

**SCHOOL DISTRICT
OF
BOROUGH OF MAGNOLIA**

**COMPREHENSIVE ANNUAL
Financial Report**

of the

Borough of Magnolia Board of Education

Magnolia, New Jersey

For the Fiscal Year Ended June 30, 2011

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Prepared by

Borough of Magnolia Board of Education

Finance Department

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OF THE BOROUGH OF MAGNOLIA SCHOOL DISTRICT
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INTRODUCTORY SECTION

MAGNOLIA PUBLIC SCHOOL DISTRICT

420 North Warwick Road, Magnolia, New Jersey 08049

Superintendent's Office:
(856) 783-2994, Ext. 825

Business Office:
(856) 783-4763, Ext. 811

Principal's Office:
(856) 783-2994, Ext. 810

Child Study Team Office:
(856) 783-0156, Ext. 820

October 28, 2011

Honorable President and
Members of the Board of Education
Borough of Magnolia School District
Magnolia, New Jersey 08049
Camden County, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Borough of Magnolia School District for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. 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 financial position and results of operations of the various funds and account groups 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 district-wide and fund financial statements and required supplemental information, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, 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 of 1984, P.L. 98-502 as amended by The Single Audit Act Amendments of 1996, P.L. 104-156 and the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* if federal grant expenditures exceed \$500,000 and the state Treasury Circular Letter 04-04 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* if state grant expenditures exceed \$500,000. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

The Borough of Magnolia School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds and account groups of the District are included in this report. The Borough of Magnolia Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular as well as special education programs. The District completed the 2010-2011 fiscal year with an enrollment of 434 students, which is 24 less students than the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2010-11	434	(5.24)%
2009-10	458	(.87)%
2008-09	462	1.95%
2007-08	453	(2.16)%
2006-07	463	(8.64)%
2005-06	503	0.40%
2004-05	501	18.16%
2003-04	424	(0.93)%
2002-03	428	0.71%
2001-02	425	3.41%

2. ECONOMIC CONDITION AND OUTLOOK:

Magnolia Borough is a small municipality comprised of .98 square miles. While basically a residential community, Magnolia does have some limited industrial establishments and commercial activities serving local needs. There is little vacant land, and the majority of that is located in residentially zoned areas. There is a discussion regarding developing an over 55 community.

3. MAJOR INITIATIVES:

The District has set forth the following major initiatives. They are as follows:

1. Refining the development of the professional learning community throughout the grade levels.
2. Providing a bully free environment, with particular emphasis on engaging disengaged students.
3. Raising achievement levels at all grade levels.

4. INTERNAL ACCOUNTING CONTROLS:

Management of the District is responsible for establishing and maintaining an internal control process 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 process is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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 and the special revenue 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, 2011.

6. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements," Note 2.

7. CASH MANAGEMENT:

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

8. RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

9. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board's Audit Committee selected Raymond Colavita, C.P.A., R.M.A., from the accounting firm of Nightlinger, Colavita and Volpa, P.A. 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 of 1996 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10. ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Borough of Magnolia Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the public 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,

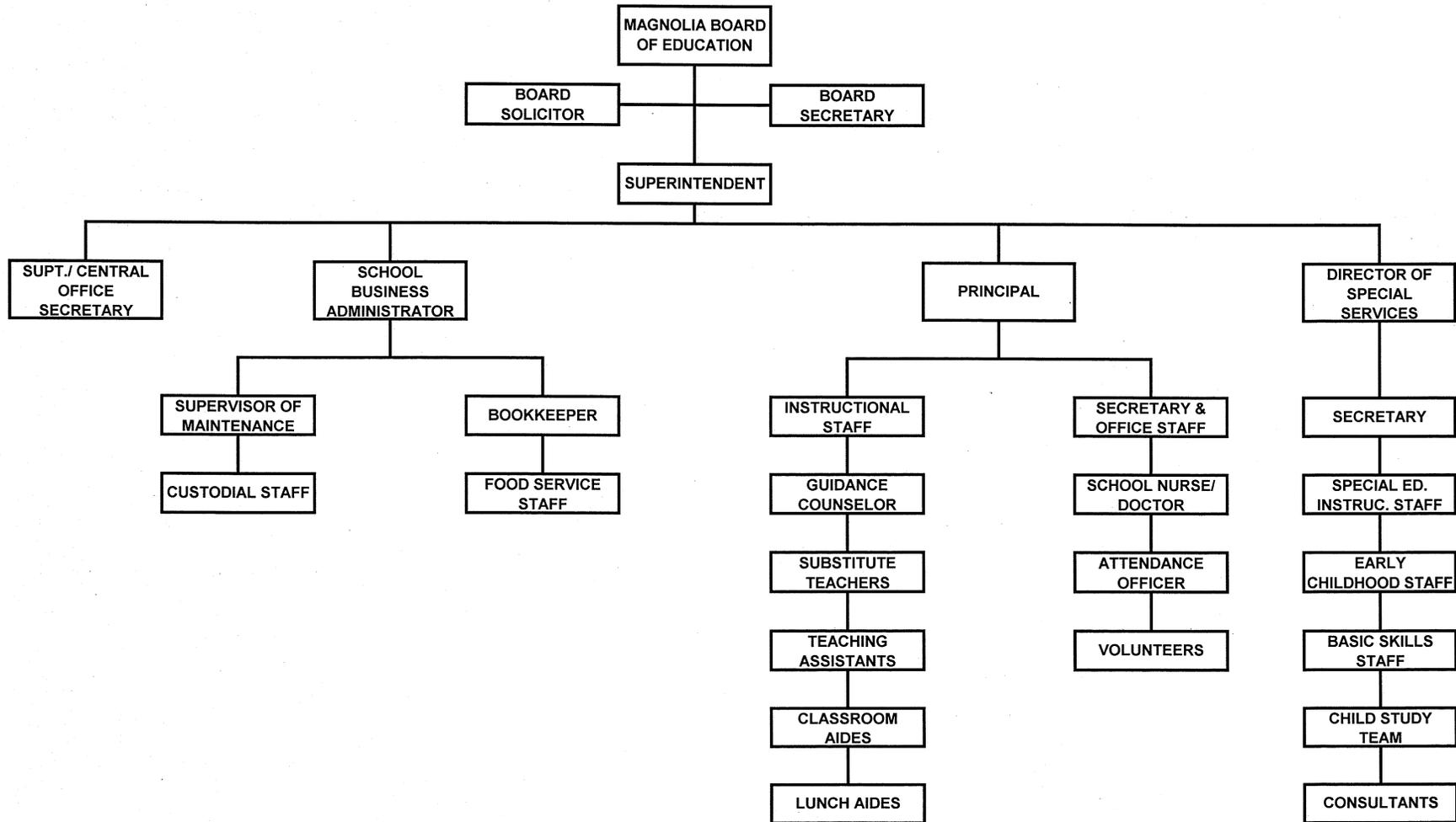


Warren L. Pross, Ed.D.
Superintendent



Nancy Lahe
School Business Administrator/
Board Secretary

**MAGNOLIA PUBLIC SCHOOL DISTRICT
ORGANIZATIONAL CHART
(UNIT CONTROL)**



BOROUGH OF MAGNOLIA SCHOOL DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2011

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Shelly Wilson, President	2012
Kenneth Carman, Vice President	2013
Rebecca DePrince	2012
Rudolph F. Kube	2012
Karen Sorbello	2014
Joyce Albrecht	2014
Marie Lavigne	2013
<u>OTHER OFFICIALS</u>	<u>Amount of Bond</u>
Warren L. Pross, Superintendent	
Robin Sarlo, Treasurer	\$ 170,000
Frank P. Cavallo, Jr. , Solicitor	
Nancy Lane, Business Administrator/Board Secretary	25,000

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
CONSULTANTS AND ADVISORS

AUDIT FIRM

Raymond Colavita, CPA, RMA
Nightlinger, Colavita and Volpa, P. A.
Certified Public Accountants
991 S. Black Horse Pike
P.O. Box 799
Williamstown, New Jersey 08094

ATTORNEY

Frank P. Cavallo, Jr.
Parker, McCay, PA
3 Greentree Centre
7001 Drive West
P.O. Box 974
Marlton, NJ 08053

ARCHITECT

Garrison Architects
14000 F Commerce Parkway
Mt. Laurel, NJ 08054

OFFICIAL DEPOSITORY

Susquehanna Patriot Bank
305 White Horse Pike
Lawnside, NJ 08045

INSURANCE AGENCY

Conner Strong
PO Box 358
Bridgeton, NJ 08302

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245

October 28, 2011

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Magnolia School District
County of Camden, New Jersey 08049

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Magnolia School District in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Magnolia 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; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, An audit also includes assessing the accounting principles used and 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 Borough of Magnolia Board of Education in the County of Camden, State of New Jersey, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the 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 October 28, 2011 on our consideration of the Borough of Magnolia Board of Education's internal control over financial reporting and 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 Governments Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 10 through 17a and 50 through 57 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. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Magnolia Board of Education's, basic financial statements. The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedure 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 information 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.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy For Recipients of Federal Grants, State Grants and State Aid respectively*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

REQUIRED SUPPLEMENTARY INFORMATION – PART I

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
BOROUGH OF MAGNOLIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

UNAUDITED

The discussion and analysis of Borough of Magnolia Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- ❖ General revenues accounted for \$6,248,045 in revenue or 84.6% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,133,159 or 15.4% percent to total revenues of \$7,381,204.
- ❖ Total net assets of governmental activities increased by \$361,498 made up of net increases in cash and receivables. Net Capital assets decreased by \$61,784 in the Governmental Funds and \$1,111 in the Business – Type Activities.
- ❖ The School District had \$7,044,933 of expenses; only \$1,133,159 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily state aid, federal aid and property taxes) of \$6,248,045 were adequate to provide for these programs.
- ❖ The General Fund had \$6,382,975 in revenues and \$6,210,746 in expenditures. The General Fund's balance increased \$188,266 over 2010, with \$16,037 transferred from the capital projects fund. This increase was anticipated by the Board of Education.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Borough of Magnolia School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Borough of Magnolia school district, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School district as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the school district as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- ❖ **Governmental activities** – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ❖ **Business – Type Activities** – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major (all) funds begins on page 20. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore these statements are essentially the same.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a comparative summary of the School District's net assets for the years ended in 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Assets		
Current and Other Assets	\$ 1,083,453	\$ 887,498
Capital Assets, Net	1,148,339	1,211,234
Total Assets	<u>2,231,792</u>	<u>2,098,732</u>
Liabilities		
Long-term Liabilities	154,739	399,378
Other Liabilities	152,745	111,317
Total Liabilities	<u>307,484</u>	<u>510,695</u>
Net Assets		
Invested in Capital Assets, Net of Debt	1,148,339	932,234
Restricted	878,657	634,327
Unrestricted	(102,688)	21,476
Total Net Assets	<u>\$ 1,924,308</u>	<u>\$ 1,588,037</u>

As required by New Jersey Statutes, the unrestricted net assets of the District are not permitted to exceed 2% of total general fund expenditures, after reductions for On-behalf TPAF pension and social security and assets acquired under capital leases. Any excess must be appropriated as budgeted fund balance in the subsequent years' budget. As of June 30, 2011, the District had excess fund balance in the amount of \$568,657, of which \$239,406 will be included in the 2011-2012 budget and \$329,251 will be included in the 2012-2013 budget.

Table 2 shows the changes in net assets from fiscal year's 2011 and 2010.

Table 2
Changes in Net Assets

	2011	2010
Revenues		
Programs Revenues		
Charges for Services	\$ 59,240	\$ 64,208
Operating Grants and Contributions	1,073,919	1,194,831
General Revenues		
Property Taxes	3,241,244	3,241,244
Grants and Entitlements	2,995,847	3,059,088
Other	10,954	72,026
Total Revenues	7,381,204	7,631,397
Program Expenses		
Instruction	2,870,473	3,353,572
Support Services		
Tuition	475,649	284,992
Pupils and Instructional Staff	754,727	782,346
General Administration, School		
Administration, Business	556,412	561,852
Operations and Maintenance of		
Facilities	464,054	506,018
Pupil Transportation	109,576	115,508
Unallocated Employee Benefits	1,587,923	1,519,846
Interest on Long-Term Debt	1,290	17,076
Food Service	163,045	117,949
Other	61,784	61,784
Total Expenses	7,044,933	7,320,943
Increase in Net Assets	\$ 336,271	\$ 310,454

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. The District's total revenues were \$7,381,204 for the fiscal year ended June 30, 2011, of which \$7,243,386 was from governmental activities. Property taxes made up 43.9% percent of revenues for governmental activities for the Borough of Magnolia School District for fiscal year 2011. Federal, state and local grants accounted for 55.1%. The total cost of all program and services was \$7,044,933. Instruction comprises 40.7% of Governmental Activity expenses.

Business-Type Activities

Revenues for the District's business-type activities (food service program) were comprised of charges for services and federal and state reimbursements.

- ❖ Food service expenses exceeded revenues by \$25,227. There was no Board subsidy in the 2010-11 budget.
- ❖ Charges for services represent \$59,240 of revenue. This represents amount paid by patrons for daily food services.
- ❖ Federal and state reimbursements for free and reduced meals were \$78,578.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

	Table 3			
	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>
Instruction	\$ 2,870,473	\$ 2,468,140	\$ 3,353,572	\$ 2,846,028
Support Services				
Tuition	475,649	475,649	284,992	284,992
Pupils and Instructional Staff	754,727	598,204	782,346	620,545
General Administration, School				
Administration, Business	556,412	556,412	561,852	561,852
Operation and Maintenance of Facilities	464,054	464,054	506,018	506,018
Pupil Transportation	109,576	109,576	115,508	115,508
Unallocated Employee Benefits	1,587,923	1,151,438	1,519,846	1,061,756
Interest on Long-Term Debt	1,290	1,290	17,076	17,076
Unallocated Depreciation	61,784	61,784	61,784	61,784
	<u>6,881,888</u>	<u>5,886,547</u>	<u>7,202,994</u>	<u>6,075,559</u>
Total Expenses	\$ 6,881,888	\$ 5,886,547	\$ 7,202,994	\$ 6,075,559

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Extracurricular activities includes expenses related to student activities provided by the School district which are designated to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Other includes unallocated depreciation.

