

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

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

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

**Comprehensive Annual  
Financial Report**

**of the**

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

**Mount Arlington, New Jersey**

**For the Fiscal Year Ended June 30, 2010**

**Prepared by**

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

**Finance Department**

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2010

INTRODUCTORY SECTION

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

FINANCIAL SECTION .....

Independent Auditors' Report.....	9
-----------------------------------	---

Required Supplementary Information.....	11
---	----

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

Basic Financial Statements (Sections A. and B.).....	21
--	----

A. District-Wide Financial Statements.....	22
--	----

A-1 Statement of Net Assets.....	23
----------------------------------	----

A-2 Statement of Activities .....	24
-----------------------------------	----

B. Fund Financial Statements .....	26
------------------------------------	----

B-1 Balance Sheet – Governmental Funds.....	27
---	----

B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds .....	28
--	----

B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	30
--	----

B-4 Statement of Net Assets – Proprietary Funds .....	31
---	----

B-5 Statement of Revenue, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	32
---	----

B-6 Statement of Cash Flows – Proprietary Funds.....	33
--	----

B-7 Statement of Fiduciary Net Assets – Fiduciary Funds.....	34
--	----

B-8 Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	35
---	----

Notes to the Basic Financial Statements.....	36
--	----

Supplementary Schedules (Sections C. to I.)

C. Budgetary Comparison Schedules.....	56
--	----

C-1 Budgetary Comparison Schedule – General Fund.....	57
---	----

C-2 Combining Budgetary Schedule – Special Revenue Fund .....	66
---	----

C-3 Budgetary Comparison Schedule- Note to Required Supplementary Information.....	68
--	----

D. School Level Schedules (Not Applicable).....	69
---	----

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

FINANCIAL SECTION (Cont'd)

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

E.	Special Revenue Fund .....	70
E-1	Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis.....	71
E-2	Preschool Education Aid Schedule of Expenditures Special Revenue Fund – Budgetary Basis (Not Applicable) .....	73
F.	Capital Projects Fund (Not Applicable) .....	74
G.	Proprietary Funds .....	75
	Enterprise Funds:	
G-1	Statement of Net Assets.....	76
G-2	Statement of Revenue, Expenses and Changes in Fund Net Assets .....	77
G-3	Statement of Cash Flows .....	78
H.	Fiduciary Funds .....	79
H-1	Combining Statement of Fiduciary Net Assets.....	80
H-2	Statement of Changes in Fiduciary Net Assets.....	81
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements .....	82
H-4	Student Activity Agency Fund Statement of Activity .....	83
H-5	Payroll Agency Fund Schedule of Receipts and Disbursements .....	84
I.	Long-Term Debt.....	85
I-1	Schedule of Serial Bonds.....	86
I-2	Schedule of Obligations Under Capital Leases (Not Applicable)	
I-3	Debt Service Fund Budgetary Comparison Schedule.....	87
J.	Statistical Section (Unaudited) .....	88
J-1	Net Assets by Component .....	89
J-2	Changes in Net Assets .....	90
J-3	Fund Balances- Governmental Funds.....	93
J-4	Changes in Fund Balances- Governmental Funds.....	94
J-5	General Fund Other Local Revenue by Source .....	96
J-6	Assessed Value and Actual Value of Taxable Property .....	97
J-7	Direct and Overlapping Property Tax Rates.....	98
J-8	Principal Property Tax Payers .....	99
J-9	Property Tax Levies and Collections.....	100
J-10	Ratios of Outstanding Debt by Type .....	101
J-11	Ratios of Net General Bonded Debt Outstanding.....	102
J-12	Ratios of Overlapping Governmental Activities Debt.....	103
J-13	Legal Debt Margin Information.....	104
J-14	Demographic and Economic Statistics .....	105
J-15	Principal Employers.....	106
J-15	Full-Time Equivalent District Employees by Function/Program .....	107
J-17	Operating Statistics.....	108
J-18	School Building Information .....	109
J-19	Schedule of Required Maintenance for School Facilities.....	110
J-20	Insurance Schedule .....	111

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

K.	SINGLE AUDIT SECTION.....	112
K-1	Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	113
K-2	Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04.....	115
	Schedule of Expenditures of Federal Awards .....	117
	Schedule of Expenditures of State Awards .....	119
	Notes to the Schedules of Expenditures of Federal and State Awards.....	120
	Schedule of Findings and Questioned Costs .....	122
	Summary Schedule of Prior Audit Findings.....	124

**INTRODUCTORY SECTION**

# Mount Arlington Public Schools

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

---

William VanTassel,  
Interim School Business Administrator/  
Board Secretary

November 15, 2010

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

Dear Board Members:

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

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

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

The District provides a full range of educational services appropriate to grade levels K through 8. These services are provided for regular and special education for the handicapped youngsters. The District completed the 2009-2010 fiscal year with an average daily enrollment of 383 students, which is 5 students below the previous year's average daily enrollment. The following details the changes in the student average daily enrollment of the District over the last five years (*Note: Student enrollment reflects only the K through 8 enrollment for the District, not the total resident enrollment including high school*).

The Honorable President and Members of  
the Board of Education  
Borough of Mount Arlington School District  
Page 2  
November 15, 2010

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2009-2010	383	-1.29%
2008-2009	388	2.37%
2007-2008	379	-7.11%
2006-2007	408	-2.16%
2005-2006	417	-4.79%
2004-2005	438	-1.35%

2) ECONOMIC CONDITIONS AND OUTLOOK: The development of the Mount Arlington area is experiencing a slow down during the economic downturn as is other areas of Morris County. However, the number of new adult communities has resulted in an increase in the tax base. In addition, recent approvals have been given by the Town for new businesses to occupy vacant properties along Howard Boulevard.

The District has faced significant budget constraints resulting from the State's drastic reduction of aid to school districts. In the 2009-2010 school year, state aid was reduced mid-year by over \$265,000, or 33%, of the State's commitment to the District for the year. The District compensated for this loss by reducing expenditures throughout the school year, primarily through participation in the State's health benefits plan and through a lesser need for out-of-district student placements. For the 2010-2011 school year, the State's aid commitment to the District was reduced by over \$560,000, or 66%, relative to its original 2009-2010 commitment, which has necessitated the elimination of extracurricular programs, secretarial and custodial positions, administrative salary increases and needed facilities improvements from the 2010-2011 budget. The District does not anticipate a quick improvement in the State's financial condition and, consequently, does not anticipate the State will be contributing its legally mandated share of the District's operating expenditures at any point in the near future.

3) MAJOR INITIATIVES: During the 2009-2010 fiscal year the District made capital improvements to the Mount Arlington School and the Edith M. Decker School by purchasing new instructional materials, program guides and improving the technology infrastructure. The District is committed to enhancing technology, curriculum, facilities and resources available to students, staff and the community. Projects completed during the year included the creation of a Special Education classroom at the Decker School (using Federal ARRA funds) including instructional materials, furniture and equipment. In addition, improvements at the Decker School included regrading of part of the property to correct drainage issues, renovations to the boiler room, and the repaving of the bus lane at the front of the school. At the Mt. Arlington school a computer lab was replaced with all new equipment.

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

The Honorable President and Members of  
the Board of Education  
Borough of Mount Arlington School District  
Page 3  
November 15, 2010

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

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

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

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

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

7) DEBT ADMINISTRATION: At June 30, 2010, the District's outstanding debt issues consisted of \$2,970,000 of general obligation bonds.

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

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

The Board is a member of the Morris Essex Insurance Group (the "Group"). The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance coverage for their respective members. Additional information on the Group is included in Note 10 to the Basic Financial Statements.

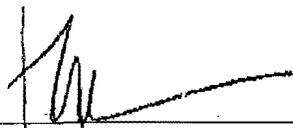
The Honorable President and Members of  
the Board of Education  
Borough of Mount Arlington School District  
Page 4  
November 15, 2010

10) OTHER INFORMATION:

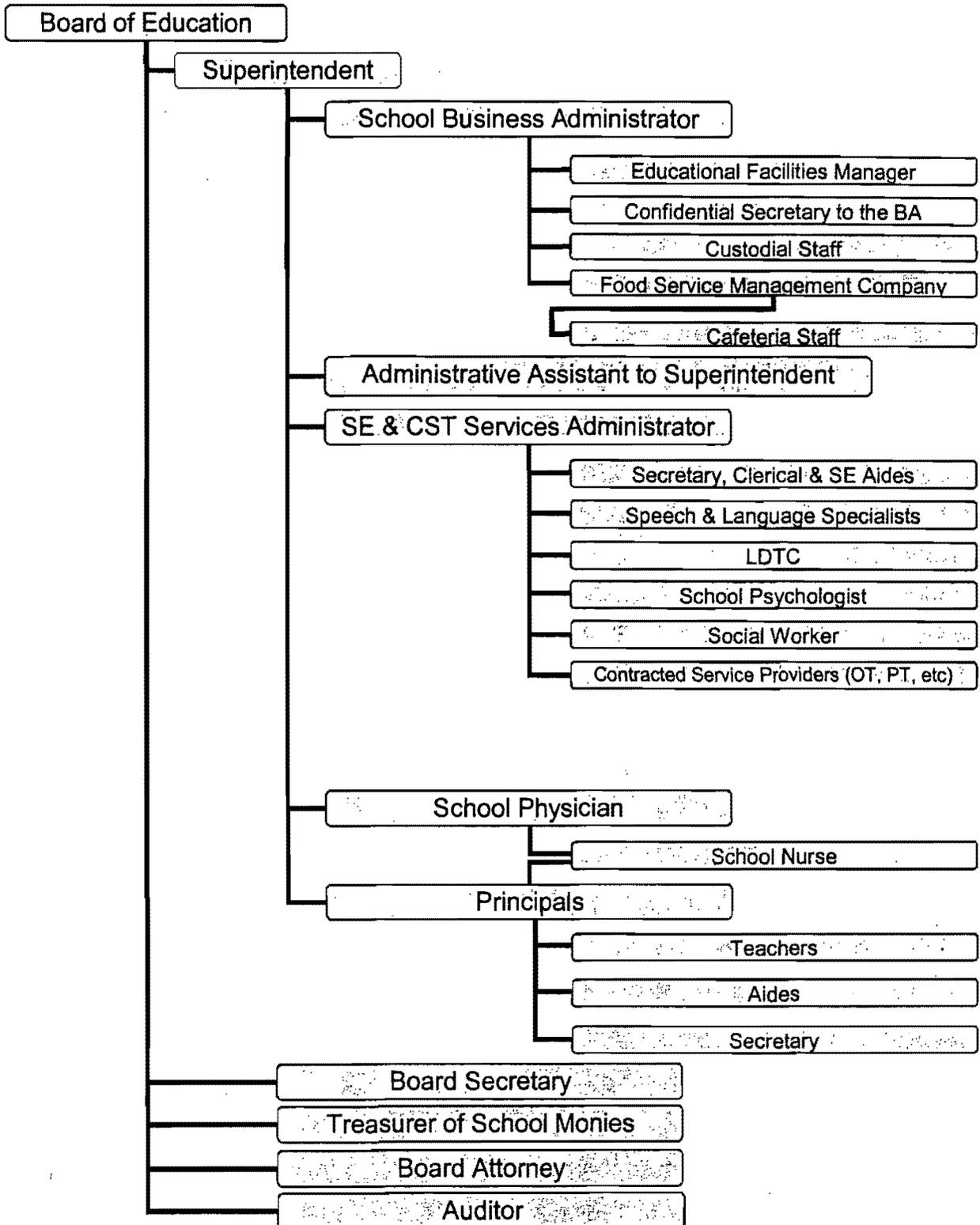
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia & Company LLP, CPAs, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes,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

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

Respectfully submitted,

  
\_\_\_\_\_  
Jane Mullins Jameson  
Superintendent of Schools

  
\_\_\_\_\_  
William Van Tassel  
Board Secretary/Business Administrator



**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2010**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Thomas Cryan	President	2013
Elizabeth D'Abbraccio	Vice President	2013
James Eichvalds		2011
Thomas Morgan		2011
Eugene Paradiso		2011
Anne Hughes		2012
Shelia Studint		2012

<u>Other Officials</u>	<u>Title</u>
Jane Mullins Jameson	Superintendent of Schools
William Van Tassel	Interim School Business Administrator/Board Secretary
JoAnne Sandler	Treasurer of School Monies

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT**  
**Consultants and Advisors**

**Audit Firm**

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

**Attorney**

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

**Bond Counsel**

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

**Official Depositories**

Bank of America  
Howard Boulevard  
Mount Arlington, NJ 07856

Skylands Bank  
Route 46  
Rockaway, NJ 07866

**FINANCIAL SECTION**



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

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

### Independent Auditors' Report

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

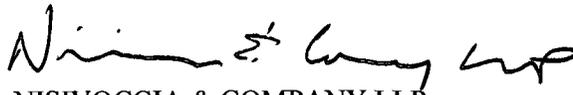
In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2010 on our consideration of the Board of Education of the Borough of Mount Arlington School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

