. The District's total revenue for the 2012/2013 school year was \$9,548,640 (See Figure A-5). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$5,570,728 of the total, or 58.34 percent (See Figure A-5). Another 41.17 percent came from state and federal aid, 0.23 percent came from charges for services and the remainder from other miscellaneous sources. It is important to note that the \$1,252,021 of categorical grants include \$352,956 for pension and post-retirement medical contributions that the State of New Jersey is paying on behalf of the District. The Montague Township School District primarily conducts its operations from the revenue it receives from its local taxpayers.

Figure A-5
Sources of Revenue for Fiscal Year 2013

Sources of Income:	Amount	Percentage
State Formula Aid	\$ 2,679,734	28.06%
Property Taxes	5,570,728	58.34%
Federal and State Categorical Grants	1,252,021	13.11%
Charges for Services	21,623	0.23%
Other	24,534	0.26%
	<u>\$ 9,548,640</u>	<u>100.00%</u>

The total cost of all programs and services was \$9,587,434. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (78.49 percent) (See Figure A-6). The District's administrative and business activities accounted for 6.92 percent of total costs. It is important to note that depreciation of \$126,827 is included in expenses for the year.

Figure A-6
Expenses for Fiscal Year 2013

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 3,538,355	36.91%
Pupil and Instruction Services	3,125,710	32.60%
Administrative and Business	663,054	6.92%
Maintenance and Operations	570,642	5.95%
Transportation	861,388	8.98%
Other	828,285	8.64%
	<u>\$ 9,587,434</u>	<u>100.00%</u>

Governmental Activities

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

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

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

Figure A-7
Net Cost of Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Instruction	\$ 3,538,355	\$ 3,231,586	\$ 2,488,759	\$ 2,267,191
Pupil and Instruction Services	3,125,710	2,819,372	3,125,710	2,819,372
Administrative and Business	663,054	695,264	645,016	680,315
Maintenance and Operations	570,642	521,967	570,642	521,967
Transportation	861,388	848,952	447,540	451,283
Other	720,460	752,196	720,460	752,196
	<u>\$ 9,479,609</u>	<u>\$ 8,869,337</u>	<u>\$ 7,998,127</u>	<u>\$ 7,492,324</u>

- The cost of all governmental activities this year was \$9,479,609.
- The federal and state governments subsidized certain programs with grants and contributions (\$1,481,482).
- Most of the District’s costs, however, were financed by District taxpayers (\$5,570,728).
- A portion of governmental activities was financed with federal and state aid not restricted (\$2,361,340).
- The remainder of governmental activities funding came from private contributions, investment earnings and miscellaneous revenue.

Business-Type Activities

Net position from the District’s business-type activities increased by \$2,739 (Refer to Figure A-4) which is primarily due to a decrease in the cost of sales.

Financial Analysis of the District’s Funds

The District’s financial situation improved despite difficult economic times which have a direct impact upon the District’s revenue sources. Interest from investments decreased as compared to the prior year. 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
	2013	2012	2013	2012	2013	2012	2013
Sites (Land)	\$ 45,148	\$ 45,148			\$ 45,148	\$ 45,148	0.00%
Site Improvements	39,263	41,842			39,263	41,842	-6.16%
Buildings and Building Improvements	1,728,521	1,715,460			1,728,521	1,715,460	0.76%
Machinery and Equipment	135,014	123,982	\$ 4,521	\$ 4,956	139,535	128,938	8.22%
Total Capital Assets (Net of Depreciation)	\$ 1,947,946	\$ 1,926,432	\$ 4,521	\$ 4,956	\$ 1,952,467	\$ 1,931,388	1.09%

The District’s overall capital assets (net of depreciation) increased by \$21,079 due to capital additions of \$147,906 offset by \$126,827 in depreciation. (More detailed information about the District’s capital assets is presented in Note 5 to the basic financial statements.)

Long-term Debt

At year-end, the District had \$239,000 in general obligation bonds – a reduction of \$75,000 from last year – as shown in Figure A-9. (More detailed information about the District’s long-term liabilities is presented in Note 6 to the basic financial statements.)

Figure A-9
Outstanding Long-Term Debt

	Total School District		Total Percentage Change
	2013	2012	2013
General Obligation Bonds (Financed with Property Taxes)	\$ 239,000	\$ 314,000	-23.89%
Other Long-term Debt	155,205	146,917	5.64%
	<u>\$ 394,205</u>	<u>\$ 460,917</u>	<u>-14.47%</u>

- The District continued to pay down its debt, retiring \$75,000 of outstanding bonds.
- The District’s other liabilities consist of compensated absences payable which increased \$8,288 during the year.

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

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

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

Contacting the District’s Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,204,775	\$ 21,572	\$ 1,226,347
Receivable from Federal Governments	4,757	15,964	20,721
Receivable from State Governments	55,593	182	55,775
Receivables from Other Governments	19,371		19,371
Interfund Receivable	638		638
Restricted Assets:			
Capital Reserve Account - Cash	167,687		167,687
Capital Assets, Net:			
Sites (Land)	45,148		45,148
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	<u>1,902,798</u>	<u>4,521</u>	<u>1,907,319</u>
Total Assets	<u>3,400,767</u>	<u>42,239</u>	<u>3,443,006</u>
LIABILITIES			
Accrued Interest Payable	7,239		7,239
Accounts Payable - Vendors	612,109		612,109
Temporary Notes Payable	145,000		145,000
Noncurrent Liabilities:			
Due Within One Year	80,000		80,000
Due Beyond One Year	<u>314,205</u>		<u>314,205</u>
Total Liabilities	<u>1,158,553</u>		<u>1,158,553</u>
NET POSITION			
Net Investment in Capital Assets	1,708,946	4,521	1,713,467
Restricted for:			
Capital Projects	167,687		167,687
Debt Service	25		25
Unrestricted	<u>365,556</u>	<u>37,718</u>	<u>403,274</u>
Total Net Position	<u>\$ 2,242,214</u>	<u>\$ 42,239</u>	<u>\$ 2,284,453</u>

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 2,372,899		\$ 422,737		\$ (1,950,162)		\$ (1,950,162)
Special Education	786,905		522,902		(264,003)		(264,003)
Other Instruction	254,279		58,359		(195,920)		(195,920)
School-Sponsored Instruction	124,272		45,598		(78,674)		(78,674)
Support Services:							
Student & Instruction Related Services	3,125,710				(3,125,710)		(3,125,710)
General Administrative Services	324,532				(324,532)		(324,532)
School Administrative Services	126,779		18,038		(108,741)		(108,741)
Central Services	211,743				(211,743)		(211,743)
Plant Operations and Maintenance	570,642				(570,642)		(570,642)
Pupil Transportation	861,388		413,848		(447,540)		(447,540)
Interest on Long-Term Debt	17,493				(17,493)		(17,493)
Charter Schools	702,967				(702,967)		(702,967)
Total Governmental Activities	9,479,609		1,481,482		(7,998,127)		(7,998,127)
Business-Type Activities:							
Food Service	107,825	\$ 21,623	88,933			\$ 2,731	2,731
Total Business-Type Activities	107,825	21,623	88,933			2,731	2,731
Total Primary Government	\$ 9,587,434	\$ 21,623	\$ 1,570,415		(7,998,127)	2,731	(7,995,396)

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
General Revenues:						
Taxes:						
	Property Taxes, Levied for General Purposes, Net				\$ 5,447,314	\$ 5,447,314
	Taxes Levied for Debt Service				123,414	123,414
	Federal and State Aid Not Restricted				2,361,340	2,361,340
	Investment Earnings				1,749	\$ 1,757
	Miscellaneous Income				22,777	22,777
	Total General Revenues				<u>7,956,594</u>	<u>7,956,602</u>
	Change in Net Position				(41,533)	2,739
	Net Position - Beginning				<u>2,283,747</u>	<u>39,500</u>
	Net Position - Ending				<u>\$ 2,242,214</u>	<u>\$ 42,239</u>

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

FUND FINANCIAL STATEMENTS

Exhibit B-1

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents/(Deficit)	\$ 1,128,159		\$ 80,332	\$ (3,716)	\$ 1,204,775
Interfund Receivable	5,395				5,395
Receivables from Federal Government		\$ 4,757			4,757
Receivables from State Government	74,964				74,964
Restricted Cash and Cash Equivalents	167,687				167,687
Total Assets	\$ 1,376,205	\$ 4,757	\$ 80,332	\$ (3,716)	\$ 1,457,578
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable		\$ 4,757			\$ 4,757
Accounts Payable - Vendors	\$ 612,109				612,109
Temporary Notes Payable			\$ 145,000		145,000
Total Liabilities	612,109	4,757	145,000		761,866
Fund Balances:					
Restricted:					
Capital Reserve Account	167,687				167,687
Debt Service (Deficit)				\$ 25	25
Assigned:					
Year-End Encumbrances	252,135				252,135
Unassigned/(Deficit)	344,274		(64,668)	(3,741)	275,865
Total Fund Balances	764,096		(64,668)	(3,716)	695,712
Total Liabilities and Fund Balances	\$ 1,376,205	\$ 4,757	\$ 80,332	\$ (3,716)	

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

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$4,448,429 and the accumulated depreciation is \$2,500,483.	1,947,946
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the Funds (see Note 6).	(394,205)
Accrued Interest on Long-Term Liabilities, including Bonds Payable, is not due and Payable in the current period and therefore is not reported as a liability in the Funds.	(7,239)
Net Position of Governmental Activities	\$ 2,242,214

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 5,447,314			\$ 123,414	\$ 5,570,728
Interest Earned on Capital Reserve Funds	153				153
Miscellaneous	24,373				24,373
Total - Local Sources	5,471,840			123,414	5,595,254
State Sources	3,277,491		\$ 1,591	16,539	3,295,621
Federal Sources	312,628	\$ 245,656			558,284
Total Revenues	9,061,959	245,656	1,591	139,953	9,449,159
EXPENDITURES					
Current:					
Regular Instruction	1,566,907	114,906			1,681,813
Special Education Instruction	437,359	130,750			568,109
Other Special Instruction	249,755				249,755
School Sponsored Instruction	3,775				3,775
Support Services and Undistributed Costs:					
Student & Instruction Related Services	2,871,226				2,871,226
General Administrative Services	263,365				263,365
School Administrative Services	85,648				85,648
Central Services	159,799				159,799
Plant Operations and Maintenance	502,796				502,796
Pupil Transportation	837,060				837,060
Unallocated Benefits	1,398,148				1,398,148

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Transfer to Charter Schools	\$ 702,967				\$ 702,967
Debt Service:					
Principal				\$ 121,500	121,500
Interest and Other Charges				22,198	22,198
Capital Outlay	161,964				161,964
Total Expenditures	9,240,769	\$ 245,656		143,698	9,630,123
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(178,810)	-0-	\$ 1,591	(3,745)	(180,964)
OTHER FINANCING SOURCES					
Notes Funded by Budget Appropriation			46,500		46,500
Total Other Financing Sources			46,500		46,500
Net Change in Fund Balances	(178,810)		48,091	(3,745)	(134,464)
Fund Balance/ (Deficit) —July 1	942,906	-0-	(112,759)	29	830,176
Fund Balance/ (Deficit)—June 30	\$ 764,096	\$ -0-	\$ (64,668)	\$ (3,716)	\$ 695,712

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (134,464)

Amounts Reported for Governmental Activities in the Statement
of Activities (A-2) are Different Because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differed from capital outlays in the period.