The School District's Funds

Information about the School District's major funds starts on page 20. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general fund, special revenue fund, capital projects and debt service fund presented in the fund-based statements) had total revenues of \$7,243,386 and expenditures of \$7,071,335. The net positive change in fund balance of \$172,051 for the year was anticipated by the Board and shows that the School District was able to meet current operating costs with no urgent need for additional funds.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal year ended June 30, 2011, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2010</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$ 3,252,198	44.90%	\$ (61,072)	-1.93%
State Sources	3,469,716	47.90%	451,213	12.59%
Federal Sources	521,472	7.20%	(646,548)	-126.18%
Total	\$ 7,243,386	100.0%	\$ (256,407)	-3.53%

The decrease in Local Sources is attributed to decreases in tuition of \$53,605 and miscellaneous revenue of \$7,695, offset by an increase in interest earned of \$228.

The increase in State Sources is attributed to increases in the Special Revenue fund of \$138 and overall General Revenues of \$475,909, offset by a decrease in Debt Service Aid of \$24,834,

The decrease in Federal Sources is attributed to decreased special revenue grant awards of \$134,836 and ARRA funds of \$511,712.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2011.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2010</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$ 2,870,473	40.59%	\$ (483,099)	-16%
Undistributed Expenditures	3,913,980	55.35%	164,098	4%
Debt Service:				
Principal	279,000	3.95%	(1,000)	0%
Interest	7,882	0.11%	(15,762)	-40%
Total	\$ 7,071,335	100.00%	\$ (335,763)	-5%

The decrease in Current – Instruction costs is attributed to regular instruction of \$169,891, other instruction of \$114,098, special education instruction of \$93,899 and special revenue grant funds of \$105,211.

The increase in Current – Undistributed Expenditures is attributed to increases in tuition of \$190,657, employee benefits of \$54,396 and capital outlay of \$1,673, offset by decreases in student and instruction related services of \$27,619, administrative services of \$7,113, plant operations and maintenance of \$41,964, and pupil transportation of \$5,932.

Debt Service interest reduction of \$15,762 is due to a decline in outstanding debt principal of \$279,000 as compared to \$280,000 in the prior year.

General Fund Budgeting Highlights

The School District's Budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2011, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

- ❖ Staffing changes based on student needs.
- ❖ Additional costs for student transportation both in regular education and special education.
- ❖ Accounting changes in maintenance and operations
- ❖ Changes in appropriations to prevent budget overruns.

While the District's final budget for the general fund anticipated that revenues and expenditures would roughly equal, the actual results for the year show an increase of \$156,424.

- ❖ Actual revenues were \$30,263 more than expected due to interest on investments of \$5,307, extraordinary aid of \$38,576, Medicaid of \$5,175, offset by declines in miscellaneous revenue of \$10,913, and local tax of \$7,882, excluding on-behalf state aid payments for District pension and social security tax in the amount of \$421,634.
- ❖ The actual expenditures were \$5,576 lower than expected due to favorable balances in various appropriations of \$427,210, offset by on-behalf state aid payments for District pension, healthcare and social security taxes of \$421,634.

Capital Assets

At the end of the fiscal year 2011, the School District had \$1,148,339 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2011 balances compared to 2010

Table 4
Capital Assets (Net of Depreciation) at June 30

	<u>2011</u>	<u>2010</u>
Land	\$ 8,466	\$ 8,466
Site Improvements		
Building and Improvements	1,112,713	1,156,306
Machinery and Equipment	27,160	46,462
	<u> </u>	<u> </u>
Totals	\$ 1,148,339	\$ 1,211,234

Overall capital assets decreased \$62,895 from fiscal year 2010 to fiscal year 2011 due to depreciation expense.

Debt Administration

At June 30, 2011, the School District had \$154,739 as outstanding debt representing compensated absences. At June 30, 2011, the School District's overall legal debt margin was \$8,804,317, of which 100% remains as the unvoted debt margin.

For the Future

The Magnolia School District is presently in fair financial condition. A major concern is the level of enrollment in the district with increased reliance on local property taxes. These future finances are not without challenges, as expenditures continue to grow and state funding is flat.

The school budget has been approved by the voters for the last 4 years. Prior to 4 years ago, budgets had been historically defeated.

The Borough of Magnolia is primarily a residential community, with limited ratables. Thus the tax burden is predominantly borne by the homeowners. During the budget process in the spring, it was a concern to the Administration and Board of Education how future budgets would be financed. The district is closely monitoring administrative costs and the Board of Education, along with the Administration, has conducted a program review of all costs centers in the district.

In conclusion, the Magnolia School District has committed itself to financial prudence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact the School Business Administrator/Board Secretary at Borough of Magnolia Board of Education, 801 Preston Avenue, Somerdale, New Jersey.

BASIC FINANCIAL STATEMENTS

DISTRICT WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 818,138	\$ 46,033	\$ 864,171
Due from Other Governments	181,128	2,891	184,019
Due from Other Funds	12,266		12,266
Inventory		2,618	2,618
Capital assets, Net (Note 6):	1,148,339		1,148,339
Total Assets	<u>2,159,871</u>	<u>51,542</u>	<u>2,211,413</u>
LIABILITIES			
Accounts Payable	111,404	20,166	131,570
Deferred Revenue	55	741	796
Non-current Liabilities (Note 7):			
Due within One Year	8,925		8,925
Due beyond One Year	145,814		145,814
Total Liabilities	<u>266,198</u>	<u>20,907</u>	<u>287,105</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,148,339		1,148,339
Restricted for:			
Other Purposes	878,657		878,657
Unrestricted	(133,323)	30,635	(102,688)
Total Net Assets	<u>\$ 1,893,673</u>	<u>\$ 30,635</u>	<u>\$ 1,924,308</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 2,359,194	\$	402,333	\$ (1,956,861)	\$	(1,956,861)
Special Education	366,351			(366,351)		(366,351)
Other Instruction	144,928			(144,928)		(144,928)
Support Services:						
Tuition	475,649			(475,649)		(475,649)
Student & Instruction Related Services	754,727		156,523	(598,204)		(598,204)
General and Business Administrative Services	236,728			(236,728)		(236,728)
School Administrative Services	183,887			(183,887)		(183,887)
Central Services	135,797			(135,797)		(135,797)
Plant Operations and Maintenance	464,054			(464,054)		(464,054)
Pupil Transportation	109,576			(109,576)		(109,576)
Unallocated Employee Benefits	1,587,923		436,485	(1,151,438)		(1,151,438)
Interest on Long-term Debt	1,290			(1,290)		(1,290)
Unallocated Depreciation	61,784			(61,784)		(61,784)
Total Governmental Activities	6,881,888		995,341	(5,886,547)		(5,886,547)
Business-type Activities:						
Food Service	163,045	59,240	78,578		(25,227)	(25,227)
Total Business-type Activities	163,045	59,240	78,578		(25,227)	(25,227)
Total Primary Government	\$ 7,044,933	\$ 59,240	\$ 1,073,919	(5,886,547)	(25,227)	(5,911,774)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				3,055,746		3,055,746
Property Taxes, Levied for Debt Service, Net				185,498		185,498
Federal and State Aid Not Restricted				2,995,847		2,995,847
Investment Earnings				5,307		5,307
Miscellaneous Other				5,647		5,647
Total General Revenues, Special Items, Extraordinary Items and Transfers				6,248,045		6,248,045
Change in Net Assets				361,498	(25,227)	336,271
Net Assets—Beginning				1,532,175	55,862	1,588,037
Net Assets—Ending				\$ 1,893,673	\$ 30,635	\$ 1,924,308

The accompanying Notes to Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund.

BOROUGH OF MAGNOLIA BOARD OF EDUCATION
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 838,517	\$	\$ 838,517
State Aid Receivable	54,423		54,423
Federal Aid Receivable		126,705	126,705
Due from Other Funds	131,667		131,667
Total Assets	\$ 1,024,607	\$ 126,705	\$ 1,151,312
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 98,806	\$ 12,543	\$ 111,349
Due to Other Funds	20,379	119,401	139,780
Other Accounts Payable	55		55
Deferred Revenue		55	55
Total Liabilities	119,240	131,999	251,239
Fund Balances:			
Restricted For:			
Excess Surplus	329,251		329,251
Maintenance Reserve	90,000		90,000
Emergency Reserve	90,000		90,000
Excess Surplus - Designated for Subsequent Year's Expenditures	239,406		239,406
Committed To:			
Year-End Encumbrances	14,053		14,053
Assigned Fund balance - Designated for Subsequent Year's Expenditures	130,000		130,000
Unassigned, Reported In:			
General Fund	12,657		12,657
Special Revenue Fund (Deficit)		(5,294)	(5,294)
Total Fund Balances	905,367	(5,294)	900,073
Total Liabilities and Fund Balances	\$ 1,024,607	\$ 126,705	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (see Note 6).

1,148,339

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7).

(154,739)

Net Assets of Governmental Activities

\$ 1,893,673

BOROUGH OF MAGNOLIA BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$ 3,055,746	\$	\$	\$ 185,498	\$ 3,241,244
Interest Earned	5,307				5,307
Miscellaneous	1,087	4,560			5,647
Total - Local Sources	3,062,140	4,560		185,498	3,252,198
State Sources	3,315,660	52,832		101,224	3,469,716
Federal Sources	5,175	516,297			521,472
Total Revenues	6,382,975	573,689		286,722	7,243,386
EXPENDITURES					
Current:					
Regular Instruction	1,956,861	402,333			2,359,194
Special Education Instruction	366,351				366,351
Other Instruction	144,928				144,928
Support Services:					
Tuition	475,649				475,649
Student & Instruction Related Services	598,204	156,523			754,727
General Administrative Services	236,728				236,728
School Administrative Services	183,887				183,887
Central Services	134,124				134,124
Plant Operations and Maintenance	464,054				464,054
Pupil Transportation	109,576				109,576
Unallocated Benefits	1,538,711	14,851			1,553,562
Capital Outlay	1,673				1,673
Debt Service				286,882	286,882
Total Expenditures	6,210,746	573,707		286,882	7,071,335
Excess (Deficiency) of Revenues Over Expenditures	172,229	(18)		(160)	172,051
OTHER FINANCING SOURCES (USES)					
Transfer from Capital Projects Fund	16,037		(16,167)	130	
Total Other Financing Sources and Uses	16,037		(16,167)	130	
Net Change in Fund Balances	188,266	(18)	(16,167)	(30)	172,051
Fund Balance—July 1	717,101	(5,276)	16,167	30	728,022
Fund Balance—June 30	\$ 905,367	\$ (5,294)	\$ -	\$ -	\$ 900,073

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF MAGNOLIA BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Total net change in fund balances - governmental funds (from B-2) \$ 172,051

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 capital outlays exceeded depreciation in the period.

Depreciation expense	\$	(61,784)	
Capital outlays			(61,784)

In the statement of activities only the loss on fixed assets is reported.

Repayment of long-term debt 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. 279,000

Payment of accrued interest on long term debt is an expenditure in the government funds, but the payment reduces the liability in the statement of net assets and is not reported in the statement of activities. 6,592

In the statement of activities, certain operating expenses, e.g. compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

(34,361)

Change in net assets of governmental activities (A-2) **\$ 361,498**

BOROUGH OF MAGNOLIA BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-type Activities	
	Enterprise Funds	
	Food Service	Totals
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 25,654	\$ 25,654
Interfund Receivable	20,379	20,379
Accounts Receivable:		
State	79	79
Federal	2,706	2,706
Other	106	106
Inventory	2,618	2,618
Total Current Assets	51,542	51,542
Fixed Assets:		
Furniture, Machinery, & Equipment	55,100	55,100
Less Accumulated Depreciation	(55,100)	(55,100)
Total Fixed Assets		
Total Assets	51,542	51,542
LIABILITIES AND FUND EQUITY:		
Current Liabilities:		
Accounts Payable	20,166	20,166
Deferred Revenue	741	741
Total Current Liabilities	20,907	20,907
Net Assets:		
Invested in Capital Assets Net of Related Debt		
Unrestricted (Deficit)	30,635	30,635
Total Net Assets (Deficit)	\$ 30,635	\$ 30,635

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF MAGNOLIA BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities	
	Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 43,287	\$ 43,287
Daily Sales - Non-reimbursable Programs	15,953	15,953
Total Operating Revenue:	59,240	59,240
Operating Expenses:		
Salaries	49,979	49,979
Management Fee	15,473	15,473
Supplies and Materials	17,135	17,135
Cost of Sales	45,898	45,898
Other Objects	33,449	33,449
Depreciation	1,111	1,111
Total Operating Expenses	163,045	163,045
Operating Income (Loss)	(103,805)	(103,805)
Non-operating Revenues (Expenses):		
State Sources:		
State School Lunch Program	2,015	2,015
Federal Sources:		
National School Breakfast Program	3,804	3,804
National School Lunch Program	63,830	63,830
Food Distribution Program	8,929	8,929
Total Non-operating Revenues (Expenses)	78,578	78,578
Income (Loss) Before Contributions & Transfers	(25,227)	(25,227)
Change in Net Assets (Deficit)	(25,227)	(25,227)
Total Net Assets—Beginning	55,862	55,862
Total Net Assets (Deficit)—Ending	\$ 30,635	\$ 30,635

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF MAGNOLIA BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities	
	Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 59,240	\$ 59,240
Payments to Employees	(49,979)	(49,979)
Payments to Suppliers	(80,300)	(80,300)
	<hr/>	<hr/>
Net Cash Provided by (Used for) Operating Activities	(71,039)	(71,039)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	2,015	2,015
Federal Sources	67,634	67,634
	<hr/>	<hr/>
Net Cash Provided by (Used for) Non-capital Financing Activities	69,649	69,649
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends		
	<hr/>	<hr/>
Net Cash Provided by (Used for) Investing Activities		
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,390)	(1,390)
Balances—Beginning of Year	27,044	27,044
	<hr/>	<hr/>
Balances—End of Year	\$ 25,654	\$ 25,654
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of Operating Income (Loss) to Net Cash Provided		
(Used) by Operating Activities:		
Operating Income (Loss)	\$ (103,805)	\$ (103,805)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Depreciation and Net Amortization	1,111	1,111
(Increase) Decrease in Accounts Receivable, Net	2,384	2,384
(Increase) Decrease in Interfund Receivable		
(Increase) Decrease in Inventories	2,267	2,267
Increase (Decrease) in Accounts Payable	20,166	20,166
Increase (Decrease) in Deferred Revenue	(2,091)	(2,091)
Federal Commodities	8,929	8,929
	<hr/>	<hr/>
Total Adjustments	32,766	32,766
	<hr/>	<hr/>
Net Cash Provided by (Used for) Operating Activities	\$ (71,039)	\$ (71,039)
	<hr/> <hr/>	<hr/> <hr/>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF MAGNOLIA BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Unemployment Compensation Fund</u>	<u>Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 52,385	\$ 2,084	\$ 68,059
Interfunds Receivable - General			
Total Assets	<u>52,385</u>	<u>2,084</u>	<u>68,059</u>
LIABILITIES			
Payroll Deductions Payable			41,643
Accounts Payable			136
Payable to General Fund			12,266
Payable to Student Groups			14,014
Total Liabilities		<u>\$</u>	<u>68,059</u>
NET ASSETS			
Held in Trust for Scholarship Payments		<u>\$ 2,084</u>	
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 52,385</u>		

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF MAGNOLIA BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Fund</u>	<u>Scholarship Fund</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 5,862	\$
Board Contribution	16,000	
Total Contributions	<u>21,862</u>	
Investment Earnings:		
Interest	338	11
Net Investment Earnings	<u>338</u>	<u>11</u>
Total Additions	<u>22,200</u>	<u>11</u>
DEDUCTIONS		
Unemployment Claims	54,877	
Scholarships Paid by Current Fund		150
Total Deductions	<u>54,877</u>	<u>150</u>
Change in Net Assets	(32,677)	(139)
Net Assets—Beginning of the Year	<u>85,062</u>	<u>2,223</u>
Net Assets—End of the Year	<u>\$ 52,385</u>	<u>\$ 2,084</u>

The accompanying Notes to Financial Statements are an
integral part of this statement

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

A. Reporting Entity:

The Borough of Magnolia School District (District) 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. The District provides educational services as authorized by state and federal guidelines.