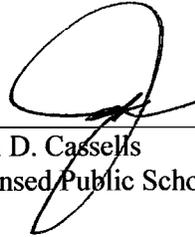
The Honorable President and Members  
of the Board of Education  
Borough of Mount Arlington School District  
Page 2

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Borough of Mount Arlington School District's basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary combining and individual fund financial statements, supplementary schedules, and the schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mount Arlington, New Jersey  
November 15, 2010

  
NISIVOCCIA & COMPANY LLP

  
\_\_\_\_\_  
John D. Cassells  
Licensed Public School Accountant #105

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

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

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

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

### **Financial Highlights**

- The District's net assets status increased by \$503,741 on a district-wide basis. The District's General Fund fund balance increased by \$487,027, primarily as a result of conservative fiscal management of the budget.
- Overall revenue was \$10.9 million.
- Enrollment in the District has been decreasing for each of the last several years but cost per pupil remains relatively stable.
- The District had a net reduction its outstanding long-term debt of 4.27 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 Borough of Mount Arlington School District's Financial Report**

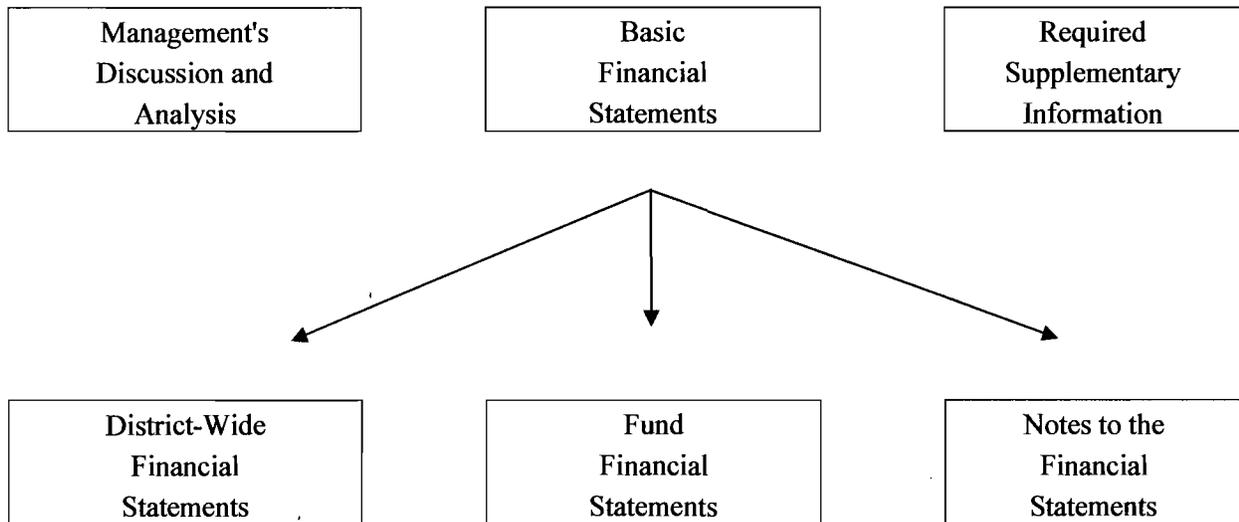


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents 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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenue, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## District-wide Statements

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

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service 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 Assets.** The District's combined net assets increased by 19.98%. Net assets from governmental activities increased \$512,118 and net assets from business-type activities decreased by \$8,377. Net assets invested in capital assets increased \$990, restricted net assets increased \$455,623, and unrestricted net assets increased \$47,128.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010
Current and Other Assets	\$ 1,593,036	\$ 1,393,753	\$ 41,757	\$ 46,652	\$ 1,634,793	\$ 1,440,405	13.50%
Capital Assets, Net	4,551,654	4,662,020	17,053	20,697	4,568,707	4,682,717	-2.43%
Total Assets	<u>6,144,690</u>	<u>6,055,773</u>	<u>58,810</u>	<u>67,349</u>	<u>6,203,500</u>	<u>6,123,122</u>	1.31%
Long-Term Debt Outstanding	2,998,550	3,132,318			2,998,550	3,132,318	-4.27%
Other Liabilities	179,033	468,466	791	953	179,824	469,419	-61.69%
Total Liabilities	<u>3,177,583</u>	<u>3,600,784</u>	<u>791</u>	<u>953</u>	<u>3,178,374</u>	<u>3,601,737</u>	-11.75%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	1,581,654	1,577,020	17,053	20,697	1,598,707	1,597,717	0.06%
Restricted	1,090,538	634,915			1,090,538	634,915	71.76%
Unrestricted	<u>294,915</u>	<u>243,054</u>	<u>40,966</u>	<u>45,699</u>	<u>335,881</u>	<u>288,753</u>	-16.32%
Total Net Assets	<u>\$ 2,967,107</u>	<u>\$ 2,454,989</u>	<u>\$ 58,019</u>	<u>\$ 66,396</u>	<u>\$ 3,025,126</u>	<u>\$ 2,521,385</u>	19.98%

**Changes in Net Assets.** The District's *combined* net assets were \$3,025,126 on June 30, 2010, \$503,741 or 19.98% more than the prior year (See Figure A-3). Net assets invested in capital assets increased \$990 due to the payment of \$115,000 in bond principal, fixed asset additions of \$36,741, offset by \$150,751 in depreciation. Restricted net assets increased by \$455,623 due to an increase in encumbrances of \$338,228, a decrease in excess surplus of \$82,705, an increase in capital reserve of \$200,125 and a decrease in the debt service reserves of \$25. Unrestricted net assets increased by \$47,128 (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services	\$ 18,647	\$ 28,872	\$ 109,140	\$ 110,337	\$ 127,787	\$ 139,209	-8.20%
<b>Grants and Contributions:</b>							
Operating	739,454	1,265,201	32,133	30,301	771,587	1,295,502	-40.44%
Capital	32,514				32,514		100.00%
<b>General Revenue:</b>							
Property Taxes	8,986,620	8,790,761			8,986,620	8,790,761	2.23%
<b>Federal and State Aid Not Restricted</b>							
Aid Not Restricted	604,377	139,593			604,377	139,593	332.96%
Other	382,168	133,203		44	382,168	133,247	186.81%
<b>Total Revenue</b>	<b>10,763,780</b>	<b>10,357,630</b>	<b>141,273</b>	<b>140,682</b>	<b>10,905,053</b>	<b>10,498,312</b>	<b>3.87%</b>
<b>Expenses:</b>							
Instruction	3,961,130	3,724,605			3,961,130	3,724,605	6.35%
Pupil and Instruction Services	4,240,709	4,349,491			4,240,709	4,349,491	-2.50%
Administrative and Business	702,954	660,439			702,954	660,439	6.44%
Maintenance and Operations	713,750	665,137			713,750	665,137	7.31%
Transportation	492,486	455,249			492,486	455,249	8.18%
Other	140,633	144,644	149,650	130,194	290,283	274,838	5.62%
<b>Total Expenses</b>	<b>10,251,662</b>	<b>9,999,565</b>	<b>149,650</b>	<b>130,194</b>	<b>10,401,312</b>	<b>10,129,759</b>	<b>2.68%</b>
<b>Increase/(Decrease) in Net Assets</b>	<b>\$ 512,118</b>	<b>\$ 358,065</b>	<b>\$ (8,377)</b>	<b>\$ 10,488</b>	<b>\$ 503,741</b>	<b>\$ 368,553</b>	<b>36.68%</b>

*Revenue Sources.* The District's total revenue for the 2009/2010 school year was \$10,905,053 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$8,986,620 of the total, or 82.41 percent (See Figure A-5). Another 12.91 percent came from state and federal aid for specific programs and contributions, 1.17 percent came from charges for services and 3.51 percent came from other miscellaneous sources. It is important to note that of the categorical grants amount of \$604,377, \$410,348 is included in funds that are not paid to the District, but are included in funding for non-contributory insurance and post-retirement medical contributions that the State of New Jersey is paying on behalf of the District. The Borough of Mount Arlington School District primarily conducts its operations from the revenue it receives from its local taxpayers.

**Figure A-5**  
**Sources of Revenue for Fiscal Year 2010**

Sources of Income:	Amount	Percentage
State Formula Aid	\$ 804,101	7.37%
Property Taxes	8,986,620	82.41%
Federal and State Categorical Grants	604,377	5.54%
Charges for Services	127,787	1.17%
Other	382,168	3.51%
	<b>\$ 10,905,053</b>	<b>100.00%</b>

The total cost of all programs and services was \$10,401,312. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (83.59 percent) (See Figure A-6). The District's administrative and business activities accounted for 6.76 percent of total costs. It is important to note that depreciation of \$150,751 is included in expenses for the year.

**Figure A-6**  
**Expenses for Fiscal Year 2010**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 3,961,130	38.09%
Pupil and Instruction Services	4,240,709	40.77%
Administrative and Business	702,954	6.76%
Maintenance and Operations	713,750	6.86%
Transportation	492,486	4.73%
Other	290,283	2.79%
	<u><u>\$ 10,401,312</u></u>	<u><u>100.00%</u></u>

### Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District improved. However, maintaining existing programs with increased enrollment and the provision of a multitude of special programs/services for disabled pupils places a great demand on the District's resources. As a result, careful management of expenses remains essential for the District to sustain its financial health.

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

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

**Figure A-7**  
**Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2009/2010</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2008/2009</u>
Instruction	\$ 3,961,130	\$ 3,724,605	\$ 3,229,601	\$ 2,707,792
Pupil and Instruction Services	4,240,709	4,349,491	4,221,635	4,317,131
Administrative and Business	702,954	660,439	686,376	644,932
Maintenance and Operations	713,750	665,137	713,750	665,137
Transportation	492,486	455,249	469,052	225,856
Other	140,633	144,644	140,633	144,644
	<u><u>\$ 10,251,662</u></u>	<u><u>\$ 9,999,565</u></u>	<u><u>\$ 9,461,047</u></u>	<u><u>\$ 8,705,492</u></u>

- The cost of all governmental activities this year was \$10.25 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$1.41 million).
- Most of the District's costs, however, were financed by District taxpayers (\$8.99 million).
- A portion of governmental activities was financed with state aid based on the CEIFA formula (\$0.68 million).
- The remainder of governmental activities funding came from private contributions, tuition, investment earnings and miscellaneous revenue.

### Business-Type Activities

Net assets from the District's business-type activities decreased by \$8,377 due entirely to a decrease in the food service fund (Refer to Figure A-4).

### Financial Analysis of the District's Funds

The District's financial situation improved in spite of difficult economic times which have had a direct impact upon the District's revenue sources. Interest from investments decreased and tuition revenue improved as compared to years past. However, ratables of the municipality remain more or less stable, thus generating concern for the local tax levy in the future.

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

### General Fund Budgetary Highlights

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

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

### Capital Asset and Debt Administration

**Figure A-8**  
**Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009	
Sites (Land)	\$ 611,500	\$ 611,500			\$ 611,500	\$ 611,500	0.00%
Construction in Progress	32,514	200,473			32,514	200,473	-83.78%
Site Improvements	43,205	47,607			43,205	47,607	-9.25%
Buildings and Building Improvements	3,765,433	3,688,105			3,765,433	3,688,105	2.10%
Machinery and Equipment	99,002	114,335	\$ 17,053	\$ 20,697	116,055	135,032	-14.05%
<b>Total Capital Assets (Net of Depreciation)</b>	<b>\$ 4,551,654</b>	<b>\$ 4,662,020</b>	<b>\$ 17,053</b>	<b>\$ 20,697</b>	<b>\$ 4,568,707</b>	<b>\$ 4,682,717</b>	<b>-2.43%</b>

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

## Long-term Debt

At year-end, the District had \$2,970,000 in general obligation bonds – a reduction of \$115,000 from last year – as shown in Figure A-9. (More detailed information about the District’s long-term liabilities is presented in Note 7 to the basic financial statements.)

**Figure A-9**  
**Outstanding Long-Term Debt**

	Total School District		Total Percentage Change
	2009/2010	2008/2009	2009/2010
General Obligation Bonds (Financed with Property Taxes)	\$ 2,970,000	\$ 3,085,000	-3.73%
Other Long-term Debt	28,550	47,318	-39.66%
	<u>\$ 2,998,550</u>	<u>\$ 3,132,318</u>	<u>-4.27%</u>

- The District continued to pay down its debt, retiring \$115,000 of outstanding bonds.
- The District’s other liabilities consist of compensated absences payable.

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

The American Recovery and Reinvestment Act (ARRA) has provided a one-time infusion of funds to implement innovative strategies to improve education for at-risk students and to improve outcomes for children and youth with disabilities. The continuation of these programs after the loss of ARRA funding, which in some cases offset State Aid, will lead to budget and CAP limitations in future years.

