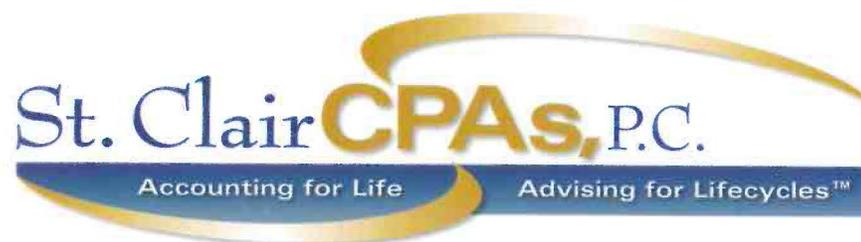


**BOROUGH OF MERCHANTVILLE SCHOOL
DISTRICT**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT OF THE
BOROUGH OF MERCHANTVILLE
BOARD OF EDUCATION**

**FISCAL YEAR ENDED
JUNE 30, 2012**



BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
JUNE 30, 2012

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BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
JUNE 30, 2012

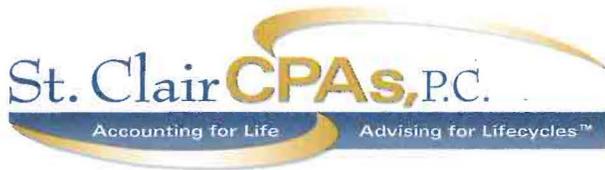
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BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
JUNE 30, 2012

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November 30, 2012

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

Dear Honorable President and Members of the Board:

The Comprehensive Annual Financial Report of the Borough of Merchantville School District (District) for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart, and a roster of officials. The financial section includes the Management's Discussion and Analysis, the basic financial statements, schedules, and notes as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, financial trends, and the fiscal capacity of the District generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendment of 1996, and the related U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*, and the State Treasury Circular 04-04 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Information related to this single audit, including the auditors' report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

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

2. ECONOMIC CONDITION AND OUTLOOK:

Merchantville is not experiencing any measurable growth in development or expansion.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for handicapped students. The District completed the 2011-2012 fiscal year with a June enrollment of 353 students, which is 15 students below the October 15, 2011 count for the Application for State School Aid. The following details the changes in the student enrollment of the District over the last ten years:

<u>Average Daily Enrollment</u>		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2011-12	353.0	9.29%
2010-11	323.0	(7.45%)
2009-10	349.0	(1.43%)
2008-09	354.0	(0.28%)
2007-08	355.0	(2.95%)
2006-07	365.4	3.57%
2005-06	352.8	(4.67%)
2004-05	370.1	1.93%
2003-04	363.1	2.92%
2002-03	352.8	(0.34%)

3. INTERNAL ACCOUNTING CONTROLS:

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

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

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

4. BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the General Fund, the Special Revenue Fund, and the Debt Service Fund. Project-length budgets are approved for the capital improvements accounted for in the Capital Projects Fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

5. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect U.S. generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements," Note 1.

6. 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. The following schedule presents a summary of the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2012, and the amount and percentage of changes in relation to prior year revenues:

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2011</u>
Local sources	\$ 4,160,975	59.78%	\$ (372,623)
State sources	2,445,112	35.13%	286,522
Federal sources	<u>354,242</u>	<u>5.09%</u>	<u>(52,349)</u>
	<u>\$ 6,960,329</u>	<u>100.00%</u>	<u>\$ (138,450)</u>

The net decrease in revenue from Local Sources is attributable to a decrease in the Local Tax Levy in the amount of \$410,814, a decrease of tuition revenues in the General Fund and an increase of \$49,284 in the Debt Service Fund.

The net increase in State sources is attributable to increases in General Fund State Aid of \$323,357 and a decrease in Special Revenue State Aid of \$17,740, as well as a small decrease in the Debt Service Fund.

The decrease in Federal sources is \$52,349 and is attributable to an increase in the General Fund of \$ 61,925, offset by a decrease of \$114,274 in the Special Revenue Fund.