The Borough of Magnolia School District is a Type II district located in the County of Camden, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. These terms are staggered so that three members' terms expire each year. The District serves an area of .98 square miles. The purpose of the district is to educate students in grades K-8. Students in grades 9-12 are transported to Sterling Regional High School District. The District currently operates one instructional building. The Borough of Magnolia School District had an approximate enrollment at June 30, 2011 of 434 students.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of Borough of Magnolia School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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.

In June 1999, the Governmental Accounting Standards Board (GASB), unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement provides for the most significant change in financial reporting over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments).

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

In addition, the school district has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures* and GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Descriptions*.

A. Basis of Presentation:

The District's basic financial statements consist of District-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

District-wide Statements: The statement of net assets and the statements of activities display information about the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activities of the District at the fiscal year end while the statement of activities presents a comparison between direct expenses and program revenues for each different business-type activity of the District and for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses—expenses of the District related to the administration and support of the District's programs, such as personnel and accounting—are not allocated to programs.
- Program revenues include (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. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

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.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GOVERNMENTAL FUNDS

The focus of governmental fund measurement is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The district reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all 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 the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state 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 revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (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.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd);

GOVERNMENTAL FUNDS (Cont'd)

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.

PROPRIETARY FUNDS

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise Funds - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The District's Enterprise Fund is comprised of the Food Service Fund.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:

Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

FIDUCIARY FUNDS

Fiduciary Funds include Expendable Trust, Nonexpendable Trust and Agency Funds. The measurement focus of the Expendable Trust Funds is the same as for governmental funds. The measurement focus of the Nonexpendable Trust Funds is similar to Proprietary Funds. Agency Funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The following is a description of the Fiduciary Funds of the School District:

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Expendable Trust Fund - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. Expendable Trust Funds include Unemployment Compensation Insurance and the following scholarship funds:

Nonexpendable Trust Fund - A Nonexpendable Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. The District does not maintain a nonexpendable trust fund.

Agency Funds - Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include payroll and student activities funds.

C. Basis of Accounting and Measurement Focus:

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

District-wide, Proprietary and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under the New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Accounting and Measurement Focus (Cont'd):

The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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 in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

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 for approval 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, except for the special revenue fund as described later. 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. A material transfer made to/ (from) budgetary line item was \$165,069 to Instruction – Tuition.

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 legally mandated revenue recognition of the last state aid payment for budgetary purposes only and 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.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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 revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

A reconciliation of the special revenue funds from the budgetary basis of accounting (as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds) to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types is presented on Exhibit C-3.

E. Encumbrances Accounting:

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 revenues 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.

F. Tuition Receivable:

Tuition charges are established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

G. Tuition Payable:

Tuition charges for the fiscal years 2008-09, 2009-10 and 2010-11 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined. District students in Grades 9 through 12 are sent to the Sterling Regional High School District on a tuition basis.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

H. 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.

On district-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method and is expended when used. This includes \$741 in federal commodities on hand at June 30, 2011. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

Inventory in the Food Service Fund at June 30, 2011 consisted of the following:

Food	\$	2,049
Supplies		<u>569</u>
Total	\$	<u><u>2,618</u></u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1986, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

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. Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or when such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the Statement of Net Assets. In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

K. Capital Assets

General fixed assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The general fixed assets acquired or constructed prior to June 30, 2011 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Capital assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported in the statement of Net Assets. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized.

Capital assets are depreciated in the district-wide financial statements using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Building	50
Building Improvements	20
Equipment	5-10

L. Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the 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.

M. Allocation of Indirect Expenses:

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are not reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

N. Comparative Data/Reclassifications:

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain immaterial amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

O. Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

P. Fund Equity:

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

Q. Deferred Revenue:

Deferred revenue in the special revenue fund represents cash that has been received but not yet earned.

R. Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

S. 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.

T. Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

U. 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 expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

V. Revenues – Exchange and Non-exchange 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 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.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income 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 income taxes is recognized in the period in which the income is earned.

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 for 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 non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year-end: property taxes available as an advance, interest, and tuition.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types 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.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity for any discount or premium. 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.

Deposits:

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

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

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

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%. All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives, which have a maturity date no greater than twelve months from the date of purchase.
- c. Bonds of other obligations of the school district.

As of June 30, 2011, cash and cash equivalents in the fund statements of the District consisted of the checking account balances in the total amount of \$986,699.

Custodial Credit Risk

All bank deposits and investments as of the balance sheet date are entirely insured or collateralized by a pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act and are classified as to credit risk by the following three categories described above.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Custodial Credit Risk for deposits is the risk that, in the event of a bank failure, the Districts deposits may not be returned to it. Although the District does not have a formal policy regarding custodial credit risk, as described in Note 1: N.J.S.A. 17:9-41 et. Seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Protection Act.

The Board of Education designates and approves a list of authorized depository institutions based on an evaluation of solicited responses and presentation of GUDPA certifications provided by the financial institutions.

As of June 30, 2011, \$799,251 of the districts bank balance of \$1,049,251 was uninsured and covered by GUDPA.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account may be established by New Jersey school districts for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. A 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 Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, 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. 6A: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 district does not have a capital reserve account.

NOTE 5. TUITION COSTS PAYABLE

The district sends students to the Sterling Regional High School on a tuition basis.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets that are not being Depreciated:				
Land	\$ 8,466			\$ 8,466
Total Capital Assets not being Depreciated	8,466			8,466
Building and Building Improvements	2,318,446			2,318,446
Site Improvements	52,700			52,700
Machinery and Equipment	513,797			513,797
Totals at Historical Cost	2,884,943			2,884,943
Less Accumulated Depreciation for :				
Building and Improvements	(1,162,140)	(43,593)		(1,205,733)
Site Improvements	(52,700)			(52,700)
Equipment	(468,446)	(18,191)		(486,637)
Total Accumulated Depreciation	(1,683,286)	(61,784)		(1,745,070)
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	1,201,657	(61,784)		1,139,873
Government Activities Capital Assets, Net	\$ 1,210,123	\$ (61,784)		\$ 1,148,339
				To A-1
Business-type Activities - Equipment	\$ 55,100			\$ 55,100
Less Accumulated Depreciation	(53,989)	(1,111)		(55,100)
Business-type Activities Capital Assets, Net	\$ 1,111	\$ (1,111)		
Depreciation expense was charged to governmental functions as follows:				
		Unallocated		\$ 61,784

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2011, the following changes occurred in long-term obligations:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year	Long-term Portion
Governmental Activities:						
Bonds payable:						
General Obligation Debt	\$ 279,000		\$ (279,000)			
Total Bonds Payable	834,000		(279,000)			
Other Liabilities:						
Compensated Absences Payable	120,378	\$ 34,361		\$ 154,739	\$ 8,925	\$ 145,814
Total Other Liabilities	\$ 933,101	\$ 34,361	\$ (279,000)	\$ 154,739	\$ 8,925	\$ 145,814

To A-1

A. Bonds Payable -- Bonds are authorized in accordance with State law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds. There was no long-term debt outstanding as of June 30, 2011.

B. Bonds Authorized But Not Issued - As of June 30, 2011, the District had no authorized but not issued bonds.

C. Capital Leases - The District does not have any open capital leases as of June 30, 2011.

NOTE 8. OPERATING LEASES

The District had copier lease commitment under operating lease that expires in 2013. Minimum future lease payments are as follows:

Year ending June 30,	Amount
2012	\$ 25,320
2013	10,550
	\$ 35,870

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9. PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund 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 District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified. Members contribute at a uniform rate.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service, or under the disability provision of the System. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9. PENSION PLANS (CONT'D)

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for a 12 month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits (COLA) after 24 months of retirement.

Significant Legislation - During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 2000, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for TPAF and PERS were reduced. Chapter 415, P.L. 1999 provides for a reduction in this rate of 3% for the calendar years 2000 and 2001 and for a contribution rate reduction of up to 2% of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce the normal contributions made to the system by the State and local employers in a fiscal year beginning immediately prior to a calendar year. Where a contribution is required from the Board of Education, the board is billed annually for its normal contribution plus any accrued liability. There is no accrued liability for the Public Employees' Retirement System as of June 30, 2011 since the requirements were fully funded by the State.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a non-contributing employer of the TPAF.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 62,419	100 %	\$ 62,419
6/30/10	48,911	100	48,911
6/30/09	44,256	100	44,256

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9. PENSION PLANS (CONT'D)

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 201,421	100 %	\$ 0
6/30/10	188,714	100	0
6/30/09	179,912	100	0

During the fiscal year ended June 30, 2011, the State of New Jersey contributed \$9,057 to the TPAF for Non-Contributory Insurance, \$192,364 for post-retirement benefits and nothing for normal costs on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$220,213 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount, which is not required to be budgeted, has been included in the basic financial statements, and the combining and individual fund statements and schedules as a revenue and expenditure in accordance with GASB 27.

NOTE 10. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L.1994, c62.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2011.

NOTE 11. DEFERRED COMPENSATION

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

- American Express
- Lincoln Investment Planning
- Thomas Seeley Agency, Inc.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 12. COMPENSATED ABSENCES

The District accounts for compensated absences 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 who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. Upon retirement and who have not less than ten (10) years of service in the District, the District shall pay the employee for unused sick leave in accordance with the Districts' agreements with the various employee unions. Vacation days not used during the year may only be carried forward with approval from the Superintendent.

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.

NOTE 13. 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.

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and prior two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$ 16,338	\$ 5,862	\$ 54,877	\$ 52,385
2009-2010	5,386	6,352	9,252	85,062
2008-2009	5,386	4,799	3,682	87,568

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 131,667	\$ 20,379
Special Revenue Fund		119,401
Enterprise Fund	20,379	
Payroll Fund		12,266
Total	<u>\$ 152,046</u>	<u>\$ 152,046</u>

NOTE 15. FUND BALANCE APPROPRIATED

General Fund - Of the \$905,367 General Fund balance at June 30, 2011, \$14,053 is reserved for encumbrances; \$568,657 is reserved for excess surplus in accordance with N.J.S.A. 18A:7F-7 (\$239,406 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2012); \$90,000 represents emergency reserve; \$90,000 represents maintenance reserve; \$130,000 has been appropriated and included as anticipated revenue for the year ending June 30, 2011; and \$12,657 represents unreserved and undesignated Fund Balance.

NOTE 16. DEFICIT FUND BALANCES

The District has a deficit fund balance of \$0 in the General Fund and (\$5,294) in the Special Revenue Fund of as of June 30, 2011 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school year, districts must record the last state aid payment as revenue, for budgeted purposes only, in the current 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 state aid payment in the subsequent fiscal year, the school district cannot recognize the last state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payment, the General and Special Revenue Fund balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, undesignated general or special revenue fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District's General Fund Balance deficit is less than the last two state aid payments and the Special Revenue Fund deficit in the GAAP funds statements of (\$5,294) is equal to the last two state aid payments.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 17. CALCULATION OF EXCESS SURPLUS

In accordance with *N.J.S.A.* 18A:7F-7, as amended, 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 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 years' budget. At June 30, 2011, there is an excess fund balance, which has not been anticipated as revenue in the 2011-12 budget in the amount of \$329,251. This amount must be budgeted in the 2012-13 budget.

NOTE 18. LITIGATION

The District is from time to time involved in claims and lawsuits incidental to its operations. Per confirmation by the District's legal counsel, there are no pending litigations, claims, assessments of contingent liability against the District.

