

Comprehensive Annual Financial Report

of the

**Borough of Magnolia
School District**

Magnolia, New Jersey

**For The Fiscal Year Ended
June 30, 2012**

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
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INTRODUCTORY SECTION

MAGNOLIA SCHOOL DISTRICT

Magnolia Public School

420 Warwick Road
Magnolia, NJ 08049
Phone: 856-783-4763
Fax: 856-783-4651

Board of Education

801 Preston Ave., Suite C
Somerdale, NJ 08083
Phone: 856-882-1192
Fax: 856-784-1094

December 4, 2012

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

Dear Board Members:

The comprehensive annual financial report of the Borough of Magnolia School District for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the School District. To the best of our knowledge and belief, the data presented in this report is accurate in all material aspects and is reported in a manner designed to present fairly the financial position and results of operations of the governmental activities, the business type activities, and each major fund 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 (4) 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 Management's Discussion and Analysis and the basic financial statements and schedules, 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 OMB Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations" and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". 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:

Borough of Magnolia School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All major funds of the District are included in this report.

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 following details the changes in the student enrollment of the District over the last ten years.

Honorable President and
Members of the Board of Education

Fiscal Year	Student Enrollment	Percent Change
2011-2012	434	-1.14
2010-2011	439	-4.15
2009-2010	458	-0.87
2008-2009	462	1.99
2007-2008	453	-2.16
2006-2007	463	-7.95
2005-2006	503	0.40
2004-2005	501	18.16
2003-2004	424	-0.93
2002-2003	428	0.71

(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.

(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 structure 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 accounting principles generally accepted in the United States of America (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure 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 structure, including that portion related to federal 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, the special revenue fund, and the debt service 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 cancelled or are included as appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30.

Honorable President and
Members of the Board of Education

(6) ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect accounting principles generally accepted in the United States and America, 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 1.

(7) FINANCIAL INFORMATION AT FISCAL YEAR-END:

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.

(8) 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 2. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

(9) RISK MANAGEMENT:

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

(10) INDEPENDENT AUDIT:

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bowman & Company LLP was selected by the District. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of OMB Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations" and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". The auditor's report on the basic financial statements, required supplementary information and supplementary information are 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.

(11) ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Borough of Magnolia School District Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the 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 Business Office staff.

Respectfully Submitted,

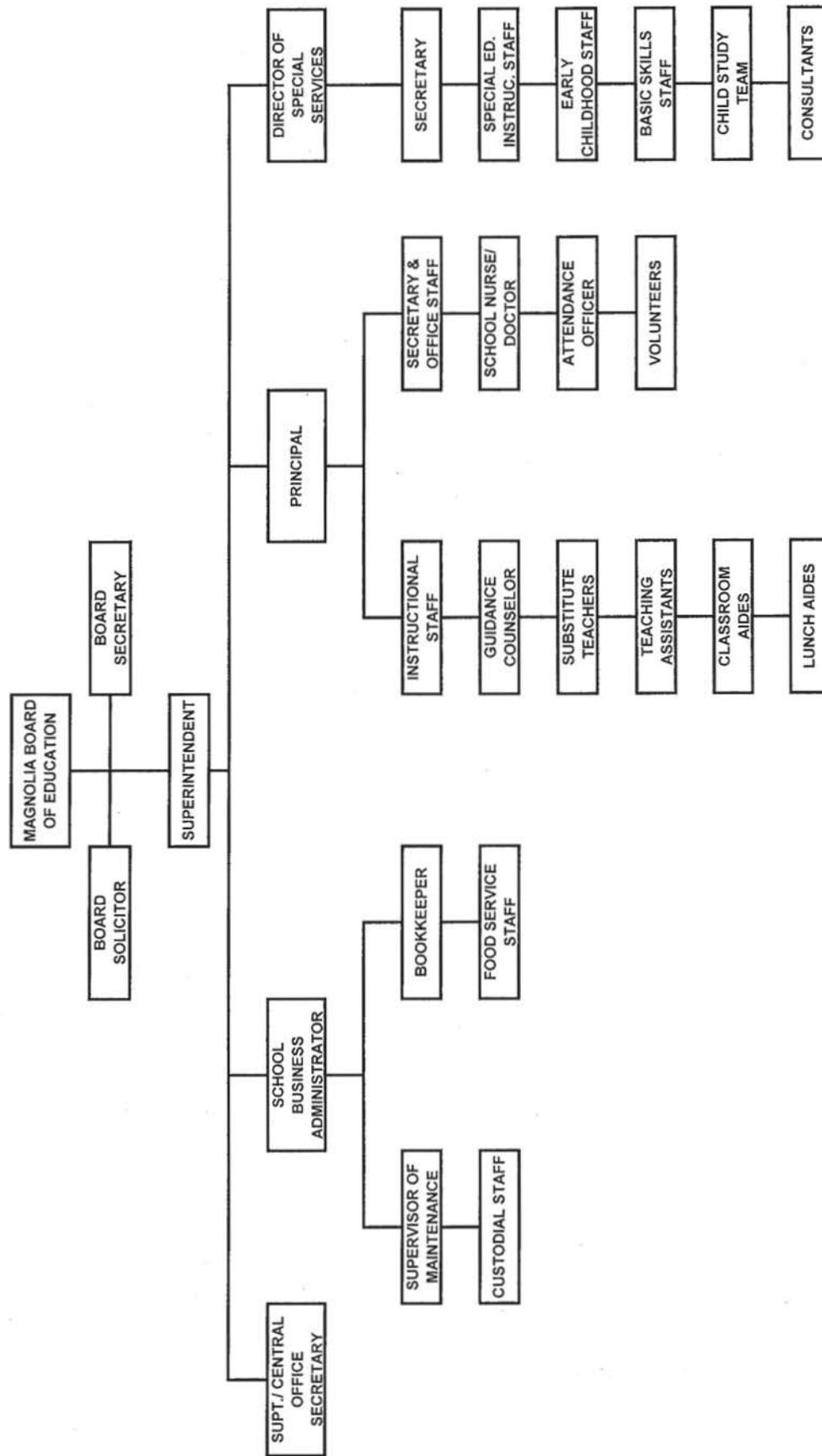


Dr. Warren L. Pross
Superintendent



Greg Gontowski
Board Secretary/School Business Administrator

MAGNOLIA PUBLIC SCHOOL DISTRICT
 ORGANIZATIONAL CHART
 (UNIT CONTROL)



BOROUGH OF MAGNOLIA SCHOOL DISTRICT

MAGNOLIA, NEW JERSEY 08049

ROSTER OF OFFICIALS

June 30, 2012

MEMBERS OF THE BOARD OF EDUCATION

TERM EXPIRES

Shelley Wilson, President	2012
Kenneth Carman, Vice President	2013
Joyce Albrecht	2014
Rebecca DePrince	2012
Rudolph Kube	2012
Marie Lavigne	2013
Karen Sorbello	2014

OTHER OFFICIALS

Dr. Warren Pross, Superintendent
Nancy Lane, Board Secretary/School Business Administrator
Robin Sarlo, Treasurer of School Monies

BOROUGH OF MAGNOLIA SCHOOL DISTRICT

MAGNOLIA, NEW JERSEY 08049

CONSULTANTS AND ADVISORS

JUNE 30, 2012

AUDIT FIRM

Bowman & Company LLP
601 White Horse Road
Voorhees, New Jersey 08043

ATTORNEY

Parker McCay P.A.
Frank P. Cavallo, Jr.
9000 Midlantic Drive, Suite 300
P.O. Box 5054
Mount Laurel, New Jersey 08054

INSURANCE BROKER

Conner Strong Companies, Inc.
123 Rosenhayn Avenue
P.O. Box 358
Bridgeton, New Jersey 08302

OFFICIAL DEPOSITORY

Susquehanna Bank
305 White Horse Pike
Lawnside, NJ 08045

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Magnolia School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Magnolia School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Magnolia School District in the County of Camden, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2012 on our consideration of the Borough of Magnolia School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because of 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 School District's financial statements. The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Magnolia School District's basic financial statements. The introductory section and statistical section listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Robert P. Nehila Jr.
Certified Public Accountant
Public School Accountant No. CS 002065

Voorhees, New Jersey
December 4, 2012

**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
Magnolia, 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 Borough of Magnolia School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 4, 2012. 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 in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Borough of Magnolia School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Magnolia School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District'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 School District'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 previously. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance that we consider to be a significant deficiency in internal control over financial reporting as finding no.: 2012-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

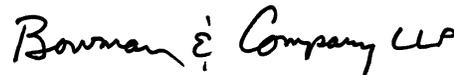
Compliance and Other Matters

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

The Borough of Magnolia School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, members of the Board of Education, others within the School District, the Division of Administration and Finance of the New Jersey Department of Education, and 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.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Robert P. Nehila Jr.
Certified Public Accountant
Public School Accountant No. CS 002065

Voorhees, New Jersey
December 4, 2012

REQUIRED SUPPLEMENTARY INFORMATION
PART I

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

The management's discussion and analysis of Borough of Magnolia School District financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2012. The intent of the discussion and analysis is to look at the school district's financial performance and review the notes to the basic financial statements to enhance the understanding of the school district's financial performance. It is recommended that the discussion and analysis be read in conjunction with a transmittal letter at the front of this financial report.

FINANCIAL HIGHLIGHTS

Financial Highlights for 2012 fiscal year:

- The total assets of the Borough of Magnolia School District exceeded its liabilities at the close of the most recent fiscal year by \$2,226,121.29 (net assets).
- The Borough of Magnolia School District's total net assets increased by \$301,813.80, from the prior year.
- As of the close of the current fiscal year, the Borough of Magnolia School District's governmental funds reported combined ending fund balances of \$1,220,718.59, an increase of \$320,645.59 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited) (Cont'd)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- The *governmental funds* statements tell how basic services like regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short* and *long-term* financial information about the activities the district operates *like businesses*, such as food services and adult education.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide Statements

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

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

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

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

- *Governmental activities* – The basic services, such as instruction for regular and special education, maintenance and operations, transportation and administration are included as government activities. Property taxes, state aid and fund balance appropriated finance most of these activities.
- *Business-type activities* – The District charges fees to cover the costs of certain services such as adult education and food services.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited) (Cont'd)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on the significant funds – not the District as a whole. Funds are used by the District to keep track of specific sources of funding and spending on particular programs:

- May distinguish state or federal grants.
- Funds for capital projects and long-term debt.

The District has three kinds of funds:

- *Government funds* – The District's basic services are included in governmental funds, which detail cash and other financial assets and also identify balances that remain at year-end. Governmental funds statements provide a short-term view to determine whether more or less financial resources can be spent in subsequent years.
- *Proprietary funds* – These funds represent charges or fees for such activities as adult education and food services.
- *Fiduciary funds* – The District is the trustee for assets that belong to others. The student activities funds which include clubs, classes, athletic and scholarship funds are maintained in this fund. The district is responsible for insuring that the assets reported in these funds are used only for their intended purposes. These funds are not included in the district-wide financial statements since the district is not permitted to use these assets in the district operation.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 provides a summary of the School District's net assets for 2012 and 2011.

Table 1		
Net Assets		
	<u>6/30/12</u>	<u>6/30/11</u>
Current and other assets	\$1,269,002.06	\$1,063,074.00
Capital assets	<u>1,096,378.00</u>	<u>1,148,339.00</u>
Total assets	<u>\$ 2,365,380.06</u>	<u>\$ 2,211,413.00</u>
Long-term liabilities	\$123,805.57	\$145,814.00
Other liabilities	<u>15,453.20</u>	<u>141,291.00</u>
Total liabilities	<u>139,258.77</u>	<u>287,105.00</u>
Net assets		
Invested in capital assets, net of related debt	1,096,378.00	1,148,339.00
Restricted	1,230,757.59	878,657.00
Unrestricted	<u>(101,014.30)</u>	<u>(102,688.00)</u>
Total Net Assets	<u>\$2,226,121.29</u>	<u>\$1,924,308.00</u>

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited) (Cont'd)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Table 2 reflects changes in net assets for 2012 and 2011.

Table 2
Changes in Net Assets

Revenues	6/30/12	6/30/11
Program Revenues		
Charges for Services	\$ 75,415.65	\$59,240.00
Federal & State categorical Grants	937,242.00	1,073,919.00
General revenues		
Property Taxes	3,152,901.00	3,241,244.00
Federal and State grants	3,078,835.00	2,995,847.00
Other	<u>23,587.91</u>	<u>10,954.00</u>
Total Revenues	<u>\$7,267,981.56</u>	<u>\$7,381,204.00</u>
 Expenses		
Instruction		
Regular	\$2,387,223.33	\$2,359,194.00
Special Education	329,777.85	366,351.00
Other Instruction	207,500.13	144,928.00
Student Services		
Tuition	519,602.32	475,649.00
Student and Instruction Related	682,206.88	754,727.00
General Administrative Services	240,707.02	236,728.00
School Administrative Services	162,910.86	183,887.00
Central Services	132,507.02	135,797.00
Plant Operations and Maintenance	460,001.55	464,054.00
Pupil Transportation	88,828.23	109,576.00
Unallocated Benefits	1,535,785.19	1,587,923.00
Interest on Long-Term Debt	973.00	1,290.00
Unallocated Depreciation	51,254.00	61,784.00
Food Service	<u>166,890.38</u>	<u>163,045.00</u>
Total Expenses	<u>\$6,966,167.76</u>	<u>\$7,044,933.00</u>
 Increase(decrease) in net assets	 \$301,813.80	 \$336,271.00
 Beginning Net Assets	 \$1,924,307.49	 \$1,588,036.49
 Ending Net Assets	 <u>\$2,226,121.29</u>	 <u>\$1,924,307.49</u>

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited) (Cont'd)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Governmental-Type Activities

In 2011-12 Governmental-Type Activities revenues were \$7,097,006.14 or 97.65% of total revenues.

In 2010-11 Governmental-Type Activities revenues were \$7,243,386.00 or 98.13% of total revenues.

In 2011-12 Property Taxes of \$3,152,901.00 made up 44.43% percent, and General Revenues-Federal & State Grants of \$3,078,835.00 made up 43.38% percent of Governmental-Type Activities Revenues.

In 2010-11 Property taxes of \$3,241,244.00 made up 44.75% percent, and General Revenues – Federal & State Grants of \$2,995,847.00 made up 41.36% percent of Governmental-Type Activities Revenues.

In 2011-12 the District's Governmental-Type Activities expenditures decreased by \$82,610.62 or -1.20% percent.

Business-Type Activities

In 2011-12 Business-Type Activities revenues were \$170,975.42 or 2.35% of total revenues. In 2010-11 Business-Type Activities revenues were \$137,818.00 or 1.87% of total revenues.

Charges for Services for Business-Type Activities were \$75,415.65 in 2012 compared to \$59,240.00 in 2011, a 27.31% increase.

Operating Grants and Contributions for Business-Type Activities were \$95,559.77 in 2012 compared to \$78,578.00 in 2011, a 21.61% increase.

Expenses for Business-Type Activities were \$166,890.38 in 2012 compared to \$163,045.00 in 2011, a 2.36% increase.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited) (Cont'd)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

General Fund Budgeting Highlights

During fiscal 2012 school year, the Board of Education amended its general fund budget as needed. The net change in the total budget modification primarily resulted from the rollover of the prior year's encumbrances and anticipation of miscellaneous revenues.

The final budgetary basis revenue estimate was \$6,152,598.00, the original was \$6,149,338.00, increased because of additional Education Jobs Funds revenue.