6. FINANCIAL INFORMATION AT FISCAL YEAR-END (Continued):

The following schedule presents a summary of General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2012, and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2011</u>
Current expenses			
Instruction	\$ 2,477,805	35.24%	\$ 134,126
Undistributed expenditures	4,245,844	60.39%	406,092
Capital outlay	183	0.00%	183
Debt service			
Principal	255,000	3.63%	5,000
Interest	<u>51,882</u>	<u>0.74%</u>	<u>(6,874)</u>
 Total	 <u>\$ 7,030,714</u>	 <u>100.00%</u>	 <u>\$ 538,527</u>

The increases in Instruction and in Undistributed expenditures are attributable to various differences in General and Special Revenue budgets, particularly in instructional expenditures and employee benefits.

There was no current year or prior year capital projects.

The change in Debt Service expenditures is the result of the scheduled principal and interest payment amounts on the outstanding debt principal.

7. DEBT ADMINISTRATION:

As of June 30, 2012, the outstanding balance relating to the 2004 bonds was \$1,265,000.

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

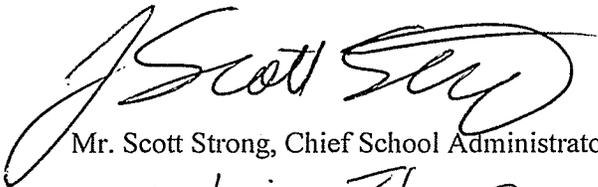
10. INDEPENDENT AUDIT:

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. William P. St. Clair, CPA of the accounting firm St. Clair CPAs, P.C., was selected by the Board's Audit Committee. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Single Audit Act Amendment of 1996, and the related U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations* and the State Treasury Circular 04-04 OMB *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

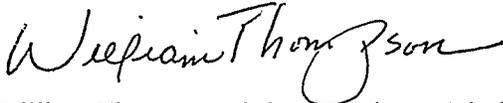
11. ACKNOWLEDGMENTS:

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

Respectfully submitted,



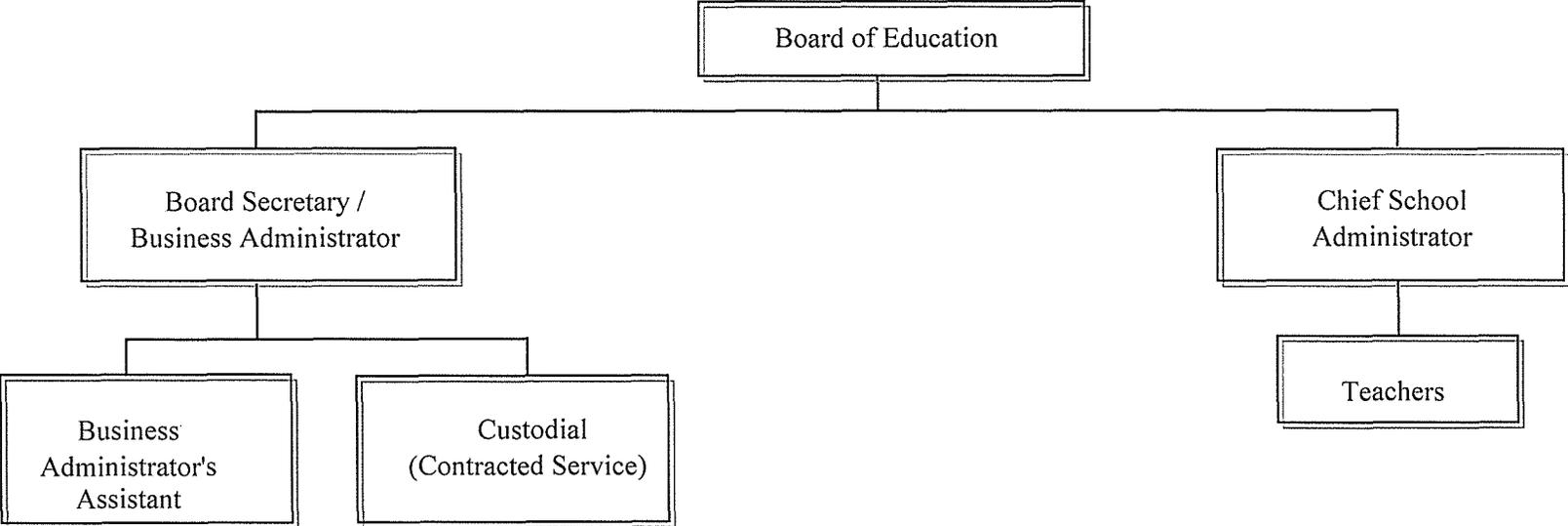
Mr. Scott Strong, Chief School Administrator/Principal