	Depreciation expense	\$ (126,392)	
	Capital Outlays	<u>147,906</u>	21,514

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 (+). (8,288)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). 4,705

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+) 75,000

Change in Net Position of Governmental Activities \$ (41,533)

Exhibit B-4

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	Business-Type Activities - Enterprise Funds
	Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 21,572
Intergovernmental Receivable:	
Federal	15,964
State	182
Total Current Assets	37,718
Non-Current Assets:	
Capital Assets	19,495
Less: Accumulated Depreciation	(14,974)
Total Non-Current Assets	4,521
Total Assets	42,239
NET POSITION:	
Net Investment in Capital Assets	4,521
Unrestricted	37,718
Total Net Position	\$ 42,239

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

Exhibit B-5

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 21,623
Total Operating Revenue	21,623
Operating Expenses:	
Cost of Sales	92,612
Supplies, Insurance & Other Costs	14,778
Depreciation Expense	435
Total Operating Expenses	107,825
Operating Loss	(86,202)
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	40,463
National School Breakfast Program	35,503
Food Distribution Program	11,935
State Sources:	
State School Lunch Program	1,032
Local Sources:	
Interest Income	8
Total Non-Operating Revenue	88,941
Change in Net Position	2,739
Net Position - Beginning of Year	39,500
Net Position - End of Year	\$ 42,239

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

Exhibit B-6

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds <u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 21,623
Payments to Suppliers for Goods and Services	<u>(100,382)</u>
Net Cash Used for Operating Activities	<u>(78,759)</u>
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	<u>82,109</u>
Net Cash Provided by Noncapital Financing Activities	<u>82,109</u>
Cash Flows from Investing Activities:	
Interest on Investments	<u>8</u>
Net Cash Provided by Investing Activities	<u>8</u>
Net Increase in Cash and Cash Equivalents	3,358
Cash and Cash Equivalents, July 1	<u>18,214</u>
Cash and Cash Equivalents, June 30	<u>\$ 21,572</u>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (86,202)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	435
Food Distribution Program	11,935
Changes in Assets and Liabilities:	
Decrease in Inventory	1,635
(Decrease) Accounts Payable	(4,927)
(Decrease) in Unearned Revenue	<u>(1,635)</u>
Net Cash Used for Operating Activities	<u>\$ (78,759)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$10,300 and utilized U.S.D.A. Commodities valued at \$11,935.

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

Exhibit B-7

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:			
Cash and Cash Equivalents	\$ 212,010	\$ 4,015	\$ 1,619
Total Assets	<u>212,010</u>	<u>4,015</u>	<u>1,619</u>
LIABILITIES:			
Payroll Deductions and Withholdings	67,963		
Accrued Salaries and Wages	142,209		
Interfund Payable	638		
Due to Student Groups	<u>1,200</u>		
Total Liabilities	<u>212,010</u>		
NET POSITION:			
Restricted for Scholarships			1,619
Held in Trust for Unemployment Claims		<u>4,015</u>	
Total Net Position	<u>\$ -0-</u>	<u>\$ 4,015</u>	<u>\$ 1,619</u>

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

Exhibit B-8

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
ADDITIONS:		
Contributions:		
Budget Appropriation	\$ 12,000	
Investment Earnings:		
Interest	<u>1</u>	<u>\$ 2</u>
Total Contributions	<u>12,001</u>	<u>2</u>
Total Additions	<u>12,001</u>	<u>2</u>
DEDUCTIONS:		
Unemployment Claims	12,339	
Scholarships Awarded		<u>100</u>
Total Deductions	<u>12,339</u>	<u>100</u>
Change in Net Position	(338)	(98)
Net Position - Beginning of the Year	<u>4,353</u>	<u>1,717</u>
Net Position - End of the Year	<u>\$ 4,015</u>	<u>\$ 1,619</u>

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting:

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

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

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

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position 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.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(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, 2013 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

The Capital Projects fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. These grants are recognized on the budgetary basis in full at the time of the award but are recognized on the GAAP basis as they are expended and requested for reimbursement.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 9,072,320	\$ 234,573
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.		11,083
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	255,648	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(266,009)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 9,061,959	\$ 245,656
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 9,240,769	\$ 234,573
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.		11,083
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 9,240,769	\$ 245,656
		Capital Projects Fund
Total Revenue - Budgetary Basis		\$ -0-
Reconciliation to Governmental Funds Statements (GAAP):		
SDA Grant Revenue Recognized on the GAAP Basis		1,591
Revenue per Governmental Funds (GAAP Basis)		\$ 1,591

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

E. Cash and Cash Equivalents and Investments:

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

H. Encumbrances: (Cont'd)

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as unearned 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, 2013.

K. Capital Assets:

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

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

	<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.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2013, the amount earned by these employees but not disbursed was \$142,209.

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 Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

O. Unearned Revenue:

Unearned 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.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$764,096 General Fund fund balance at June 30, 2013, \$252,135 is assigned for encumbrances; \$167,687 is restricted in the capital reserve account, and \$344,274 is unassigned fund balance which is \$266,009 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.

Capital Projects Fund: The Capital Projects fund balance at June 30, 2013 of \$(64,668) is unassigned for capital projects.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2013 is \$(3,716) of which (\$3,741) is unassigned and \$25 is restricted for subsequent year's expenditures.

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 no excess surplus.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$266,009 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record the related state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

Q. Fund Balance Restrictions, Commitments, and Assignments:

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2013.

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 in the General Fund at June 30, 2013.

R. Net Position:

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

R. Net Position: (Cont'd)

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District did not have any deferred inflows or outflows of resources at June 30, 2013.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Deficit Fund Balance:

The District has a deficit in unassigned fund balance of \$64,668 in the Capital Projects Fund which is primarily due to \$145,000 of note proceeds (which are not realized as revenue under the GAAP basis of accounting). The District also has a deficit in unassigned fund balance in the Debt Service fund of 3,741 primarily due to actual interest expense exceeding the budget appropriation by \$3,745.

The deficit in the Capital Projects Fund does not mean the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

T. Revenue - Exchange and Nonexchange Transactions:

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

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

T. Revenue - Exchange and Nonexchange Transactions: (Cont'd)

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

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

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

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

Investments: (Cont'd)

- (6) Deposits with the State of New Jersey Cash Management Fund; and
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2013, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents Capital Reserve Account</u>	<u>Total</u>
Checking and Savings Accounts	\$ 1,193,281	\$ 167,687	\$ 1,360,968
New Jersey Cash Management Fund	250,710		250,710
	<u>\$ 1,443,991</u>	<u>\$ 167,687</u>	<u>\$ 1,611,678</u>

During the period ended June 30, 2013, the District did not hold any investments.

The carrying amount of the Board's cash and cash equivalents at June 30, 2013, was \$1,611,678 and the bank balance was \$1,720,999. The \$250,710 in the New Jersey Cash Management Fund is uninsured and unregistered.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District on September 27, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the July 1, 2012 to June 30, 2013 fiscal year is as follows:

Beginning Balance, July 1, 2012		\$ 210,760
Deposits:		
Interest Earnings	\$ 153	
Approved Increase by Board Resolution	<u>56,774</u>	
		\$ 56,927
Budgeted Withdrawals		<u>(100,000)</u>
Ending Balance, June 30, 2013		<u><u>\$ 167,687</u></u>

The June 30, 2013 capital reserve account balance did not exceed the LRFP balance of local support costs of uncompleted capital projects. The withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5. CAPITAL ASSETS

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 28,382
Special Education	7,922
Other Instruction	4,524
School Sponsored Instruction	68
Student and Instruction Related Services	52,009
General Administrative Services	4,770
School Administrative Services	1,552
Central Services	2,895
Plant Operations and Maintenance	9,108
Pupil Transportation	<u>15,162</u>
	<u><u>\$ 126,392</u></u>

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 5. CAPITAL ASSETS (Cont' d)

Capital asset balances and activity for the year ended June 30, 2013 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 45,148			\$ 45,148
Total Capital Assets Not Being Depreciated	45,148			45,148
Capital Assets Being Depreciated:				
Buildings and Building Improvements	3,486,859	\$ 116,625		3,603,484
Site Improvements	137,392			137,392
Machinery and Equipment	631,124	31,281		662,405
Total Capital Assets Being Depreciated	4,255,375	147,906		4,403,281
Governmental Activities Capital Assets	4,300,523	147,906		4,448,429
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(1,771,399)	(103,564)		(1,874,963)
Site Improvements	(95,550)	(2,579)		(98,129)
Machinery and Equipment	(507,142)	(20,249)		(527,391)
	(2,374,091)	(126,392)		(2,500,483)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 1,926,432	\$ 21,514	\$ -0-	\$ 1,947,946
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 19,495			\$ 19,495
Less Accumulated Depreciation	(14,539)	\$ (435)		(14,974)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 4,956	\$ (435)	\$ -0-	\$ 4,521

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2013, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2012	Accrued	Retired	Balance 6/30/2013
Serial Bonds Payable	\$ 314,000		\$ 75,000	\$ 239,000
Compensated Absences Payable	146,917	\$ 11,776	3,488	155,205
	\$ 460,917	\$ 11,776	\$ 78,488	\$ 394,205

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, 2013 is \$80,000 and the long-term portion is \$159,000. The Debt Service Fund will be used to liquidate bonds payable.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

The District had bonds outstanding as of June 30, 2013 as follows:

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
2/1/2016	5.25%	<u>\$ 239,000</u>

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 80,000	\$ 12,548	\$ 92,548
2015	80,000	8,348	88,348
2016	<u>79,000</u>	<u>4,148</u>	<u>83,148</u>
	<u>\$ 239,000</u>	<u>\$ 25,044</u>	<u>\$ 264,044</u>

B. Bonds Authorized But Not Issued:

The Board had no bonds authorized but not issued as of June 30, 2013.

C. Capital Leases Payable:

The District did not have any Capital Leases Payable as of June 30, 2013.

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 \$155,205. There is no current portion of the compensated absences liability.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2013, no liability existed for compensated absences in the Enterprise Funds.

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

NOTE 7. TEMPORARY NOTES

<u>Final</u> <u>Maturity</u>	<u>Purpose</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
8/8/2013	Repair and Partial Replacement of Roof-Montague Elementary School	1.550%	<u>\$ 145,000</u>

NOTE 8: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2013, the District transferred a total of \$50,000 to the capital outlay accounts. \$33,375 of the total amount transferred was for equipment and did not require County Superintendent approval. The District obtained County Superintendent approval for the remaining \$16,625 transfer to facilities acquisition and construction.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP). The TPAF and the PERS 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. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join the TPAF or the PERS. However, if an employee is ineligible to enroll in the TPAF or the PERS, the employee may be eligible to enroll in the DCRP.

Employees who are members of TPAF or 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 DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. For PERS and TPAF, the employee contribution rate was 6.64% effective July 1, 2012. Subsequent increases are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in each fund.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions of 5.5% for DCRP are matched by a 3% employer contribution.

The combined District and employee contributions to DCRP were \$6,065 for the fiscal year ended June 30, 2013. There were no District or employee contributions to DCRP for the fiscal years ended June 30, 2012 and 2011.