The 2011-2012 General Fund Tax Levy was \$3,152,901.00, an increase of \$97,155.00 or 3.18% from the 2010-2011 General Fund Tax Levy of \$3,055,746.00. Total Tax Levy decrease \$88,343.00 because the District had no debt outstanding to pay during 2011-2012.

During fiscal year 2012, Borough of Magnolia School District budgeted \$3,152,901.00 and \$2,886,973.00 for property taxes (local tax levy) and state aid revenues, respectively.

The Borough of Magnolia School District also received \$226,073.59 and \$288,758.00 in reimbursed T.P.A.F. Social Security Aid and T.P.A.F. Pension Contributions, respectively.

The final budgetary basis expenditure appropriation estimate was \$6,536,057.25 compared to the original estimate of \$6,518,744.00, increased because of Education Jobs Fund (\$3,260.00) and prior year encumbrances (\$14,053.25).

The Borough of Magnolia School District's expenditures also include reimbursed T.P.A.F. Social Security Aid and T.P.A.F. Pension Contributions of \$226,073.59 and \$288,758.00 respectively, which contributes to an unfavorable expenditure variance for the fiscal year.

Financial Analysis of the Government's Funds

Governmental Funds - As of the end of the current fiscal year, the Borough of Magnolia School District's governmental funds reported combining ending fund balances of \$1,220,718.59, an increase of \$320,645.59 in comparison with the prior year.

Of the combined ending fund balances of \$1,220,718.59, (\$10,039.00) constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been restricted or assigned. For example; to liquidate contracts and purchase orders of the prior period \$42,583.79.

Proprietary Fund - As of the end of the current fiscal year, the Borough of Magnolia School District's proprietary fund had \$34,719.53 in unrestricted net assets.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited) (Cont'd)

CAPITAL ASSETS

At the end of fiscal year 2012, the Borough of Magnolia School District had \$1,096,378.00 in capital assets less accumulated depreciation, which include land, school buildings, athletic facilities, computers, equipment and vehicles. Invested in Capital Assets, Net of Related Debt was \$1,096,378.00 at 6/30/12 and \$1,148,339.00 at 6/30/11. Table 3 reflects the capital assets.

Table 3
Capital Assets

Capital Assets (Net of Depreciation)	6/30/12	6/30/11
Land	\$ 8,466.00	\$ 8,466.00
Buildings	1,068,022.00	1,112,713.00
Equipment and furniture	<u>19,890.00</u>	<u>27,160.00</u>
Total	<u>\$ 1,096,378.00</u>	<u>\$ 1,148,339.00</u>

Depreciation expense was \$51,961.00 the year ended 6/30/12 and \$62,895.00 for the year ended 6/30/11.

DEBT ADMINISTRATION

At June 30, 2012 and 2011, the Borough of Magnolia School District had no outstanding debt.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited) (Cont'd)

FACTORS ON THE DISTRICT'S FUTURE

For the 2011-12 school year, the District was able to sustain its budget through property taxes, federal and state aid, and miscellaneous revenue sources.

One of the most important factors affecting the District's budget is state aid. The 2012-13 budget was adopted with a \$88,344.00 increase in the tax levy based in part on the state aid the District anticipates receiving, which is \$56,784.00 higher than the prior year budget.

Any reduction of state aid and increase in expenditures will put an additional burden on the taxpayers of this district.

In conclusion, the Borough of Magnolia School District Board of Education and Administration have committed themselves to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District will continue with sound fiscal management to meet the challenge of the future.

CONTACTING THE 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 finances to show the school districts accountability for money it receives. If you questions about this report or need additional information, contact the School Business Administrator/Board Secretary at the Borough of Magnolia Board of Education, 801 Preston Avenue, Somerdale, New Jersey.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 992,491.07	\$ 30,855.44	\$ 1,023,346.51
Receivables, net	218,449.04	10,981.64	229,430.68
Inventory		1,269.76	1,269.76
Restricted Assets:			
Restricted Cash and Cash Equivalents	14,955.11		14,955.11
Capital Assets, net (Note 5)	<u>1,096,378.00</u>	<u>-</u>	<u>1,096,378.00</u>
Total Assets	<u>2,322,273.22</u>	<u>43,106.84</u>	<u>2,365,380.06</u>
LIABILITIES:			
Accounts Payable	382.50	8,387.31	8,769.81
Deferred Revenue	4,794.13		4,794.13
Noncurrent Liabilities (Note 6):			
Due within One Year	1,889.26		1,889.26
Due beyond One Year	<u>123,805.57</u>		<u>123,805.57</u>
Total Liabilities	<u>130,871.46</u>	<u>8,387.31</u>	<u>139,258.77</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1,096,378.00	-	1,096,378.00
Restricted for:			
Other Purposes	1,230,757.59		1,230,757.59
Unrestricted (Deficit)	<u>(135,733.83)</u>	<u>34,719.53</u>	<u>(101,014.30)</u>
Total Net Assets	<u>\$ 2,191,401.76</u>	<u>\$ 34,719.53</u>	<u>\$ 2,226,121.29</u>

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

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 2,387,223.33		\$ 155,518.95		\$ (2,231,704.38)		\$ (2,231,704.38)
Special Education	329,777.85		134,305.00		(195,472.85)		(195,472.85)
Other Special Instruction	207,500.13				(207,500.13)		(207,500.13)
Support Services:							
Tuition	519,602.32				(519,602.32)		(519,602.32)
Student and Instruction Related Services	682,206.88		37,026.69		(645,180.19)		(645,180.19)
General Administrative Services	240,707.02				(240,707.02)		(240,707.02)
School Administrative Services	162,910.86				(162,910.86)		(162,910.86)
Central Services	132,507.02				(132,507.02)		(132,507.02)
Plant Operations and Maintenance	460,001.55				(460,001.55)		(460,001.55)
Pupil Transportation	88,828.23				(88,828.23)		(88,828.23)
Unallocated Benefits	1,535,785.19		514,831.59		(1,020,953.60)		(1,020,953.60)
Interest on Long-Term Debt	973.00				(973.00)		(973.00)
Unallocated Depreciation	51,254.00				(51,254.00)		(51,254.00)
Total Governmental Activities	6,799,277.38	-	841,682.23	-	(5,957,595.15)	-	(5,957,595.15)
Business-Type Activities:							
Food Service	166,890.38	\$ 75,415.65	95,559.77			\$ 4,085.04	4,085.04
Total Business-Type Activities	166,890.38	75,415.65	95,559.77	-	-	4,085.04	4,085.04
Total Primary Government	\$ 6,966,167.76	\$ 75,415.65	\$ 937,242.00	\$ -	(5,957,595.15)	4,085.04	(5,953,510.11)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					3,152,901.00		3,152,901.00
Federal and State Aid Not Restricted					3,078,835.00		3,078,835.00
Miscellaneous Income					23,587.91		23,587.91
Total General Revenues					6,255,323.91		6,255,323.91
Change in Net Assets					297,728.76	4,085.04	301,813.80
Net Assets -- July 1					1,893,673.00	30,634.49	1,924,307.49
Net Assets -- June 30					\$ 2,191,401.76	\$ 34,719.53	\$ 2,226,121.29

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

FUND FINANCIAL STATEMENTS

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 992,491.07	\$ 14,955.11			\$ 1,007,446.18
Accounts Receivable					
Federal	43,464.52	116,058.00			159,522.52
State	46,700.28				46,700.28
Interfunds Receivable	141,809.22				141,809.22
Total Assets	\$ 1,224,465.09	\$ 131,013.11	\$ -	\$ -	\$ 1,355,478.20
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 382.50				\$ 382.50
Interfunds Payable		\$ 129,582.98			129,582.98
Deferred Revenue		4,794.13			4,794.13
Total Liabilities	382.50	134,377.11	-	-	134,759.61
Fund Balances:					
Restricted:					
Maintenance Reserve	180,000.00				180,000.00
Emergency Reserve	90,000.00				90,000.00
Excess Surplus - Current Year	462,028.80				462,028.80
Excess Surplus - Prior Years - Designated for Subsequent Year's Expenditures	329,251.00				329,251.00
Assigned:					
Other Purposes Designated for Subsequent Year's Expenditures	42,583.79				42,583.79
126,894.00	126,894.00				126,894.00
Unassigned:					
General Fund	(6,675.00)				(6,675.00)
Special Revenue Fund		(3,364.00)			(3,364.00)
Total Fund Balances	1,224,082.59	(3,364.00)	-	-	1,220,718.59
Total Liabilities and Fund Balances	\$ 1,224,465.09	\$ 131,013.11	\$ -	\$ -	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,893,409.00, and the accumulated depreciation is \$1,797,031.00.

1,096,378.00

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.

(125,694.83)

Net assets of governmental activities

\$ 2,191,401.76

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

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Tax Levy	\$ 3,152,901.00	\$ -	\$ -	\$ -	\$ 3,152,901.00
Unrestricted Miscellaneous Revenues	23,587.91	3,605.00			27,192.91
State Sources	3,484,412.59	35,905.00			3,520,317.59
Federal Sources	107,324.00	289,270.64			396,594.64
	<u>6,768,225.50</u>	<u>328,780.64</u>	<u>-</u>	<u>-</u>	<u>7,097,006.14</u>
EXPENDITURES:					
Current:					
Regular Instruction	2,230,997.38	155,518.95			2,386,516.33
Special Education Instruction	329,777.85				329,777.85
Other Special Instruction	207,500.13				207,500.13
Support Services and Undistributed Costs:					
Tuition	385,297.32	134,305.00			519,602.32
Student and Instruction Related Services	645,180.19	37,026.69			682,206.88
General Administrative Services	240,707.02				240,707.02
School Administrative Services	162,910.86				162,910.86
Central Services	132,507.02				132,507.02
Plant Operations and Maintenance	446,079.05				446,079.05
Pupil Transportation	88,828.23				88,828.23
Unallocated Benefits	1,564,829.36				1,564,829.36
Debt Service:					
Principal	-				-
Interest and Other Charges	973.00				973.00
Capital Outlay	13,922.50				13,922.50
	<u>6,449,509.91</u>	<u>326,850.64</u>	<u>-</u>	<u>-</u>	<u>6,776,360.55</u>
Total Expenditures					
Excess (Deficiency) of Revenues over Expenditures	<u>318,715.59</u>	<u>1,930.00</u>	<u>-</u>	<u>-</u>	<u>320,645.59</u>
Fund Balance -- July 1	<u>905,367.00</u>	<u>(5,294.00)</u>	<u>-</u>	<u>-</u>	<u>900,073.00</u>
Fund Balance -- June 30	<u>\$ 1,224,082.59</u>	<u>\$ (3,364.00)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,220,718.59</u>

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

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2012

<hr/>	
Total Net Change in Fund Balances - Governmental Funds	\$ 320,645.59
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	(51,961.00)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).	
Change in Net Assets of Governmental Activities	<u>29,044.17</u>
	<u>\$ 297,728.76</u>

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

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2012

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 30,855.44
Accounts Receivable:	
State	108.84
Federal	3,832.84
Other	7,039.96
Inventories	<u>1,269.76</u>
Total Current Assets	<u>43,106.84</u>
Noncurrent Assets:	
Furniture, Machinery and Equipment	55,100.00
Less Accumulated Depreciation	<u>(55,100.00)</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>43,106.84</u>
LIABILITIES :	
Current Liabilities:	
Accounts Payable	<u>8,387.31</u>
Total Current Liabilities	<u>8,387.31</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	-
Unrestricted	<u>34,719.53</u>
Total Net Assets	<u><u>\$ 34,719.53</u></u>

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

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable	\$ 54,843.62
Daily Sales - Non-Reimbursable	7,373.02
Woodlynne Interlocal	8,100.00
Other Miscellaneous	5,099.01
	75,415.65
OPERATING EXPENSES:	
Salaries	46,423.42
Employee Benefits	8,462.88
Supplies and Materials	4,848.92
Cost of Sales	62,315.64
Management Fee	15,721.31
Insurance	5,677.21
Consultant	3,924.00
Miscellaneous	19,517.00
	166,890.38
Total Operating Expenses	166,890.38
Operating Income (Loss)	(91,474.73)
NONOPERATING REVENUES:	
State Sources:	
State School Lunch Program	2,277.31
Federal Sources:	
National School Lunch Program	75,765.50
National School Breakfast Program	4,459.26
Food Distribution Program	13,057.70
	95,559.77
Total Nonoperating Revenues	95,559.77
Change in Net Assets	4,085.04
Total Net Assets -- July 1	30,634.49
Total Net Assets -- June 30	\$ 34,719.53

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

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 75,415.65
Payments to Employees	(46,423.42)
Payments for Employee Benefits	(8,462.88)
Payments to Suppliers	<u>(117,157.67)</u>
Net Cash Provided by (used for) Operating Activities	<u>(96,628.32)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Federal and State Sources	70,734.19
Received from General Fund	<u>31,095.76</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>101,829.95</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Capital Assets	<u>-</u>
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	<u>-</u>
Net Cash Provided by (used for) Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,201.63
Cash and Cash Equivalents -- July 1	<u>25,653.81</u>
Cash and Equivalents -- June 30	<u>\$ 30,855.44</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (91,474.73)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Food Distribution Program	13,057.70
(Increase) Decrease in Inventories	1,348.24
(Increase) Decrease in Other Current Assets	(7,039.96)
Increase (Decrease) in Other Current Liabilities	<u>(12,519.57)</u>
Total Adjustments	<u>(5,153.59)</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (96,628.32)</u>

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

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Trust Funds</u>		<u>Agency Funds</u>	
	<u>Unemployment Compensation Trust</u>	<u>Scholarship Trust</u>	<u>Student Activity</u>	<u>Payroll</u>
ASSETS:				
Cash and Cash Equivalents	\$ 55,070.49	\$ 2,092.48	\$ 13,078.08	\$ 84,558.53
Total Assets	<u>55,070.49</u>	<u>2,092.48</u>	<u>13,078.08</u>	<u>84,558.53</u>
LIABILITIES:				
Payable to Student Groups			13,078.08	
Payroll Deductions and Withholdings				72,332.29
Interfund Payable - General Fund				<u>12,226.24</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 13,078.08</u>	<u>\$ 84,558.53</u>
NET ASSETS:				
Scholarships Held in Trust for Unemployment Claims and Other Purposes	<u>55,070.49</u>	<u>2,092.48</u>		
Total Net Assets	<u>\$ 55,070.49</u>	<u>\$ 2,092.48</u>		

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

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

	Unemployment Compensation <u>Trust</u>	Scholarship <u>Trust</u>
ADDITIONS:		
Contributions:		
Plan member	\$ 2,457.30	\$ -
Total Contributions	<u>2,457.30</u>	<u>-</u>
Investment Earnings:		
Interest	228.19	8.67
Net Investment Earnings	<u>228.19</u>	<u>8.67</u>
Total Additions	<u>2,685.49</u>	<u>8.67</u>
DEDUCTIONS:		
Unemployment Claims	<u>-</u>	<u>-</u>
Total Deductions	<u>-</u>	<u>-</u>
Change in Net Assets	2,685.49	8.67
Net Assets -- July 1	<u>52,385.00</u>	<u>2,083.81</u>
Net Assets -- June 30	<u>\$ 55,070.49</u>	<u>\$ 2,092.48</u>

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

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity - The Borough of Magnolia School District (hereafter referred to as the "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 at least two member's terms expire each year. The purpose of the School District is to educate students in grades K through 8 at its one school. The School District has an approximate enrollment at June 30, 2012 of 433.