Mr. William Thompson, School Business Administrator/Board Secretary

ORGANIZATIONAL CHART

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
BOARD OF EDUCATION
ORGANIZATIONAL CHART
(UNIT CONTROL)**



**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2012**

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Edward Bohn III, President	2013
Stephen Morrone, Vice President	2014
Elliot Honigfeld	2012
Janice Engelke	2012
Mark Iannucci, (also, Rep. to Camden County Education Services Commission)	2013
Henry Kabel	2014
Jennifer Perno	2013
Sharon Hartson-Stine	2012
Jacquelyn Fuentes	2012

OTHER OFFICIALS

Scott Strong, Chief School Administrator/Principal

William Thompson, School Business Administrator, Purchasing Agent/Board Secretary and Treasurer

Dr. Bruce Goberman, School Physician

Leonard J. Wood, Jr., Esq., Solicitor

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
CONSULTANTS AND ADVISORS**

AUDIT FIRM

William P. St. Clair, CPA
St. Clair CPAs, P.C.
28 South Centre Street
Merchantville, New Jersey 08109

ATTORNEY

Leonard J. Wood, Jr., Esquire
Wade, Long, Wood and Kennedy
1250 Chews Landing Road
Laurel Springs, New Jersey 08021

INSURANCE BROKER OF RECORD

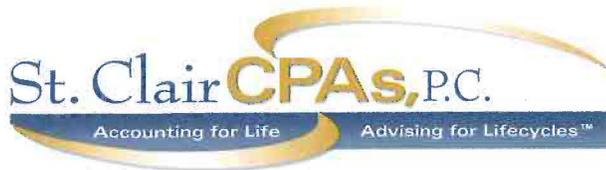
Hardenbergh Insurance Group
PO Box 1000
Main Street Plaza 1000
Voorhees, NJ 08043

OFFICIAL DEPOSITORY

Bank of America
23 W. Maple Avenue
Merchantville, New Jersey 08109

INVESTMENT INSTITUTIONS

NJ Cash Management/Morgan Stanley



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education Borough of Merchantville School District (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 District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Merchantville Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012, on our consideration of the Borough of Merchantville, Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our 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 on pages 11 through 19 and 51 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Merchantville Board of Education's financial statements as a whole. The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the New Jersey OMB's Circular 04-04 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* respectively, and are also not a required part of the basic financial statements of the Board of Education Borough of Merchantville. The combining and individual fund financial statements, long-term debt schedules and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived directly and relate 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 information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have 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 them.



William P. St. Clair, CPA
Licensed Public School Accountant
License No. CS02343



St. Clair CPAs, P.C.
Certified Public Accountants

Merchantville, New Jersey
November 30, 2012

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

UNAUDITED

Overview

The Management's Discussion and Analysis of the Borough of Merchantville School District's (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 this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- ❖ General revenues accounted for \$4,160,975 in revenue or 59% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,906,776 or 41% percent to total revenues of \$7,067,751.
- ❖ Total assets of governmental activities decreased by \$249,765, cash and cash equivalents decreased by \$241,622, receivables increased by \$52,011 and capital assets decreased by \$101,446.
- ❖ The School District had \$6,971,355 in expenses; only \$2,906,776 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) in the amount of \$4,160,975 were adequate to provide for these programs.
- ❖ The General Fund had \$6,095,053 in revenues and \$6,165,438 in expenditures. The General Fund's fund balance decreased \$70,385 over fiscal year ended June 30, 2011.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-Wide and Fund Financial statements. The notes to the financial statements can be found following the basic financial statement section.

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets as of June 30, 2012 and 2011.

Table 1
Net Assets

	<u>2012</u>	<u>2011</u>
Assets		
Current and other assets	\$ 1,379,401	\$ 1,529,037
Capital assets, net	<u>1,365,177</u>	<u>1,463,109</u>
Total Assets	<u>\$ 2,744,578</u>	<u>\$ 2,992,146</u>
Liabilities		
Long-term liabilities	\$ 1,358,555	\$ 1,644,868
Other liabilities	<u>496,468</u>	<u>554,121</u>
Total Liabilities	<u>\$ 1,855,023</u>	<u>\$ 2,198,989</u>
Net Assets		
Invested in capital assets, net of debt	\$ 92,193	\$ (61,361)
Restricted	510,780	80,000
Unrestricted	<u>286,582</u>	<u>774,518</u>
Total Net Assets	<u>\$ 889,555</u>	<u>\$ 793,157</u>

Total assets decreased as a result of a decrease in cash offset by an increase in receivables. Total liabilities decreased due to less outstanding debt, deferred revenue and accounts payables, offset by an increase in state payable.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

The School District as a Whole (Continued)

Table 2 shows changes in net assets for fiscal year 2012.