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

Health care expense is one of the largest and fastest growing portions of the District’s budget. Managing the future cost of health care benefits for the District’s employees is a priority that must be addressed as soon as possible.

### Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 466 Howard Boulevard, Mount Arlington, New Jersey 07856.

**BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 558,489	\$ 3,647	\$ 562,136
Internal Balances	(30,402)	30,402	
Receivables from Federal Government	247,269	2,427	249,696
Receivables from State Government	155,247	184	155,431
Receivables - Other	206,887		206,887
Inventory		5,097	5,097
Restricted Assets:			
Capital Reserve Account - Cash	455,546		455,546
Capital Assets, Net:			
Sites (Land)	611,500		611,500
Construction in Progress	32,514		32,514
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	3,907,640	17,053	3,924,693
Total Assets	<u>6,144,690</u>	<u>58,810</u>	<u>6,203,500</u>
<b>LIABILITIES</b>			
Accrued Interest Payable	52,797		52,797
Interfund Payable	30,000		30,000
Payable to Local Grantor Agency	6		6
Accounts Payable	91,166		91,166
Deferred Revenue	5,064	791	5,855
Noncurrent Liabilities:			
Due Within One Year	120,000		120,000
Due Beyond One Year	2,878,550		2,878,550
Total Liabilities	<u>3,177,583</u>	<u>791</u>	<u>3,178,374</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,581,654	17,053	1,598,707
Restricted for:			
Capital Projects	455,546		455,546
Other Purposes	634,992		634,992
Unrestricted	294,915	40,966	335,881
Total Net Assets	<u>\$ 2,967,107</u>	<u>\$ 58,019</u>	<u>\$ 3,025,126</u>

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular	\$ 2,683,270		\$ 333,852		\$ (2,349,418)		\$ (2,349,418)
Special Education	1,128,097		356,669	\$ 32,514	(738,914)		(738,914)
Other Special Instruction	132,778		8,494		(124,284)		(124,284)
Other Instruction	16,985				(16,985)		(16,985)
<b>Support services:</b>							
Tuition	3,298,984	\$ 18,647			(3,280,337)		(3,280,337)
Student & Instruction Related Services	941,725		427		(941,298)		(941,298)
General Administrative Services	352,280				(352,280)		(352,280)
School Administrative Services	237,765		16,578		(221,187)		(221,187)
Central Services	112,909				(112,909)		(112,909)
Plant Operations and Maintenance	713,750				(713,750)		(713,750)
Pupil Transportation	492,486		23,434		(469,052)		(469,052)
Interest on Long-Term Debt	117,217				(117,217)		(117,217)
Charter Schools	23,416				(23,416)		(23,416)
<b>Total Governmental Activities</b>	<b>10,251,662</b>	<b>18,647</b>	<b>739,454</b>	<b>32,514</b>	<b>(9,461,047)</b>		<b>(9,461,047)</b>
<b>Business-Type Activities:</b>							
Food Service	149,650	109,140	32,133			\$ (8,377)	(8,377)
<b>Total Business-Type Activities</b>	<b>149,650</b>	<b>109,140</b>	<b>32,133</b>			<b>(8,377)</b>	<b>(8,377)</b>
<b>Total Primary Government</b>	<b>\$ 10,401,312</b>	<b>\$ 127,787</b>	<b>\$ 771,587</b>	<b>\$ 32,514</b>	<b>\$ (9,461,047)</b>	<b>\$ (8,377)</b>	<b>\$ (9,469,424)</b>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expenses)/Revenues and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
General Revenues:							
Taxes:							
	Property Taxes, Levied for General Purposes, Net				\$ 8,752,714	\$ 8,752,714	
	Taxes Levied for Debt Service				233,906	233,906	
	Federal and State Aid Not Restricted				604,377	604,377	
	Investment Earnings				25	25	
	Miscellaneous Income				382,143	382,143	
	Total General Revenues, Special Items, and Transfers				9,973,165	9,973,165	
	Change in Net Assets				512,118	(8,377)	503,741
	Net Assets - Beginning				2,454,989	66,396	2,521,385
	Net Assets - Ending				\$ 2,967,107	\$ 58,019	\$ 3,025,126

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

**FUND FINANCIAL STATEMENTS**

Exhibit B-1

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 558,489			\$ 558,489
Interfund Receivable	231,651			231,651
Receivables from Federal Government		\$ 247,269		247,269
Receivables from State Government	155,247			155,247
Other Accounts Receivable	206,463	424		206,887
Restricted Cash and Cash Equivalents	455,546			455,546
<b>Total Assets</b>	<b>\$ 1,607,396</b>	<b>\$ 247,693</b>	<b>\$ -0-</b>	<b>\$ 1,855,089</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Interfund Payable	60,402	\$ 231,651		\$ 292,053
Other Current Liabilities	6			6
Accounts Payable	80,188	10,978		91,166
Deferred Revenue		5,064		5,064
<b>Total Liabilities</b>	<b>140,596</b>	<b>247,693</b>	<b>-0-</b>	<b>388,289</b>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Encumbrances	338,228			338,228
Capital Reserve Account	455,546			455,546
Excess Surplus	54,033			54,033
Excess Surplus - Designated for Subsequent Year's Expenditures	242,731			242,731
<b>Unreserved, Reported in:</b>				
General Fund - Undesignated	262,405			262,405
Designated for Subsequent Year's Expenditures	113,857			113,857
<b>Total Fund Balances</b>	<b>1,466,800</b>	<b>-0-</b>	<b>-0-</b>	<b>1,466,800</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,607,396</b>	<b>\$ 247,693</b>	<b>\$ -0-</b>	<b>-0-</b>
<b>Amounts Reported for <i>Governmental Activities</i> in the Statement of Net Assets (A-1) are Different Because:</b>				
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The cost of the assets is \$7,274,689 and the accumulated depreciation is \$2,723,035.				4,551,654
Interest on long term debt is not accrued in government funds, but rather is recognized as expenditure when due.				(52,797)
Long-Term Liabilities, Including Bonds Payable, are not due and payable in the current period and therefore is not reported as a liability in the Funds.				(2,998,550)
<b>Net Assets of Governmental Activities</b>				<b>\$ 2,967,107</b>

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local Sources:				
Local Tax Levy	\$ 8,752,714		\$ 233,906	\$ 8,986,620
Tuition from Other LEAs	18,647			18,647
Interest Earned on Capital Reserve Funds	25			25
Miscellaneous	381,038	\$ 1,105		382,143
<b>Total - Local Sources</b>	<b>9,152,424</b>	<b>1,105</b>	<b>233,906</b>	<b>9,387,435</b>
State Sources	1,071,074	427		1,071,501
Federal Sources		304,844		304,844
<b>Total Revenues</b>	<b>10,223,498</b>	<b>306,376</b>	<b>233,906</b>	<b>10,763,780</b>
<b>EXPENDITURES</b>				
Current:				
Regular Instruction	1,801,306	51,040		1,852,346
Special Education Instruction	662,894	218,041		880,935
Other Special Instruction	46,628			46,628
Other Instruction	62,488			62,488
Support Services and Undistributed Costs:				
Tuition	3,298,984			3,298,984
Student & Instruction Related Services	739,258	4,781		744,039
General Administrative Services	291,091			291,091
School Administrative Services	173,379			173,379
Central Services	101,404			101,404
Care and Upkeep of Grounds	19,626			19,626
Plant Operations and Maintenance	626,889			626,889
Pupil Transportation	487,680			487,680
Unallocated Benefits	1,395,009			1,395,009

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>EXPENDITURES</b>				
<b>Current:</b>				
Transfer to Charter Schools	\$ 23,416			\$ 23,416
<b>Debt Service:</b>				
Principal			\$ 115,000	115,000
Interest and Other Charges			118,931	118,931
Capital Outlay	6,419	\$ 32,514		38,933
Total Expenditures	9,736,471	\$ 306,376	233,931	10,276,778
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	487,027		(25)	487,002
Net Change in Fund Balances	487,027		(25)	487,002
Fund Balance—July 1	979,773		25	979,798
Fund Balance—June 30	\$ 1,466,800	\$ -0-	\$ -0-	\$ 1,466,800

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

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

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ 487,002
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.		
	Depreciation expense	\$(147,107)
	Capital outlays	<u>36,741</u>
		(110,366)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).		
		18,768
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		
		1,714
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+)		
		<u>115,000</u>
Change in Net Assets of Governmental Activities		<u><u>\$ 512,118</u></u>

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

Exhibit B-4

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
AS OF JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u> Food Service
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 3,647
Intergovernmental Receivable:	
Federal	2,427
State	184
Interfund Receivable - General Fund	30,402
Inventory	<u>5,097</u>
Total Current Assets	<u>41,757</u>
Non-Current Assets:	
Capital Assets	100,000
Less: Accumulated Depreciation	<u>(82,947)</u>
Total Non-Current Assets	<u>17,053</u>
Total Assets	<u>58,810</u>
<b>LIABILITIES:</b>	
Deferred Revenue	<u>791</u>
Total Liabilities	<u>791</u>
<b>NET ASSETS:</b>	
Investment in Capital Assets Net of Related Debt	17,053
Unrestricted	<u>40,966</u>
Total Net Assets	<u><u>\$ 58,019</u></u>

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

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

	Business-Type Activities - <u>Enterprise Funds</u> Food Service
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 84,140
Daily Sales - Non-Reimbursable Programs	24,701
Miscellaneous	299
	<hr/>
Total Operating Revenue	109,140
	<hr/>
Operating Expenses:	
Cost of Sales	62,496
Salaries, Benefits & Payroll Taxes	65,126
Supplies, Insurance & Other Costs	5,813
Purchased Professional Services	7,595
Depreciation Expense	3,644
	<hr/>
Total Operating Expenses	144,674
	<hr/>
Operating Loss	(35,534)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	22,104
National School Breakfast Program	2,690
Special Milk Program	726
Food Distribution Program	4,636
State Sources	
State School Lunch Program	1,719
State School Breakfast Program	258
	<hr/>
Total Non-Operating Revenue	32,133
	<hr/>
Net Income Before Other Items	(3,401)
	<hr/>
Prior Year Receivable Cancelled	(4,976)
	<hr/>
Change in Net Assets	(8,377)
	<hr/>
Net Assets - Beginning of Year	66,396
	<hr/>
Net Assets - End of Year	\$ 58,019
	<hr/> <hr/>

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 109,140
Payments to Employees Salaries and Benefits	(65,126)
Payments to Suppliers for Goods and Services	(71,734)
	(27,720)
Net Cash Used for Operating Activities	
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	24,888
	24,888
Net Cash Provided by Noncapital Financing Activities	
Net Decrease in Cash and Cash Equivalents	(2,832)
Cash and Cash Equivalents, July 1	6,479
Cash and Cash Equivalents, June 30	\$ 3,647
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (35,534)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	3,644
Food Distribution Program	4,636
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	19
(Increase) in Inventory	(303)
(Decrease) in Deferred Revenue	(162)
	(27,700)
Net Cash Used for Operating Activities	\$ (27,700)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$4,474 and utilized U.S.D.A. Commodities valued at \$4,636.

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2010

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>
ASSETS:		
Cash and Cash Equivalents	\$ 122,861	\$ 19,901
Interfund Receivable		39,957
Total Assets	<u>122,861</u>	<u>59,858</u>
LIABILITIES:		
Payroll Deductions and Withholdings	36,743	
Accrued Salaries and Wages	68,032	
Interfund Payable	9,957	
Due to Student Groups	8,129	
Total Liabilities	<u>122,861</u>	
NET ASSETS:		
Held in Trust for Unemployment Claims		<u>59,858</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ 59,858</u>

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Budget Appropriation	\$    40,500
Employee Deductions	9,957
Investment Earnings:	
Interest	73
Total Contributions	<u>50,530</u>
Total Additions	<u>50,530</u>
DEDUCTIONS:	
Unemployment Claims and Contributions	<u>11,673</u>
Total Deductions	<u>11,673</u>
Change in Net Assets	38,857
Net Assets - Beginning of the Year	<u>21,001</u>
Net Assets - End of the Year	<u><u>\$    59,858</u></u>

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

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

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

Capital Projects Fund: The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

D. Budgets/Budgetary Control:

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

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 10,230,309	\$ 306,376
Difference - Budget to GAAP:		
Current Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	(75,785)	
Prior Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>68,974</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 10,223,498</u>	<u>\$ 306,376</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 9,736,471	\$ 306,376
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 9,736,471	\$ 306,376

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 assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

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

K. Capital Assets:

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

K. Capital Assets: (Cont'd)

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

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

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

The District allows employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year. The amount of accrued salaries and wages as of June 30, 2010 was \$68,032.