The primary criterion for including activities within the School District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School District over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Basis of Presentation - The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations, issued on or before November 30, 1989, to its business-type activities and enterprise funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described in this note.

The School District's basic financial statements consist of government-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.

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds and component units fiduciary in nature. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. The policy of the School District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fund Financial Statements - During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund - The general fund is the general operating fund of the School 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 classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America, 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 which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to, or remodeling of buildings, and the purchase of built-in equipment.

In addition to the capital outlay sub-fund, the School District is accountable for an additional sub-fund, the Education Jobs Fund ("Ed Jobs"), resulting from federal legislation signed into law on August 10, 2010. The Ed Jobs program was created to provide funding assistance to states in order to save or create education jobs for the 2010-2011 school year, through September 30, 2012. Jobs funded under this program include those that provide educational and related services for early childhood, elementary, and secondary education. Ed Jobs revenues and expenditures are recorded in the general fund (fund 18) on a reimbursement basis. As such, revenue is not included in the fiscal year surplus, and no portion of general fund balance at June 30, 2012 is considered to be attributable to Ed Jobs. Ed Jobs expenditures at June 30, 2012 are included as a component of overall general fund expenditures, and also are included in total general fund expenditures for purposes of the excess surplus calculation.

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, or serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Financial Statements (Cont'd)****Governmental Funds (Cont'd)**

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

Proprietary Funds - Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector.

Enterprise Funds - The enterprise funds are used to account for operations

1. that are financed and operated in a manner similar to private business enterprises, where the intent of the School District is that the costs (expenses, including depreciation) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or
2. where the School 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 School District's enterprise funds are:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

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 assets) is segregated into investment in capital assets, net of related debt, and unrestricted net assets, 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:

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Pension trust funds are used to account for resources held in trust for employees and their beneficiaries based on defined benefit pension agreements, defined contribution agreements, other postemployment benefit agreements, and other employee benefit arrangements. Investment trust funds are used to report the external portion of an investment pool as defined in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Financial Statements (Cont'd)**

Fiduciary Funds (Cont'd) – The School District has 4 fiduciary funds, an unemployment compensation trust fund, a private-purpose scholarship fund, a student activity fund, and payroll fund.

Measurement Focus

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

For the fund financial statements, all governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation, with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

For fund financial statements, all governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds, like the government-wide financial statements, use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and the presentation of expenses versus expenditures.

Recognition of Revenue - Revenue resulting from exchange transactions, which are defined as transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. For the governmental fund financial statements, which are prepared on the modified accrual basis, however, such revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days after fiscal year end.

Revenue resulting from non-exchange transactions, which are defined as transactions in which the School District receives value without directly giving equal value in return, includes Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (property) taxes are susceptible to accrual. As under 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 School 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. The School District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of the restricted formula aids recorded in the special revenue fund, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Accounting (Cont'd)**

Recognition of Revenue (Cont'd) – Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. Restricted formula aids, which includes *Preschool Education Aid*, are recorded in the special revenue fund in accordance with *The Audit Program* promulgated by the New Jersey Department of Education, which requires that these grants be realized in an amount equal to program expenditures.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: tuition, grants, fees, and rentals.

Expenses / Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the operating statement as an expense. Unused donated commodities are reported as deferred revenue. The measurement focus of governmental fund financial statements is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets / Budgetary Control - Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3. Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only, and the special revenue fund. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the special revenue fund are maintained on the budgetary basis. The budgetary basis differs from GAAP in that the 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.

The budget, as detailed on Exhibit C-1, Exhibit C-2, and Exhibit I-3 includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the School District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting, with the exception of the revenue recognition policy for the one or more June state aid payments.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Encumbrances - Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Encumbrances are a component of fund balance 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 governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected on 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.

Cash, Cash Equivalents and Investments - Cash and cash equivalents, for all funds, 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. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. 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. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Tuition Receivable - Tuition charges were established by the School District based on estimated costs. The charges are subject to adjustment when the final costs are determined.

Tuition Payable - Tuition charges for the fiscal years ended June 30, 2012 and 2011 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

Inventories - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in the governmental fund financial statements is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements and in the proprietary fund types are recorded as expenses when consumed rather than when purchased.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Deferred Expenditures - Deferred expenditures are disbursements that are made in one period, but are more accurately reflected as an expenditure / expense in the next fiscal period. Unlike prepaid expenses, deferred expenditures are not regularly recurring costs of operations.

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 School District, and that are due within one year. These amounts are eliminated in the government-wide financial statements, except for the net residual amounts due between governmental and business-type activities, which are presented as interfunds receivable and / or interfunds payable on the statement of net assets.

Capital Assets - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the governmental fund financial statements. Capital assets utilized by the proprietary funds, however, are reported both in the business-type activities column of the government-wide statement of net assets and the proprietary fund statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of \$2,000.00. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	10-50 Years	N/A
Furniture and Equipment	5-20 Years	12 Years
Vehicles	5-10 Years	4-6 Years

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 School 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 School District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In the proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

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 balances of any borrowings 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.

It is the School District's policy to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance - The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Balance (Cont'd)**

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position, approved by the Board of Education.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the School District to spend restricted fund balances first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Operating and Non-Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales for the food service program. Non-operating revenues principally consist of federal and state grant funding and interest income earned on various interest-bearing accounts.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Non-operating expenses principally include expenses attributable to the School District's food service fund.

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

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, 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 Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, athletic and student activity funds, or funds that may pass to the School District relative to the happening of a future condition. Such funds are shown as uninsured and uncollateralized in the schedule below.

As of June 30, 2012, the School District's bank balances of \$1,392,140.28 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-
Collateralized by securities held by the pledging financial institution		1,142,140.28
FDIC Insured		250,000.00
Collateralized by securities held by the pledging financial institution's trust department or agent but not in the depositor- government's name		-
Total	\$	<u>1,392,140.28</u>

Note 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 consisted of accounts (fees) and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds.

Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Intergovernmental	\$ 90,164.80	\$ 116,058.00	\$ 3,941.68		\$ 210,164.48
Other			7,039.96		7,039.96
Total	<u>\$ 90,164.80</u>	<u>\$ 116,058.00</u>	<u>\$ 10,981.64</u>	<u>-</u>	<u>\$ 217,204.44</u>

Note 4: INVENTORY

Inventory in the food service fund at June 30, 2012 consisted of the following:

Food	\$	574.44
Supplies		<u>695.32</u>
	\$	<u><u>1,269.76</u></u>

Note 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 8,466.00	\$ -	\$ -	\$ 8,466.00
Total Capital Assets not being Depreciated	<u>8,466.00</u>	<u>-</u>	<u>-</u>	<u>8,466.00</u>
Capital Assets, being Depreciated:				
Land Improvements	52,700.00			52,700.00
Building and Improvements	2,318,446.00			2,318,446.00
Equipment	513,797.00			513,797.00
Total Capital Assets, being Depreciated	<u>2,884,943.00</u>			<u>2,884,943.00</u>
Less Accumulated Depreciation for:				
Land Improvements	(52,700.00)			(52,700.00)
Building and Improvements	(1,205,733.00)	(44,691.00)		(1,250,424.00)
Equipment	(486,637.00)	(7,270.00)		(493,907.00)
Total Accumulated Depreciation	<u>(1,745,070.00)</u>	<u>(51,961.00) *</u>	<u>-</u>	<u>(1,797,031.00)</u>
Total Capital Assets, being Depreciated, Net	<u>1,139,873.00</u>	<u>(51,961.00)</u>		<u>1,087,912.00</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,148,339.00</u>	<u>\$ (51,961.00)</u>	<u>\$ -</u>	<u>\$ 1,096,378.00</u>
Business-Type Activities:				
Total Capital Assets, being Depreciated:				
Equipment	\$ 55,100.00	\$ -	\$ -	\$ 55,100.00
Less Accumulated Depreciation	<u>(55,100.00)</u>			<u>(55,100.00)</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* Depreciation expense was charged to governmental functions as follows:

Note 5: CAPITAL ASSETS (CONT'D)

Instruction	\$ 707.00
Unallocated	<u>51,254.00</u>
Total Depreciation Expense	<u><u>\$ 51,961.00</u></u>

Note 6: LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2012, the following changes occurred in long-term obligations:

	<u>Outstanding</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Compensated Absences	\$ 154,739.00	<u> </u>	\$ (29,044.17)	\$ 125,694.83	\$ 1,889.26
Governmental Activity Long-term Liabilities	<u>\$ 154,739.00</u>	<u>\$ -</u>	<u>\$ (29,044.17)</u>	<u>\$ 125,694.83</u>	<u>\$ 1,889.26</u>

Bonds Payable - As of June 30, 2012, the School District had no bonds outstanding.

Bonds Authorized but not Issued - As of June 30, 2012, the School District had no authorizations to issue bonded debt.

Compensated Absences - Compensated absences will be paid from the fund from which the employees' salaries are paid.

Capital Leases Payable - The School District does not have any capital leases as of June 30, 2012.

Note 7: PENSION PLANS

A substantial number of the School District's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, which are administered by the New Jersey Division of Pensions and Benefits. In addition, several School District employees participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This too is administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

Note 7: PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund (TPAF) is a cost-sharing contributory defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114 and 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase will be phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the district has been required over several preceding fiscal years.

Public Employees' Retirement System - The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase will be phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The School District is billed annually for its normal contribution plus any accrued liability. The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

Public Employees Retirement System

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non-Contributory Group Life Insurance</u>	<u>Total Liability</u>	<u>Paid by School District</u>
2012	\$ 17,509.00	\$ 35,019.00	\$ 3,347.00	\$ 55,875.00	\$ 55,875.00
2011	22,369.00	35,644.00	4,406.00	62,419.00	62,419.00
2010	18,799.00	24,155.00	5,957.00	48,911.00	48,911.00

Note 7: PENSION PLANS (CONT'D)

Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. The school district has no participants.

Note 8: POST-RETIREMENT BENEFITS

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

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

Note 9: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2012, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement costs related to TPAF. The amounts recognized as revenues and expenditures for normal costs and post-retirement costs were \$95,924.00 and \$192,834.00, respectively (totaling \$288,758.00).

Note 10: RISK MANAGEMENT

The School 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 School District maintains commercial insurance coverage for property, liability, 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 School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School 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 School District is billed quarterly for amounts due to the State.

Note 10: RISK MANAGEMENT (CONT'D)**New Jersey Unemployment Compensation Insurance (Cont'd) -**

The following is a summary of School District contributions, reimbursements to the State for benefits paid and the ending balance of the School District's expendable trust fund for the current and previous two fiscal years:

<u>Fiscal Year Ended June 30,</u>	<u>School District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	\$ 27,571.54	\$ -	\$ 27,571.54	\$ 55,070.49
2011	16,338.00	5,862.00	54,877.00	52,385.00
2010	5,386.00	6,352.00	9,252.00	85,062.00

Note 11: COMPENSATED ABSENCES

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

School District employees who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. School 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.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, the liability for compensated absences in the governmental activities fund type was \$125,694.83. As of June 30, 2012 no liability for compensated absences in proprietary fund type exists.

Note 12: INTERFUND BALANCES AND TRANSFERS

The following interfund balances were recorded on the various balance sheets as June 30, 2012:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 141,809.22	
Special Revenue		\$ 129,582.98
Payroll		12,226.24
	<u>\$ 141,809.22</u>	<u>\$ 141,809.22</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2013, the District expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 13: DEFICIT FUND BALANCES

The School District has a deficit fund balance of \$6,675.00 in the general fund and \$3,364.00 in the special revenue fund as of June 30, 2012 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 budget year, school districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The statute 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 June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments 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 School District deficit in the GAAP funds statements of \$6,675.00 is less than the June state aid payments.

Note 14: FUND BALANCES**RESTRICTED**

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District's fund balance are summarized as follows:

General Fund -

For Maintenance Reserve Account - As of June 30, 2012, the balance in the maintenance reserve account is \$180,000.00. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

For Emergency Reserve - As of June 30, 2012, the balance in the emergency reserve is \$90,000.00. These funds are restricted for the purpose of financing unanticipated general fund expenditures required for a thorough and efficient education in accordance with N.J.S.A. 18A:7F-41c(1).

For Excess Surplus - In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of 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. The excess fund balance at June 30, 2012 is \$462,028.80. Additionally, \$329,251.00 of excess fund balance generated during 2010-2011 has been restricted and designated for utilization in the 2012-2013 budget.

Note 14: FUND BALANCES (CONT'D)**ASSIGNED**

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

General Fund -

Other Purposes - As of June 30, 2012, the School District had \$42,583.79 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

For Subsequent Year's Expenditures - The School District has appropriated and included as anticipated revenue for the fiscal year ending June 30, 2013 \$126,894.00 of general fund balance at June 30, 2012.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

General Fund - As of June 30, 2012, \$(6,675.00) of general fund balance was unassigned.

Special Revenue Fund - As of June 30, 2012, the fund balance of the special revenue fund was a deficit of \$3,364.00, thus resulting in the fund balance classification of unassigned. The deficit is a result from a delay in the payment of state aid until the following fiscal year. As stated in note 14, since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties. The unassigned deficit on the GAAP financial statements of \$3,364.00 is equal to the last state aid payment.

Note 15: DEFICIT UNRESTRICTED NET ASSETS

The School District had a deficit in unrestricted net assets of \$101,014.30 as of June 30, 2012. This deficit was attributable to the allocation of the unpaid liability for compensated absences.