District Contributions to PERS amounted to \$51,384, \$57,539 and \$57,273 for the fiscal years ended June 30, 2013, 2012 and 2011, respectively. During the fiscal years ended June 30, 2013, 2012 and 2011 the State of New Jersey contributed \$165,649, \$81,883 and \$-0-, respectively, to the TPAF for pension benefits on-behalf of the District.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

Selected financial information for the NJSBAIG as of June 30, 2013 is as follows:

	New Jersey School Boards Association Insurance Group
Total Assets	\$ 277,741,572
Net Position	\$ 65,389,322
Total Revenue	\$ 114,969,485
Total Expenses	\$ 113,723,547
Change in Net Position	\$ 1,245,938
Member Dividends	\$ -0-

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

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

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>
2012-2013	\$ 12,000	\$ 1	\$ -0-	\$ 12,339	\$ 4,015
2011-2012	13,000	4	-0-	12,250	4,353
2010-2011	12,000	5	-0-	10,441	3,599

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.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2013 there were interfund receivables and payables as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 5,395	
Special Revenue Fund		\$ 4,757
Agency Fund		638
	<u>\$ 5,395</u>	<u>\$ 5,395</u>

A portion of the interfund receivable in the General Fund is comprised of \$4,757 due from the Special Revenue Fund for cash advanced to the Special Revenue Fund awaiting federal grant reimbursement. The remaining interfund receivable in the General Fund is due from the Agency Fund for accumulated interest in the Payroll Agency and Net Payroll Accounts.

NOTE 14. DEFERRED COMPENSATION

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

AXA Equitable Financial
Lincoln Life Financial

NOTE 15. TAX CALENDAR

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

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

NOTE 16. 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.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 16. COMMITMENTS AND CONTINGENCIES (Cont'd)

Grant Programs

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

Encumbrances

At June 30, 2013, there were encumbrances as detailed below in the governmental funds.

General Fund
<hr/>
\$ 252,135
<hr/>

NOTE 17. ACCOUNTS PAYABLE

The following accounts payable existed on the various balance sheets as of June 30, 2013:

	<u>Governmental Activities</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
Vendors	<u>\$ 612,109</u>	<u>\$ 612,109</u>
	<u>\$ 612,109</u>	<u>\$ 612,109</u>

BUDGETARY COMPARISON SCHEDULES

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 5,447,314		\$ 5,447,314	\$ 5,447,314	
Interest on Investments				1,596	\$ 1,596
Interest on Capital Reserve	125		125	153	28
Unrestricted Miscellaneous Revenues				22,777	22,777
Total Local Sources	<u>5,447,439</u>		<u>5,447,439</u>	<u>5,471,840</u>	<u>24,401</u>
State Sources:					
Categorical Special Education Aid	256,306		256,306	256,306	
Equalization Aid	1,911,259		1,911,259	1,911,259	
Categorical Security Aid	100,659		100,659	100,659	
Adjustment Aid	26,780		26,780	26,780	
Categorical Transportation Aid	395,091		395,091	395,091	
Extraordinary Aid				36,620	36,620
Nonpublic Transportation				18,972	18,972
On-behalf TPAF Pension (non-budgeted)				165,649	165,649
On-behalf TPAF Post Retirement Contributions (non-budgeted)				187,307	187,307
Reimbursed TPAF Social Security Contributions (non-budgeted)				189,209	189,209
Total State Sources	<u>2,690,095</u>		<u>2,690,095</u>	<u>3,287,852</u>	<u>597,757</u>
Federal Sources:					
Impact Aid	75,000		75,000	304,691	229,691
Medicaid Reimbursement	8,713		8,713	7,937	(776)
Total Federal Sources	<u>83,713</u>		<u>83,713</u>	<u>312,628</u>	<u>228,915</u>
TOTAL REVENUES	<u>8,221,247</u>		<u>8,221,247</u>	<u>9,072,320</u>	<u>851,073</u>

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<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	\$ 139,496	\$ 12,885	\$ 152,381	\$ 152,380	\$ 1
Grades 1-5 - Salaries of Teachers	1,181,318	(224,791)	956,527	956,527	
Grades 6-8 - Salaries of Teachers	125,690	23,000	148,690	148,621	69
Regular Programs - Home Instruction:					
Salaries of Teachers	562	215	777	777	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	116,176	3,000	119,176	118,963	213
Purchased Professional - Educational Services	1,020	5,230	6,250	600	5,650
Purchased Technical Services	31,564	7,133	38,697	35,542	3,155
Other Purchased Services (400-500 Series)	11,118	28,373	39,491	37,193	2,298
General Supplies	56,680	67,754	124,434	100,163	24,271
Textbooks	8,153	(1,064)	7,089	5,800	1,289
Other Objects	12,283	12,601	24,884	10,341	14,543
Total Regular Programs - Instruction	<u>1,684,060</u>	<u>(65,664)</u>	<u>1,618,396</u>	<u>1,566,907</u>	<u>51,489</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	106,788	98,915	205,703	205,240	463
General Supplies		85	85	76	9
Total Learning and/or Language Disabilities	<u>106,788</u>	<u>99,000</u>	<u>205,788</u>	<u>205,316</u>	<u>472</u>

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 63,430	\$ 91,531	\$ 154,961	\$ 154,961	
Total Resource Room/Resource Center	<u>63,430</u>	<u>91,531</u>	<u>154,961</u>	<u>154,961</u>	
Preschool Handicapped - Part Time:					
Salaries of Teachers	49,598	930	50,528	50,520	\$ 8
Other Salaries for Instruction	<u>25,651</u>	<u>920</u>	<u>26,571</u>	<u>26,562</u>	<u>9</u>
Total Preschool Handicapped - Part Time	<u>75,249</u>	<u>1,850</u>	<u>77,099</u>	<u>77,082</u>	<u>17</u>
Total Special Education Instruction	<u>245,467</u>	<u>192,381</u>	<u>437,848</u>	<u>437,359</u>	<u>489</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	<u>217,642</u>	<u>5,920</u>	<u>223,562</u>	<u>223,560</u>	<u>2</u>
Total Basic Skills/Remedial - Instruction	<u>217,642</u>	<u>5,920</u>	<u>223,562</u>	<u>223,560</u>	<u>2</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	<u>2,141</u>	<u>134</u>	<u>2,275</u>	<u>2,275</u>	
Total School-Sponsored Cocurricular Activities - Instruction	<u>2,141</u>	<u>134</u>	<u>2,275</u>	<u>2,275</u>	
School-Sponsored Athletics - Instruction:					
Salaries	1,530	(1,530)			
Purchased Services (300-500 series)		<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	
Total School-Sponsored Athletics - Instruction	<u>1,530</u>	<u>(30)</u>	<u>1,500</u>	<u>1,500</u>	

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<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 Instructional Programs - Instruction					
Salaries	\$ 30,402	\$ (3,474)	\$ 26,928	\$ 26,195	\$ 733
Total Other Instructional Programs - Instruction	<u>30,402</u>	<u>(3,474)</u>	<u>26,928</u>	<u>26,195</u>	<u>733</u>
Total Instruction	<u>2,181,242</u>	<u>129,267</u>	<u>2,310,509</u>	<u>2,257,796</u>	<u>52,713</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	953,642	(26,640)	927,002	924,307	2,695
Tuition to Other LEAs Within the State - Special	284,158	104,987	389,145	344,775	44,370
Tuition to County Vocational School District - Regular	111,300	27,825	139,125	139,125	
Tuition to Private Schools for the Handicapped - Within State		54,008	54,008	6,944	47,064
Tuition to Private Schools for the Handicapped - Outside State	857,339	26,976	884,315	871,992	12,323
Tuition to State Facilities	17,699		17,699	17,699	
Total Undistributed Expenditures - Instruction	<u>2,224,138</u>	<u>187,156</u>	<u>2,411,294</u>	<u>2,304,842</u>	<u>106,452</u>
Health Services:					
Salaries	58,724	46	58,770	58,770	
Purchased Professional and Technical Services	146		146		146
Other Purchased Services (400-500 Series)	55		55		55
Supplies and Materials	2,172		2,172	897	1,275
Total Health Services	<u>61,097</u>	<u>46</u>	<u>61,143</u>	<u>59,667</u>	<u>1,476</u>
Other Support Services - Students - Speech, OT, PT and Related Services:					
Salaries	68,136		68,136	67,729	407
Purchased Professional - Educational Services	1,226	474	1,700	1,700	
Supplies and Materials	494		494	470	24
Total Other Support Services - Students - Speech, OT, PT and Related Services	<u>69,856</u>	<u>474</u>	<u>70,330</u>	<u>69,899</u>	<u>431</u>

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<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 - Extraordinary Services:					
Purchased Professional - Educational Services	\$ 101,435	\$ 1,562	\$ 102,997	\$ 102,996	\$ 1
Total Other Support Services - Students - Extraordinary Services	<u>101,435</u>	<u>1,562</u>	<u>102,997</u>	<u>102,996</u>	<u>1</u>
Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	279,122	(6,410)	272,712	251,542	21,170
Salaries of Secretarial and Clerical Assistants	22,975		22,975	22,975	
Purchased Professional - Educational Services	2,510		2,510	780	1,730
Supplies and Materials	5,491	(598)	4,893	4,538	355
Other Objects	102	598	700	700	
Total Other Support Services - Students - Child Study Team	<u>310,200</u>	<u>(6,410)</u>	<u>303,790</u>	<u>280,535</u>	<u>23,255</u>
Improvement of Instructional Services:					
Salaries of Other Professional Staff	20,810		20,810	20,810	
Total Improvement of Instructional Services	<u>20,810</u>		<u>20,810</u>	<u>20,810</u>	

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<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	\$ 30,402	\$ (417)	\$ 29,985	\$ 26,194	\$ 3,791
Purchased Professional and Technical Services		900	900	900	
Supplies and Materials	1,412	(33)	1,379	1,071	308
Total Educational Media Services/School Library	<u>31,814</u>	<u>450</u>	<u>32,264</u>	<u>28,165</u>	<u>4,099</u>
Instructional Staff Training Services:					
Other Purchased Professional and Technical Services	40,154		40,154	2,575	37,579
Other Purchased Services (400-500 series)	1,744		1,744	1,737	7
Total Instructional Staff Training Services	<u>41,898</u>		<u>41,898</u>	<u>4,312</u>	<u>37,586</u>
Support Services - General Administration:					
Salaries	155,784	33,067	188,851	180,063	8,788
Legal Services	14,961	(395)	14,566	13,014	1,552
Audit Fees	19,625	395	20,020	20,020	
Other Purchased Professional Services	11,337	6,978	18,315	4,114	14,201
Purchased Technical Services	3,820	(406)	3,414		3,414
Communications/Telephone	22,696	(10,538)	12,158	11,354	804
BOE Other Purchased Services	16,817	(3,559)	13,258	6,754	6,504
Miscellaneous Purchased Services (400-500 series)	1,422	2,008	3,430	3,413	17
General Supplies	3,203	1,000	4,203	3,589	614
Miscellaneous Expenditures	12,530	(1,000)	11,530	10,069	1,461
BOE Membership Dues and Fees	13,595		13,595	10,975	2,620
Total Support Services - General Administration	<u>275,790</u>	<u>27,550</u>	<u>303,340</u>	<u>263,365</u>	<u>39,975</u>