N. Compensated Absences:

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$1,466,800 General Fund fund balance at June 30, 2010, \$338,228 is reserved for encumbrances, \$455,546 is reserved in the capital reserve account; \$296,764 is reserved for excess surplus in accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701) (\$54,033 is current year excess surplus and will be included as anticipated revenue for the year ending June 30, 2012 and the remaining \$242,731 is prior year excess surplus and has been included as anticipated revenue for the year ending June 30, 2011); \$113,857 is unreserved and will be included as anticipated revenue for the year ending June 30, 2011 and \$262,405 is unreserved and undesignated (and is \$75,875 less than the calculated maximum unreserved fund balance (budgetary basis) due to the last two state aid payments which are not recognized on the GAAP basis until the fiscal year ending June 30, 2011).

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2010 is \$-0-.

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

The District's unreserved/undesignated fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$75,875 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize 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 state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Fund Balance Reserves:

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

R. Net Assets:

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

S. Revenue - Exchange and Nonexchange Transactions:

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

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

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

T. Operating Revenue and Expenses:

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

U. Management Estimates:

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

Deposits:

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

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%.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

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

Investments:

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

	<u>Cash and Cash Equivalents</u>	<u>Capital Reserve Account</u>	<u>Total</u>
Checking and Savings Accounts	<u>\$ 704,898</u>	<u>\$ 455,546</u>	<u>\$ 1,160,444</u>

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

The carrying amount of the Board's cash and cash equivalents at June 30, 2010, was \$1,160,444 and the bank balance was \$1,675,836.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District by inclusion of \$2,500 on October 12, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

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

Beginning Balance, July 1, 2009		\$ 255,421
Interest Earnings	\$ 25	
Deposits by Board Resolution	<u>200,100</u>	
		<u>200,125</u>
		455,546
Budgeted Withdrawals		<u>                    </u>
Ending Balance, June 30, 2010		<u>\$ 455,546</u>

The June 30, 2010 LRFP balance of local support costs of uncompleted capital projects exceeds the June 30, 2010 capital reserve account balance.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2010, the District did not transfer any funds to the capital outlay accounts.

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 611,500			\$ 611,500
Construction in Progress	200,473	\$ 32,514	\$ (200,473)	32,514
Total Capital Assets Not Being Depreciated	<u>811,973</u>	<u>32,514</u>	<u>(200,473)</u>	<u>644,014</u>
Capital Assets Being Depreciated:				
Site Improvements	128,275			128,275
Buildings and Building Improvements	5,815,737		200,473	6,016,210
Machinery and Equipment	481,963	4,227		486,190
Total Capital Assets Being Depreciated	<u>6,425,975</u>	<u>4,227</u>	<u>200,473</u>	<u>6,630,675</u>
Governmental Activities Capital Assets	<u>7,237,948</u>	<u>36,741</u>		<u>7,274,689</u>
Less Accumulated Depreciation for:				
Site Improvements	(80,668)	(4,402)		(85,070)
Buildings and Building Improvements	(2,127,632)	(123,145)		(2,250,777)
Machinery and Equipment	(367,628)	(19,560)		(387,188)
	<u>(2,575,928)</u>	<u>(147,107)</u>		<u>(2,723,035)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,662,020</u>	<u>\$ (110,366)</u>	<u>\$ -0-</u>	<u>\$ 4,551,654</u>
<b>Business-Type Activities:</b>				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 100,000			\$ 100,000
Less Accumulated Depreciation	<u>(79,303)</u>	<u>(3,644)</u>		<u>(82,947)</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 20,697</u>	<u>\$ (3,644)</u>	<u>\$ -0-</u>	<u>\$ 17,053</u>

Increases totaling \$36,741 represent current year capitalized expenditures in the general and special revenue funds. Additionally, \$200,473 was transferred from Construction in Progress relative to prior year expenditures for boiler replacement and upgrades.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 140,781
General Administrative Services	5,399
Plant Operations and Maintenance	<u>927</u>
	<u>\$ 147,107</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 7. LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>6/30/2009</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2010</u>
Serial Bonds Payable	\$ 3,085,000		\$ 115,000	\$ 2,970,000
Compensated Absences Payable	47,318	\$ 2,825	21,593	28,550
	<u>\$ 3,132,318</u>	<u>\$ 2,825</u>	<u>\$ 136,593</u>	<u>\$ 2,998,550</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. The current portion of bonds at June 30, 2010 is \$120,000 and the long-term portion is \$2,850,000. The Debt Service Fund will be used to liquidate bonds payable.

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

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
1/15/2028	3.25% - 4.00%	<u>\$ 2,970,000</u>

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

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 120,000	\$ 115,194	\$ 235,194
2012	125,000	111,294	236,294
2013	125,000	107,231	232,231
2014	130,000	103,013	233,013
2015	135,000	98,463	233,463
Thereafter:			
2016-2020	765,000	408,000	1,173,000
2021-2025	925,000	242,800	1,167,800
2026-2028	645,000	52,000	697,000
	<u>\$ 2,970,000</u>	<u>\$ 1,237,995</u>	<u>\$ 4,207,995</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2010, the Board had no bonds authorized but not issued.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

C. Capital Leases Payable:

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

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The long-term liability balance of compensated absences is \$28,550. There is no current portion of compensated absences payable.

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

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

NOTE 8. PENSION PLANS

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

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

Three-Year Trend for TPAF (Paid on-behalf of District)			
Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ -0-	100.00%	\$ -0-
2009	-0-	100.00%	-0-
2008	208,242	100.00%	208,242

Three-Year Trend for PERS			
Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 62,158	100.00%	\$ 62,158
2009	43,648	100.00%	43,648
2008	43,558	80.00%	34,846

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 9. POST-RETIREMENT BENEFITS

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

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

The State's on-behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$181,376, \$172,991, and \$219,021 for 2010, 2009, and 2008, respectively.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains its health care coverage through the Oxford Health Plan.

Property and Liability Insurance

The Borough of Mount Arlington School District is a member of the Morris Essex Insurance Group (the "Group"). The Group provides general liability, property, automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Group is a risk-sharing public entity risk pools that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for their respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

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

	<u>Morris-Essex Insurance Group</u>
Total Assets	<u>\$ 6,627,738</u>
Net Assets	<u>\$ 2,401,075</u>
Total Revenue	<u>\$ 2,733,472</u>
Total Expenses	<u>\$ 2,229,493</u>
Change in Net Assets for the Year Ended June 30	<u>\$ 503,979</u>
Net Assets Distribution to Participating Members	<u>\$ 630,209</u>

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

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

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009-2010	\$ 40,500	\$ 73	\$ 9,957	\$ 11,673	\$ 59,858
2008-2009	26,760	140	22,206	51,225	21,001
2007-2008	7,000	1,161	10,270	23,367	23,120

NOTE 11. ECONOMIC DEPENDENCY

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

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

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 231,651	\$ 60,402
Special Revenue Fund		231,651
Fiduciary Fund	30,000	
Enterprise Fund	<u>30,402</u>	
	<u>\$ 292,053</u>	<u>\$ 292,053</u>

The interfund receivable in the General Fund is due to a cash deficit in the Special Revenue Fund due to the delay between the request and receipt of reimbursements on federal grants. The interfund payable in the General Fund due to the Enterprise Fund is comprised of a prior year interfund payable that was not resolved in the fiscal year along with federal and state School Nutrition subsidy reimbursements that was received in the General Fund but not yet turned over to the Food Service Fund. The interfund receivable in the Fiduciary Fund represents the Board's contribution to the Unemployment Trust Fund.

NOTE 13. DEFERRED COMPENSATION

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

- Lincoln Life
- Vanguard
- AXA Equitable

NOTE 14. TAX CALENDAR

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 15. ACCOUNTS PAYABLE

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

	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Vendors	<u>\$ 80,188</u>	<u>\$ 10,978</u>	<u>\$ 91,166</u>

NOTE 16. COMMITMENTS AND CONTINGENCIES

Litigation

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

Grant Programs

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

**BUDGETARY COMPARISON SCHEDULES**

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 8,752,714		\$ 8,752,714	\$ 8,752,714	
Tuition from Other LEAs	14,500		14,500	18,647	\$ 4,147
Interest Earned on Capital Reserve Funds	25		25	25	
Miscellaneous	252,054		252,054	381,038	128,984
<b>Total - Local Sources</b>	<b>9,019,293</b>		<b>9,019,293</b>	<b>9,152,424</b>	<b>133,131</b>
<b>State Sources:</b>					
Extraordinary Special Education Costs Aid	56,000		56,000	140,421	84,421
Categorical Special Education Aid	323,322		323,322	220,922	(102,400)
Categorical Security Aid	49,892		49,892	32,430	(17,462)
Adjustment Aid	126,538		126,538	82,250	(44,288)
Categorical Transportation Aid	288,839		288,839	187,745	(101,094)
Nonpublic School Transportation Costs				3,769	3,769
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				9,657	9,657
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				181,376	181,376
TPAF Social Security (Reimbursed - Non-Budgeted)				219,315	219,315
<b>Total State Sources</b>	<b>844,591</b>		<b>844,591</b>	<b>1,077,885</b>	<b>233,294</b>
<b>TOTAL REVENUES</b>	<b>9,863,884</b>		<b>9,863,884</b>	<b>10,230,309</b>	<b>366,425</b>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Regular Programs - Instruction:</b>					
Kindergarten - Salaries of Teachers	62,527		62,527	62,527	
Grades 1-5 - Salaries of Teachers	828,702	(33,529)	795,173	794,364	809
Grades 6-8 - Salaries of Teachers	767,350	33,529	800,879	775,956	24,923

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Undistributed Instruction (Cont'd):					
Other Purchased Services (400-500 series)	\$ 37,820	\$ 2,071	\$ 39,891	\$ 37,891	\$ 2,000
General Supplies	97,350	13,957	111,307	105,475	5,832
Textbooks	44,400	(16,203)	28,197	21,918	6,279
Other Objects	3,000	175	3,175	3,175	
Total Regular Programs - Instruction	<u>1,841,149</u>		<u>1,841,149</u>	<u>1,801,306</u>	<u>39,843</u>
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	50,000		50,000		50,000
Other Salaries for Instruction	18,380		18,380		18,380
Total Multiple Disabilities	<u>68,380</u>		<u>68,380</u>		<u>68,380</u>
Resource Room/Resource Center:					
Salaries of Teachers	475,036		475,036	429,224	45,812
Other Salaries for Instruction	125,365		125,365	95,868	29,497
General Supplies	1,200		1,200		1,200
Total Resource Room/Resource Center	<u>601,601</u>		<u>601,601</u>	<u>525,092</u>	<u>76,509</u>
Preschool Disabilities - Full-time:					
Salaries of Teachers	117,395		117,395	103,070	14,325
Other Salaries for Instruction	55,328	(47)	55,281	34,185	21,096
General Supplies	500	47	547	547	
Total Preschool Disabilities - Full-time	<u>173,223</u>		<u>173,223</u>	<u>137,802</u>	<u>35,421</u>
Total Special Education Instruction	<u>843,204</u>		<u>843,204</u>	<u>662,894</u>	<u>180,310</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	35,680		35,680	35,680	
Total Basic Skills/Remedial - Instruction	<u>35,680</u>		<u>35,680</u>	<u>35,680</u>	
Bilingual Education - Instruction:					
Salaries	10,948		10,948	10,948	
Total Bilingual - Instruction	<u>10,948</u>		<u>10,948</u>	<u>10,948</u>	

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 37,960		\$ 37,960	\$ 27,064	\$ 10,896
Supplies and Materials	2,600		2,600		2,600
Total School-Sponsored Cocurricular Activities - Instruction	40,560		40,560	27,064	13,496
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	28,625		28,625	28,622	3
Purchased Services (300-500 series)	4,130	\$ (85)	4,045	3,598	447
Supplies and Materials	6,200		6,200	2,229	3,971
Other Objects	1,000	85	1,085	975	110
Total School-Sponsored Cocurricular Athletics - Instruction	39,955		39,955	35,424	4,531
Total Instruction	2,811,496	-	2,811,496	2,573,316	238,180
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	2,578,804	61,990	2,640,794	2,640,794	
Tuition to Other LEAs Within the State - Special	486,571	(67,708)	418,863	179,851	239,012
Tuition to CSSD & Regional Day Schools	43,570	(36,676)	6,894		6,894
Tuition to Private Schools for the Disabled - Within the State	444,049	16,592	460,641	447,589	13,052
Tuition - State Facilities	30,000	750	30,750	30,750	
Total Undistributed Expenditures - Instruction:	3,582,994	(25,052)	3,557,942	3,298,984	258,958
Attendance and Social Work:					
Salaries	49,107		49,107	47,965	1,142
Total Attendance and Social Work	49,107		49,107	47,965	1,142