Note 16: LITIGATION

Correspondence from the School District's Solicitor indicated there are no pending or threatened litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations involving the School District which might materially affect the School District's financial position or results of operation.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF MAGNOLIA SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 3,152,901.00	\$ -	\$ 3,152,901.00	\$ 3,152,901.00	\$ -
Unrestricted Miscellaneous Revenues	5,400.00	-	5,400.00	23,587.91	18,187.91
Total - Local Sources	3,158,301.00	-	3,158,301.00	3,176,488.91	18,187.91
State Sources:					
Extraordinary Aid	-	-	-	35,448.00	35,448.00
Categorical Special Education Aid	227,354.00	-	227,354.00	227,354.00	-
Equalization Aid	2,659,619.00	-	2,659,619.00	2,722,983.00	63,364.00
On-Behalf T.P.A.F. Pension Contributions Post Retirement (non-budgeted)	-	-	-	288,758.00	288,758.00
Reimbursed T.P.A.F. Social Security Contributions (non-budgeted)	-	-	-	226,073.59	226,073.59
Total - State Sources	2,886,973.00	-	2,886,973.00	3,500,616.59	613,643.59
Federal Sources:					
Education Jobs Fund	104,064.00	3,260.00	107,324.00	107,324.00	-
Total - Federal Sources	104,064.00	3,260.00	107,324.00	107,324.00	-
Total Revenues	6,149,338.00	3,260.00	6,152,598.00	6,784,429.50	631,831.50
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Salaries of Teachers					
Preschool	28,612.00	-	28,612.00	25,233.22	3,378.78
Kindergarten	241,859.00	(4,785.39)	237,073.61	232,501.92	4,571.69
Grades 1-5	1,023,535.00	(13,214.61)	1,010,320.39	1,010,320.39	-
Grades 6-8	729,460.00	123,603.96	853,063.96	849,264.72	3,799.24
Regular Programs - Home Instruction					
Salaries of Teachers	2,500.00	3,000.00	5,500.00	5,116.78	383.22
Purchased Professional - Educational Services	5,800.00	(3,000.00)	2,800.00	1,502.90	1,297.10

(Continued)

BOROUGH OF MAGNOLIA SCHOOL DISTRICT

Required Supplementary Information
Budgetary Comparison Schedule

General Fund

For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Regular Programs - Undistributed Instruction					
Purchased Professional - Educational Services	\$ 6,000.00	\$ -	\$ 6,000.00	\$ 2,100.00	\$ 3,900.00
Purchased Technical Services	8,250.00	-	8,250.00	200.00	8,050.00
Other Purchased Services (400-500 series)	35,000.00	(8,937.65)	26,062.35	22,195.58	3,866.77
General Supplies	78,201.00	(1,562.35)	76,638.65	73,149.28	3,489.37
Textbooks	10,000.00	-	10,000.00	8,858.20	1,141.80
Other Objects	1,500.00	-	1,500.00	554.39	945.61
Total Regular Programs - Instruction	2,170,717.00	95,103.96	2,265,820.96	2,230,997.38	34,823.58
Special Education Instruction					
Resource Room / Resource Center	343,068.00	(94,000.00)	249,068.00	226,964.32	22,103.68
Salaries of Teachers	90,293.00	15,150.00	105,443.00	99,540.80	5,902.20
Other Salaries for Instruction	3,500.00	(350.00)	3,150.00	2,712.73	437.27
General Supplies	500.00	-	500.00	-	500.00
Textbooks					
Total Resource Room / Resource Center	437,361.00	(79,200.00)	358,161.00	329,217.85	28,943.15
Home Instruction					
Salaries of Teachers	2,000.00	-	2,000.00	560.00	1,440.00
Other Purchased Services (400-500 series)	500.00	(500.00)	-	-	-
Total Home Instruction	2,500.00	(500.00)	2,000.00	560.00	1,440.00
Total Special Education - Instruction	439,861.00	(79,700.00)	360,161.00	329,777.85	30,383.15
Basic Skills / Remedial - Instruction					
Salaries of Teachers	97,605.00	47,134.00	144,739.00	139,077.46	5,661.54
General Supplies	500.00	-	500.00	-	500.00
Total Basic Skills / Remedial - Instruction	98,105.00	47,134.00	145,239.00	139,077.46	6,161.54

(Continued)

BOROUGH OF MAGNOLIA SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Bilingual Education - Instruction					
Salaries of Teachers	\$ 25,991.00	\$ -	\$ 25,991.00	\$ 25,756.60	\$ 234.40
Other Purchased Services (400-500 series)	4,000.00	(4,000.00)	-	-	-
General Supplies	250.00	-	250.00	57.49	192.51
Textbooks	500.00	-	500.00	-	500.00
Total Bilingual Education - Instruction	30,741.00	(4,000.00)	26,741.00	25,814.09	926.91
School Sponsored Cocurricular Activities - Instruction					
Salaries	24,000.00	-	24,000.00	23,645.50	354.50
Total School Sponsored Cocurricular Activities - Instruction	24,000.00	-	24,000.00	23,645.50	354.50
School Sponsored Athletics - Instruction					
Salaries	14,750.00	-	14,750.00	13,509.00	1,241.00
Purchased Services (300-500 series)	6,000.00	-	6,000.00	2,970.00	3,030.00
Supplies and Materials	6,500.00	-	6,500.00	2,335.95	4,164.05
Other Objects	3,500.00	-	3,500.00	148.13	3,351.87
Total School Sponsored Athletics - Instruction	30,750.00	-	30,750.00	18,963.08	11,786.92
Total Instruction	2,794,174.00	58,537.96	2,852,711.96	2,768,275.36	84,436.60
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State - Regular	24,000.00	5,605.81	29,605.81	17,819.21	11,786.60
Tuition to CSSD and Regional Day Schools	77,010.00	(24,654.56)	52,355.44	47,795.84	4,559.60
Tuition to Private Schools for the Disabled - Within State	329,425.00	4,048.75	333,473.75	319,682.27	13,791.48
Total Undistributed Expenditures - Instruction	430,435.00	(15,000.00)	415,435.00	385,297.32	30,137.68
Undistributed Expenditures - Attendance & Social Work					
Salaries	5,091.00	-	5,091.00	4,944.00	147.00
Total Undistributed Expenditures - Attendance & Social Work	5,091.00	-	5,091.00	4,944.00	147.00

(Continued)

BOROUGH OF MAGNOLIA SCHOOL DISTRICT

Required Supplementary Information
Budgetary Comparison Schedule

General Fund

For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Undistributed Expenditures - Health Services:					
Salaries	\$ 81,362.00	\$ -	\$ 81,362.00	\$ 75,343.00	\$ 6,019.00
Purchased Professional and Technical Services	7,000.00	-	7,000.00	4,512.25	2,487.75
Other Purchased Services (400-500 series)	300.00	-	300.00	-	300.00
Supplies and Materials	4,000.00	-	4,000.00	2,705.46	1,294.54
Other Objects	200.00	-	200.00	158.95	41.05
Total Undistributed Expenditures - Health Services	92,862.00	-	92,862.00	82,719.66	10,142.34
Undistributed Expenditures - Speech, OT, PT & Related Services					
Salaries	74,448.00	1,332.66	75,780.66	75,780.66	-
Purchased Professional - Educational Services	100,825.00	14,017.34	114,842.34	110,967.50	3,874.84
Supplies and Materials	300.00	-	300.00	135.99	164.01
Total Undistributed Expenditures - Speech, OT, PT & Related Services	175,573.00	15,350.00	190,923.00	186,884.15	4,038.85
Undistributed Expenditures - Other Supp. Serv. Students-Extra. Serv.					
Salaries	51,313.00	(1,000.00)	50,313.00	49,450.12	862.88
Total Undistributed Expenditures - Other Supp. Serv. Students-Extra. Serv.	51,313.00	(1,000.00)	50,313.00	49,450.12	862.88
Undistributed Expenditures - Guidance					
Salaries of Other Professional Staff	65,450.00	-	65,450.00	64,982.27	467.73
Other Purchased Prof. and Tech. Services	1,800.00	-	1,800.00	1,296.13	503.87
Other Purchased Services (400-500 series)	1,000.00	-	1,000.00	-	1,000.00
Supplies and Materials	1,500.00	-	1,500.00	797.32	702.68
Total Undistributed Expenditures - Guidance	69,750.00	-	69,750.00	67,075.72	2,674.28
Undistributed Expenditures - Child Study Teams					
Salaries of Other Professional Staff	132,352.00	14,283.27	146,635.27	146,635.27	-
Salaries of Secretarial and Clerical Assistants	23,914.00	1,247.49	25,161.49	25,161.49	-
Purchased Professional - Educational Services	23,000.00	(15,286.16)	7,713.84	5,816.46	1,897.38
Other Purchased Prof. and Tech. Services	2,000.00	(2,000.00)	-	-	-
Misc Pur Serv (400-500 series O/than Resid Costs)	1,250.00	(1,175.00)	75.00	74.32	0.68
Supplies and Materials	4,000.00	2,930.40	6,930.40	6,046.59	883.81
Total Undistributed Expenditures - Child Study Teams	186,516.00	(0.00)	186,516.00	183,734.13	2,781.87

(Continued)

BOROUGH OF MAGNOLIA SCHOOL DISTRICT

Required Supplementary Information
Budgetary Comparison Schedule

General Fund

For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Undistributed Expend. - Improvement of Instructional Services					
Sal of Supervisor of Instruction	\$ 12,412.00	\$ -	\$ 12,412.00	\$ 12,232.80	\$ 179.20
Sal of Secr and Clerical Assist.	6,896.00	-	6,896.00	6,779.28	116.72
Other Purch Prof. and Tech. Services	100.00	-	100.00	-	100.00
Other Purch Services (400-500)	4,000.00	-	4,000.00	246.09	3,753.91
Supplies and Materials	200.00	-	200.00	68.21	131.79
Total Undistributed Expend. - Improvement of Instructional Services	23,608.00	-	23,608.00	19,326.38	4,281.62
Undistributed Expenditures - Educational Media Serv./Sch. Library					
Salaries	38,744.00	1,900.00	40,644.00	40,575.39	68.61
Purchased Professional and Technical Services	2,200.00	(1,900.00)	300.00	-	300.00
Other Purchased Services (400-500 series)	3,000.00	-	3,000.00	651.60	2,348.40
Supplies and Materials	2,500.00	-	2,500.00	2,101.99	398.01
Total Undistributed Expenditures - Edu. Media Serv./Sch. Library	46,444.00	-	46,444.00	43,328.98	3,115.02
Undistributed Expenditures - Instructional Staff Training Services					
Other Salaries	1,500.00	-	1,500.00	141.00	1,359.00
Purchased Professional - Educational Services	750.00	-	750.00	415.00	335.00
Other Purchased Services (400-500 series)	5,000.00	2,300.00	7,300.00	7,125.81	174.19
Supplies and Materials	500.00	(300.00)	200.00	35.24	164.76
Total Undistributed Expenditures - Instructional Staff Training Services	7,750.00	2,000.00	9,750.00	7,717.05	2,032.95
Undistributed Expenditures - Support Services - General Administration					
Salaries	159,514.00	-	159,514.00	154,061.73	5,452.27
Legal Services	40,000.00	-	40,000.00	15,771.11	24,228.89
Audit Fees	15,500.00	78.00	15,578.00	15,578.00	-
Other Purchased Professional Services	8,000.00	(328.00)	7,672.00	981.00	6,691.00
Communications / Telephone	27,301.00	(2,000.00)	25,301.00	17,277.60	8,023.40
BOE Other Purchased Services	4,500.00	550.00	5,050.00	4,835.00	215.00
Misc. Purch Serv (400-500)	25,000.00	(1,000.00)	24,000.00	22,327.52	1,672.48
General Supplies	4,000.00	(600.00)	3,400.00	3,038.78	361.22
BOE In-House Training/Meeting Supplies	150.00	-	150.00	56.70	93.30
Miscellaneous Expenditures	3,000.00	700.00	3,700.00	2,906.33	793.67
BOE Membership Dues and Fees	3,500.00	600.00	4,100.00	3,873.25	226.75
Total Undistributed Expenditures - Support Services - General Admin	290,465.00	(2,000.00)	288,465.00	240,707.02	47,757.98

(Continued)

BOROUGH OF MAGNOLIA SCHOOL DISTRICT

Required Supplementary Information
Budgetary Comparison Schedule
General Fund

For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Undistributed Expenditures - Support Services - School Admin					
Salaries of Principals / Assistant Principals	\$ 76,245.00	\$ -	\$ 76,245.00	\$ 75,144.24	\$ 1,100.76
Salaries of Secretarial and Clerical Assistants	73,817.00	-	73,817.00	72,346.91	1,470.09
Purchased Professional and Technical Services	8,500.00	4,800.00	13,300.00	1,043.98	12,256.02
Other Purchased Services (400-500 series)	12,750.00	(1,137.43)	11,612.57	-	11,612.57
Supplies and Materials	6,500.00	2,487.00	8,987.00	8,025.30	961.70
Other Objects	5,000.00	1,350.43	6,350.43	6,350.43	-
Total Undistributed Expenditures - Support Services - School Admin.	182,812.00	7,500.00	190,312.00	162,910.86	27,401.14
Undistributed Expenditures - Central Services					
Purchased Professional Services	101,788.00	18,212.00	120,000.00	120,000.00	-
Purchased Technical Services	12,500.00	(1,000.00)	11,500.00	10,675.10	824.90
Misc. Purchased Services (400-500) [O/T 594]	750.00	-	750.00	100.00	650.00
Supplies and Materials	2,000.00	-	2,000.00	1,603.83	396.17
Miscellaneous Expenditures	500.00	-	500.00	128.09	371.91
Total Undistributed Expenditures - Central Services	117,538.00	17,212.00	134,750.00	132,507.02	2,242.98
Undistributed Expenditures - Required Maint for School Facilities					
Cleaning, Repair and Maintenance Services	66,312.00	(4,150.30)	62,161.70	46,189.52	15,972.18
General Supplies	6,000.00	1,000.00	7,000.00	6,454.91	545.09
Total Undistributed Expenditures - Required Maint for Sch Fac.	72,312.00	(3,150.30)	69,161.70	52,644.43	16,517.27
Undistributed Expenditures - Custodial Services					
Salaries	187,465.00	6,150.30	193,615.30	191,262.02	2,353.28
Purchased Professional and Technical Services	9,000.00	249.44	9,249.44	9,249.44	-
Cleaning, Repair, and Maintenance Services	34,000.00	(3,356.44)	30,643.56	15,639.20	15,004.36
Other Purchased Property Services	8,000.00	212.19	8,212.19	8,155.36	56.83
Insurance	27,031.00	(105.19)	26,925.81	23,657.39	3,268.42
Miscellaneous Purchased Services	500.00	-	500.00	465.45	34.55
General Supplies	31,500.00	(1,369.25)	30,130.75	23,005.21	7,125.54
Energy (Electricity)	87,527.00	12,459.04	99,986.04	45,456.78	54,529.26
Energy (Natural Gas)	122,874.00	(35,347.00)	87,527.00	76,543.77	10,983.23
Total Undistributed Expenditures - Custodial Services	507,897.00	(21,106.91)	486,790.09	393,434.62	93,355.47

(Continued)

BOROUGH OF MAGNOLIA SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Undistributed Expenditures - Student Transportation Services					
Management Fee - ESC & CTSA Trans. Program	\$ 4,650.00	\$ -	\$ 4,650.00	\$ 2,900.00	\$ 1,750.00
Other Purchased Professional and Technical Services	9,100.00	-	9,100.00	-	9,100.00
Contracted Services - (Between Home and School) - Vendors	7,000.00	-	7,000.00	110.00	6,890.00
Contracted Services - (Other than Between Home and School) - Vendors	13,000.00	-	13,000.00	5,673.00	7,327.00
Contracted Services (Spl. Ed. Students) - ESCs & CTSAAs	116,822.00	-	116,822.00	80,145.23	36,676.77
Other Objects	500.00	-	500.00	-	500.00
Total Undistributed Expenditures - Student Transportation Services	151,072.00	-	151,072.00	88,828.23	62,243.77
Unallocated Benefits:					
Social Security Contributions	89,754.00	23,903.69	113,657.69	63,065.25	50,592.44
Other Retirement Contributions - PERS	62,092.00	(3,557.76)	58,534.24	55,875.00	2,659.24
Unemployment Compensation	16,243.00	11,328.54	27,571.54	25,114.35	2,457.19
Workmen's Compensation	68,422.00	(14,533.65)	53,888.35	37,846.00	16,042.35
Health Benefits	1,038,615.00	(57,092.82)	981,522.18	855,316.27	126,205.91
Tuition Reimbursement	24,608.00	(15,000.00)	9,608.00	7,839.75	1,768.25
Other Employee Benefits	12,425.00	-	12,425.00	4,941.15	7,483.85
Total Unallocated Benefits	1,312,159.00	(54,952.00)	1,257,207.00	1,049,997.77	207,209.23
On-Behalf T.P.A.F. Pension Contributions Post Retirement (non-budgeted)	-	-	-	288,758.00	(288,758.00)
Reimbursed T.P.A.F. Social Security Contributions (non-budgeted)	-	-	-	226,073.59	(226,073.59)
Total On-behalf Contributions	-	-	-	514,831.59	(514,831.59)
Total Undistributed Expenditures	3,723,597.00	(55,147.21)	3,668,449.79	3,666,339.05	2,110.74
Total Current Expense	6,517,771.00	3,390.75	6,521,161.75	6,434,614.41	86,547.34

(Continued)