End of Notes to Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF MAGNOLIA BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Adjustments Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 3,063,628	\$	\$ 3,063,628	\$ 3,055,746	\$ (7,882)
Interest on Investments				5,307	5,307
Miscellaneous	12,000		12,000	1,087	(10,913)
Total - Local Sources	3,075,628		3,075,628	3,062,140	(13,488)
State Sources:					
Extraordinary Aid					
Categorical Special Education	31,169	196,185	227,354	227,354	
Equalization Aid	2,792,439	(196,185)	2,596,254	2,596,254	
Extraordinary Aid				38,576	38,576
On-Behalf TPAF Non-contributory Ins. (non-budgeted)				9,057	9,057
On-Behalf TPAF Postretirement Contributions (non-budgeted)				192,364	192,364
Reimbursement TPAF Social Security (non-budgeted)				220,213	220,213
Total - State Sources	2,823,608		2,823,608	3,283,818	460,210
Federal Sources:					
Medicaid Program				5,175	5,175
				5,175	5,175
TOTAL REVENUES	5,899,236		5,899,236	6,351,133	451,897
EXPENDITURES:					
Current Expense:					
Instruction - Regular Programs:					
Salaries of Teachers:					
Preschool	26,904	(12,927)	13,977	10,327	3,650
Kindergarten	153,965	83,144	237,109	228,953	8,156
Grades 1-5	954,406	88,854	1,043,260	1,042,562	698
Grades 6-8	580,302	23,411	603,713	576,255	27,458
Home Instruction:					
Salaries of Teachers	2,500	(672)	1,828	805	1,023
Purchased Professional - Educational Services		7,924	7,924	5,996	1,928
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	59,111	(59,111)			
Purchased Professional - Educational Services	6,000		6,000	856	5,144
Purchased Technical Service	8,250	(1,910)	6,340	257	6,083
Other Purchased Services	35,000		35,000	14,374	20,626
General Supplies	77,701	8,295	85,996	69,016	16,980
Textbooks	10,000	(1,850)	8,150	7,460	690
Other Objects	1,500	(1,487)	13		13
Total Regular Programs	1,915,639	133,671	2,049,310	1,956,861	92,449
Special Education - Learning and/or Language Disabilities					
Salaries of Teachers	7,500	201	7,701	7,701	
General Supplies	500	(500)			
Total Learning and/or Language Disabilities	8,000	(299)	7,701	7,701	

BOROUGH OF MAGNOLIA BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Adjustments Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES: (Continued)					
Resource Room:					
Salaries of Teachers	\$ 278,628	\$ 6,902	\$ 285,530	\$ 258,633	\$ 26,897
Other Salaries for Instruction	35,898	49,190	85,088	81,772	3,316
General Supplies	2,000	(956)	1,044	1,043	1
Textbooks	500	(500)			
Total Resource Room	317,026	54,636	371,662	341,448	30,214
Special Education - Preschool Disabilities - Full Time					
Salaries of Teachers	59,840	(59,357)	483	483	
Other Salaries for Instruction	18,648	(3,764)	14,884	14,538	346
General Supplies	1,500	(424)	1,076	1,000	76
Total Preschool Disabilities - Fulltime	79,988	(63,545)	16,443	16,021	422
Special Education - Home Instruction					
Salaries of Teachers	2,000	(819)	1,181	1,181	
Other Purchased Services (400-500 Series)	500	(500)			
Total Special Ed. Home Instruction	2,500	(1,319)	1,181	1,181	
TOTAL SPECIAL EDUCATION - INSTRUCTION	407,514	(10,527)	396,987	366,351	30,636
Basic Skills/Remedial - Instruction					
Salaries of Teachers	198,390	(99,427)	98,963	96,984	1,979
General Supplies	500	(500)			
Total Basic Skills/Remedial - Instruction	198,890	(99,927)	98,963	96,984	1,979
Bilingual Education - Instruction:					
Salaries of Teachers	25,250	660	25,910	23,910	2,000
Other Purchased Services (400-500 Series)	4,000	(4,000)			
General Supplies	250		250		250
Textbooks	500	(500)			
Total Bilingual Education - Instruction	30,000	(3,840)	26,160	23,910	2,250
School Sponsored Co curricular Activities:					
Salaries		20,537	20,537	20,438	99
Supplies and Materials		162	162		162
Total School Sponsored Co curricular Activities		20,699	20,699	20,438	261
School - Sponsored Athletics - Instruction					
Salaries		1,750	1,750	1,275	475
Supplies and Materials		2,071	2,071	2,071	
Other Objects		500	500	250	250
Total School Sponsored Athletics		4,321	4,321	3,596	725
Total Instruction	2,552,043	44,397	2,596,440	2,468,140	128,300
Undistributed Expenditures:					
Instruction:					
Tuition - Other LEAs Within the State - Regular	26,000	32,057	58,057	51,773	6,284
Tuition - Other LEAs Within the State - Special		40,064	40,064	36,198	3,866
Tuition - CSSD and Regional Day Schools	100,260	(21,000)	79,260	77,065	2,195
Tuition to Private Schools for Handicapped within State	378,255	(7,900)	370,355	310,613	59,742
Total Undistributed Expenditures - Instruction	504,515	43,221	547,736	475,649	72,087

BOROUGH OF MAGNOLIA BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Adjustments Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES: (Continued)					
Undistributed Expenditures: (Continued)					
Attendance and Social Work Services:					
Salaries	\$ 4,943	\$	\$ 4,943	\$ 4,753	\$ 190
Total Attendance and Social Work Services	4,943		4,943	4,753	190
Health Services:					
Salaries	79,118	(4,624)	74,494	74,150	344
Purch Prof/ Tech Services	7,000	(2,175)	4,825	3,884	941
Other Purchased Services (400-500 Series)	300		300		300
Supplies and Materials	4,000	(1,867)	2,133	980	1,153
Other Objects	200		200	85	115
Total Health Services	90,618	(8,666)	81,952	79,099	2,853
Other Support Services - Students - Related Services:					
Salaries	73,280		73,280	70,626	2,654
Purchased Professional - Educational Services	100,000	7,083	107,083	106,581	502
Supplies and Materials	300	1,600	1,900	1,900	
Total Other Support Services - Student Related Services	173,580	8,683	182,263	179,107	3,156
Other Support Services - Students - Extraordinary Services:					
Salaries	36,176	11,312	47,488	45,519	1,969
Total Other Support Services- Students - Extraordinary Services	36,176	11,312	47,488	45,519	1,969
Other Support Services - Students Regular:					
Salaries of Other Professional Staff	63,544	(1,971)	61,573	61,573	
Other Purchased Prof. And Tech. Services	1,800		1,800		1,800
Other Purchased Services (400-500 Series)	1,000	(455)	545	129	416
Supplies and Materials	1,500		1,500		1,500
Total Other Support Services - Regular	67,844	(2,426)	65,418	61,702	3,716
Other Support Services - Students Special:					
Salaries of Other Professional Staff	129,034	9,662	138,696	138,109	587
Salaries of Secretarial and Clerical Assistants	23,217	540	23,757	23,254	503
Purchased Professional - Educational Services	26,000	(6,043)	19,957	800	19,157
Other Purchased Prof. And Tech. Services	2,000		2,000		2,000
Miscellaneous Purchased Services	1,250		1,250	34	1,216
Supplies and Materials	4,000		4,000	2,179	1,821
Total Other Support Services - Special	185,501	4,159	189,660	164,376	25,284
Improvement of Instruction Services/Other Support Services:					
Salaries of Supervisors of Instruction	12,050	311	12,361	12,154	207
Salaries of Other Professional Staff		3,000	3,000	3,000	
Salaries of Secretarial and Clerical Assistants	6,695		6,695	6,437	258
Other Purchased Prof. And Tech. Services	100		100		100
Other Purchased Services (400-500 Series)	4,000	(2,467)	1,533	29	1,504
Supplies and Material	200		200		200
Total Improvement of Instruction Services/Other Support Services	23,045	844	23,889	21,620	2,269
Educational Media Services/School Library:					
Salaries	37,684		37,684	37,495	189
Purchased Professional and Technical Services	2,200		2,200		2,200
Other Purchased Services (400-500 Series)	3,000		3,000	480	2,520
Supplies and Materials	2,500		2,500	1,645	855
Total Educational Media Services/School Library:	45,384		45,384	39,620	5,764

BOROUGH OF MAGNOLIA BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Adjustments Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES: (Continued)					
Undistributed Expenditures: (Continued)					
Instructional Staff Training Services:					
Other Salaries	\$ 1,500		\$ 1,500		\$ 1,500
Purchased Professional - Educational Services	750		750	331	419
Other Purchased Services (400-500 Series)	5,000		5,000	2,077	2,923
Supplies and Materials	500		500		500
Total Instructional Staff Training Services	7,750		7,750	2,408	5,342
Support Services General Administration:					
Salaries	155,962		155,962	154,186	1,776
Legal Services	40,000		40,000	25,492	14,508
Audit Fees	15,500		15,500	15,273	227
Other Purchased Professional Services	7,000	(2,000)	5,000		5,000
Communications/Telephone	26,637		26,637	23,946	2,691
BOE Other Purchased Services	4,500		4,500		4,500
Other Purchased Services (400-500 Series)	25,000	(4,636)	20,364	11,495	8,869
General Supplies	4,000	(240)	3,760	681	3,079
BOE In-House Training/Meeting Supplies	500	(238)	262	261	1
Miscellaneous Expenditures	3,000	2,239	5,239	1,654	3,585
BOE Membership Dues and Fees	3,500	240	3,740	3,740	
Total Support Services General Administration	285,599	(4,635)	280,964	236,728	44,236
Support Services School Administration:					
Salaries of Principals/Assistant Principals	75,024	(523)	74,501	74,501	
Salaries of Secretarial and Clerical Staff	70,599	502	71,101	71,101	
Purchased Prof. And Tech. Services	7,800	4,965	12,765	12,765	
Other Purchased Services (400-500 Series)	12,750	(1,000)	11,750	11,724	26
Supplies and Materials	6,500	207	6,707	6,567	140
Other Objects	4,500	2,733	7,233	7,229	4
Total Support Services School Administration	177,173	6,884	184,057	183,887	170
Support Services Central Services					
Purchased Professional Services	123,420		123,420	123,292	128
Purchased Technical Services	12,500	(2,500)	10,000	9,584	416
Miscellaneous Purchased Services (400-500 series)	750	(372)	378		378
Supplies and Materials	750	625	1,375	1,148	227
Miscellaneous Expenditures	500		500	100	400
Total Support Services Central Services	137,920	(2,247)	135,673	134,124	1,549
Required Maintenance for School Facilities:					
Cleaning, Repair, and Maintenance Services	36,000	32,161	68,161	67,399	762
General Supplies	6,000	(3,825)	2,175	1,632	543
Total Required Maintenance for School Facilities:	42,000	28,336	70,336	69,031	1,305

BOROUGH OF MAGNOLIA BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Adjustments Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
EXPENDITURES: (Continued)					
Undistributed Expenditures: (Continued)					
Other Operation and Maintenance of Plant:					
Salaries	\$ 163,719	\$ 18,296	\$ 182,015	\$ 181,926	\$ 89
Purchased Prof. And Tech. Services	7,000	5,611	12,611	12,611	
Cleaning, Repair, and Maintenance Services	32,000	(16,956)	15,044	14,254	790
Other Purchased Property Services	8,000	362	8,362	8,347	15
Insurance	32,046	(6,195)	25,851	25,744	107
Miscellaneous Purchased Services	500	(260)	240		240
General Supplies	28,000	(3,427)	24,573	23,346	1,227
Energy (Electricity)	80,300		80,300	59,000	21,300
Energy (Natural Gas)	115,500	(15,544)	99,956	69,795	30,161
Other Operation and Maintenance of Plant	467,065	(18,113)	448,952	395,023	53,929
Total Operations and Maintenance of Plant Services	509,065	10,223	519,288	464,054	55,234
Undistributed Expenditures - Student Transportation Services:					
Management Fee - Ect & CTSA Transportation Program	4,650		4,650	3,182	1,468
Contracted Services (Home/school) - Vendors	7,000		7,000	165	6,835
Contracted Services (Other than Bet Home/School)-Vendors	12,199		12,199	175	12,024
Contracted Services - (Spec. Ed Students) - ESCs & CTSA's	107,642		107,642	106,054	1,588
Other Objects	500		500		500
Total Student Transportation Services	131,991		131,991	109,576	22,415
Unallocated Benefits					
Social Security Contributions	66,968		66,968	52,651	14,317
Other Retirement Contributions - PERS	39,631	22,788	62,419	62,419	
Unemployment Compensation	16,000		16,000	16,000	
Workers Compensation	68,422	(16,000)	52,422	48,056	4,366
Health Benefits	943,619	(43,783)	899,836	893,012	6,824
Tuition Reimbursement	22,500	(645)	21,855	8,609	13,246
Other Employee Benefits	6,000	30,330	36,330	36,330	
Total Unallocated Benefits:	1,163,140	(7,310)	1,155,830	1,117,077	38,753
On-Behalf TPAF Non-contributory Ins. (non-budgeted)				9,057	(9,057)
On-Behalf TPAF Postretirement Contributions (non-budgeted)				192,364	(192,364)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				220,213	(220,213)
Total Undistributed Expenditures	3,544,244	60,042	3,604,286	3,740,933	(136,647)
TOTAL EXPENDITURES - CURRENT EXPENSE	6,096,287	104,439	6,200,726	6,209,073	(8,347)

BOROUGH OF MAGNOLIA BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Adjustments Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
CAPITAL OUTLAY:					
Interest Deposit to Capital Reserve	\$	\$	\$	\$	\$
Undistributed Expenditures:					
Undistributed Instructional Equipment		13,923	13,923		13,923
Total Equipment		13,923	13,923		13,923
Facilities Acquisition and Construction Services:					
Operation and Maintenance of Plant Services	1,673		1,673	1,673	
Total Facilities Acquisition and Construction Services	1,673		1,673	1,673	
TOTAL CAPITAL OUTLAY	1,673	13,923	15,596	1,673	13,923
TOTAL EXPENDITURES	6,097,960	118,362	6,216,322	6,210,746	5,576
Excess (Deficiency) of Revenues and Other Over (Under) Expenditures	(198,724)	(118,362)	(317,086)	140,387	457,473
Other Financing Sources (Uses):					
Transfer from Capital Projects Fund				16,037	16,037
Total Other Financing Sources				16,037	16,037
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(198,724)	(118,362)	(317,086)	156,424	473,510
Fund Balances, July 1	1,024,862		1,024,862	1,024,862	
Fund Balances, June 30	\$ 826,138	\$ (118,362)	\$ 707,776	\$ 1,181,286	\$ 473,510
<u>RECAPITULATION :</u>					
Fund Balances:					
Restricted Fund Balance:					
Excess Surplus				\$ 329,251	
Maintenance Reserve				90,000	
Emergency Reserve				90,000	
Excess Surplus - Designated for Subsequent Year's Expend.				239,406	
Committed Fund Balance:					
Year-End Encumbrances				14,053	
Assigned Fund Balance:					
Designated for Subsequent Years Expenditures				130,000	
Unassigned Fund Balance					
				288,576	
				1,181,286	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(275,919)	
Fund Balance per Governmental Funds (GAAP)				\$ 905,367	