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	\$ 133,882		\$ 133,882	\$ 133,882	
Purchased Professional and Technical Services	5,000	\$ (247)	4,753	3,700	\$ 1,053
Supplies and Materials	1,900	87	1,987	1,987	
Other Objects	300	160	460	460	
<b>Total Health Services</b>	<b>141,082</b>		<b>141,082</b>	<b>140,029</b>	<b>1,053</b>
Other Support Services - Students - Related Services:					
Salaries	106,910	119,543	226,453	226,453	
Purchased Professional - Educational Services	143,950	(112,199)	31,751	31,751	
<b>Total Other Support Services - Students - Related Services</b>	<b>250,860</b>	<b>7,344</b>	<b>258,204</b>	<b>258,204</b>	
Other Support Services - Students - Extraordinary Services:					
Salaries	24,217		24,217	24,217	
<b>Total Other Support Services - Students - Extraordinary Services</b>	<b>24,217</b>		<b>24,217</b>	<b>24,217</b>	
Other Support Services - Students - Regular Services:					
Salaries of Other Professional Staff	18,543		18,543	18,543	
<b>Total Other Support Services - Students - Regular Services</b>	<b>18,543</b>		<b>18,543</b>	<b>18,543</b>	
Other Support Services - Students - Special Services:					
Salaries of Other Professional Staff	189,844	(1,712)	188,132	186,285	1,847
Salaries of Secretarial and Clerical Assistants	18,379		18,379	18,379	
Other Purchased Professional and Technical Services	15,000	1,821	16,821	16,821	
Supplies and Materials	1,000		1,000	959	41
Other Objects	700	(108)	592	225	367
<b>Total Other Support Services - Students - Special Services</b>	<b>224,923</b>	<b>1</b>	<b>224,924</b>	<b>222,669</b>	<b>2,255</b>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	\$ 6,560		\$ 6,560	\$ 6,560	
Total Improvement of Instructional Services	6,560		6,560	6,560	
Educational Media Services/School Library:					
Salaries	22,900	-	22,900	17,926	\$ 4,974
Purchased Professional and Technical Services	3,000	\$ 1,420	4,420	2,386	2,034
Other Purchased Service (400-500 Series)	500	(100)	400		400
Supplies and Materials	2,500	(1,320)	1,180	663	517
Other Objects	100		100	96	4
Total Educational Media Services/School Library	29,000		29,000	21,071	7,929
Instructional Staff Training Services:					
Salaries of Supervisor of Instruction	2,500		2,500		2,500
Total Instructional Staff Training Services	2,500		2,500		2,500
Support Services - General Administration:					
Salaries	187,077	10,721	197,798	197,798	
Legal Services	25,000	(1,766)	23,234	20,757	2,477
Audit Fees	11,500	345	11,845	11,845	
Other Purchased Professional Services	3,000	(3,000)			
Communications/Telephone	31,380	(2,072)	29,308	29,308	
BOE Other Purchased Services	4,950	(4,838)	112	112	
Miscellaneous Purchased Services (400-500 series)	18,125	1,161	19,286	19,286	
General Supplies	1,500	(487)	1,013	300	713
Miscellaneous Expenditures	5,050	951	6,001	6,001	
BOE Membership Dues and Fees	6,700	(1,016)	5,684	5,684	
Total Support Services - General Administration	294,282	(1)	294,281	291,091	3,190

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 98,191	-	\$ 98,191	\$ 98,191	
Salaries of Secretarial and Clerical Assistants	66,618	\$ 5,145	71,763	71,763	
Purchased Professional and Technical Services	3,000	(195)	2,805	2,805	
Other Purchased Services (400-500 series)	350	(350)			
Supplies and Materials	1,200	(580)	620	620	
Other Objects	2,000	(2,000)			
<b>Total Support Services - School Administration</b>	<b>171,359</b>	<b>2,020</b>	<b>173,379</b>	<b>173,379</b>	
Central Services:					
Salaries	18,011		18,011	18,011	
Other Purchased Services	75,000	(1,000)	74,000	70,500	\$ 3,500
Purchased Technical Services	10,000	339	10,339	10,276	63
Supplies and Materials	5,000		5,000	2,024	2,976
Miscellaneous Expenditures	2,000	(339)	1,661	593	1,068
<b>Total Central Services</b>	<b>110,011</b>	<b>(1,000)</b>	<b>109,011</b>	<b>101,404</b>	<b>7,607</b>
Required Maintenance of School Facilities:					
Salaries	49,164	1,254	50,418	50,418	
Cleaning, Repair and Maintenance Services	123,850	(3,209)	120,641	63,384	57,257
Other Objects	1,000		1,000	593	407
<b>Total Required Maintenance of School Facilities</b>	<b>174,014</b>	<b>(1,955)</b>	<b>172,059</b>	<b>114,395</b>	<b>57,664</b>
Other Operations & Maintenance of Plant:					
Salaries	182,543	4,402	186,945	186,945	
Purchased Professional and Technical Services	8,000	25,970	33,970	33,970	
Cleaning, Repair and Maintenance Services	30,000	1,980	31,980	29,511	2,469
Other Purchased Property Services	35,350	46,421	81,771	32,976	48,795
Insurance	54,525	702	55,227	55,227	
General Supplies	23,000	(651)	22,349	22,349	

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Operations & Maintenance of Plant (Cont'd):					
Energy (Electricity)	\$ 99,500	\$ (6,024)	\$ 93,476	\$ 93,476	
Energy (Natural Gas)	65,837	(31,941)	33,896	33,896	
Energy (Oil)	32,000	(8,268)	23,732	23,732	
Other Objects	500	(88)	412	412	
<b>Total Other Operations &amp; Maintenance of Plant</b>	<b>531,255</b>	<b>32,503</b>	<b>563,758</b>	<b>512,494</b>	<b>\$ 51,264</b>
Care and Upkeep of Grounds:					
Salaries	9,191		9,191	9,191	
Cleaning, Repair and Maintenance Services	8,000	450	8,450	8,450	
General Supplies	2,000	(15)	1,985	1,985	
<b>Total Care and Upkeep of Grounds</b>	<b>19,191</b>	<b>435</b>	<b>19,626</b>	<b>19,626</b>	
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	6,120		6,120	6,120	
Between Home and School - Special	2,040		2,040	2,040	
Between Home and School - Nonpublic Schools	2,040		2,040	2,040	
Contracted Services:					
Other Than Between Home and School - Vendors	15,000	(786)	14,214	14,214	
Between Home and School - Joint Agreements	9,850	(8,030)	1,820	1,820	
Special Education Students - Joint Agreements	84,045	3,834	87,879	84,097	3,782
Regular Students - ESC's and CTSA's	250,485	11,434	261,919	261,919	
Special Education Students - ESC's and CTSA's	101,495	(6,452)	95,043	94,092	951
Aid in Lieu - Nonpublic Schools	22,850		22,850	21,338	1,512
<b>Total Student Transportation Services</b>	<b>493,925</b>		<b>493,925</b>	<b>487,680</b>	<b>6,245</b>
Unallocated Benefits:					
Social Security Contributions	83,500	(10,000)	73,500	72,988	512
Other Retirement Contributions - Regular	67,400		67,400	62,158	5,242
Unemployment Compensation	12,000	29,563	41,563	41,563	
Workmen's Compensation	38,400		38,400	35,644	2,756
Health Benefits	915,370	(26,003)	889,367	772,308	117,059
Tuition Reimbursement	25,000	(19,563)	5,437		5,437
<b>Total Unallocated Benefits</b>	<b>1,141,670</b>	<b>(26,003)</b>	<b>1,115,667</b>	<b>984,661</b>	<b>131,006</b>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
On-Behalf Contributions:					
On-Behalf TPAF Non-Contributory Insurance (non-budgeted)				\$ 9,657	\$ (9,657)
On-Behalf TPAF Post Retirement Medical (non-Budgeted)				181,376	(181,376)
Reimbursed TPAF Social Security Contributions (non-budgeted)				219,315	(219,315)
Total On-Behalf Contributions				<u>410,348</u>	<u>(410,348)</u>
Total Personal Services - Employee Benefits	<u>\$ 1,141,670</u>	<u>\$ (26,003)</u>	<u>\$ 1,115,667</u>	<u>1,395,009</u>	<u>(279,342)</u>
Total Undistributed Expenses	<u>7,265,493</u>	<u>(11,708)</u>	<u>7,253,785</u>	<u>7,133,320</u>	<u>120,465</u>
TOTAL GENERAL CURRENT EXPENSE	<u>10,076,989</u>	<u>(11,708)</u>	<u>10,065,281</u>	<u>9,706,636</u>	<u>358,645</u>
Transfer of Funds to Charter Schools	<u>11,708</u>	<u>11,708</u>	<u>23,416</u>	<u>23,416</u>	
CAPITAL OUTLAY					
Regular Programs - Instruction:					
Technology Equipment	<u>11,800</u>		<u>11,800</u>	<u>6,419</u>	<u>5,381</u>
Total Equipment	<u>11,800</u>		<u>11,800</u>	<u>6,419</u>	<u>5,381</u>
TOTAL CAPITAL OUTLAY	<u>11,800</u>		<u>11,800</u>	<u>6,419</u>	<u>5,381</u>
TOTAL EXPENDITURES	<u>10,100,497</u>		<u>10,100,497</u>	<u>9,736,471</u>	<u>364,026</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(236,613)</u>		<u>(236,613)</u>	<u>493,838</u>	<u>730,451</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Fund Balance, July 1	\$ 1,048,747		\$ 1,048,747	\$ 1,048,747	
Fund Balance, June 30	\$ 812,134	\$ -0-	\$ 812,134	\$ 1,542,585	\$ 730,451
Recapitulation:					
Reserve for Encumbrances				\$ 338,228	
Reserve for Excess Surplus				54,033	
Reserve for Excess Surplus - Designated for Subsequent Year's Expenditures				242,731	
Capital Reserve				455,546	
Unreserved - Designated for Subsequent Year's Expenditures				113,857	
Unreserved - Undesignated				338,190	
				<u>1,542,585</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Last Two State Aid Payments not Recognized on GAAP Basis				<u>(75,785)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,466,800</u>	

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Federal Sources	\$ 178,000	\$ 126,844	\$ 304,844	\$ 304,844	
State Sources	3,300	(2,873)	427	427	
Local Sources		1,600	1,600	1,105	\$ (495)
<b>Total Revenues</b>	<u>181,300</u>	<u>125,571</u>	<u>306,871</u>	<u>306,376</u>	<u>(495)</u>
<b>EXPENDITURES:</b>					
Instruction					
Personal Services - Salaries	2,000	80,301	82,301	82,301	
Purchased Professional and Technical Services	1,262	(6)	1,256	1,256	
Tuition	135,000	(4,850)	130,150	130,150	
General Supplies	12,000	2,821	14,821	14,326	495
<b>Total Instruction</b>	<u>150,262</u>	<u>78,266</u>	<u>228,528</u>	<u>228,033</u>	<u>495</u>
Support Services					
Personal Services - Employee Benefits		11,944	11,944	11,944	
Purchased Professional - Educational Services	2,300	2,629	4,929	4,929	
Other Purchased Services	28,738	218	28,956	28,956	
<b>Total Support Services</b>	<u>31,038</u>	<u>14,791</u>	<u>45,829</u>	<u>45,829</u>	

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Facilities Acquisition and Construction Services:					
Renovations		\$ 32,514	\$ 32,514	\$ 32,514	
Total Facilities Acquisition and Construction Services		32,514	32,514	32,514	
Total Expenditures	\$ 181,300	125,571	306,871	306,376	\$ 495
Excess of Revenues Over Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 10,230,309	\$ 306,376
Difference - Budget to GAAP:		
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(75,785)	
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	68,974	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 10,223,498	\$ 306,376
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 9,736,471	\$ 306,376
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 9,736,471	\$ 306,376

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line 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 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 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 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**

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

	No Child Left Behind						Various Local Grants
	Title I	Title I ARRA	Title IIA	Title IID	Title III	Title IV	
REVENUE:							
Federal Sources	\$ 20,942	\$ 4,697	\$ 22,181	\$ 209	\$ 1,130	\$ 776	
State Sources							
Local Sources							\$ 1,105
<b>Total Revenue</b>	<u>20,942</u>	<u>4,697</u>	<u>22,181</u>	<u>209</u>	<u>1,130</u>	<u>776</u>	<u>1,105</u>
EXPENDITURES:							
Instruction:							
Personal Services - Salaries	2,000						
Purchased Professional and Technical Services	1,047			209			
Other Purchased Services							
General Supplies	11,120				1,130	776	1,105
<b>Total Instruction</b>	<u>14,167</u>			<u>209</u>	<u>1,130</u>	<u>776</u>	<u>1,105</u>
Support Services:							
Purchased Professional - Educational Services		4,697					
Purchased Professional and Technical Services							
Other Purchased Services	6,775		22,181				
<b>Total Support Services</b>	<u>6,775</u>	<u>4,697</u>	<u>22,181</u>				
<b>Total Expenditures</b>	<u>\$ 20,942</u>	<u>\$ 4,697</u>	<u>\$ 22,181</u>	<u>\$ 209</u>	<u>\$ 1,130</u>	<u>\$ 776</u>	<u>\$ 1,105</u>