BOROUGH OF MAGNOLIA SCHOOL DISTRICT

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund

For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Capital Outlay:					
Undistributed Expenditures	\$ -	\$ 13,922.50	\$ 13,922.50	\$ 13,922.50	\$ -
Instruction	-	13,922.50	13,922.50	13,922.50	-
Total Equipment					
Facilities Acquisition and Construction Services	973.00	-	973.00	973.00	-
Other Objects	973.00	-	973.00	973.00	-
Total Facilities Acquisition and Construction Services	973.00	-	973.00	973.00	-
Total Capital Outlay	973.00	13,922.50	14,895.50	14,895.50	-
Total Expenditures	6,518,744.00	17,313.25	6,536,057.25	6,449,509.91	86,547.34
Calculation of Excess (Deficiency) of Revenues Over (Under) Expenditures	(369,406.00)	(14,053.25)	(383,459.25)	334,919.59	718,378.84
Excess (Deficiency) of Revenues Over (Under) Expenditures					
Fund Balances, July 1	1,181,286.00	-	1,181,286.00	1,181,286.00	-
Fund Balances, June 30	\$ 811,880.00	\$ (14,053.25)	\$ 797,826.75	\$ 1,516,205.59	\$ 718,378.84

Recapitulation:

Restricted:	
Maintenance Reserve	\$ 180,000.00
Emergency Reserve	90,000.00
Excess Surplus - Current Year	462,028.80
Excess Surplus - Prior Year - Designated for Subsequent Year's Expenditures	329,251.00
Assigned:	
Year-End Encumbrances	42,583.79
Designated for Subsequent Year's Expenditures	126,894.00
Unassigned	285,448.00
	<u>1,516,205.59</u>

Reconciliation to Governmental Funds Statements(GAAP):

June 2012 State Aid Payments Not Recognized on GAAP Basis	(292,123.00)
	<u>\$ 1,224,082.59</u>

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule - Education Jobs Fund
 General Fund

For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Federal Sources:					
Education Jobs Fund	\$ 104,064.00	\$ 3,260.00	\$ 107,324.00	\$ 107,324.00	\$ -
Total - Federal Sources	<u>104,064.00</u>	<u>3,260.00</u>	<u>107,324.00</u>	<u>107,324.00</u>	<u>-</u>
Total Revenues	<u>104,064.00</u>	<u>3,260.00</u>	<u>107,324.00</u>	<u>107,324.00</u>	<u>-</u>
EXPENDITURES:					
Current Expense:					
Unallocated Benefits	104,064.00	3,260.00	107,324.00	107,324.00	-
Health Benefits	104,064.00	3,260.00	107,324.00	107,324.00	-
Total Undistributed Expenditures	<u>104,064.00</u>	<u>3,260.00</u>	<u>107,324.00</u>	<u>107,324.00</u>	<u>-</u>
Total Expenditures	<u>104,064.00</u>	<u>3,260.00</u>	<u>107,324.00</u>	<u>107,324.00</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOROUGH OF MAGNOLIA SCHOOL DISTRICT

Required Supplementary Information
 Budgetary Comparison Schedule
 Special Revenue Fund

For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
State Sources:					
Preschool Education Aid	\$ 33,975.00	\$ -	\$ 33,975.00	\$ 33,975.00	\$ -
Total - State Sources	33,975.00		33,975.00	33,975.00	
Local Sources:					
Safety Grant	-	3,605.00	3,605.00	3,605.00	-
Total - Local Sources	-	3,605.00	3,605.00	3,605.00	
Federal Sources:					
Title I	79,452.00	13,426.00	92,878.00	92,878.00	-
Title IIA	25,703.00	7,477.00	33,180.00	33,180.00	-
Title IID	-	402.00	402.00	402.00	-
Include Grant	-	26,057.77	26,057.77	26,057.77	-
I.D.E.I.A., Part B, Basic	120,000.00	14,305.00	134,305.00	134,305.00	-
I.D.E.I.A., Part B, Preschool	1,122.00	6,120.00	7,242.00	7,242.00	-
Total - Federal Sources	226,277.00	67,787.77	294,064.77	294,064.77	-
Total Revenues	\$ 260,252.00	\$ 71,392.77	\$ 331,644.77	\$ 331,644.77	\$ -

(Continued)

BOROUGH OF MAGNOLIA SCHOOL DISTRICT

Required Supplementary Information
 Budgetary Comparison Schedule
 Special Revenue Fund

For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 110,427.00	\$ 39,728.00	\$ 150,155.00	\$ 150,155.00	\$ -
Other Purchased Services	120,122.00	14,183.00	134,305.00	134,305.00	-
Supplies and Materials	2,000.00	3,363.95	5,363.95	5,363.95	-
Total Instruction	232,549.00	57,274.95	289,823.95	289,823.95	-
Support Services:					
Salaries	25,000.00	(5,891.40)	19,108.60	19,108.60	-
Employee Benefits	1,000.00	(1,000.00)	-	-	-
Purchased Technical Services	1,000.00	11,200.00	12,200.00	12,200.00	-
Purchased Professional - Educational Services	-	805.00	805.00	805.00	-
Travel	-	122.22	122.22	122.22	-
Supplies and Materials	703.00	8,882.00	9,585.00	9,585.00	-
Total Support Services	27,703.00	14,117.82	41,820.82	41,820.82	-
Facilities Acquisition and Construction Services:					
Instructional Equipment	-	-	-	-	-
Total Facilities Acquisition and Construction Services	-	-	-	-	-
Total Expenditures	260,252.00	71,392.77	331,644.77	331,644.77	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 For the Fiscal Year Ended June 30, 2012

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 6,784,429.50	\$ 331,644.77
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current Year		(4,794.13)
Prior Year		none
The June 2011 State aid payments are recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	275,919.00	5,294.00
The June 2012 State aid payments are recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	<u>(292,123.00)</u>	<u>(3,364.00)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 6,768,225.50</u>	<u>\$ 328,780.64</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 6,449,509.91	\$ 331,644.77
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year		(4,794.13)
Prior Year		none
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 6,449,509.91</u>	<u>\$ 326,850.64</u>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Special Revenue Fund
 Combining Schedule of Revenues and Expenditures - Budgetary Basis
 For the Fiscal Year Ended June 30, 2012

	N.C.L.B.					Total Carried Forward
	Title I 2011-2012	Carryover 2010-2011	Title IIA 2011-2012	Carryover 2010-2011	Title IID Carryover 2009-2010	
REVENUES:						
Federal Sources	\$ 294,064.77	\$ 5,000.00	\$ 28,180.00	\$ 5,000.00	\$ 402.00	\$ 26,057.77
State Sources	33,975.00					
Local Sources	3,605.00					
Total	\$ 331,644.77	\$ 5,000.00	\$ 28,180.00	\$ 5,000.00	\$ 402.00	\$ 26,057.77
EXPENDITURES:						
Instruction:						
Salaries of Teachers	150,155.00		20,000.00			11,180.00
Other Purchased Services	134,305.00				402.00	2,083.95
Supplies & Materials	5,363.95					
Total Instruction	289,823.95	-	20,000.00	-	402.00	13,263.95
Support Services:						
Salaries	19,108.60					11,866.60
Purchased Technical Services	12,200.00	5,000.00	2,200.00	5,000.00		805.00
Purchased Professional - Educational Services	805.00					122.22
Travel	122.22		5,980.00			
Supplies & Materials	9,585.00					
Total Support Services	41,820.82	5,000.00	8,180.00	5,000.00	-	12,793.82
Facilities Acquisition and Construction Services:						
Instructional Equipment	-					
Total Facilities Acquisition and Construction Services	-	-	-	-	-	-
Total Expenditures	\$ 331,644.77	\$ 5,000.00	\$ 28,180.00	\$ 5,000.00	\$ 402.00	\$ 26,057.77
						\$ 179,127.00

(Continued)

BOROUGH OF MAGNOLIA SCHOOL DISTRICT

Special Revenue Fund
 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
 For the Fiscal Year Ended June 30, 2012

	Total Carried Forward	I.D.E.I.A. Part B, Basic 2011-2012	I.D.E.I.A. Part B, Preschool 2011-2012	Preschool Education Aid 2011-2012	Safety Grant 2011-2012
REVENUES:					
Federal Sources	\$ 141,547.00	\$ 134,305.00	\$ 7,242.00		
State Sources	33,975.00			\$ 33,975.00	\$ 3,605.00
Local Sources	3,605.00				
Total Revenues	179,127.00	134,305.00	7,242.00	33,975.00	3,605.00
EXPENDITURES:					
Instruction:					
Salaries of Teachers	33,975.00			33,975.00	
Other Purchased Services	134,305.00	134,305.00			
Supplies & Materials	-				
Total Instruction	168,280.00	134,305.00	-	33,975.00	-
Support Services:					
Salaries	7,242.00		7,242.00		
Purchased Technical Services	-				
Purchased Professional - Educational Services	-				
Travel	-				
Supplies & Materials	3,605.00				3,605.00
Total Support Services	10,847.00	-	7,242.00	-	3,605.00
Facilities Acquisition and Construction Services:					
Instructional Equipment	-				
Total Facilities Acquisition and Construction Services	-	-	-	-	-
Total Expenditures	\$ 179,127.00	\$ 134,305.00	\$ 7,242.00	\$ 33,975.00	\$ 3,605.00

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Special Revenue Fund
Schedule of Preschool Education Aid Expenditures
Preschool - All Programs
Budgetary Basis
For the Fiscal Year Ended June 30, 2012

DISTRICT-WIDE TOTAL

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 33,975.00	\$ 33,975.00	\$ -
Total Instruction	33,975.00	33,975.00	-
Total Expenditures	\$ 33,975.00	\$ 33,975.00	\$ -

CALCULATION OF BUDGET AND CARRYOVER

Total 2011-12 Preschool Education Aid Allocation	\$ 33,975.00
Actual ECPA Carryover (June 30, 2011)	-
Add: Actual Transfer from General Fund 2011-12	-
	-
Total Preschool Education Aid Funds Available for 2011-12 Budget	33,975.00
Less: 2011-12 Budgeted Preschool Education Aid (Including Prior Year Budgeted Carryover)	(33,975.00)
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2012	-
Add: 2011-12 Unexpended Preschool Education Aid	-
2011-12 Carryover - Preschool Education Aid	-
2011-12 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2012-2013	\$ -

PROPRIETARY FUNDS

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Enterprise Fund
Combining Statement of Net Assets
June 30, 2012

	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 30,855.44
Accounts Receivable:	
State	108.84
Federal	3,832.84
Other	7,039.96
Inventories	<u>1,269.76</u>
Total Current Assets	<u>43,106.84</u>
Noncurrent Assets:	
Furniture, Machinery and Equipment	55,100.00
Less Accumulated Depreciation	<u>(55,100.00)</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>43,106.84</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	<u>8,387.31</u>
Total Current Liabilities	<u>8,387.31</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	-
Unrestricted	<u>34,719.53</u>
Total Net Assets	<u><u>\$ 34,719.53</u></u>

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Enterprise Fund
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 For the Fiscal Year Ended June 30, 2012

	<u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable	\$ 54,843.62
Daily Sales - Non-Reimbursable	7,373.02
Woodlynne Interlocal	8,100.00
Other Miscellaneous	5,099.01
Total Operating Revenues	75,415.65
OPERATING EXPENSES:	
Salaries	46,423.42
Employee Benefits	8,462.88
Supplies and Materials	4,848.92
Cost of Sales	62,315.64
Management Fee	15,721.31
Insurance	5,677.21
Consultant	3,924.00
Miscellaneous	19,517.00
Total Operating Expenses	166,890.38
Operating Income / (Loss)	(91,474.73)
NONOPERATING REVENUES:	
State Sources:	
State School Lunch Program	2,277.31
Federal Sources:	
National School Lunch Program	75,765.50
National School Breakfast Program	4,459.26
Food Distribution Program	13,057.70
Total Nonoperating Revenues	95,559.77
Change in Net Assets	4,085.04
Net Assets -- July 1	30,634.49
Net Assets -- June 30	\$ 34,719.53

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Enterprise Fund
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 75,415.65
Payments to Employees	(46,423.42)
Payments for Employee Benefits	(8,462.88)
Payments to Suppliers	<u>(117,157.67)</u>
Net Cash Provided by (used for) Operating Activities	<u>(96,628.32)</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Federal and State Sources	70,734.19
Received from General Fund	<u>31,095.76</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>101,829.95</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Capital Assets	<u>-</u>
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>-</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	<u>-</u>
Net Cash Provided by (used for) Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,201.63
Cash and Cash Equivalents -- July 1	<u>25,653.81</u>
Cash and Equivalents -- June 30	<u><u>\$ 30,855.44</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (91,474.73)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Food Distribution Program	13,057.70
(Increase) Decrease in Inventories	1,348.24
(Increase) Decrease in Other Current Assets	(7,039.96)
Increase (Decrease) in Other Current Liabilities	<u>(12,519.57)</u>
Total Adjustments	<u>(5,153.59)</u>
Net Cash Provided by (used for) Operating Activities	<u><u>\$ (96,628.32)</u></u>

FIDUCIARY FUNDS

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Fiduciary Net Assets
June 30, 2012

	<u>Trust Funds</u>		<u>Agency Funds</u>		
	Unemployment Compensation <u>Trust</u>	Scholarship <u>Trust</u>	Student <u>Activity</u>	<u>Payroll</u>	<u>Total</u>
ASSETS:					
Cash and Cash Equivalents	\$ 55,070.49	\$ 2,092.48	\$ 13,078.08	\$ 84,558.53	\$ 154,799.58
Total Assets	<u>55,070.49</u>	<u>2,092.48</u>	<u>13,078.08</u>	<u>84,558.53</u>	<u>154,799.58</u>
LIABILITIES:					
Payable to Student Groups			13,078.08		13,078.08
Payroll Deductions and Withholdings				72,332.29	72,332.29
Interfund Payable - General Fund				<u>12,226.24</u>	<u>12,226.24</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 13,078.08</u>	<u>\$ 84,558.53</u>	<u>97,636.61</u>
NET ASSETS:					
Scholarships Held in Trust for Unemployment Claims and Other Purposes		2,092.48			2,092.48
	<u>55,070.49</u>				<u>55,070.49</u>
Total Net Assets	<u>\$ 55,070.49</u>	<u>\$ 2,092.48</u>			<u>\$ 57,162.97</u>

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Fiduciary Funds
 Combining Statement of Changes in Fiduciary Net Assets
 For the Fiscal Year Ended June 30, 2012

	Unemployment Compensation <u>Trust</u>	Scholarship <u>Trust</u>	<u>Total</u>
ADDITIONS:			
Contributions:			
Plan Member	\$ 2,457.30	\$ -	\$ 2,457.30
Total Contributions	<u>2,457.30</u>	<u>-</u>	<u>2,457.30</u>
Investment Earnings:			
Interest	228.19	8.67	236.86
Net Investment Earnings	<u>228.19</u>	<u>8.67</u>	<u>236.86</u>
Total Additions	<u>2,685.49</u>	<u>8.67</u>	<u>2,694.16</u>
DEDUCTIONS:			
Unemployment Claims	-	-	-
Scholarship Awards	-	-	-
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	2,685.49	8.67	2,694.16
Net Assets -- July 1	<u>52,385.00</u>	<u>2,083.81</u>	<u>54,468.81</u>
Net Assets -- June 30	<u>\$ 55,070.49</u>	<u>\$ 2,092.48</u>	<u>\$ 57,162.97</u>

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Fiduciary Funds
 Student Activity Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2012