**BOROUGH OF MAGNOLIA BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 52,850	\$	\$ 52,850	\$ 52,850	\$
Federal Sources	473,105	97,206	570,311	532,826	37,485
Local		4,560	4,560	4,560	
Total Revenues	<u>525,955</u>	<u>101,766</u>	<u>627,721</u>	<u>590,236</u>	<u>37,485</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	152,019	54,017	206,036	194,856	11,180
Purchased Professional & Technical Services - Other	218	1,878	2,096	1,839	257
Other Purchased Services	118,963	20,070	139,033	139,033	
General Supplies	55,465	13,731	69,196	66,605	2,591
Total Instruction	<u>326,665</u>	<u>89,696</u>	<u>416,361</u>	<u>402,333</u>	<u>14,028</u>
Support Services					
Personal Services - Salaries	54,940	35,507	90,447	80,212	10,235
Personal Services - Employee Benefits	33,113	(18,262)	14,851	14,851	
Purchased Professional and Technical Services	37,327	(3,816)	33,511	23,511	10,000
Purchase Professional / Educational Services	51,266	8,551	59,817	57,061	2,756
Other Purchased Services	3,510	(768)	2,742	2,742	
Travel	18,834	(15,128)	3,706	3,405	301
Supplies and Materials		6,286	6,286	6,121	165
Other Objects	300	(300)			
Total Support Services:	<u>199,290</u>	<u>12,070</u>	<u>211,360</u>	<u>187,903</u>	<u>23,457</u>
Facilities Acquisition and Construction Services:					
Buildings					
Instructional Equipment					
Non-instructional Equipment					
Total Facilities Acquisition and Construction Services					
Total Expenditures	<u>525,955</u>	<u>101,766</u>	<u>627,721</u>	<u>590,236</u>	<u>37,485</u>
Other Financing Sources (Uses)					
Total Outflows	<u>525,955</u>	<u>101,766</u>	<u>627,721</u>	<u>590,236</u>	<u>37,485</u>
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	\$	\$	\$	\$	\$

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF MAGNOLIA BOARD OF EDUCATION
BUDGET-TO-GAAP RECONCILIATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

	<u>Ref.</u>	<u>General Fund</u>	<u>Ref.</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	\$ 6,351,133	[C-2]	\$ 590,236
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.				
Prior Year				(16,529)
Current Year				
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		307,761		5,276
State aid payment recognized for budgetary purposes, not recognized for GAAP statements		(275,919)		(5,294)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	\$ <u>6,382,975</u>	[B-2]	\$ <u>573,689</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 6,210,746	[C-2]	\$ 590,236
Differences - budget to GAAP				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.				
Prior Year				(16,529)
Current Year				
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes Net transfers (outflows) to capital project fund and food service fund.				
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	\$ <u>6,210,746</u>	[B-2]	\$ <u>573,707</u>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
SPECIAL REVENUE FUND - BUDGETARY BASIS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

	<u>Title I A</u>	<u>Title II A</u>	<u>Title II D</u>	<u>Title IV CO</u>	<u>Year #3 Include Grant</u>	<u>Year #4 Include Grant</u>
REVENUES:						
State Sources	\$	\$	\$	\$	\$	\$
Federal Sources	88,529	25,829	181	2,798	27,274	208,942
Local Sources						
Total Revenues	88,529	25,829	181	2,798	27,274	208,942
EXPENDITURES:						
Instruction:						
Salaries of Teachers	85,000			2,798	20,324	4,820
Purch Prof/Tech Services						
Other Purchased Services						
General Supplies	3,529				842	59,296
Other Objects						
Total Instruction	88,529			2,798	21,166	64,116
Support Services:						
Personal Services - Salaries		25,000			2,444	52,768
Personal Services - Employee Benefits						8,249
Purchase Professional/Tech Services			181			23,330
Purchase Professional/Educational Services					3,594	53,467
Other Purchased Services						2,742
Travel					70	3,335
Supplies and Materials		829				935
Other Objects						
Total Support Services		25,829	181		6,108	144,826
Facilities Acquisition/Construction:						
Instructional Equipment						
Total Facilities Acquisition/Construction						
Total Expenditures	\$ 88,529	\$ 25,829	\$ 181	\$ 2,798	\$ 27,274	\$ 208,942

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
SPECIAL REVENUE FUND - BUDGETARY BASIS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

	I.D.E.A. Part B Basic	I.D.E.A. Part B Preschool	ARRA Title I	Preschool Education	NJSBIG Safety Grant	TOTALS	
						2011	2010
REVENUES:							
State Sources	\$	\$	\$	\$ 52,850	\$	\$ 52,850	\$ 52,850
Federal Sources	135,205	7,291	36,777			532,826	661,064
Local Sources					4,560	4,560	4,840
Total Revenues	135,205	7,291	36,777	52,850	4,560	590,236	718,754
EXPENDITURES:							
Instruction:							
Salaries of Teachers		3,666	32,000	46,248		194,856	188,320
Purch Prof/Tech Services			1,839			1,839	257
Other Purchased Services	135,205	3,625			203	139,033	254,932
General Supplies			2,938			66,605	63,473
Other Objects							
Total Instruction	135,205	7,291	36,777	46,248	203	402,333	506,982
Support Services:							
Personal Services - Salaries						80,212	54,475
Personal Services - Employee Benefits				6,602		14,851	39,478
Purchase Professional/Tech Services						23,511	50,528
Purchase Professional/Educational Services						57,061	38,011
Other Purchased Services						2,742	4,962
Travel						3,405	19,677
Supplies and Materials					4,357	6,121	4,343
Other Objects							298
Total Support Services				6,602	4,357	187,903	211,772
Facilities Acquisition/Construction:							
Instructional Equipment							
Total Facilities Acquisition/Construction							
Total Expenditures	\$ 135,205	\$ 7,291	\$ 36,777	\$ 52,850	\$ 4,560	\$ 590,236	\$ 718,754

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

DISTRICT-WIDE TOTAL

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 46,248	\$ 46,248	\$
	<hr/>	<hr/>	
Total Instruction	46,248	46,248	
	<hr/>	<hr/>	
Support Services:			
Employee Benefits	6,602	6,602	
	<hr/>	<hr/>	
Total Support Services	6,602	6,602	
	<hr/>	<hr/>	
Facilities Acquisition/ Construction:			
Instructional Equipment			
	<hr/>	<hr/>	
Total Expenditures	\$ 52,850	\$ 52,850	\$
	<hr/> <hr/>	<hr/> <hr/>	

CALCULATION OF BUDGET AND CARRYOVER

Total 2010-11 Preschool Education Aid Allocation	\$ 52,850	(1)
Actual ECPA Carryover (June 30, 2010)		(2)
Add: Actual Transfer from General Fund 2010-11		
	<hr/>	
Total Preschool Education Aid Funds Available for 2010-11 Budget	52,850	(3)
Less: 2009-10 Budgeted Preschool Education Aid (Including Prior Year Budgeted Carryover)	(52,850)	(4)
	<hr/>	
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2011	-	(5)
Add: 2010-11 Unexpended Preschool Education Aid	-	(6)
	<hr/>	
2010-11 Carryover - Preschool Education Aid	-	(7)
	<hr/> <hr/>	
2010-11 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2011-2012	\$	(8)
	<hr/> <hr/>	

CAPITAL PROJECTS FUND DETAIL STATEMENT

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Project Title/Issue</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Cancellation</u>	<u>Unexpended Balance June 30, 2010</u>
			<u>Prior Years</u>	<u>Current Year</u>		
Security Upgrades to School Facilities	3-Jun-05	\$ 40,000	\$ 23,833	\$	\$ 16,167	\$ -

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Revenues and Other Financing Sources

State Sources - SCC Grant	\$	
Miscellaneous		
Transfer from Capital Outlay		
Total Revenues		

Expenditures and Other Financing Uses

Purchased Professional & Technical Services		
Land and Improvements		
Construction Services		
Equipment		
Total Expenditures		

Excess (Deficiency) of Revenues Over (Under) Expenditures

Fund Balance - Beginning 16,167

Less: Cancellation (16,167)

Fund Balance - Ending \$ -

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
SECURITY UPGRADES TO SCHOOL FACILITIES
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Prior</u>	<u>Current</u>	<u>Totals</u>	<u>Revised</u>
	<u>Periods</u>	<u>Year</u>	<u>Totals</u>	<u>Authorized</u>
				<u>Cost</u>
Revenues and Other Financing Sources				
State Sources - SCC Grant	\$	\$	\$	\$
Miscellaneous				
Transfer from Capital Outlay	40,000		40,000	23,833
	40,000		40,000	23,833
Total Revenues	40,000		40,000	23,833
Expenditures and Other Financing Uses				
Purchased Professional & Technical Services				
Land and Improvements				
Construction Services				
Equipment	23,833		23,833	23,833
	23,833		23,833	23,833
Total Expenditures	23,833		23,833	23,833
Less: Cancellation	(16,167)		(16,167)	
	(16,167)		(16,167)	
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$	\$	\$	\$
	(16,167)		(16,167)	
Additional Project Information:				
Project Number		2890-050-05-1400		
Grant Date		N/A		
Bond Authorization Date		N/A		
Bonds Authorized	\$	-		
Original Authorized Cost		40,000		
Additional Authorized Cost		(16,167)		
Revised Authorized Cost	\$	23,833		
Percentage Increase over Original				
Authorized Cost		0%		
Percentage Completion		100%		
Original Target Completion Date		June 2006		
Revised Target Completion Date		N/A		

PROPRIETARY FUND DETAIL STATEMENTS

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the district’s board is that the costs of providing goods or services be financed through user charges.

Food Services Fund – This fund provides for the operation of food services in all schools within the school district.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS:		
Current Assets:		
Cash	\$ 25,654	\$ 27,044
Accounts Receivable:		
Interfund	20,379	20,379
State	79	251
Federal	2,706	5,024
Other	106	
Inventories	2,618	4,885
Total Current Assets	<u>51,542</u>	<u>57,583</u>
Fixed Assets:		
Equipment	55,100	55,100
Accumulated Depreciation	(55,100)	(53,989)
Total Fixed Assets	<u>-</u>	<u>1,111</u>
Total Assets	<u>51,542</u>	<u>58,694</u>
LIABILITIES:		
Current Liabilities:		
Accounts Payable	20,166	
Deferred Revenue	741	2,832
Total Current Liabilities	<u>20,907</u>	<u>2,832</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		1,111
Unrestricted	30,635	54,751
Total Net Assets	<u>\$ 30,635</u>	<u>\$ 55,862</u>

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUES:		
Local Sources:		
Daily Sales - Reimbursable Programs:		
School Lunch Program	\$ 42,869	\$ 53,908
School Breakfast Program	418	
	43,287	53,908
Total Daily Sales - Reimbursable Programs	43,287	53,908
Daily Sales Non-Reimbursable Programs	15,953	10,300
	59,240	64,208
Total Operating Revenue	59,240	64,208
OPERATING EXPENSES:		
Salaries and Benefits	49,979	44,158
Management Fee	15,473	22,383
Supplies and Materials	17,135	11,923
Cost of Sales	45,898	33,428
Other Objects	33,449	3,852
Depreciation	1,111	2,205
	163,045	117,949
Total Operating Expenses	163,045	117,949
Operating Loss	(103,805)	(53,741)
Non-Operating Revenues:		
State Sources:		
State School Breakfast Program		229
State School Lunch Program	2,015	2,583
Federal Sources:		
School Breakfast Program	3,804	3,197
National School Lunch Program	63,830	51,274
Food Distribution Program	8,929	10,113
	78,578	67,396
Total Non-Operating Revenues	78,578	67,396
Net Income before Operating Transfers	(25,227)	13,655
Operating Transfer In		
	(25,227)	13,655
Net Income (Deficit)	(25,227)	13,655
Net Assets, July 1	55,862	42,207
Net Assets, June 30	\$ 30,635	\$ 55,862

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (103,805)	\$ (53,741)
Adjustments to Reconcile Operating Income (Loss) to Cash Used by Operating Activities:		
Depreciation	1,111	2,205
Food Distribution Program	8,929	10,113
Change in Assets and Liabilities:		
(Increase)/ Decrease in Accounts Receivable	2,384	(649)
(Increase)/ Decrease in Interfund Receivable		
(Increase)/Decrease in Inventory	2,267	(1,553)
Increase/(Decrease) in Deferred Revenue	(2,091)	753
Increase/(Decrease) in Accounts Payable	20,166	
Net Cash Used by Operating Activities	<u>(71,039)</u>	<u>(42,872)</u>
Cash Flows from Noncapital Financing Activities:		
Cash Received from State and Federal Reimbursements	69,649	57,283
Operating Transfer In		
Net Cash Provided by Noncapital Financing Activities	<u>69,649</u>	<u>57,283</u>
Cash Flows from Capital & Related Financing Activities;		
Purchase of Capital Asset		
Cash Flows from Investing Activities:		
Interest on Investments		
Net Decrease in Cash and Cash Equivalents	(1,390)	14,411
Cash and Cash Equivalents, July 1	<u>27,044</u>	<u>12,633</u>
Cash and Cash Equivalents, June 30	<u>\$ 25,654</u>	<u>\$ 27,044</u>

FIDUCIARY FUNDS DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

Scholarship Fund – This is an expendable trust fund to provide scholarships to District students.

Unemployment Compensation Insurance Trust Fund – This is an expendable trust fund used to pay unemployment compensation insurance claims.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments an/or other funds.

Student Activity Fund – This agency fund is used to account for student funds held at the schools.