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

	IDEA Part B,						Totals
	Basic	Basic - ARRA	Preschool	Preschool ARRA	Nonpublic Textbook Aid	Nonpublic Nursing Aid	
REVENUE:							
Federal Sources	\$ 125,875	\$ 120,405	\$ 4,275	\$ 4,354			\$ 304,844
State Sources					\$ 195	\$ 232	427
Local Sources							1,105
<b>Total Revenue</b>	<b>125,875</b>	<b>120,405</b>	<b>4,275</b>	<b>4,354</b>	<b>195</b>	<b>232</b>	<b>306,376</b>
EXPENDITURES:							
Instruction:							
Personal Services - Salaries		76,256		\$ 4,045			82,301
Purchased Professional and Technical Services							1,256
Tuition	125,875		4,275				130,150
General Supplies					195		14,326
<b>Total Instruction</b>	<b>125,875</b>	<b>76,256</b>	<b>4,275</b>	<b>4,045</b>	<b>195</b>		<b>228,033</b>
Support Services:							
Personal Services - Employee Benefits		11,635		309			11,944
Purchased Professional - Educational Services						232	4,929
Other Purchased Services							28,956
<b>Total Support Services</b>		<b>11,635</b>		<b>309</b>		<b>232</b>	<b>45,829</b>
Facilities Acquisition:							
Renovations		32,514					32,514
<b>Total Facilities Acquisition</b>		<b>32,514</b>					<b>32,514</b>
<b>Total Expenditures</b>	<b>\$ 125,875</b>	<b>\$ 120,405</b>	<b>\$ 4,275</b>	<b>\$ 4,354</b>	<b>\$ 195</b>	<b>\$ 232</b>	<b>\$ 306,376</b>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

**CAPITAL PROJECTS FUND  
(NOT APPLICABLE)**

**PROPRIETARY FUNDS**

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2010

## ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 3,647
Intergovernmental Receivable:	
Federal	2,427
State	184
Interfund Receivable - General Fund	30,402
Inventory	5,097
	<hr/>
Total Current Assets	41,757
	<hr/>
Non-Current Assets:	
Capital Assets	100,000
Less: Accumulated Depreciation	(82,947)
	<hr/>
Total Non-Current Assets	17,053
	<hr/>
Total Assets	58,810
	<hr/>
LIABILITIES:	
Deferred Revenue	791
	<hr/>
Total Liabilities	791
	<hr/>
NET ASSETS:	
Investment in Capital Assets Net of Related Debt	17,053
Unrestricted	40,966
	<hr/>
Total Net Assets	\$ 58,019
	<hr/> <hr/>

Exhibit G-2

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 84,140
Daily Sales - Non-Reimbursable Programs	24,701
Miscellaneous	299
	<hr/>
Total Operating Revenue	109,140
	<hr/>
Operating Expenses:	
Cost of Sales	62,496
Salaries, Benefits & Payroll Taxes	65,126
Supplies, Insurance & Other Costs	5,813
Purchased Professional Services	7,595
Depreciation Expense	3,644
	<hr/>
Total Operating Expenses	144,674
	<hr/>
Operating Loss	(35,534)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	22,104
National School Breakfast Program	2,690
Special Milk Program	726
Food Distribution Program	4,636
State Sources	
State School Lunch Program	1,719
State School Breakfast Program	258
	<hr/>
Total Non-Operating Revenue	32,133
	<hr/>
Net Income Before Other Items	(3,401)
	<hr/>
Prior Year Receivable Cancelled	(4,976)
	<hr/>
Change in Net Assets	(8,377)
	<hr/>
Net Assets - Beginning of Year	66,396
	<hr/>
Net Assets - End of Year	\$ 58,019
	<hr/> <hr/>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 109,140
Payments to Employees Salaries and Benefits	(65,126)
Payments to Suppliers for Goods and Services	(71,734)
	<hr/>
Net Cash Used for Operating Activities	(27,720)
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	24,888
	<hr/>
Net Cash Provided by Noncapital Financing Activities	24,888
	<hr/>
Net Decrease in Cash and Cash Equivalents	(2,832)
Cash and Cash Equivalents, July 1	6,479
	<hr/>
Cash and Cash Equivalents, June 30	\$ 3,647
	<hr/> <hr/>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (35,534)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	3,644
Food Distribution Program	4,636
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	19
(Increase) in Inventory	(303)
(Decrease) in Deferred Revenue	(162)
	<hr/>
Net Cash (Used for) Operating Activities	\$ (27,700)
	<hr/> <hr/>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$4,474 and utilized U.S.D.A. Commodities valued at \$4,636.

**FIDUCIARY FUNDS**

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	
	<u>Student Activity</u>	<u>Payroll</u>		<u>Total</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 8,129	\$ 114,732	\$ 122,861	\$ 19,901
Interfund Receivable				39,957
<b>Total Assets</b>	<u>8,129</u>	<u>114,732</u>	<u>122,861</u>	<u>59,858</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings		36,743	36,743	
Accrued Salaries and Wages		68,032	68,032	
Interfund Payable		9,957	9,957	
Due to Student Groups	8,129		8,129	
<b>Total Liabilities</b>	<u>8,129</u>	<u>114,732</u>	<u>122,861</u>	
<b>NET ASSETS:</b>				
Held in Trust for Unemployment Claims				<u>59,858</u>
<b>Total Net Assets</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 59,858</u>

Exhibit H-2

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
FIDUCIARY FUND  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Unemployment Compensation Trust</u>
<b>ADDITIONS:</b>	
Contributions:	
Budget Appropriation	\$ 40,500
Employee Deductions	9,957
Investment Earnings:	
Interest	73
Total Contributions	<u>50,530</u>
Total Additions	<u>50,530</u>
 <b>DEDUCTIONS:</b>	
Unemployment Claims and Contributions	<u>11,673</u>
Total Deductions	<u>11,673</u>
Change in Net Assets	38,857
Net Assets - Beginning of the Year	<u>21,001</u>
Net Assets - End of the Year	<u><u>\$ 59,858</u></u>

## Exhibit H-3

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

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 5,598	\$ 58,266	\$ 55,735	\$ 8,129
<b>Total Assets</b>	<u>\$ 5,598</u>	<u>\$ 58,266</u>	<u>\$ 55,735</u>	<u>\$ 8,129</u>
<b>LIABILITIES:</b>				
Due to Student Groups	\$ 5,598	\$ 58,266	\$ 55,735	\$ 8,129
<b>Total Liabilities</b>	<u>\$ 5,598</u>	<u>\$ 58,266</u>	<u>\$ 55,735</u>	<u>\$ 8,129</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
Elementary School: Class Account	\$ 5,598	\$ 58,266	\$ 55,735	\$ 8,129
Total All Schools	<u>\$ 5,598</u>	<u>\$ 58,266</u>	<u>\$ 55,735</u>	<u>\$ 8,129</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 105,160	\$ 4,198,841	\$ 4,189,269	\$ 114,732
Total Assets	<u>\$ 105,160</u>	<u>\$ 4,198,841</u>	<u>\$ 4,189,269</u>	<u>\$ 114,732</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings	\$ 39,852	\$ 1,684,010	\$ 1,687,119	\$ 36,743
Interfund Payable		9,957		9,957
Accrued Salaries and Wages	65,308	68,032	65,308	68,032
Net Salaries and Wages		<u>2,436,842</u>	<u>2,436,842</u>	
Total Liabilities	<u>\$ 105,160</u>	<u>\$ 4,198,841</u>	<u>\$ 4,189,269</u>	<u>\$ 114,732</u>

**LONG-TERM DEBT**

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2010		Interest Rate	Balance June 30, 2009	Matured	Balance June 30, 2010
			Date	Amount				
Refunding Bonds	09/14/05	\$ 3,260,000	1/15/2011	\$ 120,000	3.250%			
			1/15/2012	125,000	3.250%			
			1/15/2013	125,000	3.375%			
			1/15/2014	130,000	3.500%			
			1/15/2015	135,000	3.750%			
			1/15/2016	145,000	4.000%			
			1/15/2017	145,000	4.000%			
			1/15/2018	150,000	4.000%			
			1/15/2019	160,000	4.000%			
			1/15/2020	165,000	4.000%			
			1/15/2021	170,000	4.000%			
			1/15/2022	180,000	4.000%			
			1/15/2023	185,000	4.000%			
			1/15/2024	190,000	4.000%			
			1/15/2025	200,000	4.000%			
			1/15/2026	210,000	4.000%			
			1/15/2027	215,000	4.000%			
1/15/2028	220,000	4.000%						
						\$ 3,085,000	\$ 115,000	\$ 2,970,000
						<u>\$ 3,085,000</u>	<u>\$ 115,000</u>	<u>\$ 2,970,000</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 233,906		\$ 233,906	\$ 233,906	
Total Revenues	<u>233,906</u>		<u>233,906</u>	<u>233,906</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	118,931		118,931	118,931	
Redemption of Principal	<u>115,000</u>		<u>115,000</u>	<u>115,000</u>	
Total Regular Debt Service	<u>233,931</u>		<u>233,931</u>	<u>233,931</u>	
Total Expenditures	<u>233,931</u>		<u>233,931</u>	<u>233,931</u>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(25)		(25)	(25)	
Fund Balance, July 1	<u>25</u>		<u>25</u>	<u>25</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

## STATISTICAL SECTION

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

### Contents

### Exhibit

#### **Financial Trends**

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

J-1 thru J-5

#### **Revenue Capacity**

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

J-6 thru J-9

#### **Debt Capacity**

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

J-10 thru J-13

#### **Demographic and Economic Information**

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

J-14 thru J-15

#### **Operating Information**

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

J-16 thru J-20

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

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

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

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

Source: School District Financial Reports.

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

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

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

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

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

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

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

Source: School District Financial Reports.

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

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

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

Source: School District Financial Reports.

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

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>							
Tax Levy	\$ 6,427,436	\$ 6,949,745	\$ 7,471,114	\$ 8,208,188	\$ 8,777,661	\$ 8,790,761	\$ 8,986,620
Tuition Charges	57,915	31,230	20,964	21,470	29,829	28,872	18,647
Interest Earnings	12,616	26,327	51,430	85,726	61,930	103	25
Miscellaneous	9,158	(32,250)	5,363	4,524	90,966	133,100	382,143
Other Sources					6,078	2,000	
State Sources	1,229,959	1,243,037	1,283,388	1,455,582	1,527,362	1,220,155	1,071,501
Federal Sources	180,150	198,417	197,369	209,838	186,255	182,639	304,844
<b>Total Revenues</b>	<b>7,917,234</b>	<b>8,416,506</b>	<b>9,029,628</b>	<b>9,985,328</b>	<b>10,680,081</b>	<b>10,357,630</b>	<b>10,763,780</b>
<b>Expenditures</b>							
Instruction:							
Regular Instruction	1,843,318	1,760,230	1,759,821	1,912,373	1,798,911	1,762,503	1,852,346
Special Education Instruction	664,128	744,343	760,853	655,631	679,361	821,890	880,935
Other Special Instruction	102,457	117,577	102,895	101,157	37,708	54,600	46,628
School Sponsored/Other Instructional					56,550	56,951	62,488
Support Services:							
Tuition	2,043,885	2,370,541	2,584,006	2,843,410	2,981,586	3,386,585	3,298,984
Student & Instruction Related Services	640,805	648,362	734,505	760,183	889,793	763,955	744,039
General Administrative Services	322,320	343,512	377,767	407,532	297,020	286,258	291,091
School Administrative Services	163,295	153,620	155,571	142,459	136,469	158,318	173,379
Central Services					109,355	88,429	101,404
Plant Operations and Maintenance	530,078	542,963	594,245	620,724	634,992	597,777	646,515
Pupil Transportation	315,701	320,226	369,243	363,929	484,347	450,591	487,680
Unallocated Benefits	1,122,212	1,157,432	1,260,154	1,432,582	1,496,256	1,368,224	1,395,009
Charter Schools		8,063	44,954	35,816	36,899	23,850	23,416

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

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
Capital Outlay		\$ 56,860	\$ 10,944	\$ 276,469	\$ 418,523	\$ 237,726	\$ 38,933
Debt Service:							
Principal	\$ 70,000	75,000	100,000	100,000	105,000	110,000	115,000
Interest and Other Charges	177,632	173,992	133,071	132,149	127,389	122,369	118,931
Total Expenditures	<u>7,995,831</u>	<u>8,472,721</u>	<u>8,988,029</u>	<u>9,784,414</u>	<u>10,290,159</u>	<u>10,290,026</u>	<u>10,276,778</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(78,597)</u>	<u>(56,215)</u>	<u>41,599</u>	<u>200,914</u>	<u>389,922</u>	<u>67,604</u>	<u>487,002</u>
<b>Other Financing Sources (Uses)</b>							
Transfers In	150	203	301	9,102			
Transfers Out	<u>(150)</u>	<u>(203)</u>	<u>(301)</u>	<u>(9,102)</u>			
Total Other Financing Sources (Uses)							
Net Change in Fund Balances	<u>\$ (78,597)</u>	<u>\$ (56,215)</u>	<u>\$ 41,599</u>	<u>\$ 200,914</u>	<u>\$ 389,922</u>	<u>\$ 67,604</u>	<u>\$ 487,002</u>
Debt Service as a Percentage of Noncapital Expenditures	3.2%	3.0%	2.7%	2.5%	2.4%	2.4%	2.3%

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

Source: School District Financial Reports.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Tuition</u>	<u>Interest on</u> <u>Investments</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2001	\$ 127,490	\$ 39,867		\$ 9,547	\$ 176,904
2002	125,617	10,278		7,297	143,192
2003	132,128	9,144		317	141,589
2004	57,915	12,465		2,964	73,344
2005	31,230	26,124		(34,811)	22,543
2006	20,964	51,430		5,363	77,757
2007	21,470	85,726		4,524	111,720
2008	29,829	61,930		90,942	182,701
2009	28,872	18,533	\$ 9,866	104,804	162,075
2010	18,647	25		381,038	399,710

Source: Borough of Mount Arlington School District records.