	<u>Balance June 30, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
Elementary School	<u>\$ 14,149.45</u>	<u>\$ 40,173.69</u>	<u>\$ 41,245.06</u>	<u>\$ 13,078.08</u>

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Fiduciary Funds
 Payroll Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$ 53,908.61	\$ 4,186,923.32	\$ 4,156,273.40	\$ 84,558.53
Total Assets	<u>\$ 53,908.61</u>	<u>\$ 4,186,923.32</u>	<u>\$ 4,156,273.40</u>	<u>\$ 84,558.53</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 41,642.61	\$ 4,186,923.32	\$ 4,156,233.64	\$ 72,332.29
Interfund Payable - General Fund	<u>12,266.00</u>	<u></u>	<u>39.76</u>	<u>12,226.24</u>
Total Liabilities	<u>\$ 53,908.61</u>	<u>\$ 4,186,923.32</u>	<u>\$ 4,156,273.40</u>	<u>\$ 84,558.53</u>

STATISTICAL SECTION

Financial Trends Information

Financial trends information is intended to assist the user in understanding and assessing how the School District's financial position has changed over time. Please refer to the following exhibits for a historical view of the School District's financial performance. Note that Exhibits J-1, J-2, J-3 and J-4 are only presented for the last nine fiscal years as the School District's first year of implementation of the Governmental Accounting Standards Board Statement No. 34 was for the fiscal year ended June 30, 2004; thus, ten year comparative financial information is unavailable.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT

Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities									
Invested in capital assets, net of related debt	(609,894.00)	(132,119.00)	83,013.00	279,088.00	500,060.00	712,907.00	931,123.00	1,148,339.00	1,096,378.00
Restricted	104,444.00	104,687.00	147,026.00	363,782.00	267,410.00	462,946.00	634,327.00	878,657.00	1,230,757.59
Unrestricted	103,115.00	(106,105.00)	(207,439.00)	(35,559.00)	146,723.00	59,523.00	(33,275.00)	(133,323.00)	(135,733.83)
Total governmental activities net assets	<u>(402,335.00)</u>	<u>(133,537.00)</u>	<u>22,600.00</u>	<u>607,311.00</u>	<u>914,193.00</u>	<u>1,235,376.00</u>	<u>1,532,175.00</u>	<u>1,893,673.00</u>	<u>2,191,401.76</u>
Business-type activities									
Invested in capital assets, net of related debt	14,440.00	12,136.00	9,931.00	7,726.00	5,521.00	3,316.00	1,111.00	-	-
Restricted	(6,618.00)	(1,003.00)	9,940.00	23,569.00	13,861.00	38,891.00	54,751.00	30,635.00	34,719.53
Unrestricted	7,822.00	11,133.00	(19,871.00)	(31,295.00)	19,382.00	42,207.00	55,862.00	30,635.00	34,719.53
Total business-type activities net assets									
District-wide									
Invested in capital assets, net of related debt	(595,454.00)	(119,983.00)	92,944.00	286,814.00	505,581.00	716,223.00	932,234.00	1,148,339.00	1,096,378.00
Restricted	104,444.00	104,687.00	147,026.00	363,782.00	267,410.00	462,946.00	634,327.00	878,657.00	1,230,757.59
Unrestricted	96,497.00	(107,108.00)	(197,499.00)	(11,990.00)	160,584.00	98,414.00	21,476.00	(102,688.00)	(101,014.30)
Total district net assets	<u>(394,513.00)</u>	<u>(122,404.00)</u>	<u>42,471.00</u>	<u>638,606.00</u>	<u>933,575.00</u>	<u>1,277,583.00</u>	<u>1,588,037.00</u>	<u>1,924,308.00</u>	<u>2,226,121.29</u>

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Changes in Net Assets
 Last Nine Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental activities									
Instruction									
Regular	2,392,705.00	2,633,004.00	2,282,401.00	2,283,530.00	2,364,668.00	2,463,514.00	2,634,296.00	2,359,194.00	2,387,223.33
Special education	496,896.00	575,796.00	524,185.00	557,635.00	465,412.00	427,309.00	460,250.00	366,351.00	329,777.85
Other instruction	73,286.00	111,778.00	52,498.00	88,389.00	207,076.00	220,096.00	259,026.00	144,928.00	207,500.13
Support Services:									
Tuition	359,989.00	236,419.00	120,817.00	58,914.00	268,348.00	342,714.00	284,992.00	475,649.00	519,602.32
Student & instruction related services	643,746.00	872,323.00	793,083.00	761,351.00	715,863.00	773,763.00	782,346.00	754,727.00	682,206.88
General administration	293,664.00	275,132.00	143,701.00	249,989.00	234,800.00	259,026.00	252,774.00	236,728.00	240,707.02
School Administrative services	193,168.00	159,313.00	225,298.00	151,028.00	151,104.00	182,851.00	174,468.00	183,887.00	162,910.86
Central Services	144,877.00	149,555.00	116,949.00	120,744.00	125,666.00	127,808.00	134,610.00	135,797.00	132,507.02
Plant operations and maintenance	547,710.00	562,653.00	452,998.00	500,644.00	497,937.00	504,002.00	506,018.00	464,054.00	460,001.55
Pupil transportation	159,193.00	116,869.00	97,595.00	91,261.00	131,263.00	180,642.00	115,508.00	109,576.00	88,828.23
Unallocated Benefits	-	-	1,232,633.00	1,528,888.00	1,681,508.00	1,346,338.00	1,519,846.00	1,587,923.00	1,535,785.19
Interest on long-term debt	108,763.00	134,185.00	78,000.00	64,049.00	48,416.00	32,879.00	17,076.00	1,290.00	973.00
Unallocated depreciation	-	-	72,525.00	60,825.00	62,524.00	62,153.00	61,784.00	61,784.00	51,254.00
Total governmental activities expenses	5,413,997.00	5,827,027.00	6,192,683.00	6,517,247.00	6,954,585.00	6,923,095.00	7,202,994.00	6,881,888.00	6,799,277.38
Business-type activities:									
Food service	124,959.00	144,474.00	145,506.00	124,436.00	155,045.00	134,794.00	117,949.00	163,045.00	166,890.38
Total business-type activities expense	124,959.00	144,474.00	145,506.00	124,436.00	155,045.00	134,794.00	117,949.00	163,045.00	166,890.38
Total district expenses	5,538,956.00	5,971,501.00	6,338,189.00	6,641,683.00	7,109,630.00	7,057,889.00	7,320,943.00	7,044,933.00	6,966,167.76

(Continued)

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Changes in Net Assets
 Last Nine Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues									
Governmental activities:									
Charges for services:									
Instruction (tuition)	2,705.00	19,065.00	-	-	-	-	-	-	-
Operating grants and contributions	548,996.00	1,058,509.00	650,339.00	1,362,017.00	1,372,154.00	977,712.00	1,127,435.00	895,341.00	841,682.23
Capital grants and contributions	-	-	-	1,362,017.00	1,372,154.00	977,712.00	1,127,435.00	995,341.00	841,682.23
Total governmental activities program revenues	551,701.00	1,077,574.00	650,339.00	1,362,017.00	1,372,154.00	977,712.00	1,127,435.00	995,341.00	841,682.23
Business-type activities:									
Charges for services:									
Food service	65,935.00	69,738.00	74,699.00	73,340.00	62,947.00	67,708.00	64,208.00	59,240.00	75,415.65
Operating grants and contributions	47,814.00	67,544.00	69,513.00	62,520.00	70,185.00	79,911.00	67,396.00	78,578.00	95,559.77
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	113,749.00	137,282.00	144,212.00	135,860.00	133,132.00	147,619.00	131,604.00	137,818.00	170,975.42
Total district program revenues	665,450.00	1,214,856.00	794,551.00	1,497,877.00	1,505,286.00	1,125,331.00	1,259,039.00	1,133,159.00	1,012,657.65
Net (Expense)/Revenue	(4,862,296.00)	(4,749,453.00)	(5,542,344.00)	(5,155,230.00)	(5,582,431.00)	(5,945,383.00)	(6,075,559.00)	(5,886,547.00)	(5,957,595.15)
Governmental activities	(11,210.00)	(7,192.00)	(1,294.00)	11,424.00	(21,913.00)	12,825.00	13,655.00	(25,227.00)	4,085.04
Business-type activities	(4,873,506.00)	(4,756,645.00)	(5,543,638.00)	(5,143,806.00)	(5,604,344.00)	(5,932,588.00)	(6,061,904.00)	(5,911,774.00)	(5,953,510.11)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes levied for general purposes, net	2,170,665.00	2,119,050.00	2,453,059.00	2,953,866.00	2,951,650.00	2,866,755.00	3,063,628.00	3,055,746.00	3,152,901.00
Taxes levied for debt service	180,064.00	173,455.00	195,264.00	187,002.00	192,949.00	183,862.00	177,616.00	185,498.00	185,498.00
Federal and State Aid Not Restricted	2,691,155.00	2,427,068.00	2,895,553.00	2,558,067.00	2,716,752.00	3,119,395.00	3,059,088.00	2,995,847.00	3,078,835.00
Federal and State Aid Restricted	127,795.00	277,437.00	145,482.00	-	-	-	-	-	-
Miscellaneous income	104,700.00	31,241.00	19,122.00	41,006.00	37,962.00	106,554.00	72,026.00	10,954.00	23,587.91
Special items	(15,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	10,954.00	23,587.91
Total governmental activities	5,259,379.00	5,018,251.00	5,698,480.00	5,739,941.00	5,889,313.00	6,266,566.00	6,372,358.00	6,248,045.00	6,255,323.91
Business-type activities:									
Miscellaneous income	147.00	503.00	32.00	-	-	-	-	-	-
Special items	15,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	-	-	-
Total business-type activities	15,147.00	10,503.00	10,032.00	10,000.00	10,000.00	10,000.00	-	-	-
Total district-wide	5,274,526.00	5,028,754.00	5,708,512.00	5,739,941.00	5,899,313.00	6,276,566.00	6,372,358.00	6,248,045.00	6,255,323.91
Change in Net Assets									
Governmental activities	397,083.00	268,798.00	156,136.00	584,711.00	306,882.00	321,183.00	296,799.00	361,498.00	297,728.76
Business-type activities	3,937.00	3,311.00	8,738.00	11,424.00	(11,913.00)	22,825.00	13,655.00	(25,227.00)	4,085.04
Total district	401,020.00	272,109.00	164,874.00	596,135.00	294,969.00	344,008.00	310,454.00	336,271.00	301,813.80

BOROUGH OF MAGNOLIA SCHOOL DISTRICT

Fund Balances - Governmental Funds
 Last Nine Fiscal Years
 (modified accrual basis of accounting)
 Unaudited

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund									
Reserved	54,444.00	37,399.00	80,955.00	292,331.00	396,339.00	562,440.00	714,076.00	-	-
Unreserved	77,421.00	83,904.00	54,150.00	186,024.00	136,223.00	61,840.00	3,025.00	-	-
Restricted	-	-	-	-	-	-	-	748,657.00	1,061,279.80
Assigned	-	-	-	-	-	-	-	144,053.00	169,477.79
Unassigned	-	-	-	-	-	-	-	12,657.00	(6,675.00)
Total general fund	<u>131,865.00</u>	<u>121,303.00</u>	<u>135,105.00</u>	<u>478,355.00</u>	<u>532,562.00</u>	<u>624,280.00</u>	<u>717,101.00</u>	<u>905,367.00</u>	<u>1,224,082.59</u>
All Other Governmental Funds									
Reserved	-	-	-	-	-	-	-	-	-
Unreserved, reported in:									
Special revenue fund	(12,747.00)	(12,747.00)	(12,747.00)	(12,750.00)	(15,861.00)	(5,120.00)	(5,276.00)	-	-
Capital projects fund	169,000.00	40,000.00	16,167.00	16,167.00	16,167.00	16,167.00	16,167.00	-	-
Debt service fund	-	-	1.00	1.00	-	-	30.00	-	-
Restricted	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(5,294.00)	(3,364.00)
Total all other governmental funds	<u>156,253.00</u>	<u>27,253.00</u>	<u>3,421.00</u>	<u>3,418.00</u>	<u>306.00</u>	<u>11,047.00</u>	<u>10,921.00</u>	<u>(5,294.00)</u>	<u>(3,364.00)</u>

(1) In accordance with GASB 54, effective for the fiscal year ended June 30, 2011, the description and terminology utilized to identify fund Balance was changed. See the notes to the financial statements.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Changes in Fund Balances, Governmental Funds
 Last Nine Fiscal Years
 (modified accrual basis of accounting)
 Unaudited

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues									
Tax levy	2,350,729.00	2,292,505.00	2,648,323.00	3,140,868.00	3,144,599.00	3,050,617.00	3,241,244.00	3,241,244.00	3,152,901.00
Unrestricted Miscellaneous Revenues	104,700.00	37,241.00	19,122.00	41,006.00	37,962.00	106,554.00	72,026.00	10,954.00	27,192.91
State sources	3,079,010.00	3,398,273.00	3,276,000.00	3,461,708.00	3,695,389.00	3,584,694.00	3,018,503.00	3,469,716.00	3,520,317.59
Federal sources	291,641.00	383,806.00	415,374.00	458,376.00	393,517.00	512,413.00	1,188,020.00	521,472.00	396,594.64
Total revenue	5,826,080.00	6,105,825.00	6,358,819.00	7,101,958.00	7,271,467.00	7,254,278.00	7,499,793.00	7,243,386.00	7,097,006.14
Expenditures									
Instruction									
Regular instruction	1,893,209.00	2,058,249.00	2,256,406.00	2,283,530.00	2,364,668.00	2,463,514.00	2,634,296.00	2,359,194.00	2,386,516.33
Special education instruction	391,829.00	450,106.00	518,215.00	557,635.00	465,412.00	427,309.00	460,250.00	366,351.00	329,777.85
Other instruction	58,035.00	87,379.00	51,900.00	88,389.00	207,076.00	220,096.00	259,026.00	144,928.00	207,500.13
Support Services:									
Tuition	285,079.00	184,812.00	119,441.00	58,914.00	268,348.00	342,714.00	284,982.00	475,649.00	519,602.32
Student & inst. related services	509,768.00	682,082.00	784,050.00	761,351.00	715,863.00	773,763.00	782,346.00	754,727.00	682,066.88
General administration	232,655.00	215,073.00	222,732.00	249,989.00	234,800.00	259,028.00	252,774.00	236,728.00	240,707.02
School administrative services	152,971.00	124,536.00	139,956.00	151,028.00	151,104.00	182,851.00	174,468.00	183,887.00	162,910.86
Other Administrative Services	111,394.00	116,909.00	117,725.00	-	125,666.00	127,808.00	-	134,124.00	132,507.02
Central services	-	-	-	120,744.00	125,666.00	127,808.00	134,610.00	134,124.00	132,507.02
Plant operations and maintenance	428,724.00	439,832.00	450,706.00	500,644.00	497,937.00	504,002.00	506,018.00	464,054.00	446,079.05
Pupil transportation	126,066.00	91,358.00	96,483.00	91,261.00	131,263.00	180,642.00	115,508.00	109,576.00	88,828.23
Unallocated Benefits	1,067,671.00	1,141,848.00	1,232,633.00	1,568,605.00	1,709,849.00	1,345,741.00	1,499,166.00	1,553,562.00	1,564,829.36
Capital outlay	12,689.00	346,644.00	34,757.00	6,900.00	8,496.00	-	-	1,673.00	13,922.50
Debt service:									
Principal	200,000.00	200,000.00	250,000.00	250,000.00	275,000.00	275,000.00	280,000.00	279,000.00	-
Interest and other charges	107,859.00	96,559.00	83,846.00	69,721.00	54,890.00	39,353.00	23,644.00	7,882.00	973.00
Total expenditures	5,577,849.00	6,235,387.00	6,358,850.00	6,758,711.00	7,210,372.00	7,141,819.00	7,407,098.00	7,071,335.00	6,776,360.55
Excess (Deficiency) of revenues over (under) expenditures	248,231.00	(129,562.00)	(31.00)	343,247.00	61,095.00	112,459.00	92,695.00	172,051.00	320,645.59
Other Financing sources (uses)									
Transfers out	(15,000.00)	(10,000.00)	(10,000.00)	-	(10,000.00)	(10,000.00)	-	-	-
Total other financing sources (uses)	(15,000.00)	(10,000.00)	(10,000.00)	-	(10,000.00)	(10,000.00)	-	-	-
Net change in fund balances	233,231.00	(139,562.00)	(10,031.00)	343,247.00	51,095.00	102,459.00	92,695.00	172,051.00	320,645.59
Debt service as a percentage of noncapital expenditures	5.53%	5.04%	5.28%	4.74%	4.58%	4.40%	4.10%	4.06%	0.01%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.
 Central Service and Administrative Information Technology account classifications were added beginning with year end June 30, 2005.
 Prior to June 30, 2005, Central Service and Administrative Information Technology were combined in Other Support Services as Business and Other Support Services.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 General Fund - Other Local Revenue By Source
 Last Ten Fiscal Years
Unaudited