Payroll Fund – This agency fund is used to account for the payroll transactions of the school district.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**

	Expendable Trust		Agency		Total	
	Unemployment Compensation Insurance	Scholarship Fund	Student Activity	Payroll	2011	2010
ASSETS:						
Cash and Cash Equivalents	\$ 52,385	\$ 2,084	\$ 14,150	\$ 53,909	\$ 122,528	\$ 114,191
Interfund Accounts Receivable						
Total Assets	\$ 52,385	\$ 2,084	\$ 14,150	\$ 53,909	\$ 122,528	\$ 105,695
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Payroll Deductions and Withholdings	\$	\$	\$	\$ 41,643	\$ 41,643	\$ 1,697
Interfund Accounts Payable				12,266	12,266	12,266
Accounts Payable			136		136	
Due to Student Groups			14,014		14,014	12,943
Total Liabilities			14,150	53,909	68,059	22,296
Fund Balances:						
Reserved:						
Unemployment Compensation	52,385				52,385	81,065
Scholarship Payments		2,084			2,084	2,334
Total Fund Balance	52,385	2,084			54,469	83,399
Total Liabilities and Fund Balances	\$ 52,385	\$ 2,084	\$ 14,150	\$ 53,909	\$ 122,528	\$ 105,695

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
EXPENDABLE TRUST FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Insurance Trust</u>	<u>Scholarship Trust</u>	<u>2011</u>	<u>Total 2010</u>
OPERATING REVENUES:				
Local Sources:				
Interest on Investments	\$ 338	\$ 11	\$ 349	\$ 406
Board Contribution	16,000		16,000	300
Employee Withholdings	5,862		5,862	6,352
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Revenues	22,200	11	22,211	7,058
	<hr/>	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES:				
Scholarship Payments		150	150	150
Unemployment Claims	54,877		54,877	9,252
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses	54,877	150	55,027	9,402
	<hr/>	<hr/>	<hr/>	<hr/>
Change in Net Assets	(32,677)	(139)	(32,816)	(2,344)
Net Assets, July 1	85,062	2,223	87,285	89,629
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets, June 30	\$ 52,385	\$ 2,084	\$ 54,469	\$ 87,285
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	<u>Balance</u> <u>July 1,</u> <u>2010</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance</u> <u>June 30,</u> <u>2011</u>
ASSETS:							
Cash and Cash Equivalents	\$ 12,943	\$	29,245	\$	28,038	\$	14,150
Total Assets	\$ 12,943	\$	29,245	\$	28,038	\$	14,150
LIABILITIES:							
Interest Earned on Bank Deposits	\$ 1,190	\$	86	\$		\$	1,276
Accounts Payable			136				136
Due to Student Groups	11,753		29,023		28,038		12,738
Total Liabilities	\$ 12,943	\$	29,245	\$	28,038	\$	14,150

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

	<u>Balance</u> <u>July 1,</u> <u>2010</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance</u> <u>June 30,</u> <u>2011</u>
ASSETS:							
Cash and Cash Equivalents	\$ 13,963	\$	2,944,907	\$	2,904,961	\$	53,909
Total Assets	\$ 13,963	\$	2,944,907	\$	2,904,961	\$	53,909
LIABILITIES:							
Interfund Payable	\$ 12,266	\$		\$		\$	12,266
Payroll Deductions and Withholdings	1,697		2,944,907		2,904,961		41,643
Total Liabilities	\$ 13,963	\$	2,944,907	\$	2,904,961	\$	53,909

LONG-TERM DEBT SCHEDULES

The Long-Term Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
GENERAL LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2011

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance July 1, 2010</u>	<u>Redeemed</u>	<u>Balance June 30, 2011</u>
			<u>Date</u>	<u>Amount</u>				
School Bonds	8/01/94	\$3,177,000		\$	5.65%	\$ 279,000	\$ 279,000	\$ -
						<u>\$ 279,000</u>	<u>\$ 279,000</u>	<u>\$ -</u>

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

	<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	\$ 177,616	\$ 7,882	\$ 185,498	\$ 185,498	\$
Total Revenues - Local Sources	<u>177,616</u>	<u>7,882</u>	<u>185,498</u>	<u>185,498</u>	
State Sources:					
Debt Service Aid Type II	101,224		101,224	101,224	
Total Revenues - State Sources	<u>101,224</u>		<u>101,224</u>	<u>101,224</u>	
Total Revenues	<u>278,840</u>	<u>7,882</u>	<u>286,722</u>	<u>286,722</u>	
EXPENDITURES					
Regular Debt Service:					
Interest		7,882	7,882	7,882	
Redemption of Principal	279,000		279,000	279,000	
Total Regular Debt Service	<u>279,000</u>	<u>7,882</u>	<u>286,882</u>	<u>286,882</u>	
Total Expenditures	<u>279,000</u>	<u>7,882</u>	<u>286,882</u>	<u>286,882</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(160)		(160)	(160)	
Other Financing Sources (Uses):					
Transfer from Capital Projects Fund	160		160	130	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				(30)	
Fund Balances, July 1	<u>30</u>		<u>30</u>	<u>30</u>	
Fund Balances, June 30	<u>\$ 30</u>	<u>\$</u>	<u>\$ 30</u>	<u>\$ -</u>	<u>\$</u>

STATISTICAL SECTION

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(Accrual Basis of Accounting)

	<u>Fiscal Year Ending June 30,</u>							
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental Activities								
Invested in Capital Assets, Net of Related Debt	\$ (609,894)	\$ (132,119)	\$ 83,013	\$ 279,088	\$ 500,060	\$ 712,907	\$ 931,123	\$ 1,148,339
Restricted	104,444	104,687	147,026	363,782	267,410	462,946	634,327	878,657
Unrestricted	103,115	(106,105)	(207,439)	(35,559)	146,723	59,523	(33,275)	(133,323)
Total Governmental Activities Net assets	\$ (402,335)	\$ (133,537)	\$ 22,600	\$ 607,311	\$ 914,193	\$ 1,235,376	\$ 1,532,175	\$ 1,893,673
Business-Type Activities								
Invested in Capital Assets, Net of Related Debt	\$ 14,440	\$ 12,136	\$ 9,931	\$ 7,726	\$ 5,521	\$ 3,316	\$ 1,111	\$
Restricted								
Unrestricted	(6,618)	(1,003)	9,940	23,569	13,861	38,891	54,751	30,635
Total Business-Type Activities Net Assets	\$ 7,822	\$ 11,133	\$ 19,871	\$ 31,295	\$ 19,382	\$ 42,207	\$ 55,862	\$ 30,635
District-Wide								
Invested in Capital Assets, Net of Related Debt	\$ (595,454)	\$ (119,983)	\$ 92,944	\$ 286,814	\$ 505,581	\$ 716,223	\$ 932,234	\$ 1,148,339
Restricted	104,444	104,687	147,026	363,782	267,410	462,946	634,327	878,657
Unrestricted	96,497	(107,108)	(197,499)	(11,990)	160,584	98,414	21,476	(102,688)
Total District-Wide Net Assets	\$ (394,513)	\$ (122,404)	\$ 42,471	\$ 638,606	\$ 933,575	\$ 1,277,583	\$ 1,588,037	\$ 1,924,308

Source: CAFR Schedule A-1

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(Accrual Basis of Accounting)

	For Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental Activities								
Instruction								
Regular	\$ 2,392,705	\$ 2,633,004	\$ 2,282,401	\$ 2,283,530	\$ 2,364,668	\$ 2,463,514	\$ 2,634,296	\$ 2,359,194
Special Education	496,896	575,796	524,185	557,635	465,412	427,309	460,250	366,351
Other Instruction	73,286	111,778	52,498	88,389	207,076	220,096	259,026	144,928
Support Services								
Tuition	359,989	236,419	120,817	58,914	268,348	342,714	284,992	475,649
Student and Instruction Related Services	643,746	872,323	793,083	761,351	715,863	773,763	782,346	754,727
General Administrative Services	293,664	275,132	143,701	249,989	234,800	259,026	252,774	236,728
School Administrative Services	193,168	159,313	225,298	151,028	151,104	182,851	174,468	183,887
Central Services	144,877	149,555	116,949	120,744	125,666	127,808	134,610	135,797
Plant Operations and Maintenance	547,710	562,653	452,998	500,644	497,937	504,002	506,018	464,054
Pupil Transportation	159,193	116,869	97,595	91,261	131,263	180,642	115,508	109,576
Unallocated Benefits			1,232,633	1,528,888	1,681,508	1,346,338	1,519,846	1,587,923
Interest on Long-Term Debt	108,763	134,185	78,000	64,049	48,416	32,879	17,076	1,290
Unallocated Depreciation			72,525	60,825	62,524	62,153	61,784	61,784
Total Governmental Activities Expenses	5,413,997	5,827,027	6,192,683	6,517,247	6,954,585	6,923,095	7,202,994	6,881,888
Business-Type Activities								
Food Service	124,959	144,474	145,506	124,436	155,045	134,794	117,949	163,045
Total Business-Type Activities Expense	124,959	144,474	145,506	124,436	155,045	134,794	117,949	163,045
Total District Expenses	\$ 5,538,956	\$ 5,971,501	\$ 6,338,189	\$ 6,641,683	\$ 7,109,630	\$ 7,057,889	\$ 7,320,943	\$ 7,044,933
Program Revenues								
Governmental Activities								
Charges for Services								
Instruction (Tuition)	\$ 2,705	\$ 19,065	\$	\$	\$	\$	\$	\$
Operating Grants and Contributions	548,996	1,058,509	650,339	1,362,017	1,372,154	977,712	1,127,435	995,341
Total Governmental Activities Program Revenues	551,701	1,077,574	650,339	1,362,017	1,372,154	977,712	1,127,435	995,341
Business-Type Activities								
Charges for Services								
Food Service	65,935	69,738	74,699	73,340	62,947	67,708	64,208	59,240
Operating Grants and Contributions	47,814	67,544	69,513	62,520	70,185	79,911	67,396	78,578
Total Business-Type Activities Program Revenues	113,749	137,282	144,212	135,860	133,132	147,619	131,604	137,818
Total District Program Revenues	\$ 665,450	\$ 1,214,856	\$ 794,551	\$ 1,497,877	\$ 1,505,286	\$ 1,125,331	\$ 1,259,039	\$ 1,133,159
Net (Expense)/Revenue								
Governmental Activities	\$ (4,862,296)	\$ (4,749,453)	\$ (5,542,344)	\$ (5,155,230)	\$ (5,582,431)	\$ (5,945,383)	\$ (6,075,559)	\$ (5,886,547)
Business-Type Activities	(11,210)	(7,192)	(1,294)	11,424	(21,913)	12,825	13,655	(25,227)
Total District-Wide Net Expense	\$ (4,873,506)	\$ (4,756,645)	\$ (5,543,638)	\$ (5,143,806)	\$ (5,604,344)	\$ (5,932,558)	\$ (6,061,904)	\$ (5,911,774)
General Revenues and Other Changes in Net Assets								
Governmental Activities								
Property Taxes Levied for General Purposes, Net	\$ 2,170,665	\$ 2,119,050	\$ 2,453,059	\$ 2,953,866	\$ 2,951,650	\$ 2,866,755	\$ 3,063,628	\$ 3,055,746
Taxes Levied for Debt Service	180,064	173,455	195,264	187,002	192,949	183,862	177,616	185,498
Unrestricted Grants and Contributions	2,691,155	2,427,068	2,895,553	2,558,067	2,716,752	3,119,395	3,059,088	2,995,847
Restricted Grants, Tuition and Contributions	127,795	277,437	145,482					
Tuition					8,017	54,011	53,605	
Investment Earnings	3,995	14,475		38,479	29,495	11,608	5,079	5,307
TARA Aid						38,854		
Miscellaneous Income	100,705	16,766	19,122	2,527	450	2,081	13,342	5,647
Transfers	(15,000)	(10,000)	(10,000)		(10,000)	(10,000)		
Total Governmental Activities	5,259,379	5,018,251	5,698,480	5,739,941	5,889,313	6,266,566	6,372,358	6,248,045
Business-Type Activities								
Investment Earnings	147	503	32					
Transfers	15,000	10,000	10,000		10,000	10,000		
Total Business-Type Activities	15,147	10,503	10,032		10,000	10,000		
Total District-Wide	\$ 5,274,526	\$ 5,028,754	\$ 5,708,512	\$ 5,739,941	\$ 5,899,313	\$ 6,276,566	\$ 6,372,358	\$ 6,248,045
Change in Net Assets								
Governmental Activities	\$ 397,083	\$ 268,798	\$ 156,136	\$ 584,711	\$ 306,882	\$ 321,183	\$ 296,799	\$ 361,498
Business-Type Activities	3,937	3,311	8,738	11,424	(11,913)	22,825	13,655	(25,227)
Total District-Wide	\$ 401,020	\$ 272,109	\$ 164,874	\$ 596,135	\$ 294,969	\$ 344,008	\$ 310,454	\$ 336,271

Source: CAFR Schedule A-2

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
(Modified Accrual Basis of Accounting)

	For Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
General Fund								
Reserved	\$ 54,444	\$ 37,399	\$ 80,955	\$ 292,331	\$ 396,339	\$ 562,440	\$ 714,076	\$ 892,710
Unreserved	77,421	83,904	54,150	186,024	136,223	61,840	3,025	12,657
Total General Fund	\$ 131,865	\$ 121,303	\$ 135,105	\$ 478,355	\$ 532,562	\$ 624,280	\$ 717,101	\$ 905,367
All Other Governmental Funds								
Reserved	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved, Reported in:								
Special Revenue Fund	(12,747)	(12,747)	(12,747)	(12,750)	(15,861)	(5,120)	(5,276)	(5,294)
Capital Projects Fund	169,000	40,000	16,167	16,167	16,167	16,167	16,167	
Debt Service Fund			1	1			30	
Total All Other Governmental Funds	\$ 156,253	\$ 27,253	\$ 3,421	\$ 3,418	\$ 306	\$ 11,047	\$ 10,921	\$ (5,294)