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

Year Ended December 31,	Vacant Land	Residential	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2001	5,849,300	240,851,100	19,050	26,391,350	159,500	7,097,500	280,367,800	14,209,500	754,482	281,122,282	1.950	345,636,821
2002	5,516,300	241,236,700	19,050	32,927,950	159,500	7,097,500	286,957,000	13,605,800	669,669	287,626,669	1.990	398,419,898
2003	7,623,100	242,224,600	19,050	39,994,750	145,000	7,097,500	297,104,000	14,025,100	617,157	297,721,157	2.080	466,456,626
2004	* 12,208,600	517,065,500	12,300	82,199,700	234,200	14,950,200	626,670,500	24,593,400	916,610	627,587,110	1.070	544,884,863
2005	12,274,600	517,190,600	12,300	82,796,400	234,200	14,950,200	627,458,300	25,347,300	870,190	628,328,490	1.150	684,081,100
2006	19,179,700	557,531,300	12,300	80,109,600	234,200	14,950,200	672,017,300	24,494,400	756,987	672,774,287	1.170	819,956,474
2007	16,952,600	580,545,900	12,300	71,623,100	234,200	22,663,200	692,031,300	25,200,600	689,030	692,720,330	1.230	863,202,903
2008	17,062,800	583,095,900	6,600	69,103,400	234,200	21,200,000	690,702,900	25,948,500	700,788	691,403,688	1.270	856,015,461
2009	15,397,100	588,267,000	6,600	68,901,100	234,200	21,200,000	694,006,000	26,207,200	748,832	694,754,832	1.279	861,040,511

\* - Revaluation Year

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

<sup>b</sup> - 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.

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

Source: Municipal Tax Assessor.

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

Year Ended December 31,	Borough of Mount Arlington School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Borough of Mount Arlington	Morris County	
2001	1.862	0.088	1.950	0.660	0.370	2.980
2002	1.903	0.087	1.990	0.660	0.410	3.060
2003	1.997	0.083	2.080	0.670	0.460	3.210
2004 *	1.031	0.039	1.070	0.350	0.250	1.670
2005	1.110	0.040	1.150	0.370	0.260	1.780
2006	1.132	0.038	1.170	0.370	0.270	1.810
2007	1.196	0.034	1.230	0.420	0.290	1.940
2008	1.238	0.032	1.270	0.572	0.289	2.131
2009	1.245	0.034	1.279	0.634	0.282	2.195
2010	1.247	0.033	1.280	0.633	0.283	2.196

\* - Revaluation Year

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

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

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

Source: Municipal Tax Collector and School Business Administrator.

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

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Mount Arlington Corporate Center	\$ 27,264,400	1	3.92%			
Kara at Mount Arlington, LLC	11,612,500	2	1.67%			
Carriage Club Investors, LLC	8,500,000	3	1.22%			
SNH NS Properties Trust	7,945,000	4	1.14%			
Individual Taxpayer #1	7,022,200	5	1.01%			Not Available
Mount Arlington Ventures LP	5,350,000	6	0.77%			
Mount Arlington Plaze, LLC	5,198,100	7	0.75%			
Mount Arlington Apartment Associates	5,022,000	8	0.72%			
Shore Hills Apartments	4,000,000	9	0.58%			
Mount Arlington Apartment Associates	2,389,900	10	0.34%			
Total	<u>\$ 84,304,100</u>		<u>12.13%</u>			

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS,  
LAST SEVEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	\$ 6,427,436	\$ 6,427,436	100.00%	-0-
2005	6,949,745	6,949,745	100.00%	-0-
2006	7,471,114	7,471,114	100.00%	-0-
2007	8,208,188	8,208,188	100.00%	-0-
2008	8,777,661	8,777,661	100.00%	-0-
2009	8,790,761	8,790,761	100.00%	-0-
2010	8,986,620	8,986,620	100.00%	-0-

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

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

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

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases			
2003	\$ 3,416,000	\$ 110,963	\$ 3,526,963	1.27%	\$ 711.08
2004	3,346,000	-0-	3,346,000	1.19%	671.48
2005	3,271,000	-0-	3,271,000	1.06%	643.26
2006	3,400,000	-0-	3,400,000	1.02%	646.02
2007	3,300,000	-0-	3,300,000	0.87%	586.88
2008	3,195,000	-0-	3,195,000	0.79%	563.09
2009	3,085,000	-0-	3,085,000	0.74%	529.43
2010	2,970,000	-0-	2,970,000	0.71%	512.51

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

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

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

Source: School District Financial Reports.

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT**  
**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**  
**LAST EIGHT FISCAL YEARS**  
**UNAUDITED**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2003	\$ 3,416,000	\$ -0-	\$ 3,416,000	1.188%	\$ 688.71
2004	3,346,000	-0-	3,346,000	1.124%	671.48
2005	3,271,000	-0-	3,271,000	0.521%	643.26
2006	3,400,000	-0-	3,400,000	0.541%	646.02
2007	3,300,000	-0-	3,300,000	0.491%	586.88
2008	3,195,000	-0-	3,195,000	0.461%	563.09
2009	3,085,000	-0-	3,085,000	0.446%	529.43
2010	2,970,000	-0-	2,970,000	0.427%	512.51

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

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

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

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

Source: School District Financial Reports.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2009  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Mount Arlington	\$ 11,280,137	100.00%	\$ 11,280,137
Morris County General Obligation Debt	255,031,540	0.88%	<u>2,240,047</u>
Subtotal, Overlapping Debt			13,520,184
Borough of Mount Arlington School District Direct Debt			<u>2,970,000</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 16,490,184</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2010

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>
2007	\$ 862,344,299
2008	855,147,827
2009	887,475,703
	<u>\$2,604,967,829</u>
Average Equalized Valuation of Taxable Property	\$ 868,322,610
Debt Limit (3% of Average Equalization Value)	26,049,678 <sup>a</sup>
Net Bonded School Debt	<u>2,970,000</u>
Legal Debt Margin	<u>\$ 23,079,678</u>

	Fiscal Year				
	2004	2005	2006	2007	2008
Debt Limit	\$ 13,134,509	\$ 15,764,013	\$ 18,103,927	\$ 21,180,600	\$ 23,645,119
Total Net Debt Applicable to Limit	<u>3,346,000</u>	<u>3,271,000</u>	<u>3,400,000</u>	<u>3,300,000</u>	<u>3,195,000</u>
Legal Debt Margin	<u>\$ 9,788,509</u>	<u>\$ 12,493,013</u>	<u>\$ 14,703,927</u>	<u>\$ 17,880,600</u>	<u>\$ 20,450,119</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	25.47%	20.75%	18.78%	15.58%	13.51%

	Fiscal Year	
	2009	2010
Debt Limit	\$ 25,365,260	\$ 26,049,678
Total Net Debt Applicable to Limit	<u>3,085,000</u>	<u>2,970,000</u>
Legal Debt Margin	<u>\$ 22,280,260</u>	<u>\$ 23,079,678</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.16%	11.40%

<sup>a</sup> - Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts.

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

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

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income <sup>b</sup></u>	<u>Morris County Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2000	4,705	264,289,260	56,172	3.00%
2001	4,843	273,876,493	56,551	3.70%
2002	4,960	277,680,640	55,984	3.70%
2003	4,983	281,115,945	56,415	5.60%
2004	5,085	309,284,955	60,823	4.50%
2005	5,263	334,753,115	63,605	3.20%
2006	5,623	381,115,694	67,778	3.40%
2007	5,674	406,899,562	71,713	3.40%
2008	5,827	418,448,524	71,812	4.10%
2009	5,795	416,150,540	71,812 *	7.00%

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

Source:

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

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

Employer	2010		2001		Percentage of Total Employment
	Employees	Percentage of Total Employment	Employer	Employees	
Enercon Services, Inc.	100	N/A	N/A	N/A	N/A
Board of Education	80	N/A	N/A	N/A	N/A
Nisivoccia & Company	75	N/A	N/A	N/A	N/A
Mount Arlington Senior Living	70	N/A	N/A	N/A	N/A
MedPro Systems	50	N/A	N/A	N/A	N/A
Borough of Mount Arlington	44	N/A	N/A	N/A	N/A
Courtyard by Marriott	40	N/A	N/A	N/A	N/A
Suburban Consulting Engineers	28	N/A	N/A	N/A	N/A
Benefit Plan Manager Corporation	15	N/A	N/A	N/A	N/A
PNC Bank	7	N/A	N/A	N/A	N/A
	<u>509</u>	<u>N/A</u>		<u>N/A</u>	<u>N/A</u>

N/A - Information not available

Source: Borough Clerk's Office

Exhibit J-16

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

<b><u>Function/Program</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>
<b>Instruction:</b>			
Regular	26.5	25.8	26.0
Special Education	19.2	27.2	21.0
Other Special Instruction	1.5		1.5
<b>Support Services:</b>			
Student & Instruction Related Services	4.9	5.2	4.5
General Administrative Services	1.5	1.5	1.5
School Administrative Services	4.0	4.0	4.0
Central Services	2.0	2.0	2.0
Plant Operations and Maintenance	5.5	5.5	5.5
Pupil Transportation	0.5	0.5	0.5
<b>Total</b>	<b><u>65.6</u></b>	<b><u>71.7</u></b>	<b><u>66.5</u></b>

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

Source: District Personnel Records.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2001	462.5	\$ 6,482,328	\$ 14,016	5.80%	N/A	N/A	N/A	462.5	442.8	2.62%	95.74%
2002	467.9	6,418,175	13,717	-2.13%	N/A	N/A	N/A	467.9	448.3	2.62%	95.81%
2003	447.4	6,761,897	15,114	10.18%	51.0	1:12	N/A	447.4	429.8	2.62%	96.07%
2004	443.8	7,748,199	17,459	15.52%	51.0	1:14	N/A	443.8	415.2	2.62%	93.56%
2005	438.1	8,166,869	18,642	6.77%	51.0	1:14	N/A	438.1	418.3	-1.28%	95.48%
2006	635.0 *	8,744,014	13,770	-26.13%	48.9	1:13	1:11	416.9	400.8	-4.84%	96.14%
2007	616.0 *	9,275,796	15,058	9.35%	47.4	1:11	1:10	407.6	385.7	-2.23%	94.63%
2008	608.0 *	9,639,247	15,854	5.29%	47.2	1:11	1:10	378.9	360.3	-7.04%	95.09%
2009	578.5 *	9,819,931	16,975	7.07%	53.0	1:07	1:08	387.8	370.9	2.35%	95.64%
2010	571.0 *	10,003,914	17,520	3.21%	48.5	1:07	1:08	383.3	364.8	-1.16%	95.17%

\* - Includes High School Enrollment

N/A - Not Available

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

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

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

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

Note: Enrollment based on annual October District count.

Source: Borough of Mount Arlington School District records.

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b><u>District Building</u></b>					
Edith M. Decker School (1975)					
Square Feet	24,094	24,094	24,094	24,094	24,094
Capacity (students)	142	142	142	142	142
Enrollment	N/A	N/A	N/A	110	123
Mount Arlington Public School					
Square Feet	49,138	49,138	49,138	49,138	49,138
Capacity (students)	339	339	339	339	339
Enrollment	N/A	N/A	N/A	334	305
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b><u>District Building</u></b>					
Edith M. Decker School (1975)					
Square Feet	24,094	24,094	24,094	24,094	24,094
Capacity (students)	142	142	142	142	142
Enrollment	108	121	133	127	130
Mount Arlington Public School					
Square Feet	49,138	49,138	49,138	49,138	49,138
Capacity (students)	339	339	339	339	339
Enrollment	302	284	257	248	247
Number of Schools at June 30, 2010					
Elementary = 1					
Middle School = 1					

N/A - Not Available

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

Source: Borough of Mount Arlington School District Facilities Office.