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals/Program Directors	\$ 77,898		\$ 77,898	\$ 77,898	
Salaries of Secretarial and Clerical Assistants		\$ 7,750	7,750	7,750	
Total Support Services - School Administration	<u>77,898</u>	<u>7,750</u>	<u>85,648</u>	<u>85,648</u>	
Central Services:					
Salaries	153,110	3,592	156,702	153,511	\$ 3,191
Purchased Professional Services	1,932	(1,932)			
Purchased Technical Services		5,469	5,469	5,469	
Supplies and Materials	165	654	819	819	
Total Central Services	<u>155,207</u>	<u>7,783</u>	<u>162,990</u>	<u>159,799</u>	<u>3,191</u>
Required Maintenance for School Facilities:					
Salaries	17,975		17,975	17,975	
Cleaning, Repair and Maintenance Services	63,032	13,023	76,055	50,323	25,732
General Supplies	7,844	5,000	12,844	11,579	1,265
Total Required Maintenance of School Facilities	<u>88,851</u>	<u>18,023</u>	<u>106,874</u>	<u>79,877</u>	<u>26,997</u>

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<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	\$ 132,007	\$ 44,429	\$ 176,436	\$ 175,214	\$ 1,222
Purchased Professional and Technical Services	15,295	11,479	26,774	26,422	352
Cleaning, Repair and Maintenance Services	17,936	39,724	57,660	27,510	30,150
Insurance	23,298	2,936	26,234	26,234	
General Supplies	18,940	24,546	43,486	43,485	1
Energy (Electricity)	150,000	(11,392)	138,608	124,054	14,554
Other Objects	286		286		286
Total Custodial Services	357,762	111,722	469,484	422,919	46,565
Student Transportation Services:					
Salary for Pupil Transportation (Between Home & School) - Regular	22,975	5,423	28,398	28,397	1
Salary for Pupil Transportation (Between Home & School) - Special Education	3,293	(1,544)	1,749	1,748	1
Contracted Services:					
Between Home and School - Vendors	462,155	(60,825)	401,330	400,304	1,026
Special Education Students - Vendors	380,959	155	381,114	377,397	3,717
Aid in Lieu - Nonpublic Schools	14,485	14,274	28,759	28,759	
Miscellaneous Purchased Services	634	(179)	455	455	
Total Student Transportation Services	884,501	(42,696)	841,805	837,060	4,745

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits:					
Social Security Contributions	\$ 48,171	\$ 304	\$ 48,475	\$ 48,475	
Other Retirement Contributions - PERS	61,000	(9,248)	51,752	51,384	\$ 368
Other Retirement Contributions-Regular		1,686	1,686	1,686	
Unemployment Compensation	12,240	(240)	12,000	12,000	
Workmen's Compensation	28,712	949	29,661	29,661	
Health Benefits	770,701	(19,729)	750,972	688,996	61,976
Tuition Reimbursement	14,400	9,828	24,228	16,848	7,380
Other Employee Benefits	28,100	(21,167)	6,933	6,933	
Total Unallocated Benefits	963,324	(37,617)	925,707	855,983	69,724
On-Behalf Contributions:					
On-behalf TPAF Pension (non-budgeted)				165,649	(165,649)
On-behalf TPAF Post Retirement Contributions (non-budgeted)				187,307	(187,307)
Reimbursed TPAF Social Security Contributions (non-budgeted)				189,209	(189,209)
Total On-Behalf Contributions				542,165	(542,165)
Total Undistributed Expenses	5,664,581	275,793	5,940,374	6,118,042	(177,668)
TOTAL GENERAL CURRENT EXPENSE	7,845,823	405,060	8,250,883	8,375,838	(124,955)
CAPITAL OUTLAY:					
Equipment:					
General Administration		33,375	33,375	13,197	20,178
Operations & Maintenance of Plant	3,600		3,600	3,600	
School Buses - Special	27,550		27,550	27,550	
Total Equipment	31,150	33,375	64,525	44,347	20,178
Facilities Acquisition and Construction Services:					
Purchased Professional/Technical Services		3,930	3,930	3,930	
Construction Services	100,000	12,695	112,695	112,695	
Other Objects	992		992	992	
Total Facilities Acquisition and Construction Services	100,992	16,625	117,617	117,617	

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
TOTAL CAPITAL OUTLAY	\$ 132,142	\$ 50,000	\$ 182,142	\$ 161,964	\$ 20,178
Transfer of Funds to Charter Schools	713,773	(8,784)	704,989	702,967	2,022
TOTAL EXPENDITURES	8,691,738	446,276	9,138,014	9,240,769	(102,755)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(470,491)	(446,276)	(916,767)	(168,449)	748,318
Fund Balance, July 1	1,198,554		1,198,554	1,198,554	
Fund Balance, June 30	<u>\$ 728,063</u>	<u>\$ (446,276)</u>	<u>\$ 281,787</u>	<u>\$ 1,030,105</u>	<u>\$ 748,318</u>
<u>Recapitulation:</u>					
Restricted:					
Capital Reserve				\$ 167,687	
Assigned:					
Year-End Encumbrances				252,135	
Unassigned Fund Balance				<u>610,283</u>	
				1,030,105	
Reconciliation to Governmental Funds Statements (GAAP):					
June State Aid Payments not Recognized on GAAP Basis				<u>(266,009)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 764,096</u>	

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Federal Sources	\$ 174,000	\$ 93,972	\$ 267,972	\$ 234,573	\$ (33,399)
Total Revenues	<u>174,000</u>	<u>93,972</u>	<u>267,972</u>	<u>234,573</u>	<u>(33,399)</u>
EXPENDITURES:					
Instruction					
Purchased Professional - Educational Services		56,614	56,614	56,614	
Other Purchased Services	174,000	(166,290)	7,710	7,710	
Tuition		130,750	130,750	130,750	
General Supplies		51,440	51,440	39,499	11,941
Total Instruction	<u>174,000</u>	<u>72,514</u>	<u>246,514</u>	<u>234,573</u>	<u>11,941</u>
Support Services					
Personal Services - Employee Benefits		776	776		776
Total Support Services		<u>776</u>	<u>776</u>		<u>776</u>
EXPENDITURES:					
Facilities Acquisition and Construction Services					
Instructional Equipment		20,682	20,682		20,682
Total Facilities Acquisition and Construction Services		<u>20,682</u>	<u>20,682</u>		<u>20,682</u>
Total Expenditures	<u>174,000</u>	<u>93,972</u>	<u>267,972</u>	<u>234,573</u>	<u>33,399</u>
Excess of Revenues Over Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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	\$ 9,072,320	\$ 234,573
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.		11,083
Prior Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	255,648	
Current Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	(266,009)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 9,061,959	\$ 245,656
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 9,240,769	\$ 234,573
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.		11,083
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 9,240,769	\$ 245,656

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2013 was submitted to the County office and was approved by a vote by the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>No Child Left Behind</u>		
	<u>Title I</u>	<u>Title I Carryover</u>	<u>Title IIA</u>
REVENUE:			
Federal Sources	\$ 73,629	\$ 13,954	\$ 7,710
Total Revenue	<u>73,629</u>	<u>13,954</u>	<u>7,710</u>
EXPENDITURES:			
Instruction:			
Purchased Professional- Educational Services	43,100	13,514	
Other Purchased Services			7,710
Tuition			
General Supplies	<u>30,529</u>	<u>440</u>	
Total Instruction	<u>73,629</u>	<u>13,954</u>	<u>7,710</u>
Total Expenditures	<u>\$ 73,629</u>	<u>\$ 13,954</u>	<u>\$ 7,710</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>IDEA Part B</u>		Small, Rural School Achievement Carryover	<u>Totals</u>
	<u>Basic</u>	<u>Preschool</u>		
REVENUE:				
Federal Sources	\$ 125,993	\$ 4,757	\$ 8,530	\$ 234,573
Total Revenue	<u>125,993</u>	<u>4,757</u>	<u>8,530</u>	<u>234,573</u>
EXPENDITURES:				
Instruction:				
Purchased Professional- Educational Services				56,614
Other Purchased Services				7,710
Tuition	125,993	4,757		130,750
General Supplies			8,530	39,499
Total Instruction	<u>125,993</u>	<u>4,757</u>	<u>8,530</u>	<u>234,573</u>
Total Expenditures	<u>\$ 125,993</u>	<u>\$ 4,757</u>	<u>\$ 8,530</u>	<u>\$ 234,573</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOT APPLICABLE

CAPITAL PROJECTS FUND

Exhibit F-1

MONTAGUE TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Revenue and Other Financing Sources:	
Budget Appropriation	<u>\$ 46,500</u>
Total Revenue and Other Financing Sources	<u>46,500</u>
Fund Balance - Beginning / (Deficit)	<u>(111,168)</u>
Fund Balance - Ending / (Deficit)	<u>\$ (64,668)</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
REPAIR AND PARTIAL REPLACEMENT OF ROOF
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 107,147		\$ 107,147	\$ 158,050
Budget Appropriation	45,575	\$ 46,500	92,075	237,075
Total Revenue and Other Financing Sources	<u>152,722</u>	<u>46,500</u>	<u>199,222</u>	<u>395,125</u>
Expenditures:				
Purchased Professional and Technical Services	39,090		39,090	76,375
Construction Services	224,800		224,800	318,750
Total Expenditures	<u>263,890</u>	<u>-0-</u>	<u>263,890</u>	<u>395,125</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ (111,168)</u>	<u>\$ 46,500</u>	<u>\$ (64,668)</u>	<u>\$ -0-</u>
Additional Project Information:				
Project Number(s)	3300-050-09-1001			
Grant Date	3/4/2009			
Original Authorized Cost	395,125			
Change Orders	-0-			
Revised Authorized Cost	395,125			
Change Order Percentage	0.00%			
Percentage Completion	100.00%			
Original Target Completion Date	6/30/2011			
Revised Completion Date	6/30/2011			

MONTAGUE TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF TEMPORARY NOTES PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Purpose	Original Issue	Issue Date	Maturity Date	Interest Rate	Balance June 30, 2012	Issued	Matured	Balance June 30, 2013
Repair and Partial Replacement of Roof- Montague Elementary School	\$ 237,075	8/12/2011	8/10/2012	3.00%	\$ 191,500		\$ 191,500	
		8/9/2012	8/8/2013	1.55%		\$ 145,000		\$ 145,000
					<u>\$ 191,500</u>	<u>\$ 145,000</u>	<u>\$ 191,500</u>	<u>\$ 145,000</u>

PROPRIETARY FUNDS

Exhibit G-1

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2013

	Business-Type Activities - Enterprise Funds Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 21,572
Intergovernmental Receivable:	
Federal	15,964
State	182
	37,718
Total Current Assets	37,718
Non-Current Assets:	
Capital Assets	19,495
Less: Accumulated Depreciation	(14,974)
	4,521
Total Non-Current Assets	4,521
Total Assets	42,239
NET POSITION:	
Net Investment in Capital Assets	4,521
Unrestricted	37,718
	42,239
Total Net Position	\$ 42,239

Exhibit G-2

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u> Food Service
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 21,623
Total Operating Revenue	<u>21,623</u>
Operating Expenses:	
Cost of Sales	92,612
Supplies, Insurance & Other Costs	14,778
Depreciation Expense	435
Total Operating Expenses	<u>107,825</u>
Operating Loss	<u>(86,202)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	40,463
National School Breakfast Program	35,503
Food Distribution Program	11,935
State Sources:	
State School Lunch Program	1,032
Local Sources:	
Interest Income	8
Total Non-Operating Revenue	<u>88,941</u>
Change in Net Position	2,739
Net Position - Beginning of Year	<u>39,500</u>
Net Position - End of Year	<u>\$ 42,239</u>

Exhibit G-3

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - <u>Enterprise Funds</u> Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 21,623
Payments to Suppliers for Goods and Services	(100,382)
Net Cash Used for Operating Activities	<u>(78,759)</u>
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	82,109
Net Cash Provided by Noncapital Financing Activities	<u>82,109</u>
Cash Flows from Investing Activities:	
Interest on Investments	8
Net Cash Provided by Investing Activities	<u>8</u>
Net Increase in Cash and Cash Equivalents	3,358
Cash and Cash Equivalents, July 1	<u>18,214</u>
Cash and Cash Equivalents, June 30	<u>\$ 21,572</u>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (86,202)
Cash Used for Operating Activities:	
Depreciation	435
Food Distribution Program	11,935
Changes in Assets and Liabilities:	
Decrease in Inventory	1,635
(Decrease) in Accounts Payable	(4,927)
(Decrease) in Unearned Revenue	(1,635)
Net Cash Used for Operating Activities	<u>\$ (78,759)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$10,300 and utilized U.S.D.A. Commodities valued at \$11,935.