Source: CAFR Schedule B-1

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS**

	For Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Revenues								
Tax Levy	\$ 2,350,729	\$ 2,292,505	\$ 2,648,323	\$ 3,140,868	\$ 3,144,599	\$ 3,050,617	\$ 3,241,244	\$ 3,241,244
Tuition						54,011	53,605	
Interest Earnings	3,995	14,475		38,479	29,495	11,608	5,079	5,307
TARA Aid						38,854		
Miscellaneous	100,705	16,766	19,122	2,527	8,467	2,081	13,342	5,647
State Sources	3,079,010	3,398,273	3,276,000	3,461,708	3,695,389	3,584,694	3,018,503	3,469,716
Federal Sources	291,641	383,806	415,374	458,376	393,517	512,413	1,168,020	521,472
Total Revenues	5,826,080	6,105,825	6,358,819	7,101,958	7,271,467	7,254,278	7,499,793	7,243,386
Expenditures								
Instruction								
Regular Instruction	1,893,209	2,058,249	2,256,406	2,283,530	2,364,668	2,463,514	2,634,296	2,359,194
Special Education Instruction	391,829	450,106	518,215	557,635	465,412	427,309	460,250	366,351
Other Instruction	58,035	87,379	51,900	88,389	207,076	220,096	259,026	144,928
Support Services								
Tuition	285,079	184,812	119,441	58,914	268,348	342,714	284,992	475,649
Student and Instruction Related Services	509,768	682,082	784,050	761,351	715,863	773,763	782,346	754,727
General Administration	232,555	215,073	222,732	249,989	234,800	259,026	252,774	236,728
School Administrative Services	152,971	124,536	139,956	151,028	151,104	182,851	174,468	183,887
Other Administrative Services	111,394	116,909	117,725					
Central Services				120,744	125,666	127,808	134,610	134,124
Plant Operations and Maintenance	428,724	439,832	450,706	500,644	497,937	504,002	506,018	464,054
Pupil Transportation	126,066	91,358	96,483	91,261	131,263	180,642	115,508	109,576
Employee Benefits	1,067,671	1,141,848	1,232,633	1,568,605	1,709,849	1,345,741	1,499,166	1,553,562
Capital Outlay	12,689	346,644	34,757	6,900	8,496			1,673
Debt Service								
Principal	200,000	200,000	250,000	250,000	275,000	275,000	280,000	279,000
Interest and Other Charges	107,859	96,559	83,846	69,721	54,890	39,353	23,644	7,882
Total Expenditures	5,577,849	6,235,387	6,358,850	6,758,711	7,210,372	7,141,819	7,407,098	7,071,335
Excess (Deficiency) of Revenues Over (Under) Expenditures	248,231	(129,562)	(31)	343,247	61,095	112,459	92,695	172,051
Other Financing Sources (Uses)								
Transfers Out	(15,000)	(10,000)	(10,000)		(10,000)	(10,000)		
Total Other Financing Sources (Uses)	(15,000)	(10,000)	(10,000)		(10,000)	(10,000)		
Net Change in Fund Balances	\$ 233,231	\$ (139,562)	\$ (10,031)	\$ 343,247	\$ 51,095	\$ 102,459	\$ 92,695	\$ 172,051
Debt Service as a Percentage of Noncapital Expenditures	5.5%	4.8%	5.3%	4.7%	4.6%	4.4%	4.1%	4.1%

Source: CAFR Schedule B-2

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u> <u>Revenue</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Sale of</u> <u>Assets</u>	<u>Adjustments</u>	<u>TARA</u> <u>AID</u>	<u>Misc.</u>	<u>Total</u>
2011	\$ 5,307	\$	\$	\$	\$	\$	\$ 1,087	\$ 6,394
2010	5,079	53,605					8,502	67,186
2009	11,608	54,011				38,854	2,081	106,554
2008	29,495	8,017					450	37,962
2007	38,479				191		2,336	41,006
2006	15,352						3,770	19,122
2005	14,475	5,869	2,307				8,590	31,241
2004	3,995			88,092			12,613	104,700
2003	3,266	27,281	27,531		(9,138)		7,686	56,626
2002	12,042	7,911	2,684		(2,563)		1,463	21,537

Source: District Records

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Public Utilities^a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate^b</u>	<u>Estimated Actual County Equalized Value</u>
2011	\$ 3,374,000	\$ 131,001,800	\$ 15,190,600	\$ 4,635,600	\$ 6,845,900	\$ 161,047,900	\$ 111,099	\$ 161,158,999	1.984	\$ 305,042,624
2010	3,535,600	130,928,800	15,377,100	4,635,600	6,945,900	161,423,000	145,452	161,568,452	2.007	292,115,454
2009	3,536,700	130,123,500	15,350,700	4,635,600	6,945,900	160,592,400	147,832	160,740,232	1.958	294,233,052
2008	3,669,300	129,499,600	15,631,600	4,635,600	6,945,900	160,382,000	139,785	160,521,785	1.893	289,532,970
2007	3,610,200	128,799,900	15,849,300	4,706,900	6,945,900	159,912,200	138,024	160,050,224	2.001	288,788,205
2006	3,108,200	128,113,000	16,359,000	4,992,700	6,945,900	159,518,800	158,095	159,676,895	1.790	188,479,779
2005	2,838,200	127,653,600	16,452,400	5,331,900	6,945,900	159,222,000	208,251	159,430,251	1.610	187,675,398
2004	2,971,800	127,343,000	15,975,100	5,733,800	6,945,900	158,969,600	236,064	159,205,664	1.470	175,085,961
2003	2,966,400	126,875,700	16,089,800	5,928,200	6,945,900	158,806,000	266,143	159,072,143	1.360	158,438,389
2002	3,221,800	126,749,900	15,600,300	5,928,200	6,945,900	158,446,100	249,066	158,695,166	1.270	156,519,544

Source: District records Tax list summary & Municipal Tax Assessor

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

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

b Tax rates are per \$100

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate Per \$100 of Assessed Value)

Year Ended June 30,	Borough of Magnolia Board of Education			Overlapping Rates			
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Magnolia	Camden County	Sterling Regional High School District	Total
2011	\$ 1.984	\$ 0.000	\$ 1.984	\$ 1.446	\$ 1.349	\$ 1.043	\$ 5.822
2010	1.897	0.110	2.007	1.396	1.219	1.095	5.717
2009	1.840	0.118	1.958	1.396	1.171	1.117	5.642
2008	1.777	0.116	1.893	1.158	1.180	1.142	5.373
2007	1.882	0.119	2.001	1.158	1.180	1.142	5.481
2006	1.670	0.120	1.790	1.109	1.145	1.083	5.127
2005	1.490	0.120	1.610	1.060	0.980	0.990	4.640
2004	1.360	0.110	1.470	1.040	0.980	1.070	4.560
2003	1.250	0.110	1.360	1.050	1.000	0.950	4.360
2002	1.150	0.120	1.270	1.010	0.960	0.920	4.160

Source: District Records and Municipal Tax Collector

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 pre-budget year net budget by more than the spending growth limitation calculation.

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.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND TEN YEARS AGO

<u>Taxpayer</u>	<u>2011</u>		<u>2002*</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Barrington SFP Assoc. LLC	\$ 4,014,200	2.49%	\$	
Coventry Place Apartments	3,150,000	1.95%		
Raab Family Partnership	2,295,900	1.42%		
Walgreen Eastern Co., Inc.	1,250,000	0.78%		
F.V.B. Enterprises, Inc.	975,000	0.60%		
Green Gardens Apartments, LLC	900,000	0.56%		
700 White Horse Pike	838,500	0.52%		
Taxpayer #1	637,000	0.40%		
Magnolia Properties LLC	596,000	0.37%		
Scannell Urban Renewal-Magnolia	588,800	0.37%		
Total	\$ 15,245,400	9.46%	\$ -	-

Source: District CAFR & Municipal Tax Assessor

*2002 Not Available at Time of Audit

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	% of Levy	
2011	\$ 3,197,395	\$ 3,197,395	100%	\$
2010	3,241,244	3,241,244	100%	
2009	3,050,617	3,050,617	100%	
2008	3,144,599	3,144,599	100%	
2007	3,140,868	3,140,868	100%	
2006	2,648,323	2,648,323	100%	
2005	2,292,505	2,292,505	100%	
2004	2,350,729	2,350,729	100%	
2003	1,991,426	1,991,426	100%	
2002	2,005,353	2,005,353	100%	

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

Note: 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, the amount voted upon or certified prior to the end of the school year.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of	
	General Obligation Bonds ^b	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Personal Income ^a		Per Capita ^a	
2011	\$	\$	\$	\$	\$		N/A	\$ N/A
2010		279,000			279,000	279,000	0.15%	64 *
2009		559,000			559,000	559,000	0.30%	129
2008		834,000			834,000	834,000	0.47%	192
2007		1,109,000			1,109,000	1,109,000	0.64%	255
2006		1,359,000			1,359,000	1,359,000	0.81%	311
2005		1,609,000			1,609,000	1,609,000	1.02%	369
2004		1,809,000			1,809,000	1,809,000	1.19%	415
2003		2,009,000			2,009,000	2,009,000	1.36%	459
2002		2,209,000			2,209,000	2,209,000	1.55%	503

* Estimate

Source: District CAFR Schedules I-1, I-2

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

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2011	\$ -	\$	\$ -	N/A	\$ N/A
2010	279,000		279,000	0.173%	64 *
2009	559,000		559,000	0.348%	129
2008	834,000		834,000	0.520%	192
2007	1,109,000		1,109,000	0.693%	255
2006	1,359,000		1,359,000	0.851%	311
2005	1,609,000		1,609,000	1.01%	369
2004	1,809,000		1,809,000	1.14%	415
2003	2,009,000		2,009,000	1.26%	459
2002	2,209,000		2,209,000	1.39%	503

* Estimate

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

a See Exhibit NJ J-6 for property tax data.

b Population data can be found in Exhibit NJ J-13.

If a district has resources that are restricted to repaying the principal of debt outstanding, these amounts should be shown in a separate column "Deductions" and be subtracted from the total, and the schedule should be named ratios of net general bonded debt outstanding.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2011

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Borough of Magnolia	\$ 3,361,682	100%	\$ 3,361,682
Other Debt			
Regional High School - Borough's Share	4,300,000	25.54%	1,098,382
County of Camden - Borough's Share	156,835,508	0.73%	1,144,548
Subtotal, Overlapping Debt			<u>5,604,612</u>
Borough of Magnolia School District Direct Debt			<u>0</u>
Total Direct and Overlapping Debt			<u><u>\$ 5,604,612</u></u>

Sources: Magnolia Borough Finance Officer and Camden County Finance Office

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 the residents and businesses of Magnolia. This process recognizes that, when considering the District's ability to issue and repay long-term debt, 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 payment.

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

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2010

	Equalized Valuation Basis	
	2010	\$ 295,971,764
	2009	290,612,378
	2008	293,847,563
		<hr/>
	[A]	\$ 880,431,705
		<hr/>
Average Equalized Valuation of Taxable Property	[A/3]	\$ 293,477,235
		<hr/>
Debt Limit (3% of Average Equalization Value)	[B]	8,804,317 a
Net Bonded School Debt	[C]	-
		<hr/>
Legal Debt Margin	[B-C]	\$ 8,804,317
		<hr/> <hr/>

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit			\$ 4,918,193	\$ 5,238,396	\$ 5,862,256	\$ 6,783,776	\$ 7,798,947	\$ 8,492,962	\$ 8,731,101	\$ 8,804,317
Total Net Debt Applicable to Limit			1,809,000	1,609,000	1,359,000	1,109,000	834,000	559,000	279,000	-
Legal Debt Margin			<hr/> <hr/>							
			\$ 3,109,193	\$ 3,629,396	\$ 4,503,256	\$ 5,674,776	\$ 6,964,947	\$ 7,933,962	\$ 8,452,101	\$ 8,804,317
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit			36.78%	30.72%	23.18%	16.35%	10.69%	6.58%	3.20%	0.00%

Source: Abstract of Ratables and District Records CAFR Schedule J-7

a Limit set by NJS A 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population</u> ^a	<u>Personal Income (thousands of dollars)</u> ^b	<u>Per Capita Personal Income</u> ^c	<u>Unemployment Rate</u> ^d
2011	** 4348	193,056,974 \$	44,401	N/A
2010	** 4335	189,635,228	43,745	16.50%
2009	4332	183,984,459	42,471	15.80%
2008	4,334	178,708,156	41,234	10.30%
2007	4,355	174,426,460	40,052	7.90%
2006	4,367	168,059,628	38,484	8.60%
2005	4,361	157,554,208	36,128	8.00%
2004	4,361	151,876,186	34,826	7.60%
2003	4,377	147,404,229	33,677	4.10%
2002	4,394	142,712,726	32,479	3.90%

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income

^c Per Capita

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

** Estimate

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>2011</u>			<u>2002</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
FEDEX					
Borough of Magnolia					
Magnolia Public Schools					
Vaughn Oil Company					Not Available
Airhandlers					
Magnolia Garden Villiage					
Magnolia Diner					
Perfect Shapes					
McDonald's					
WAWA					
	<u> </u>		<u> </u>		
	<u> </u>		<u> </u>		
	-		0.00%		

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST NINE FISCAL YEARS

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction:									
Regular				40.0	55.0	46.4	37.4	33.5	29.5
Special Education				9.0	9.0	18.0	14.2	14.0	14.1
Other Instruction				1.0	0.0	0.0	0.0		
Support Services:									
Student & Instruction Related Services				13.8	13.9	13.5	14.5	15.0	10.0
General Administrative Services				2.0	2.8	2.8	2.4	2.0	2.7
School Administrative Services				2.5	2.8	2.8	3.7	4.0	4.1
Plant Operations and Maintenance				5.0	4.5	4.5	3.0	4.0	4.0
Totals	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>73.3</u>	<u>88.0</u>	<u>88.0</u>	<u>75.2</u>	<u>72.5</u>	<u>64.4</u>

Source: District Personnel Records

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Enrollment	Operating Expenditures^a	Cost Per Pupil	Percentage Change	Teaching Staff^b	Pupil/Teacher Ratio Elementary	Average Daily Enrollment (ADE)^c	Average Daily Attendance (ADA)^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2002	425	\$ 4,844,994	\$ 11,400	-0.21%			425.0	401.0	3.41%	94.35%
2003	428	5,069,358	11,844	3.90%	42.0	10:1	437.0	415.0	2.82%	94.97%
2004	424	5,257,321	12,399	4.69%	42.0	10:1	430.0	409.0	-1.60%	95.12%
2005	501	5,592,184	11,162	-9.98%	49.0	10:1	498.0	471.0	15.81%	94.58%
2006	495	5,990,247	12,102	8.42%	50.0	10:1	503.0	478.0	1.00%	95.03%
2007	458	6,432,090	14,044	16.05%	47.0	10:1	462.7	440.4	-8.01%	95.18%
2008	449	6,871,986	15,305	8.98%	43.0	12:1	452.8	431.0	-2.14%	95.19%
2009	462	6,827,466	14,778	-3.44%	40.0	12:1	465.7	438.1	2.85%	94.07%
2010	458	7,103,454	15,510	4.95%	43.0	11:1	455.9	436.4	-2.10%	95.72%
2011	434	7,063,453	16,275	4.94%	45.0	11:1	427.9	412.4	-6.14%	96.38%

Sources: District records and ASSA

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4
- 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).