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

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

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Edith M. Decker School	N/A	\$ 24,573	\$ 18,017	\$ 14,255	\$ 24,749	\$ 13,567
Mount Arlington School	N/A	49,891	36,580	27,413	50,477	63,443
Grand Total		<u>\$ 74,464</u>	<u>\$ 54,597</u>	<u>\$ 41,668</u>	<u>\$ 75,226</u>	<u>\$ 77,010</u>

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Edith M. Decker School	N/A	\$ 21,113	\$ 25,906	\$ 29,218	\$ 44,079	\$ 23,550
Mount Arlington School	N/A	67,591	93,407	98,738	53,144	90,845
Grand Total		<u>\$ 88,704</u>	<u>\$ 125,997</u>	<u>\$ 139,954</u>	<u>\$ 97,223</u>	<u>\$ 114,395</u>

N/A - Not Applicable.

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

Source: Mount Arlington Board of Education records.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2010  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
<u>Morris Essex Insurance Group</u>		
Blanket Building and Contents	\$ 13,725,065	\$ 5,000
Comprehensive General Liability	2,000,000	
Umbrella Liability	10,000,000	10,000
Workers' Compensation	5,000,000	
Educator's Liability Fund	1,000,000	10,000
Business Auto	1,000,000	1,000
Student Accident - People's Benefit Life	1,000,000	
Public Officials Bond:		
Board Secretary/Business Administrator	200,000	
Treasurer	200,000	

**SINGLE AUDIT SECTION**



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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Mount Arlington School District, in the County of Morris (the "Board") as of, and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

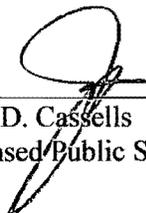
As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

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

Mount Arlington, New Jersey  
November 15, 2010



NISIVOCCIA & COMPANY LLP



---

John D. Cassells  
Licensed Public School Accountant #105



---

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



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

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

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

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

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*; and Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards, Federal OMB Circular A-133, and New Jersey's OMB Circular NJOMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

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

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

### Internal Control Over Compliance

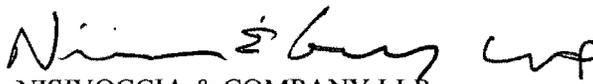
The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control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

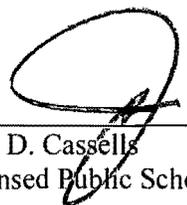
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

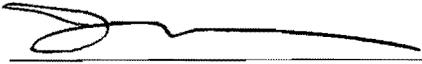
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any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

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

Mount Arlington, New Jersey  
November 15, 2010

  
NISIVOCCIA & COMPANY LLP

  
John D. Cassells  
Licensed Public School Accountant #105

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2009			Cash Received	Budgetary Expenditures	Balance at June 30, 2010		
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Canceled			(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education -													
Passed-through State Department of Education:													
Special Revenue Fund:													
No Child Left Behind:													
Title I	84.010A	NCLB-3410-10	9/1/09	8/31/10	\$ 20,942				\$ 3,697	\$ (20,942)	\$ (17,245)		
Title I	84.010A	NCLB-3410-09	9/1/08	8/31/09	23,335	\$ (1,658)		1,068			(590)		
Title I - ARRA	84.389	NCLB-3410-10	9/1/09	8/31/11	4,697			1,200		(4,697)	(3,497)		
Title IIA	84.367A	NCLB-3410-10	9/1/09	8/31/10	22,181			2,846		(22,181)	(19,335)		
Title IIA	84.367A	NCLB-3410-09	9/1/08	8/31/09	21,835	(3,030)		3,030					
Title IID	84.318X	NCLB-3410-10	9/1/09	8/31/10	209					(209)	(209)		
Title IID	84.318X	NCLB-3410-09	9/1/08	8/31/09	194	(194)		194					
Title III	84.365A	NCLB-3410-10	9/1/09	8/31/10	1,130					(1,130)	(1,130)		
Title III	84.365A	NCLB-3410-09	9/1/08	8/31/09	235	(235)					(235)		
Title III	84.365A	NCLB-3410-08	9/1/07	8/31/08	1,081	(1,083)	\$ 2				(1,081)		
Title IV	84.186A	NCLB-3410-10	9/1/09	8/31/10	776					(776)	(776)		
						(6,200)	2		12,035	(49,935)	(44,098)		
Special Education Cluster:													
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3410-10	9/1/09	8/31/10	125,875			51,738		(125,875)	(74,137)		
I.D.E.A. Part B, Basic Regular - ARRA	84.391	IDEA-3410-10	7/1/09	8/31/11	120,405					(120,405)	(120,405)		
I.D.E.A. Part B, Preschool	84.173	IDEA-3410-10	9/1/09	8/31/10	4,275					(4,275)	(4,275)		
I.D.E.A. Part B, Preschool - ARRA	84.392	IDEA-3410-10	7/1/09	8/31/11	4,354					(4,354)	(4,354)		
Total Special Education Cluster								51,738		(254,909)	(203,171)		
Total U.S. Department of Education						(6,200)	2	63,773		(304,844)	(247,269)		
Total Special Revenue Fund						(6,200)	2	63,773		(304,844)	(247,269)		

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2009			Cash Received	Budgetary Expenditures	Balance at June 30, 2010		
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Canceled			(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Agriculture -													
Passed-through State Department of Education:													
Enterprise Fund													
Child Nutrition Cluster:													
Food Distribution Program	10.555	N/A	7/1/08	6/30/09	\$ 5,552	\$ 953			\$ (953)				
Food Distribution Program	10.555	N/A	7/1/09	6/30/10	4,636			\$ 4,474	(3,683)			\$ 791	
School Breakfast Program	10.553	N/A	7/1/07	6/30/08	3,060	(299)		\$ 299					
School Breakfast Program	10.553	N/A	7/1/08	6/30/09	2,337	(279)		279					
School Breakfast Program	10.553	N/A	7/1/09	6/30/10	2,690			2,403	(2,690)		\$ (287)		
National School Lunch Program	10.555	N/A	7/1/07	6/30/08	22,310	(1,941)		1,941					
National School Lunch Program	10.555	N/A	7/1/08	6/30/09	19,894	(1,928)		1,928					
National School Lunch Program	10.555	N/A	7/1/09	6/30/10	22,104			20,030	(22,104)		(2,074)		
Special Milk Program	10.556	N/A	7/1/07	6/30/08	687	(49)		49					
Special Milk Program	10.556	N/A	7/1/08	6/30/09	540	(63)		63					
Special Milk Program	10.556	N/A	7/1/09	6/30/10	726			660	(726)		(66)		
Total U.S. Department of Agriculture/Child Nutrition Cluster						(3,606)		2,289	29,837	(30,156)	(2,427)	791	
Total Enterprise Fund						(3,606)		2,289	29,837	(30,156)	(2,427)	791	
TOTAL FEDERAL AWARDS						\$ (9,806)	\$ 2	\$ 2,289	\$ 93,610	\$ (335,000)	\$ (249,696)	\$ 791	\$ -0-

N/A - Not Available/Applicable

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2009				Balance at June 30, 2010			MEMO		
		From	To		Budgetary Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received	Canceled	Budgetary Expenditures	GAAP (Accounts Receivable)	Budgetary Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
<b>State Department of Education:</b>														
<b>General Fund:</b>														
Categorical Special Education Aid	09-495-034-5120-089	7/1/08	6/30/09	327,960	\$ (31,810)		\$ 31,810						\$ 327,960	
Categorical Security Aid	09-495-034-5120-084	7/1/08	6/30/09	45,717	(4,434)		4,434						45,717	
Adjustment Aid	09-495-034-5120-085	7/1/08	6/30/09	95,842	(9,296)		9,296						95,842	
Categorical Transportation Aid	09-495-034-5120-014	7/1/08	6/30/09	241,593	(23,434)		23,434						241,593	
Extraordinary Special Education Costs Aid	09-100-034-5120-473	7/1/08	6/30/09	145,957	(87,075)		87,075						145,957	
Nonpublic School Transportation Costs	N/A	7/1/08	6/30/09	4,975	(4,975)		4,975						4,975	
Reimbursed TPAF Social Security Contributions	09-495-034-5095-002	7/1/08	6/30/09	201,789	(9,970)		9,970						201,789	
Categorical Special Education Aid	10-495-034-5120-089	7/1/09	6/30/10	220,922			188,931	\$ (220,922)				\$ (31,991)	220,922	
Categorical Security Aid	10-495-034-5120-084	7/1/09	6/30/10	32,430			27,734	(32,430)				(4,696)	32,430	
Adjustment Aid	10-495-034-5120-085	7/1/09	6/30/10	82,250			70,340	(82,250)				(11,910)	82,250	
Categorical Transportation Aid	10-495-034-5120-014	7/1/09	6/30/10	187,745			160,557	(187,745)				(27,188)	187,745	
Extraordinary Special Education Costs Aid	10-100-034-5120-473	7/1/09	6/30/10	140,421				(140,421)	\$ (140,421)			(140,421)	140,421	
Nonpublic School Transportation Costs	N/A	7/1/09	6/30/10	3,769				(3,769)	(3,769)			(3,769)	3,769	
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09	6/30/10	219,315			208,258	(219,315)	(11,057)			(11,057)	219,315	
<b>Total General Fund State Aid</b>					<b>(170,994)</b>		<b>826,814</b>	<b>(886,852)</b>	<b>(155,247)</b>			<b>(231,032)</b>	<b>1,950,685</b>	
<b>State Department of Education:</b>														
<b>Special Revenue Fund:</b>														
Nonpublic Textbook Aid	10-100-034-5120-064	7/1/09	6/30/10	195			195	(195)					195	
Nonpublic Nursing Aid	10-100-034-5120-070	7/1/09	6/30/10	232			232	(232)					232	
<b>Total Special Revenue Fund</b>							<b>427</b>	<b>(427)</b>					<b>427</b>	
<b>State Department of Agriculture:</b>														
<b>Enterprise Fund:</b>														
State School Lunch Program	08-100-010-3350-023	7/1/07	6/30/08	1,900	(167)		\$ 167						1,900	
State School Lunch Program	09-100-010-3350-023	7/1/08	6/30/09	1,712	(167)		167						1,712	
State School Lunch Program	10-100-010-3350-023	7/1/09	6/30/10	1,719			1,560	(1,719)	(159)			(159)	1,719	
State School Breakfast Program	08-100-010-3350-021	7/1/07	6/30/08	307	(33)			33					307	
State School Breakfast Program	09-100-010-3350-021	7/1/08	6/30/09	266	(32)		32						266	
State School Breakfast Program	10-100-010-3350-021	7/1/09	6/30/10	258				233	(258)	(25)		(25)	258	
<b>Total State Department of Agriculture</b>					<b>(399)</b>		<b>1,759</b>	<b>433</b>	<b>(1,977)</b>	<b>(184)</b>		<b>(184)</b>	<b>6,162</b>	
<b>Total Enterprise Fund</b>					<b>(399)</b>		<b>1,759</b>	<b>433</b>	<b>(1,977)</b>	<b>(184)</b>		<b>(184)</b>	<b>6,162</b>	
<b>TOTAL STATE AWARDS</b>					<b>\$ (171,393)</b>	<b>\$ -0-</b>	<b>\$ 829,000</b>	<b>\$ 433</b>	<b>\$ (889,256)</b>	<b>\$ (155,431)</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ (231,216)</b>	<b>\$ 1,957,274</b>

N/A - Not Available

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

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

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$6,811) for the general fund and \$-0- for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include on-behalf TPAF Non-contributory Insurance and Post Retirement Medical Contributions revenue of \$9,657 and \$181,376 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,071,074	\$ 1,071,074
Special Revenue Fund	\$ 304,844	427	305,271
Food Service Enterprise Fund	30,156	1,977	32,133
Total Financial Assistance	<u>\$ 335,000</u>	<u>\$1,073,478</u>	<u>\$ 1,408,478</u>

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
(Continued)

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5. OTHER**

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major state programs.
- An unqualified report was issued on the District's compliance for major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular NJOMB 04-04.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2010 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's major state program for the current fiscal year consisted of the following:

<u>State:</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Categorical Special				
Education Aid	10-495-034-5120-089	7/1/09-6/30/10	\$ 220,922	\$ 220,922
Categorical Security Aid	10-495-034-5120-084	7/1/09-6/30/10	32,430	32,430
Adjustment Aid	10-495-034-5120-085	7/1/09-6/30/10	82,250	82,250
Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	187,745	187,745

- The threshold for distinguishing Type A and Type B programs was \$300,000.
- The single audit threshold identified in Federal OMB Circular A-133 and New Jersey OMB Circular NJOMB 04-04 was \$500,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Circular.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year ended June 30, 2010 as expenditures for federal awards were less than the single audit threshold of \$500,000 identified in the Circular.

Findings and Questioned Costs for State Awards:

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010

Status of Prior Year Findings:

The District had no prior year audit findings.