FIDUCIARY FUNDS

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Student Activity</u>	<u>Agency Payroll</u>	<u>Total</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:					
Cash and Cash Equivalents	\$ 1,200	\$ 210,810	\$ 212,010	\$ 4,015	\$ 1,619
Total Assets	<u>1,200</u>	<u>210,810</u>	<u>212,010</u>	<u>4,015</u>	<u>1,619</u>
LIABILITIES:					
Payroll Deductions and Withholdings		67,963	67,963		
Accrued Salaries and Wages		142,209	142,209		
Interfund Payable		638	638		
Due to Student Groups	1,200		1,200		
Total Liabilities	<u>1,200</u>	<u>210,810</u>	<u>212,010</u>		
NET POSITION:					
Held in Trust for Unemployment Claims				4,015	
Restricted for Scholarships					1,619
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,015</u>	<u>\$ 1,619</u>

Exhibit H-2

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
ADDITIONS:		
Contributions:		
Budget Appropriation	\$ 12,000	
Investment Earnings:		
Interest	<u>1</u>	<u>\$ 2</u>
Total Contributions	<u>12,001</u>	<u>2</u>
Total Additions	<u>12,001</u>	<u>2</u>
DEDUCTIONS:		
Unemployment Claims	12,339	
Scholarships Awarded		<u>100</u>
Total Deductions	<u>12,339</u>	<u>100</u>
Change in Net Position	(338)	(98)
Net Position - Beginning of the Year	<u>4,353</u>	<u>1,717</u>
Net Position - End of the Year	<u>\$ 4,015</u>	<u>\$ 1,619</u>

Exhibit H-3

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS:				
Cash and Cash Equivalents	\$ 1,311	\$ 1,520	\$ 1,631	\$ 1,200
Total Assets	<u>\$ 1,311</u>	<u>\$ 1,520</u>	<u>\$ 1,631</u>	<u>\$ 1,200</u>
LIABILITIES:				
Due to Student Groups	\$ 1,311	\$ 1,520	\$ 1,631	\$ 1,200
Total Liabilities	<u>\$ 1,311</u>	<u>\$ 1,520</u>	<u>\$ 1,631</u>	<u>\$ 1,200</u>

Exhibit H-4

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS:				
Cash and Cash Equivalents	\$ 140,294	\$ 3,485,036	\$ 3,414,520	\$ 210,810
Total Assets	<u>\$ 140,294</u>	<u>\$ 3,485,036</u>	<u>\$ 3,414,520</u>	<u>\$ 210,810</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 22,336	\$ 3,346,798	\$ 3,301,171	\$ 67,963
Accrued Salaries and Wages - Summer Pay	117,359	138,199	113,349	142,209
Interfund Payable - General Fund	599	39		638
Total Liabilities	<u>\$ 140,294</u>	<u>\$ 3,485,036</u>	<u>\$ 3,414,520</u>	<u>\$ 210,810</u>

LONG-TERM DEBT

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

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding June 30, 2013</u>		<u>Interest Rate</u>	<u>Balance June 30, 2012</u>	<u>Matured</u>	<u>Balance June 30, 2013</u>
			<u>Date</u>	<u>Amount</u>				
Building Improvements	02/15/96	\$ 1,199,000	2/1/2014-15	\$ 80,000	5.25%	\$ 314,000	\$ 75,000	\$ 239,000
			2/1/2016	79,000	5.25%			
						<u>\$ 314,000</u>	<u>\$ 75,000</u>	<u>\$ 239,000</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOT APPLICABLE

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<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	\$ 123,414		\$ 123,414	\$ 123,414	
State Aid:					
Debt Service Aid	16,539		16,539	16,539	
Total Revenues	<u>139,953</u>		<u>139,953</u>	<u>139,953</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	18,453		18,453	22,198	\$ (3,745)
Redemption of Principal	121,500		121,500	121,500	
Total Regular Debt Service	<u>139,953</u>		<u>139,953</u>	<u>143,698</u>	<u>(3,745)</u>
Total Expenditures	<u>139,953</u>		<u>139,953</u>	<u>143,698</u>	<u>(3,745)</u>
Deficit of Revenues Under Expenditures				(3,745)	(3,745)
Fund Balance, July 1	<u>29</u>		<u>29</u>	<u>29</u>	
Fund Balance, June 30 / (Deficit)	<u>\$ 29</u>	<u>\$ -0-</u>	<u>\$ 29</u>	<u>\$ (3,716)</u>	<u>\$ (3,745)</u>
Recapitulation:					
Restricted - For Subsequent Year's Expenditures				\$ 25	
Unassigned / (Deficit)				<u>(3,741)</u>	
				<u>\$ (3,716)</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.

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

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:										
Net Investment in Capital Assets	\$ 1,292,497	\$ 1,256,524	\$ 1,341,854	\$ 1,479,829	\$ 1,438,185	\$ 1,425,190	\$ 1,385,800	\$ 1,610,304	\$ 1,612,432	\$ 1,708,946
Restricted	13,929	20,193	20,196	13,932	13,982	62,013	204,452	173,490	210,789	167,712
Unrestricted / (Deficit)	390,436	519,299	306,397	147,689	124,563	(196,012)	(55,022)	35,298	460,526	365,556
Total governmental activities net position	\$ 1,696,862	\$ 1,796,016	\$ 1,668,447	\$ 1,641,450	\$ 1,576,730	\$ 1,291,191	\$ 1,535,230	\$ 1,819,092	\$ 2,283,747	\$ 2,242,214
Business-type Activities:										
Net Investment in Capital Assets	\$ 13,179	\$ 11,645	\$ 10,112	\$ 8,578	\$ 7,231	\$ 3,625	\$ 3,334	\$ 3,043	\$ 4,956	\$ 4,521
Unrestricted	12,000	19,589	24,807	19,551	17,153	15,141	24,114	35,936	34,544	37,718
Total business-type activities net position	\$ 25,179	\$ 31,234	\$ 34,919	\$ 28,129	\$ 24,384	\$ 18,766	\$ 27,448	\$ 38,979	\$ 39,500	\$ 42,239
District-wide:										
Net Investment in Capital Assets	\$ 1,305,676	\$ 1,268,169	\$ 1,351,966	\$ 1,488,407	\$ 1,445,416	\$ 1,428,815	\$ 1,389,134	\$ 1,613,347	\$ 1,617,388	\$ 1,713,467
Restricted	13,929	20,193	20,196	13,932	13,982	62,013	204,452	173,490	210,789	167,712
Unrestricted / (Deficit)	402,436	538,888	331,204	167,240	141,716	(180,871)	(30,908)	71,234	495,070	403,274
Total District Net Position	\$ 1,722,041	\$ 1,827,250	\$ 1,703,366	\$ 1,669,579	\$ 1,601,114	\$ 1,309,957	\$ 1,562,678	\$ 1,858,071	\$ 2,323,247	\$ 2,284,453

Source: School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
Instruction:										
Regular	\$ 3,440,397	\$ 3,693,007	\$ 3,751,707	\$ 4,010,859	\$ 3,700,336	\$ 2,385,007	\$ 2,330,524	\$ 2,231,773	\$ 2,298,956	\$ 2,372,899
Special Education	1,416,113	1,364,595	1,529,447	1,749,893	1,867,738	787,052	748,757	784,326	572,636	786,905
Other Special Instruction	40,437	135,956	93,287	127,896	247,095	168,837	180,228	221,075	253,641	254,279
School-Sponsored Instruction	28,806	5,165	3,502	4,602	4,564	125,111	124,326	93,154	106,353	124,272
Support Services:										
Student & Instruction Related Services	495,478	479,790	486,764	528,669	639,425	3,133,971	2,919,162	2,587,292	2,819,372	3,125,710
General Administrative Services	329,653	361,112	422,659	429,852	270,079	257,755	296,462	293,982	383,838	324,532
School Administrative Services	78,364	100,968	134,252	150,389	215,920	126,550	97,247	106,341	108,593	126,779
Central Services	237,242	193,081	205,066	238,545	176,298	121,423	125,235	123,846	202,833	211,743
Administration Information Technology						46,540	48,535	59,688		
Plant Operations and Maintenance	327,236	478,309	426,460	526,563	600,721	541,326	533,232	504,207	521,967	570,642
Pupil Transportation	624,250	687,942	725,545	733,985	788,756	789,202	747,527	725,546	848,952	861,388
Charter Schools						467,372	540,851	919,957	726,638	702,967
Interest on Long-term Debt	46,503	36,454	39,718	36,566	33,317	29,906	26,395	28,666	25,558	17,493
Total Governmental Activities Expenses	7,064,479	7,536,379	7,818,407	8,537,819	8,544,249	8,980,052	8,718,481	8,679,853	8,869,337	9,479,609
Business-type Activities:										
Food Service	112,028	151,278	146,424	157,528	161,097	187,660	116,080	95,254	108,235	107,825
Total Business-type Activities Expenses	112,028	151,278	146,424	157,528	161,097	187,660	116,080	95,254	108,235	107,825
Total District Expenses	7,176,507	7,687,657	7,964,831	8,695,347	8,705,346	9,167,712	8,834,561	8,775,107	8,977,572	9,587,434
Program Revenues										
Governmental Activities:										
Operating Grants and Contributions	1,391,786	1,393,438	1,419,923	1,618,766	1,551,559	1,200,022	1,258,605	1,340,307	1,377,013	1,481,482
Capital Grants and Contributions	69,378		45,280					105,556		
Total Governmental Activities Program Revenues	1,461,164	1,393,438	1,465,203	1,618,766	1,551,559	1,200,022	1,258,605	1,445,863	1,377,013	1,481,482