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

<u>District Building</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Elementary</u>										
Magnolia Elementary School										
Square Feet	62,723	62,723	62,723	62,723	62,723	62,723	62,723	62,723	62,723	62,723
Capacity (students)										
Enrollment	425	428	424	501	503	458	449	462	458	434

Number of Schools at June 30, 2011
Elementary = 1

Source: District records, ASSA

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of any additions. Enrollment is based on the annual October district count.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES FOR SCHOOL FACILITIES
LAST EIGHT FISCAL YEARS
(UNAUDITED)

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-XXX

<u>School Facilities</u>	<u>Gross Square Footage</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Magnolia Borough School	62,723	\$ 69,031	\$ 59,060	\$ 36,389	\$ 37,643	\$ 62,754	\$ 30,092	\$ 46,937	\$ 28,570
Total School Facilities		<u>69,031</u>	<u>59,060</u>	<u>36,389</u>	<u>37,643</u>	<u>62,754</u>	<u>30,092</u>	<u>46,937</u>	<u>28,570</u>
Other Facilities									
Grand Total		<u>\$ 69,031</u>	<u>\$ 59,060</u>	<u>\$ 36,389</u>	<u>\$ 37,643</u>	<u>\$ 62,754</u>	<u>\$ 30,092</u>	<u>\$ 46,937</u>	<u>\$ 28,570</u>

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Company	Type of Coverage	Coverage	Deductible
NJSBAIG			
Commercial Package Policy			
	Property - Blanket Building & Contents	\$ 14,719,000	\$ 1,000
	Comprehensive General Liability	6,000,000	
	Inland Marine - Blanket Hardware & Software	300,000	1,000
	Boiler & Machinery	100,000,000	1,000
	Comprehensive Automobile Liability	6,000,000	1,000
	Employee Dishonesty Coverage	50,000	500
	School District Legal Liability	1,000,000	5,000
Workers Compensation			
	Employers Liability	Statutory	
	Bodily Injury by Accident	2,000,000	each accident
	Bodily Injury by Disease	2,000,000	each employee
	Bodily Injury by Disease	2,000,000	agreement limit
Markel Insurance Company			
Student Accident			
	Compulsory Student Accident Coverage	1,000,000	
	Catastrophic Student Accident Coverage	2,000,000	
	Maximum Benefit per Participant	2,000,000	25,000
	Cash Benefit	500,000	
The Ohio Casualty Ins. Co.			
New Jersey School Boards			
	Surety Bonds		
	Treasurer - Robin Sarlo	160,000	
	Business Administrator - Henry Bermann	50,000	
	Business Administrator - Melanie Allen	10,000	
	Board Secretary - Gregory Wilson	10,000	

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
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October 28, 2011

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 Magnolia School District
County of Camden, New Jersey 08049

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 Magnolia School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Board of Education of the Borough of Magnolia School District's basic financial statements and have issued our report thereon dated October 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Magnolia Board of Education'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 Borough of Magnolia Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Magnolia Board of Education'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Magnolia Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. However, we noted an immaterial matter that we reported to the Board of Education of the Magnolia School District in a separate report entitled, Auditor's Management Report on Administrative Findings – Financial Compliance and Performance dated October 28, 2011.

This report is intended solely for the information and use of the audit committee, management, others within the entity, Borough of Magnolia Board of Education, 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. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915

NIGHTLINGER, COLAVITA & VOLPA

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October 28, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND
NEW JERSEY OMB CIRCULAR 04-04**

The Honorable President and
Members of the Board of Education
Borough of Magnolia School District
County of Camden, New Jersey 08049

Compliance

We have audited the Board of Education of the Borough of Magnolia School District, in the County of Camden, State of New Jersey, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Borough of Magnolia School District's major federal and state programs for the fiscal year ended June 30, 2011. The Borough of Magnolia Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Borough of Magnolia Board of Education's management. Our responsibility is to express an opinion on the Borough of Magnolia Board of Education'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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey: OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Magnolia Board of Education'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 Borough of Magnolia Board of Education's compliance with those requirements.

In our opinion, the Board of Education of the Borough of Magnolia School District, in the County of Camden, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

Management of the Borough of Magnolia School District's Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Borough of Magnolia Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the 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 New Jersey OMB's Circular 04-04 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Magnolia Board of Education'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 and state program will not be prevented or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the audit committee, management, the Borough of Magnolia Board of Education, the New Jersey State Department of Education, 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. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SCHEDULE A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2010	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adj.	Repayment of Prior Years' Balances	Balance June 30, 2011		
				From	To							Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education														
General Fund:														
Medical Assistance Program (SEMI)	93.778	N/A	\$ 5,175	7/1/10	6/30/11	\$	\$	\$ 5,175	\$ (5,175)	\$	\$	\$	\$	\$
Total General Fund								5,175	(5,175)					
U.S. Department of Agriculture														
Passed-through State Department of Education:														
Enterprise Fund:														
National School Lunch Program	10.555	N/A	\$ 63,830	7/1/10	6/30/11			61,335	(63,830)			(2,495)		
National School Lunch Program	10.555	N/A	60,259	7/1/09	6/30/10	(4,706)		4,706						
National School Breakfast Program	10.553	N/A	3,804	7/1/10	6/30/11			3,593	(3,804)			(211)		
National School Breakfast Program	10.553	N/A	3,873	7/1/09	6/30/10	(318)		318						
Food Distribution Program	10.550	N/A	6,838	7/1/10	6/30/11			6,838	(6,097)				741	
Food Distribution Program	10.550	N/A	10,866	7/1/09	6/30/10	2,832			(2,832)					
Total Enterprise Fund:						(2,192)		76,790	(76,563)			(2,706)	741	
U.S. Department of Education														
Passed-through State Department of Education:														
Special Revenue Fund:														
I.A.S.A. (E.S.E.A.) Programs:														
NCLB Title IA	84.010A	NCLB289011	\$ 93,529	9/1/10	8/31/11			66,113	(88,529)			(22,416)		
NCLB Title IA	84.010A	NCLB289010	100,578	9/1/09	8/31/10	(100,578)		100,578						
NCLB Title IA	84.010A	NCLB289008	97,978	9/1/08	8/31/09	(5,589)		5,589						
ARRA - Title I	84.389	ARRA2890-11	36,777	9/1/09	8/31/11			36,777	(36,777)					
ARRA - IDEA	84.391	ARRA289010	109,545	9/1/09	8/31/11	(7,813)		7,813						
NCLB Title IIA	84.367A	NCLB289011	30,829	9/1/10	8/31/11			20,870	(25,829)			(4,959)		
NCLB Title IIA	84.367A	NCLB289010	30,826	9/1/09	8/31/10	(30,826)		30,826						
NCLB Title IIA	84.367A	NCLB289009	32,087	9/1/08	8/31/09	(594)		594						
NCLB Title IID	84.318X	NCLB289011	181	9/1/10	8/31/11			181	(181)					
NCLB Title IID	84.318X	NCLB289010	1,025	9/1/09	8/31/10	(1,025)						(1,025)		
NCLB Title IID	84.318X	NCLB289009	814	9/1/08	8/31/09	(184)						(184)		
Include Grant - Year #3	84.318X	10-100-34-5060-92-H990	212,617	9/1/09	8/31/10	(48,843)		76,002	(27,274)	115				
Include Grant - Year #4	84.318X	11-100-34-5060-92-H990	335,000	9/1/10	8/31/11			160,108	(208,942)			(48,834)		
NCLB Title IV Safe	84.186	NCLB289009	1,882	9/1/09	8/31/10	55							55	
NCLB Title IV Safe	84.186	NCLB289010	2,798	9/1/09	8/31/10				(2,798)			(2,798)		
I.D.E.A., Part B Programs:														
Basic Regular	84.027	IDEA289011	135,205	9/1/10	8/31/11			92,182	(135,205)			(43,023)		
Basic Regular	84.027	IDEA289010	133,820	9/1/09	8/31/10	(10,738)		10,738						
Preschool	84.173	IDEA289011	7,291	9/1/10	8/31/11			3,825	(7,291)			(3,466)		
Total Special Revenue Fund						(206,135)		612,196	(532,826)	115		(126,705)	55	
Total Federal Financial Assistance						\$ (208,327)	\$	\$ 694,161	\$ (614,564)	\$ 115	\$	\$ (129,411)	\$ 796	\$

The accompanying Notes to Financial Statements and Notes to the Schedules of Financial Assistance are an integral part of this schedule.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (SCHEDULE B)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2010			Cash Received	Budgetary Expenditures	Adjust./Repayment of Prior Year Balances	Balance June 30, 2011			MEMO	
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/(Walkover) Amount				(Accounts Receivable)	Deferred Revenue/Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:															
General Fund															
Equalization Aid	11-495-034-5120-078	\$ 2,596,254	7/1/10	6/30/11	\$	\$	\$	2,342,552	\$ (2,596,254)	\$	\$	\$	* \$	(253,702)	\$ 2,596,254
Special Education Categorical Aid	11-495-034-5120-089	227,354	7/1/10	6/30/11				205,137	(227,354)				*	(22,217)	227,354
Extraordinary Special Education Aid	10-100-034-5120-473	24,418	7/1/09	6/30/10	(24,418)			24,418							
Extraordinary Special Education Aid	11-100-034-5120-473	38,576	7/1/10	6/30/11					(38,576)		(38,576)		*		38,576
Reimbursed T.P.A.F. Social Security Cont.	11-495-034-5095-002	220,213	7/1/10	6/30/11				204,366	(220,213)		(15,847)		*		220,213
Reimbursed T.P.A.F. Social Security Cont.	10-495-034-5095-002	229,898	7/1/09	6/30/10	(11,656)			11,656							
On Behalf TPAF Non-Contributory Ins	11-495-034-5095-007	9,057	7/1/10	6/30/11				9,057	(9,057)				*		9,057
On Behalf TPAF Post Retirement Contribution	11-495-034-5095-001	192,364	7/1/10	6/30/11				192,364	(192,364)				*		192,364
Total General Fund					(36,074)			2,989,550	(3,283,818)		(54,423)			(275,919)	3,283,818
Special Revenue Fund															
Preschool Education Aid	11-495-034-5120-086	52,850	7/1/10	6/30/11				47,556	(52,850)				*	(5,294)	52,850
Total Special Revenue Fund								47,556	(52,850)					(5,294)	52,850
Debt Service Fund															
Debt Service Aid Type II	11-195-034-5120-017	101,224	7/1/10	6/30/11				101,224	(101,224)				*		101,224
Total Debt Service Fund								101,224	(101,224)						101,224
State Department of Agriculture:															
Enterprise Fund:															
State School Lunch Program	11-100-010-3350-023	2,015	7/1/10	6/30/11				1,936	(2,015)		(79)		*		2,015
State School Lunch Program	10-100-010-3350-023	3,030	7/1/09	6/30/10	(230)			230							
State School Breakfast Program	10-100-010-3350-021	274	7/1/09	6/30/10	(21)			21							
Total Enterprise Fund					(251)			2,187	(2,015)		(79)				2,015
Total State Financial Assistance					\$ (36,325)	\$	\$	\$ 3,140,517	\$ (3,439,907)	\$ -	\$ (54,502)	\$	\$	\$ (281,213)	\$ 3,439,907

The accompanying Notes to Financial Statements and Notes to the Schedules of Financial Assistance are an integral part of this schedule.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2011

NOTE 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Borough of Magnolia 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 awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 2 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule 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 one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A.*, 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June 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 revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more state aid June payments in the current budget year, consistent with *N.J.S.A.* 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is 31,842 for the general fund and (\$16,547) for the special revenue fund. See Note A (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE

JUNE 30, 2011

(Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 5,175	\$ 3,315,660	\$ 3,320,835
Special Revenue Fund	516,297	52,832	569,129
Debt Service		101,224	101,224
Food Service Fund	<u>76,563</u>	<u>2,015</u>	<u>78,578</u>
 Total Financial Assistance	 <u>\$ 598,035</u>	 <u>\$ 3,471,731</u>	 <u>\$ 4,069,766</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: FEDERAL AND STATE LOANS OUTSTANDING

The district did not have any state or federal loans outstanding at June 30, 2011.

NOTE 6: OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions, if any, represents the amount paid by the state on behalf of the district for the year ended June 30, 2011. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011. There was an adjustment on Exhibit K-3 of \$115 regarding cancellation of prior year payable.

NOTE 7: SCHOOL-WIDE PROGRAM FUNDS

As the District's Federal Programs are on a targeted student group basis, there are no schoolwide programs in the District.

NOTE 8: ADJUSTMENT ON SCHEDULE A

There was an adjustment on schedule A in the amount of \$115, which was a prior year order adjustment on the Include Grant – Year 3.

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- 1) Material weakness (es) identified? _____ yes X no
- 2) Significant deficiencies identified? _____ yes X none reported

Noncompliance material to basic financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- 1) Material weakness (es) identified? _____ yes X no
- 2) Significant deficiencies identified _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? _____ yes X no

CFDA Number(s)	Name of Federal Program or Cluster
84.318	Title II D
84.318	INCLUDE GRANT YEAR #3
84.318	INCLUDE GRANT YEAR #4
84.027	IDEA BASIC
84.391	ARRA- IDEA
84.173	IDEA - PRESCHOOL

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000.00
Auditee qualified as low-risk auditee? X yes _____ no

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(continued)**

Section I - Summary of Auditor's Results (continued)

State Awards

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000.00

Auditee qualified as low-risk auditee? X yes no

Internal control over major programs:

1) Material weakness (es) identified? yes X no

2) Significant deficiencies identified that are not considered to be material weaknesses? yes X reported none

Type of auditor's report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04 yes X no

Identification of major programs:

GMIS Number(s)

Name of State Program

11-495-034-5120-078

Equalization Aid

11-495-034-5120-089

Special Education Categorical Aid

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(continued)**

Section II - Financial Statement Findings

Finding: NONE

Criteria or specific requirement:

Condition:

Context:

Effect:

Cause:

Recommendation:

Management's response:

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

FEDERAL AWARDS

Finding: NONE

Information on the state program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Effect:

Cause:

Recommendation:

Management's response:

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs
(continued)**

STATE AWARDS

Finding: NONE

Information on the state program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

**BOROUGH OF MAGNOLIA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

This section identifies the status of prior - year findings related to the basic financial statements and Federal and State awards that are required to be reported in accordance with Chapter 6.12 Government Auditing Standards, US OMB Circular A-133 (Section .315 (a) (b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR - YEAR FINDINGS

NONE