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Interest	3,266.00	3,995.00	14,475.00	15,352.00	38,479.00	29,495.00	11,608.00	5,079.00	5,307.00	6,719.65
Tuition	27,281.00	-	5,869.00	-	-	8,017.00	54,011.00	53,605.00	-	-
Prior Year Refunds	27,531.00	-	2,307.00	-	-	-	-	-	-	10,624.98
Sale of Assets	-	88,092.00	-	-	-	-	-	-	-	-
Adjustments	(9,138.00)	-	-	-	191.00	-	-	-	-	-
TARA AID	-	-	-	-	-	-	38,854.00	-	-	-
Miscellaneous	7,686.00	12,613.00	8,590.00	3,770.00	2,336.00	450.00	2,081.00	8,502.00	1,087.00	6,243.28
	<u>56,626.00</u>	<u>104,700.00</u>	<u>31,241.00</u>	<u>19,122.00</u>	<u>41,006.00</u>	<u>37,962.00</u>	<u>106,554.00</u>	<u>67,186.00</u>	<u>6,394.00</u>	<u>23,587.91</u>

Source: District Records

Revenue Capacity Information

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the School District's ability to generate revenues. Please refer to the following exhibits for a historical view of these factors and how they relate to the School District's ability to generate revenues.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Years
Unaudited

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

^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

Per \$100.00 of Assessed Valuation

Last Ten Years

Unaudited

Year	School District Direct Rate				Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate	Obligation Debt Service	General	(From J-6) Total Direct School Tax Rate	Sterling Regional School District	Borough of Magnolia	Camden County		
2011	1.984	-		1.984	1.043	1.446	1.349	5.822	
2010	1.897	0.110		2.007	1.095	1.396	1.219	5.717	
2009	1.840	0.118		1.958	1.117	1.396	1.171	5.642	
2008	1.777	0.116		1.893	1.142	1.158	1.180	5.373	
2007	1.882	0.119		2.001	1.142	1.158	1.180	5.481	
2006	1.670	0.120		1.790	1.083	1.109	1.145	5.127	
2005	1.490	0.120		1.610	0.990	1.060	0.980	4.640	
2004	1.360	0.110		1.470	1.070	1.040	0.980	4.560	
2003	1.250	0.110		1.360	0.950	1.050	1.000	4.360	
2002	1.150	0.120		1.270	0.920	1.010	0.960	4.160	

Source: Abstract of Ratables for the County of Camden

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Principal Property Taxpayers
 Current Year and Nine Years Ago
Unaudited

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Barrington SFP Assoc	6,600,000.00	1	2.51%			
Coventry Apts	5,928,000.00	2	2.25%			
Wal-Mart	4,210,100.00	3	1.60%			
Raab Family Partnership	3,000,000.00	4	1.14%			
Walgreen Eastern Co.	2,115,600.00	5	0.80%			
F.V.B. Enterprises	1,561,900.00	6	0.59%			
Green Gardens Apts	1,482,800.00	7	0.56%			
700 White Horse Pike Assoc	1,366,600.00	8	0.52%			
Scannell Urban Renewal	985,900.00	9	0.37%			
Rite Aid	887,400.00	10	0.34%			
						Information Not Available
Total	28,138,300.00		10.69%	-		

Source: Municipal Tax Assessor

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Property Tax Levies and Collections
 Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years
		Amount	Percentage of Levy	
2012	3,152,901.00	3,152,901.00	100.00%	-
2011	3,197,395.00	3,197,395.00	100.00%	-
2010	3,241,244.00	3,241,244.00	100.00%	-
2009	3,050,617.00	3,050,617.00	100.00%	-
2008	3,144,599.00	3,144,599.00	100.00%	-
2007	3,140,868.00	3,140,868.00	100.00%	-
2006	2,648,323.00	2,648,323.00	100.00%	-
2005	2,292,505.00	2,292,505.00	100.00%	-
2004	2,350,729.00	2,350,729.00	100.00%	-
2003	1,991,426.00	1,991,426.00	100.00%	-

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

Source: District Records

Debt Capacity Information

Debt capacity information is intended to assist users in understanding and assessing the School District's debt burden and its ability to issue additional debt. Please refer to the following exhibits for a historical view of the School District's outstanding debt and its debt capacity.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Governmental Activities		Business-Type Activities		Total District	Percentage of Personal Income (1)	Per Capita (2)
	General Obligation Bonds	Capital Leases	Capital Leases	Capital Leases			
2012	-	-	-	-	-	0.00%	-
2011	-	-	-	-	-	0.00%	-
2010	279,000.00	-	-	-	279,000.00	0.15%	64
2009	559,000.00	-	-	-	559,000.00	0.31%	129
2008	834,000.00	-	-	-	834,000.00	0.46%	192
2007	1,109,000.00	-	-	-	1,109,000.00	0.63%	255
2006	1,359,000.00	-	-	-	1,359,000.00	0.80%	311
2005	1,609,000.00	-	-	-	1,609,000.00	1.02%	369
2004	1,809,000.00	-	-	-	1,809,000.00	1.19%	415
2003	2,009,000.00	-	-	-	2,009,000.00	1.36%	459

(1) Personal income has been estimated based upon the municipal population and per capita

(2) Population information provided by the NJ Dept Of Labor and Workforce Development

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property (1)	Per Capita (2)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2012	-	-	-	0.00%	-
2011	-	-	-	0.00%	-
2010	279,000.00	-	279,000.00	0.17%	64
2009	559,000.00	-	559,000.00	0.35%	129
2008	834,000.00	-	834,000.00	0.52%	192
2007	1,109,000.00	-	1,109,000.00	0.69%	255
2006	1,359,000.00	-	1,359,000.00	0.85%	311
2005	1,609,000.00	-	1,609,000.00	1.01%	369
2004	1,809,000.00	-	1,809,000.00	1.14%	415
2003	2,009,000.00	-	2,009,000.00	1.26%	459

(1) Net Assessed Valuation provided by Abstract of Ratables, County Board of Taxation

(2) Population information provided by the NJ Dept Of Labor and Workforce Development

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Direct and Overlapping Governmental Activities Debt
 As of December 31, 2011
Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Net Debt Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Sterling Regional High School District (1) (B)	3,810,000.00	25.54%	972,892.83
Borough of Magnolia (1)	3,669,519.38	100.00%	3,669,519.38
County of Camden (2) (A)	211,014,203.00	0.73%	<u>1,539,931.62</u>
Subtotal, overlapping debt			6,182,343.83
Borough of Magnolia School District Direct Debt (1)	none	100.00%	-
Total direct and overlapping debt			<u><u>6,182,343.83</u></u>

Sources:

- (1) Borough of Magnolia Annual Debt Statement - December 31, 2011
 (2) County of Camden Audit Report - December 31, 2011

- (A) The debt for this entity was apportioned to Borough of Magnolia by dividing the Township's 2011 equalized value by the total 2011 equalized value for the County of Camden, which results in an apportionment of 0.73%.
- (B) The debt for this entity was apportioned to Borough of Magnolia by dividing the Borough's 2011 average equalized value by the total 2011 average equalized value for the entire Regional School District, which results in an apportionment of 25.54%.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Computation of Legal Debt Margin
 Last Nine Fiscal Years
Unaudited

Legal Debt Margin Calculation for Fiscal Year 2011

	Equalized Valuation Basis (1)
2011	287,098,148.00
2010	295,971,764.00
2009	293,847,563.00
[A]	<u>876,917,475.00</u>
[A/3]	292,305,825.00
[B]	8,769,174.75
[C]	-
[B-C]	<u>8,769,174.75</u>

Average equalized valuation of taxable property

Debt limit (3% of average equalization value) (2)

Total Net Debt Applicable to Limit

Legal Debt Margin

	Fiscal Year Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debit Limit	8,769,174.75	8,804,317.00	8,731,101.00	8,492,962.00	7,798,947.00	6,783,776.00	5,862,256.00	5,238,396.00	4,918,193.00
Total net debt applicable to limit (3)	-	-	279,000.00	559,000.00	834,000.00	1,109,000.00	1,359,000.00	1,609,000.00	1,809,000.00
Legal Debt Margin	<u>8,769,174.75</u>	<u>8,804,317.00</u>	<u>8,452,101.00</u>	<u>7,933,962.00</u>	<u>6,964,947.00</u>	<u>5,674,776.00</u>	<u>4,503,256.00</u>	<u>3,629,396.00</u>	<u>3,109,193.00</u>
Total net debt applicable to the limit as a percentage of debt limit	-	3.20%	6.58%	10.69%	16.35%	23.18%	30.72%	36.78%	36.78%

Sources:

- (1) Equalized valuation bases were provided by the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation
- (2) Limit set by NJSA 18A:24-19 for a K through 8 district.
- (3) District Records

Demographic and Economic Information

Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within which the School District operates and (2) to provide information that facilitates comparisons of financial statement information over time and among school districts. Please refer to the following exhibits for a historical view of the demographic and economic statistics and factors prevalent in the location in which the School District operates.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Years
Unaudited

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
2011	4,338	185,319,360.00	42,720.00 *	16.30%
2010	4,341	185,447,520.00	42,720.00	16.50%
2009	4,332	179,370,792.00	41,406.00	15.80%
2008	4,334	181,993,328.00	41,992.00	10.30%
2007	4,355	175,332,300.00	40,260.00	7.90%
2006	4,367	168,876,257.00	38,671.00	8.60%
2005	4,361	158,299,939.00	36,299.00	8.00%
2004	4,361	152,438,755.00	34,955.00	7.60%
2003	4,377	147,820,044.00	33,772.00	4.10%
2002	4,394	142,950,002.00	32,533.00	3.90%

(1) Population information provided by the NJ Dept Of Labor and Workforce Development

(2) Personal income has been estimated based upon the municipal population and per capita

(3) Per Capita personal income by municipality-estimated based upon the 2000 Census published

(4) Unemployment data provided by the NJ Dept of Labor and Workforce Development

* = estimated

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago
Unaudited

Employer	2012			2003		
	Approximate Number of Employees	Rank	Percentage of Total Municipal Employment (1)	Approximate Number of Employees	Rank	Percentage of Total Municipal Employment (1)
	-		0.00%	-		0.00%

Information Not Available

Operating Information

Operating information is intended to provide contextual information about the School District's operations and resources to assist readers in using financial statement information to understand and assess the School District's economic condition. Please refer to the following exhibits for a historical view of the factors and statistics pertinent to the School District's operations.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Full-time Equivalent District Employees by Function/Program
 Last Seven Fiscal Years
Unaudited

<u>Function/Program</u>	Fiscal Year Ended June 30,						
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction							
Regular	40	55	46	37	34	30	30
Special education	9	9	18	14	14	14	14
Other instruction	1	-	-	-	-	-	-
Support Services:							
Student & instruction related services	14	14	14	15	15	10	10
General administration	2	3	3	2	2	3	3
School administration	3	3	3	4	4	4	3
Pupil transportation	5	5	5	3	4	4	5
Total	<u>73</u>	<u>88</u>	<u>88</u>	<u>75</u>	<u>73</u>	<u>64</u>	<u>64</u>

Source: District Personnel Records

BOROUGH OF MAGNOLIA SCHOOL DISTRICT

Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year June 30,	Average Daily Enrollment (ADE) ^c	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Senior High School				
2012	439	6,776,360.55	15,439.42	-6.47%	50	11:1	N/A	438.9	420.1	2.57%	95.72%
2011	428	7,063,453.00	16,507.25	5.94%	45	11:1	N/A	427.9	412.4	-6.14%	96.38%
2010	456	7,103,454.00	15,581.17	6.28%	43	11:1	N/A	455.9	436.4	-2.10%	95.72%
2009	466	6,827,466.00	14,660.65	-3.40%	40	12:1	N/A	465.7	438.1	2.85%	94.07%
2008	453	6,871,986.00	15,176.65	9.18%	43	12:1	N/A	452.8	431.0	-2.14%	95.19%
2007	463	6,432,090.00	13,901.21	16.73%	47	10:1	N/A	462.7	440.4	-8.01%	95.18%
2006	503	5,990,247.00	11,909.04	6.05%	50	10:1	N/A	503.0	478.0	1.00%	95.03%
2005	498	5,592,184.00	11,229.29	-8.15%	49	10:1	N/A	498.0	471.0	15.81%	94.58%
2004	430	5,257,321.00	12,226.33	5.40%	42	10:1	N/A	430.0	409.0	-1.60%	95.12%
2003	437	5,069,358.00	11,600.36	3.90%	42	10:1	N/A	437.0	415.0	2.82%	94.97%

Sources: District records

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 School Building Information
 Last Ten Fiscal Years
Unaudited

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>District Building</u>										
Elementary										
Magnolia Elementary School	62,723	62,723	62,723	62,723	62,723	62,723	62,723	62,723	62,723	62,723
Square Feet	600	600	600	600	600	600	600	600	600	600
Capacity (students)	428	424	501	503	458	449	462	458	434	433
Enrollment										

Number of Schools at June 30, 2012
 Elementary = 1

Source: District Records

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

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Schedule of Required Maintenance
 Last Nine Fiscal Years
Unaudited

Undistributed Expenditures - Required Maintenance
 for School Facilities
 11-000-261-xxx

	Fiscal Year Ended June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Magnolia Elementary School	28,570.00	46,937.00	30,092.00	62,754.00	37,643.00	36,389.00	59,060.00	69,031.00	52,644.43

* School Facilities

* School facilities as defined under EFCFA.
 (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6:24-1.3)

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Insurance Schedule
June 30, 2012
Unaudited

	<u>Coverage</u>	<u>Deductible</u>
Property Section:		
Blanket Building and Business Personal Property	14,719,000	1,000
General Liability Section:		
Products and Completed Operations Limit	6,000,000	
Personal Advertising Injury Limit	6,000,000	
Bodily Injury and Property Damage Limit	6,000,000	
Commercial Inland Marine Section:		
Blanket Hardware and Software	300,000	1,000
Boiler and Machinery Section:		
Combined Single Limit per Accident for Property Damage and Business Income	100,000,000	1,000
Commercial Crime Section:		
Employee Dishonesty Coverage	50,000	500
Business Auto Section:		
Combined Single Limit	6,000,000	1,000
School District Legal Liability Coverage:		
Each Policy Period	1,000,000	5,000
Workers Compensation Coverages:		
Each Accident	2,000,000	
Disease - Policy Limit	2,000,000	
Disease - Each Employee	2,000,000	
Student Accident:		
Compulsory Student Accident Coverage	1,000,000	
Catastrophic Student Accident Coverage	2,000,000	25,000
Surety Bonds:		
Nancy Lane, Business Administrator	10,000	
Robin Sarlo, Treasurer	170,000	

Source: District Records

SINGLE AUDIT SECTION

**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
STATE OF NEW JERSEY CIRCULAR 04-04-OMB**

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

Compliance

We have audited the Borough of Magnolia School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that could have a direct and material effect on each of the School District's major state programs for the fiscal year ended June 30, 2012. The School District's major 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 state programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District'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; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133, and State of New Jersey Circular 04-04-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Magnolia School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the Borough of Magnolia School District 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 state programs for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and New Jersey Circular 04-04-OMB and which is described in the accompanying Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance as finding no.: 2012-2.