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

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues										
Business-type Activities:										
Charges for Services:										
Food Service	\$ 30,086	\$ 32,706	\$ 37,606	\$ 34,753	\$ 32,224	\$ 32,993	\$ 28,703	\$ 27,168	\$ 23,184	\$ 21,623
Operating Grants and Contributions	47,559	81,681	71,351	61,858	59,649	76,191	80,636	79,558	83,244	88,933
Total Business-type Activities Revenues	77,645	114,387	108,957	96,611	91,873	109,184	109,339	106,726	106,428	110,556
Total District Program Revenues	1,538,809	1,507,825	1,574,160	1,715,377	1,643,432	1,309,206	1,367,944	1,552,589	1,483,441	1,592,038
Net (Expense)/Revenue										
Governmental Activities	(5,603,315)	(6,142,941)	(6,353,204)	(6,919,053)	(6,992,690)	(7,780,030)	(7,459,876)	(7,233,990)	(7,492,324)	(7,998,127)
Business-type Activities	(34,383)	(36,891)	(37,467)	(60,917)	(69,224)	(78,476)	(6,741)	11,472	(1,807)	2,731
Total District-wide Net (Expense)/Revenue	(5,637,698)	(6,179,832)	(6,390,671)	(6,979,970)	(7,061,914)	(7,858,506)	(7,466,617)	(7,222,518)	(7,494,131)	(7,995,396)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	3,894,350	4,378,814	4,318,088	4,941,024	4,976,774	5,083,322	5,286,654	5,298,120	5,404,082	5,447,314
Taxes Levied for Debt Service						75,727	76,977	77,086	130,469	123,414
Unrestricted Grants and Contributions	1,903,647	1,858,478	1,898,255	1,898,475	1,962,287	2,391,852	2,329,279	2,114,510	2,381,601	2,361,340
Loss on Capital Assets		(1,254)								
Investment Earnings	10,189	17,887	41,674	69,098	45,957	431	172	31	2,922	1,749
Miscellaneous Income	38,843	36,943	8,699	37,036	8,185	15,823	26,133	28,105	40,181	22,777
Transfers	(42,110)	(48,773)	(41,081)	(53,577)	(65,233)	(72,664)	(15,300)		(2,276)	
Total Governmental Activities	5,804,919	6,242,095	6,225,635	6,892,056	6,927,970	7,494,491	7,703,915	7,517,852	7,956,979	7,956,594
Business-type Activities:										
Investment Earnings	131	173		449	246	194	123	59	52	8
Transfers	36,665	42,773	41,152	53,678	65,233	72,664	15,300		2,276	
Total Business-type Activities	36,796	42,946	41,152	54,127	65,479	72,858	15,423	59	2,328	8
Total District-wide	5,841,715	6,285,041	6,266,787	6,946,183	6,993,449	7,567,349	7,719,338	7,517,911	7,959,307	7,956,602

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

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Change in Net Position										
Governmental Activities	\$ 201,604	\$ 99,154	\$ (127,569)	\$ (26,997)	\$ (64,720)	\$ (285,539)	\$ 244,039	\$ 283,862	\$ 464,655	\$ (41,533)
Business-type Activities	2,413	6,055	3,685	(6,790)	(3,745)	(5,618)	8,682	11,531	521	2,739
Total District	<u>\$ 204,017</u>	<u>\$ 105,209</u>	<u>\$ (123,884)</u>	<u>\$ (33,787)</u>	<u>\$ (68,465)</u>	<u>\$ (291,157)</u>	<u>\$ 252,721</u>	<u>\$ 295,393</u>	<u>\$ 465,176</u>	<u>\$ (38,794)</u>

Source: School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:										
Reserved	\$ 166,156	\$ 336,249	\$ 413,661	\$ 129,950	\$ 84,863	\$ 62,009	\$ 204,449			
Unrestricted/(Deficit)	330,225	315,367	85,760	180,807	220,169	(40,458)	91,773			
Restricted								152,576	\$ 210,760	\$ 167,687
Assigned								179,244	370,616	252,135
Unassigned								186,927	361,530	344,274
Total General Fund	\$ 496,381	\$ 651,616	\$ 499,421	\$ 310,757	\$ 305,032	\$ 21,551	\$ 296,222	\$ 518,747	\$ 942,906	\$ 764,096
All Other Governmental Funds:										
Unreserved/(Deficit)	\$ (1,065)	\$ 5,200	\$ 5,177	\$ 1	\$ (3,961)	\$ 4	\$ 3			
Restricted								\$ (158,330)		\$ 25
Unassigned									\$ (112,730)	(68,409)
Total All Other Governmental Funds	\$ (1,065)	\$ 5,200	\$ 5,177	\$ 1	\$ (3,961)	\$ 4	\$ 3	\$ (158,330)	\$ (112,730)	\$ (68,384)
Total All Governmental Funds:										
Reserved	\$ 166,156	\$ 336,249	\$ 413,661	\$ 129,950	\$ 84,863	\$ 62,009	\$ 204,449			
Unrestricted/(Deficit)	329,160	320,567	90,937	180,808	216,208	(40,454)	91,776			
Restricted								\$ 152,576	210,760	167,712
Assigned								179,244	370,616	252,135
Unassigned								186,927	248,800	275,865
Total All Governmental Funds	\$ 495,316	\$ 656,816	\$ 504,598	\$ 310,758	\$ 301,071	\$ 21,555	\$ 296,225	\$ 518,747	\$ 830,176	\$ 695,712

Source: School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Tax Levy	\$ 3,894,350	\$ 4,378,814	\$ 4,318,088	\$ 4,941,024	\$ 4,976,774	\$ 5,159,049	\$ 5,363,631	\$ 5,375,206	\$ 5,534,551	\$ 5,570,728
Interest Earnings	10,189	17,887	41,674	69,098	45,957	431	172	28,136	85	153
Miscellaneous	38,843	36,943	8,699	37,036	8,185	15,823	26,133	42,918	24,373	24,373
State Sources	2,819,684	2,870,109	2,953,794	3,061,078	3,179,989	3,242,018	2,981,201	3,066,642	3,101,513	3,295,621
Federal Sources	545,127	381,807	409,664	456,163	333,857	349,856	606,683	493,731	657,101	558,284
Total Revenues	7,308,193	7,685,560	7,731,919	8,564,399	8,544,762	8,767,177	8,977,820	8,963,715	9,336,168	9,449,159
Expenditures										
Instruction:										
Regular Instruction	3,377,032	3,625,686	3,655,252	3,973,178	3,636,114	1,670,131	1,636,549	1,598,512	1,649,861	1,681,813
Special Education Instruction	1,400,153	1,349,599	1,500,405	1,731,688	1,843,096	561,338	551,668	608,627	441,953	568,109
Other Special Instruction	39,435	132,125	90,528	124,608	240,263	166,061	177,038	215,119	248,082	249,755
School Sponsored Activities and Athletics	5,021	5,019	3,442	4,522	4,479	29,258	30,975	3,599	3,250	3,775
Support Services:										
Student & Instruction Related Services	507,274	467,988	475,169	522,973	621,000	2,912,793	2,705,455	2,420,156	2,611,494	2,871,226
General Administrative Services	324,768	355,763	413,991	422,932	265,191	209,342	250,328	242,437	331,468	263,365
School Administrative Services	75,762	97,996	124,819	146,049	209,673	84,850	70,009	74,345	75,685	85,648
Central Services	229,925	182,260	196,185	238,509	170,172	88,413	93,019	93,413	153,594	159,799
Administration Information Technology						33,278	35,552	44,794		
Plant Operations and Maintenance	313,641	464,598	414,390	516,486	591,329	457,961	450,019	442,502	466,601	502,796
Pupil Transportation	624,194	687,431	724,517	732,951	787,314	761,943	717,329	694,822	824,317	837,060
Unallocated Benefits						1,394,175	1,310,574	1,182,010	1,154,015	1,398,148
Charter Schools						467,372	540,851	919,957	726,638	702,967
Transfer to Food Service Fund						72,664	(15,300)			
Capital Outlay	256,765	3,000	143,460	193,018	20,988	40,929	20,711	265,133	75,055	161,964
Debt Service:										
Principal	110,860	60,000	60,000	60,000	65,000	65,000	70,000	70,000	120,575	121,500
Interest and Other Charges	48,282	43,822	40,898	37,748	34,597	31,185	27,773	24,097	27,220	22,198
Total Expenditures	7,313,112	7,475,287	7,843,056	8,704,662	8,489,216	9,046,693	8,672,550	8,899,523	8,909,808	9,630,123

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

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (4,919)	\$ 210,273	\$ (111,137)	\$ (140,263)	\$ 55,546	\$ (279,516)	\$ 305,270	\$ 64,192	\$ 426,360	\$ (180,964)
Other Financing Sources (Uses)										
Premium on Temporary Note Funded by Budget Appropriation									100	46,500
Transfers In	145		67,991	101		3			100	
Transfers Out	(42,255)	(48,773)	(109,072)	(53,678)	(65,233)	(3)			(2,376)	
Total Other Financing Sources (Uses)	(42,110)	(48,773)	(41,081)	(53,577)	(65,233)	-0-	-0-	-0-	43,399	46,500
Net Change in Fund Balances	\$ (47,029)	\$ 161,500	\$ (152,218)	\$ (193,840)	\$ (9,687)	\$ (279,516)	\$ 305,270	\$ 64,192	\$ 469,759	\$ (134,464)
Debt Service as a Percentage of Noncapital Expenditures	2.26%	1.39%	1.31%	1.15%	1.18%	1.07%	1.13%	1.09%	1.67%	1.52%

Source: School District Financial Reports.

Exhibit J-5

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2004	\$ 10,189		\$ 38,843	\$ 49,032
2005	17,887		36,943	54,830
2006	41,674		8,699	50,373
2007	69,098		37,036	106,134
2008	45,957		8,185	54,142
2009	11,561	\$ 89	4,604	16,254
2010	16,759	374	9,172	26,305
2011	6,425		21,711	28,136
2012	2,922	28,402	11,679	43,003
2013	1,749	4,537	18,240	24,526

Source: Township of Montague School District records.

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

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2003	\$ 17,765,100	\$ 146,462,900	\$ 7,118,800	\$ 1,031,210	\$ 20,987,400	\$ 2,136,600	\$ 420,000	\$ 195,922,010	\$ 1,281,931	\$ 197,203,941	1.943	\$ 229,982,404
2004	17,127,600	151,596,400	7,239,300	1,023,160	20,996,400	2,136,600	420,000	200,539,460	1,087,285	201,626,745	1.943	263,518,372
2005	16,244,800	159,613,500	7,371,600	999,810	21,310,900	2,136,600	420,000	208,097,210	972,159	209,069,369	2.080	305,237,886
2006	15,167,800	166,148,500	8,584,600	1,004,660	21,686,900	2,136,600	420,000	215,149,060	770,279	215,919,339	2.144	391,060,312
2007	14,648,400	171,705,250	8,584,600	1,036,760	21,961,400	2,136,600	420,000	220,493,010	677,937	221,170,947	2.241	452,907,438
2008	14,229,190	176,080,600	8,697,200	1,108,910	22,412,400	2,136,600	420,000	225,084,900	686,971	225,771,871	2.246	479,040,677
2009	13,386,140	177,610,600	9,137,800	1,223,170	22,500,100	2,136,600	420,000	226,414,410	545,181	226,959,591	2.318	481,711,730
2010	13,010,940	179,655,000	8,751,800	1,189,920	22,778,000	2,136,600	420,000	227,942,260	592,314	228,534,574	2.349	453,597,230
2011	12,562,400	180,529,800	8,853,900	1,095,460	21,018,300	2,136,600	420,000	226,616,460	646,537	227,262,997	2.390	410,086,506
2012	11,832,000	179,693,200	9,455,700	1,290,860	21,018,300	2,136,600	420,000	225,846,660	692,194	226,538,854	2.471	374,978,952

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

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

Year Ended December 31,	<u>Township of Montague School District Direct Rate</u>			<u>Overlapping Rates</u>		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Township of Montague	Sussex County	
2003	\$ 1.902	\$ 0.041	\$ 1.943	\$ 0.282	\$ 0.649	\$ 2.874
2004	1.916	0.027	1.943	0.282	0.655	2.880
2005	2.054	0.026	2.080	0.273	0.677	3.030
2006	2.120	0.024	2.144	0.374	0.792	3.310
2007	2.215	0.026	2.241	0.392	0.837	3.470
2008	2.213	0.033	2.246	0.400	0.818	3.464
2009	2.285	0.033	2.318	0.440	0.807	3.565
2010	2.315	0.034	2.349	0.469	0.803	3.621
2011	2.334	0.056	2.390	0.476	0.768	3.634
2012	2.416	0.055	2.471	0.497	0.769	3.737

a - The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

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

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

Source: Municipal Tax Collector and School Business Administrator.

Exhibit J-8

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

Taxpayer	2012		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Tri State Mall Assoc.	\$ 6,598,200	1	2.91%
General Equities Inc.	760,300	2	0.34%
United IEL Co. of NJ C/O Tax Dept.	683,418	3	0.30%
LAC Realty Corp.	675,000	4	0.30%
McDonald Corp.	660,000	5	0.29%
Petrozino LLC	635,000	6	0.28%
442 Montague LLC	616,000	7	0.27%
Tenneco Inc	600,000	8	0.26%
Individual Taxpayer #1	574,000	9	0.25%
Big Z Stables	455,200	10	0.20%
Total	\$ 12,257,118		5.41%
Taxpayer	2003		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Tri-State Mall	\$ 6,742,160	1	3.42%
High Point Country Club	2,200,911	2	1.12%
United Telephone	1,259,561	3	0.64%
Zitone Construction Company	1,049,125	4	0.53%
Montague Mini-Mall	760,785	5	0.39%
General Equities	740,469	6	0.38%
Individual Taxpayer #1	621,940	7	0.32%
ETJ Group, LLC	617,582	8	0.31%
23 Howard Realty	610,480	9	0.31%
Altamont Development Corp.	593,400	10	0.30%
Total	\$ 15,196,413		7.71%

Note: Individual taxpayers in 2012 and 2003 may not be the same taxpayer.

Source: Municipal Tax Assessor.

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	\$ 3,894,350	\$ 3,894,350	100.00%	\$ -0-
2005	4,378,814	4,378,814	100.00%	-0-
2006	4,318,088	4,318,088	100.00%	-0-
2007	4,941,024	4,941,024	100.00%	-0-
2008	4,976,774	4,976,774	100.00%	-0-
2009	5,159,049	5,159,049	100.00%	-0-
2010	5,363,631	5,363,631	100.00%	-0-
2011	5,375,206	5,375,206	100.00%	-0-
2012	5,534,551	5,521,439	99.76%	13,112
2013	5,570,728	5,570,728	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Bond Anticipation Notes (BANs)			
2005	\$ 779,000	\$ -0-	\$ 779,000	0.52%	\$ 212.61
2006	719,000	-0-	719,000	0.45%	191.33
2007	659,000	-0-	659,000	0.38%	172.38
2008	594,000	-0-	594,000	0.32%	153.69
2009	529,000	-0-	529,000	0.27%	135.99
2010	459,000	-0-	459,000	0.25%	117.51
2011	389,000	237,075	626,075	0.33%	162.83
2012	314,000	191,500	505,500	0.27%	132.09
2013	239,000	145,000	384,000	0.20%	99.43

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

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

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

Source: School District Financial Reports.

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 779,000	\$ -0-	\$ 779,000	0.386%	\$ 212.61
2006	719,000	-0-	719,000	0.344%	191.33
2007	659,000	-0-	659,000	0.305%	172.38
2008	594,000	-0-	594,000	0.269%	153.69
2009	529,000	-0-	529,000	0.234%	135.99
2010	459,000	-0-	459,000	0.202%	117.51
2011	389,000	-0-	389,000	0.170%	101.17
2012	314,000	-0-	314,000	0.138%	82.05
2013	239,000	-0-	239,000	0.106%	61.89

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

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

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

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

Source: School District Financial Reports.

Exhibit J-12

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2012
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Township of Montague	\$ 444,972	100.00%	\$ 444,972
Sussex County General Obligation Debt	78,366,014	1.98 %	<u>1,555,399</u>
Subtotal, Overlapping Debt			2,000,371
Township of Montague School District Direct Debt			<u>384,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 2,384,371</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2013

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>
2012	\$ 348,744,070
2011	374,944,507
2010	411,151,263
	<u>\$ 1,134,839,840</u>
Average Equalized Valuation of Taxable Property	<u>\$ 378,279,947</u>
Debt Limit (2.5% of Average Equalization Value)	\$ 9,456,999 ^a
Net Bonded School Debt	<u>239,000</u>
Legal Debt Margin	<u>\$ 9,217,999</u>

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

	<u>Fiscal Year</u>			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	\$ 11,633,766	\$ 11,149,744	\$ 10,294,423	\$ 9,456,999
Total Net Debt Applicable to Limit	<u>459,000</u>	<u>389,000</u>	<u>314,000</u>	<u>239,000</u>
Legal Debt Margin	<u>\$ 11,174,766</u>	<u>\$ 10,760,744</u>	<u>\$ 9,980,423</u>	<u>\$ 9,217,999</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.95%	3.49%	3.05%	2.53%

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

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

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

Exhibit J-14

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

<u>Year Ended</u> <u>December 31,</u>	<u>Population ^a</u>	<u>Personal</u> <u>Income ^b</u>	<u>Sussex County</u> <u>Per Capita</u> <u>Personal</u> <u>Income ^c</u>	<u>Unemployment</u> <u>Rate ^d</u>
2003	3,552	\$ 139,703,712	\$ 39,331	7.00%
2004	3,664	149,256,704	40,736	5.30%
2005	3,758	159,373,022	42,409	6.60%
2006	3,823	173,701,828	45,436	4.80%
2007	3,865	186,296,865	48,201	7.60%
2008	3,890	192,846,750	49,575	9.60%
2009	3,906	185,452,974	47,479	15.50%
2010	3,845	189,200,915	49,207	16.40%
2011	3,827	190,515,714	49,782	16.00%
2012	3,862	192,258,084 *	49,782 *	16.00%

* - Latest Sussex County per capita personal income available (2011) was used for calculation purposes.

Source:

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

Exhibit J-15

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

<u>Employer</u>	<u>2012</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Crystal Springs Gold & Spa Resort	2,000	N/A
Newton Memorial Hospital	1,200	N/A
Selective Insurance	900	N/A
County of Sussex	830	N/A
Mountain Creek Resort	800	N/A
Ames Rubber Corp.	445	N/A
Shop Rite Supermarkets	301	N/A
Andover Subacute & Rehab Center	300	N/A
Sussex County Community College	300	N/A
SCARC, Inc.	287	N/A
	<u>7,363</u>	

<u>Employer</u>	<u>2003</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>

NOT AVAILABLE

N/A - Not Available

Source: Sussex County Chamber of Commerce

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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Instruction:								
Regular	23.6	24.5	24.5	24.5	24.5	24.5	24.5	24.5
Special Education	6.1	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Other Instruction	5.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Support Services:								
Student & Instruction Related Services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
General Administrative Services	3.5	3.5	3.5	3.5	2.5	2.5	2.5	2.5
School Administrative Services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Central Services	3.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Plant Operations and Maintenance	3.5	3.5	3.5	3.5	3.5	2.5	2.5	2.5
Pupil Transportation	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Food Service	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total	<u>52.2</u>	<u>50.5</u>	<u>50.5</u>	<u>50.5</u>	<u>49.5</u>	<u>48.5</u>	<u>48.5</u>	<u>48.5</u>

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

Source: District Personnel Records.

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio Elementary	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2004	375	\$ 6,897,205	\$ 18,393	-1.81%	36.0	10:1	334.5	319.3	3.08%	95.46%
2005	373	7,368,465	19,755	7.41%	41.0	9:1	326.6	311.1	-2.36%	95.25%
2006	312	7,598,698	24,355	23.29%	30.0	10:1	308.8	295.6	-5.45%	95.73%
2007	302	8,413,896	27,861	14.39%	30.0	10:1	299.3	290.5	-3.08%	97.06%
2008	316	8,368,631	26,483	-4.94%	30.0	9:1	282.4	273.3	-5.65%	96.78%
2009	302	8,909,579	29,502	11.40%	30.0	10:1	291.2	284.3	3.12%	97.63%
2010	299	8,554,066	28,609	-3.03%	30.0	10:1	290.4	284.7	-0.27%	98.04%
2011	302	8,540,293	28,279	-1.15%	28.0	11:1	302.1	294.5	4.03%	97.48%
2012	293	8,686,958	29,628	4.77%	28.0	10:1	293.2	281.4	-2.95%	95.98%
2013	273	9,324,461	34,156	15.28%	28.0	10:1	273.0	264.8	-6.89%	97.00%

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

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

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

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

Note: Enrollment based on annual October District count.

Source: Township of Montague School District records.

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

<u>District Building</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Elementary School								
Square Feet	40,010	40,010	40,010	40,010	40,010	40,010	40,010	40,010
Capacity (students)	336	327	327	327	327	327	327	327
Enrollment	312	302	316	302	299	302	293	273

Number of Schools at June 30, 2013
 Elementary = 1

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

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

Source: Township of Montague School District Facilities Office.

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

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

<u>School Facilities*</u>	Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013
Montague Elementary School	\$ 96,245	\$ 48,930	\$ 112,109	\$ 85,925	\$ 79,877

<u>School Facilities*</u>	Fiscal Year Ended June 30,				
	2004	2005	2006	2007	2008
Montague Elementary School	\$ 37,000	\$ 82,017	\$ 65,105	\$ 50,405	\$ 120,572

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

Source: Township of Montague School District records.

Exhibit J-20

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2013
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSBAIG		
Property - Blanket Building and Contents	\$ 16,000,000	\$ 5,000
Commercial General Liability	16,000,000	
Commercial Automobile	16,000,000	
Board of Education Liability	16,000,000	10,000
Public Employee Dishonesty Bond	500,000	1,000
Workers Compensation	Statutory	
Selective Insurance Surety Bonds:		
School Business Administrator/Board Secretary	200,000	
Treasurer of School Monies	200,000	

Source: Township of Montague School District records.