Internal Control Over Compliance

Management of the Borough of Magnolia School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major 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 State of New Jersey Circular 04-04-OMB, 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 School District's internal control over compliance.

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

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

The Borough of Magnolia School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's response and, accordingly, we express no opinion on the response.

Expenditures for federal awards were less than the single audit dollar threshold required by OMB Circular A-133 and therefore were not subject to a single audit. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Division of Finance, Department of Education, State of New Jersey and is not a required part of basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements

This report is intended solely for the information and use of management, members of the Board of Education, others within the School District, the Division of Administration and Finance of the New Jersey Department of Education, 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.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Robert P. Nehila Jr.
Certified Public Accountant
Public School Accountant No.CS002065

Voorhees, New Jersey
December 4, 2012

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards, Schedule A
 For the Fiscal Year Ended June 30, 2012

Federal Grantor/ Pass-through Grantor / Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2011
				From	To	
General Fund:						
U.S. Department of Education:						
Education Jobs Fund (Direct Funding)	84.410	N/A	\$ 107,324.00	7-1-2011	6-30-2012	\$ -
General Fund - Total						-
Special Revenue Fund:						
U.S. Department of Education:						
Passed-through State Department of Education:						
N.C.L.B.:						
Title I	84.010	11-2890	93,529.00	9-1-2010	8-31-2011	(22,416.00)
Title I	84.010	12-2890	87,878.00	9-1-2011	8-31-2012	
Title IIA	84.367	11-2890	30,829.00	9-1-2010	8-31-2011	(4,959.00)
Title IIA	84.367	12-2890	28,180.00	9-1-2011	8-31-2012	
Title IID	84.318	09-2890	814.00	9-1-2008	8-31-2009	(184.00)
Title IID	84.318	10-2890	1,427.00	9-1-2009	8-31-2010	(1,025.00)
Include Grant - Year #4	84.318	11-2890	235,000.00	9-1-2010	8-31-2011	(48,834.98)
Title IV	84.186	10-2890	2,798.00	9-1-2009	8-31-2010	(2,798.00)
Title IV	84.186	10-2890	2,798.00	9-1-2009	8-31-2010	55.00
I.D.E.I.A. Part B, Basic Regular	84.027	FT-2890	135,205.00	9-1-2010	8-31-2011	(43,023.00)
I.D.E.I.A. Part B, Basic Regular	84.027	FT-2890	134,305.00	9-1-2011	8-31-2012	
I.D.E.I.A. Preschool Incentive	84.173	FT-2890	7,291.00	9-1-2010	8-31-2011	(3,466.00)
I.D.E.I.A. Preschool Incentive	84.173	FT-2890	7,242.00	9-1-2011	8-31-2012	
Special Revenue Fund - Total						(126,650.98)
Total U.S. Department of Education						(126,650.98)
Enterprise Fund:						
U.S. Department of Agriculture						
Passed-through State Department of Education:						
Non-Cash Assistance (Food Distribution):						
Food Distribution Program	10.555	N/A	6,838.00	7-1-2010	6-30-2011	741.00
Food Distribution Program	10.555	N/A	12,316.70	7-1-2011	6-30-2012	
Cash Assistance:						
National School Breakfast Program	10.553	N/A	3,804.00	7-1-2010	6-30-2011	(211.56)
National School Breakfast Program	10.553	N/A	4,459.26	7-1-2011	6-30-2012	
National School Lunch Program	10.555	N/A	63,830.00	7-1-2010	6-30-2011	(2,494.80)
National School Lunch Program	10.555	N/A	75,765.50	7-1-2011	6-30-2012	
Enterprise Fund - Total U.S. Department of Agriculture						(1,965.36)
Total Federal Financial Assistance						\$ (128,616.34)

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

These funds were not audited in accordance with U.S. OMB Circular A-133 since the total of all grant expenditures did not exceed \$500,000.

Carryover / (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2012		
					(Accounts Receivable)	Deferred Revenue	Due to Grantor
\$ -	\$ 63,859.48	\$ (107,324.00)	\$ -	\$ -	\$ (43,464.52)	\$ -	\$ -
-	63,859.48	(107,324.00)	-	-	(43,464.52)	-	-
	27,416.00	(5,000.00)					
		(87,878.00)			(87,878.00)		
	9,959.00	(5,000.00)					
		(28,180.00)			(28,180.00)		
			184.00				
	1,427.00	(402.00)					
	74,892.00	(26,057.77)	0.75				
	2,743.00		55.00				
			(55.00)				
	43,023.00						
	134,305.00	(134,305.00)					
	3,466.00						
	7,242.00	(7,242.00)					
-	304,473.00	(294,064.77)	184.75	-	(116,058.00)	-	-
-	368,332.48	(401,388.77)	184.75	-	(159,522.52)	-	-
		(741.00)					
	12,316.70	(12,316.70)					
	211.56						
	4,174.41	(4,459.26)			(284.85)		
	2,494.80						
	72,217.51	(75,765.50)			(3,547.99)		
-	91,414.98	(93,282.46)	-	-	(3,832.84)	-	-
\$ -	\$ 459,747.46	\$ (494,671.23)	\$ 184.75	\$ -	\$ (163,355.36)	\$ -	\$ -

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Schedule of Expenditures of State Financial Assistance, Schedule B
 For the Fiscal Year Ended June 30, 2012

<u>State Grantor/ Program Title</u>	Grant or State Project <u>Number</u>	Program or Award <u>Amount</u>	<u>Grant Period</u>		<u>Balance at June 30, 2011</u>		
			<u>From</u>	<u>To</u>	<u>Deferred Revenue / Accounts Receivable</u>	<u>Due to Grantor</u>	<u>Carryover/ (Walkover) Amount</u>
State Department of Education (State Aid):							
General Fund:							
Special Education Categorical Aid	495-034-5120-089	\$ 227,354.00	7-1-2010	6-30-2011	\$ (22,217.00)	\$ -	\$ -
Special Education Categorical Aid	495-034-5120-089	227,354.00	7-1-2011	6-30-2012			
Equalization Aid	495-034-5120-078	2,596,254.00	7-1-2010	6-30-2011	(253,702.00)		
Equalization Aid	495-034-5120-078	2,722,983.00	7-1-2011	6-30-2012			
Extraordinary Special Education Aid	100-034-5120-473	38,576.00	7-1-2010	6-30-2011	(38,576.00)		
Extraordinary Special Education Aid	100-034-5120-473	35,448.00	7-1-2011	6-30-2012			
Reimbursed TPAF Social Security Contributions	495-034-5095-002	220,213.00	7-1-2010	6-30-2011	(15,847.00)		
Reimbursed TPAF Social Security Contributions	495-034-5095-002	226,073.59	7-1-2011	6-30-2012			
Total General Fund					<u>(330,342.00)</u>	<u>-</u>	<u>-</u>
Special Revenue Fund:							
Preschool Education Aid	495-034-5120-086	52,850.00	7-1-2010	6-30-2011	(5,294.00)		
Preschool Education Aid	495-034-5120-086	33,975.00	7-1-2011	6-30-2012			
Total Special Revenue Fund					<u>(5,294.00)</u>	<u>-</u>	<u>-</u>
Enterprise Fund:							
State School Lunch Program	100-010-3360-067	2,015.00	7-1-2010	6-30-2011	(78.83)		
State School Lunch Program	100-010-3360-067	2,277.31	7-1-2011	6-30-2012			
Total Enterprise Fund					<u>(78.83)</u>	<u>-</u>	<u>-</u>
Total State Financial Assistance					<u>\$ (335,714.83)</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

Cash Received	Adjustments	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2012			Memo	
				Accounts Receivable	Deferred Revenue	Due to Grantor at	Budetary Receivable 6/30/12	Cumulative Total Expenditures
\$ 22,217.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
204,843.00		(227,354.00)		(22,511.00)			(22,511.00)	227,354.00
253,702.00								
2,453,371.00		(2,722,983.00)		(269,612.00)			(269,612.00)	2,722,983.00
38,576.00								
		(35,448.00)		(35,448.00)				35,448.00
15,847.00								
214,821.31		(226,073.59)		(11,252.28)				226,073.59
<u>3,203,377.31</u>	<u>-</u>	<u>(3,211,858.59)</u>	<u>-</u>	<u>(338,823.28)</u>	<u>-</u>	<u>-</u>	<u>(292,123.00)</u>	<u>3,211,858.59</u>
5,294.00								
30,611.00		(33,975.00)		(3,364.00)			(3,364.00)	33,975.00
<u>35,905.00</u>	<u>-</u>	<u>(33,975.00)</u>	<u>-</u>	<u>(3,364.00)</u>	<u>-</u>	<u>-</u>	<u>(3,364.00)</u>	<u>33,975.00</u>
78.83								
2,168.47		(2,277.31)		(108.84)				2,277.31
<u>2,247.30</u>	<u>-</u>	<u>(2,277.31)</u>	<u>-</u>	<u>(108.84)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,277.31</u>
<u>\$ 3,241,529.61</u>	<u>\$ -</u>	<u>\$ (3,248,110.90)</u>	<u>\$ -</u>	<u>\$ (342,296.12)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (295,487.00)</u>	<u>\$ 3,248,110.90</u>

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2012

Note 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Borough of Magnolia School District (hereafter referred to as the "School District"). The School District is defined in note 1 to the School District'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, are included on the schedules of expenditures of federal awards and state financial assistance.

Note 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting, with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in note 1 to the School District'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 June state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile revenues from the budgetary basis to the GAAP basis is \$(16,204.00) for the general fund and \$(2,864.13) for the special revenue fund. The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is \$-0- for the general fund and \$(4,974.13) for the special revenue fund. See Exhibit C-3, 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.

**Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance (Cont'd)**

Note 3: RELATIONSHIP TO FINANCIAL STATEMENTS (CONT'D)

Awards and financial assistance expenditures are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General	\$ 107,324.00	\$ 3,195,654.59	\$ 3,302,978.59
Special Revenue	289,270.64	33,975.00	323,245.64
Food Service	<u>93,282.46</u>	<u>2,277.31</u>	<u>95,559.77</u>
Total Awards and Financial Assistance	<u>\$ 489,877.10</u>	<u>\$ 3,231,906.90</u>	<u>\$ 3,721,784.00</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: ADJUSTMENTS

Amounts reported in the column entitled "adjustments" represent favorable differences incurred in the liquidation of encumbrances charged as budgetary basis expenditures in fiscal year 2010-2011.

Note 6: OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distribution, respectively. 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 fiscal year ended June 30, 2012.

Note 7: MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes X no

Were significant deficiencies identified that were not considered to be a material weakness? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards - NOT APPLICABLE

Internal control over compliance:

Material weaknesses identified? yes no

Were significant deficiencies identified that were not considered to be a material weakness? yes none reported

Type of auditor's report on compliance for major programs _____

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to determine Type A programs _____

Auditee qualified as low-risk auditee? yes no n/a

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section 1- Summary of Auditor's Results (Cont'd)

State Financial Assistance

Internal control over compliance:

Material weaknesses identified? _____ yes X no

Were significant deficiencies identified that were not considered to be a material weakness? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a)) or New Jersey Circular 04-04-OMB? X yes _____ no

Identification of major programs:

<u>GMIS Numbers</u>	<u>Name of State Program</u>
495-034-5120-078	Equalization Aid
495-034-5120-089	Categorical Special Education Aid
_____	_____
_____	_____

Dollar threshold used to determine Type A programs \$ _____ 300,000

Auditee qualified as low-risk auditee? X yes _____ no _____ n/a

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

Finding No. 2012-1

Criteria or Specific Requirement

A sound framework of internal control requires the Board Secretary/School Business Administrator's financial records to be accurately and completely maintained.

Condition

The Board Secretary/School Business Administrator's financial records were not accurately and completely maintained.

Context

Numerous Audit Adjusting Journal Entries were required in order to prepare the School District's Comprehensive Annual Financial Report.

An analysis of Payroll Agency Fund was not properly maintained and it appears excess funds were charged to Fund 11 and deposited into the payroll agency bank account in November 2011.

All unemployment withholdings are kept in the Payroll Agency Fund, none are transferred to the Unemployment Fund.

Effect

Errors could occur and would not be immediately detected.

Cause

Failure to properly maintain financial records.

Recommendation

That the Board Secretary/School Business Administrator's financial records are accurately and completely maintained.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by OMB Circular A-133.

Not Applicable

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2012

Section 4- Schedule of State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

Finding No. 2012-2

Information on the State Program

State Aid – Public

Equalization Aid 495-034-5120-078

Special Education Categorial Aid 495-034-5120-0089

Criteria or Specific Requirement

Audit procedures in *The Audit Program*, Section I-3 and III-4, issued by the (New Jersey) Department of Education.

Condition

Enrollments reported on the district's A.S.S.A. printout, did not agree with the enrollments per district's workpapers.

Questioned Costs

None

Context

The students per grade and low income on the School Attendance Register were summarized and compared to the A.S.S.A. printout. The following differences were noted.

Enrollment

	<u>School Attendance Register</u>	<u>A.S.S.A printout</u>	<u>Difference</u>
Total Students	433	434	+1
Full Day Kindergarten	40	39	-1
First Grade	38	36	-2
Eight Grade	44	41	-3
Special Education-Elementary	37	41	+4
Special Education-Middle School	28	31	+3

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2012

Section 4- Schedule of State Financial Assistance Findings and Questioned Costs (cont'd)

Finding No. 2012-2 (cont'd)

Context (cont'd)

Low Income

	<u>School Attendance Register</u>	<u>A.S.S.A printout</u>	<u>Difference</u>
Total Students	165	166	+1
Full Day Kindergarten	14	13	-1
First Grade	15	14	-1
Second Grade	18	21	+3
Third Grade	14	13	-1
Eight Grade	16	12	-4
Special Education-Elementary	18	19	+1
Special Education-Middle School	17	21	+4

Effect

Non-compliance with *The Audit Program*, Section I-3 and III-4, issued by the (New Jersey) Department of Education.

Cause

Oversight.

Recommendation

That enrollments reported on the district's A.S.S.A. printout, agree with the enrollments per district's workpapers.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
And Questioned Costs as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

FINANCIAL STATEMENT FINDINGS

No Prior Year Findings

FEDERAL AWARDS

No Prior Year Findings

STATE FINANCIAL ASSISTANCE PROGRAMS

No Prior Year Findings