SINGLE AUDIT SECTION



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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*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), 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 Township of Montague School District, in the County of Sussex (the "District") as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

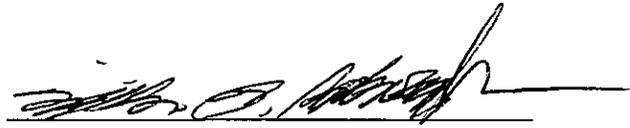
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey
November 8, 2013

NISIVOCIA LLP



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



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Report on Compliance For Each Major Federal and State Program;
 Report on Internal Control Over Compliance Required by OMB Circular A-133
 and New Jersey OMB's Circular 04-04

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Township of Montague School District's (the "District's") compliance with the types of compliance requirements described in the *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 District's major federal and state programs for the fiscal year ended June 30, 2013. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of 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*. 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2013.

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey
November 8, 2013

NISIVOCCIA LLP



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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2012		Cash Received	Budgetary Expenditures	Balance at June 30, 2013		
			From	To		Unearned Revenue/ (Accounts Receivable)	Due to Grantor			(Accounts Receivable)	Unearned Revenue	Due to Grantor
U.S. Department of Education -												
General Fund:												
IMPACT Aid	84.041	40-NJ-2008-4401	7/1/2012	6/30/2013	\$ 304,691			\$ 304,691	\$ (304,691)			
Education Jobs Fund	84.394	N/A	7/1/2010	9/30/2012	96,847	\$ (96,847)		96,847				
Total U.S. Department of Education						(96,847)		401,538	(304,691)			
U.S. Department of Health and Human Services -												
General Fund:												
Medicaid Reimbursement	93.778	N/A	7/1/2012	6/30/2013	7,937			7,937	(7,937)			
Total General Fund						(96,847)		409,475	(312,628)			
U.S. Department of Education -												
Passed-through State Department of Education:												
Special Revenue Fund:												
No Child Left Behind:												
Title I	84.010A	NCLB-3300-13	9/1/12	8/31/13	73,629			73,629	(73,629)			
Title I	84.010A	NCLB-3300-12	9/1/11	8/31/12	62,917	(48,878)		62,832	(13,954)			
Title IIA	84.367A	NCLB-3300-12	9/1/12	8/31/13	7,710			7,710	(7,710)			
Rural Education Achievement	84.358A	S358A043713	7/1/11	9/30/13	23,937	(15,407)		23,937	(8,530)			
Rural Education Achievement	84.358A	S358A043713	7/1/10	9/30/12	25,849	(4,669)		4,669				
						(68,954)		172,777	(103,823)			
Special Education Cluster:												
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3300-13	9/1/12	8/31/13	125,993			125,993	(125,993)			
I.D.E.A. Part B, Preschool	84.173	IDEA-3300-13	9/1/12	8/31/13	4,757				(4,757)	\$ (4,757)		
I.D.E.A. Part B, Preschool	84.173	IDEA-3300-12	9/1/11	8/31/12	4,658	(776)		776				
Total Special Education Cluster						(776)		126,769	(130,750)	(4,757)		
Total Special Revenue Fund						(69,730)		299,546	(234,573)	(4,757)		

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2012		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2013		
			From	To		Unearned Revenue/ (Accounts Receivable)	Due to Grantor				(Accounts Receivable)	Unearned Revenue	Due to Grantor
U.S. Department of Agriculture -													
Passed-through State Department of Agriculture:													
Enterprise Fund													
Child Nutrition Cluster:													
Food Distribution Program	10.555	N/A	7/1/12	6/30/13	\$ 10,300				\$ 10,300	\$ (10,300)			
Food Distribution Program	10.555	N/A	7/1/11	6/30/12	11,434	\$ 1,635				(1,635)			
School Breakfast Program	10.553	N/A	7/1/12	6/30/13	35,503				27,811	(35,503)	\$ (7,692)		
School Breakfast Program	10.553	N/A	7/1/11	6/30/12	35,218	(6,489)			6,489				
National School Lunch Program	10.555	N/A	7/1/12	6/30/13	40,463				32,191	(40,463)	(8,272)		
National School Lunch Program	10.555	N/A	7/1/11	6/30/12	36,754	(5,099)			5,099				
Total U.S. Department of Agriculture/Child Nutrition Cluster						(9,953)			81,890	(87,901)	(15,964)		
Total Enterprise Fund						(9,953)			81,890	(87,901)	(15,964)		
TOTAL FEDERAL AWARDS						\$ (176,530)	\$ -0-	\$ -0-	\$ 790,911	\$ (635,102)	\$ (20,721)	\$ -0-	\$ -0-

N/A - Not Available/Applicable

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2012					Balance at June 30, 2013			MEMO	
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	Cancelled	GAAP (Accounts Receivable)	Budgetary Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:														
General Fund:														
Categorical Special Education Aid	13-495-034-5120-089	7/1/12	6/30/13	\$ 256,306			\$ 230,961	\$ (256,306)				\$ (25,345)	\$ 256,306	
Equalization Aid	13-495-034-5120-078	7/1/12	6/30/13	1,911,259			1,722,265	(1,911,259)				(188,994)	1,911,259	
Categorical Security Aid	13-495-034-5120-084	7/1/12	6/30/13	100,659			90,705	(100,659)				(9,954)	100,659	
Adjustment Aid	13-495-034-5120-085	7/1/12	6/30/13	26,780			24,132	(26,780)				(2,648)	26,780	
Categorical Transportation Aid	13-495-034-5120-014	7/1/12	6/30/13	395,091			356,023	(395,091)				(39,068)	395,091	
Extraordinary Special Education Costs Aid	13-100-034-5120-473	7/1/12	6/30/13	36,620				(36,620)	\$ (36,620)			(36,620)	36,620	
Nonpublic School Transportation Costs	13-495-034-5120-014	7/1/12	6/30/13	18,972				(18,972)	(18,972)			(18,972)	18,972	
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	7/1/12	6/30/13	189,209			169,837	(189,209)	(19,372)			(19,372)	189,209	
Categorical Special Education Aid	12-495-034-5120-089	7/1/11	6/30/12	235,609	\$ (23,315)		23,315						235,609	
Equalization Aid	12-495-034-5120-078	7/1/11	6/30/12	1,824,984	(180,596)		180,596						1,824,984	
Categorical Security Aid	12-495-034-5120-084	7/1/11	6/30/12	96,717	(9,571)		9,571						96,717	
Adjustment Aid	12-495-034-5120-085	7/1/11	6/30/12	33,475	(3,313)		3,313						33,475	
Categorical Transportation Aid	12-495-034-5120-014	7/1/11	6/30/12	392,619	(38,853)		38,853						392,619	
Nonpublic School Transportation Costs	12-495-034-5120-014	7/1/11	6/30/12	63,172	(63,172)		63,172						63,172	
Extraordinary Special Education Costs Aid	12-100-034-5120-473	7/1/11	6/30/12	18,105	(18,105)		18,105						18,105	
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11	6/30/12	188,078	(9,279)		9,279						188,078	
Total General Fund State Aid					(346,204)		2,940,127	(2,934,896)		(74,964)		(340,973)	5,787,655	
Debt Service Fund:														
Debt Service State Support	13-100-034-5120-125	7/1/12	6/30/13	16,539			16,539	(16,539)					16,539	
Total Debt Service Fund							16,539	(16,539)					16,539	
Enterprise Fund:														
State School Lunch Program	13-100-010-3350-023	7/1/12	6/30/13	1,032			850	(1,032)		(182)		(182)	1,032	
State School Lunch Program	12-100-010-3350-023	7/1/11	6/30/12	1,017	(138)		138						1,017	
Total Enterprise Fund					(138)		988	(1,032)		(182)		(182)	2,049	
Total State Department of Education					(346,342)		2,957,654	(2,952,467)		(75,146)		(341,155)	5,885,538	

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2012		Cash Received	Budgetary Expenditures	Cancelled	Balance at June 30, 2013			MEMO	
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Budgetary Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
New Jersey School Development Authority Grants:														
Capital Projects Fund:														
Repair and Partial Roof Replacement	SDA-0490-020-09-0ZBD	3/1/09	6/30/12	\$ 158,050	\$ (105,556)		\$ 107,147	\$ (1,591)						
Total Capital Projects Fund					(105,556)		107,147	(1,591)						
Total New Jersey School Development Authority Grants					(105,556)		107,147	(1,591)						
TOTAL STATE AWARDS					\$ (452,036)	\$ -0-	\$ 3,065,790	\$ (2,954,058)	\$ -0-	\$ (75,327)	\$ -0-	\$ -0-	\$ (341,336)	\$ 5,887,587

N/A - Not Available

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Montague Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2013. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey 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 position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to P.L. 2003, C.97 (A3521). For GAAP purposes, these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. The capital projects fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA receivable. SDA grants are recognized on the budgetary basis in full when they are awarded but are recognized on the GAAP basis as they are expended and requested for reimbursement.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$10,361) for the General Fund, \$11,083 for the Special Revenue Fund and \$1591 for the Capital Projects Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include on-behalf TPAF Pension and Post Retirement Contributions revenue of \$165,649 and \$187,307 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	\$ 312,628	\$ 3,277,491	\$ 3,590,119
Special Revenue Fund	245,656		245,656
Debt Service Fund		16,539	16,539
Food Service Enterprise Fund	87,901	1,032	88,933
Capital Projects Fund		1,591	1,591
Total Awards	<u>\$ 646,185</u>	<u>\$3,296,653</u>	<u>\$ 3,942,838</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2013. Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

NOTE 6. NJ SCHOOLS DEVELOPMENT AUTHORITY (NJSDA) GRANT

In the prior year, the District was awarded a grant of \$107,147 from the New Jersey Schools Development Authority (NJSDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2013, the District had drawn down \$107,147 and received the full amount. In the Capital Projects Fund, the District realized the full amount of grant funds as revenue on a budgetary basis in the year when the grant was awarded and realized the grant funds as revenue on a GAAP basis as the grant funds were expended and submitted for reimbursement.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *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*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major federal and state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey OMB's Circular 04-04*.
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* and Federal OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*.
- The District's programs tested as major federal and state programs for the current fiscal year consisted of the following:

	<u>C.F.D.A. / State</u> <u>Grant Number</u>	<u>Grant Period</u>	<u>Award</u> <u>Amount</u>	<u>Budgetary</u> <u>Expenditures</u>
<u>Federal:</u>				
IMPACT Aid	84.041	7/1/12-6/30/13	\$ 304,691	\$ 304,691
<u>State:</u>				
Categorical Special				
Education Aid	13-495-034-5120-089	7/1/12-6/30/13	256,306	256,306
Equalization Aid	13-495-034-5120-078	7/1/12-6/30/13	1,911,259	1,911,259
Categorical Security Aid	13-495-034-5120-084	7/1/12-6/30/13	100,659	100,659
Adjustment Aid	13-495-034-5120-085	7/1/12-6/30/13	26,780	26,780

- The threshold used for distinguishing between Type A and Type B federal and state programs was \$300,000.
- The single audit threshold identified in Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04 was \$500,000.
- The District was determined to be a "low-risk" auditee for both federal and state programs under the provisions of section 530 of the Federal Circular.

MONTAGUE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in Federal OMB Circular A-133 for fiscal year ended June 30, 2013.

Findings and Questioned Costs for State Awards:

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Status of Prior Year Findings:

There were no prior year audit findings.