Table 2
Changes in Net Assets

	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues		
Charges for services	\$ 39,239	\$ 31,615
Operating grants and contributions	2,867,537	2,628,327
General revenues		
Property taxes	4,127,804	4,489,334
Other	33,171	44,015
Total Revenues	<u>7,067,751</u>	<u>7,193,291</u>
Program Expenses		
Instruction	2,477,805	2,343,679
Support services		
Pupils and instructional staff	1,903,680	1,860,900
General administration, school administration, and business	1,729,702	1,462,322
Operation and maintenance of plant facilities	430,030	381,434
Pupil transportation	156,304	175,676
Interest on long-term debt	51,882	58,756
Food service	120,506	120,247
Unallocated depreciation	101,446	101,444
Total Expenses	<u>6,971,355</u>	<u>6,504,458</u>
Increase in net assets	<u>\$ 96,396</u>	<u>\$ 688,833</u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 58% percent of revenues for governmental activities for the Borough of Merchantville School District for the fiscal year 2012. The School District's total revenues for governmental activities were \$6,960,329 for the fiscal year ended June 30, 2012. Federal, State and local grants accounted for 42%. The total cost of all program and services was \$6,971,355. Instruction comprises 35% of the School District's expenses.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

Business-Type Activities

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

- ❖ Food service expenses exceeded revenues by \$13,084.
- ❖ Charges for services represents \$39,239 or 37% of revenue. This represents amounts paid by patrons for daily food services.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and donated commodities was \$67,567.

Governmental Activities

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

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$ 2,477,805	\$ 467,855	\$ 2,343,679	\$ 373,199
Support services				
Pupils and instructional staff	1,903,680	1,680,848	1,860,900	1,632,307
General administration, school administration, and business	1,729,702	1,192,322	1,462,322	1,113,679
Operation and maintenance of plant facilities	430,030	430,030	381,434	381,434
Pupil transportation	156,304	144,472	175,676	175,676
Interest and long-term debt	51,882	34,522	58,756	41,290
Unallocated depreciation	101,446	101,446	101,444	101,444
	<u>101,446</u>	<u>101,446</u>	<u>101,444</u>	<u>101,444</u>
 Total Expenses	 <u>\$ 6,850,849</u>	 <u>\$ 4,051,495</u>	 <u>\$ 6,384,211</u>	 <u>\$ 3,819,029</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities. Extracurricular activities include expenses related to student activities provided by the School District, which are designated to provide opportunities for students to participate in school events, public events, or a combination of these for the purpose of motivation, enjoyment and skill improvement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

Governmental Activities (Continued)

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development. Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

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

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

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

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District.

Other includes unallocated depreciation.

The School District's Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., General Fund, Special Revenue Fund, Capital Projects and Debt Service Fund presented in the fund financial statements) had total revenues of \$6,960,329 and expenditures of \$7,030,714. The net change in fund balance for the year was in the General Fund, as a decrease of \$70,385. The School District is still able to meet current operating costs based on accumulated fund balances.

As demonstrated by the various statements and schedules included in the financial section of this report, despite federal funding decreases, the School District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2012, and the amount of increases and decreases in relation to prior year revenues.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2011</u>
Local sources	\$ 4,160,975	59.78%	\$ (372,623)
State sources	2,445,112	35.13%	286,522
Federal sources	354,242	5.09%	(52,349)
	<u>\$ 6,960,329</u>	<u>100.00%</u>	<u>\$ (138,450)</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

The School District's Funds (Continued)

The decreases in local sources is attributed to decreases in the local tax levy of \$410,814, an increase of miscellaneous revenue of \$5,761, a decrease in tuition revenue of \$16,854 in the General Fund, and a decrease of \$49,284 of local tax levy in the Debt Service Fund.

The increases in state sources are due to increases in the Equalization aid of \$121,765, an increase in School choice aid of \$133,755 and a decrease in Special Revenue Fund state sources of \$17,740.

The decrease in federal sources is attributed to an increase in the General Fund of \$61,925, and a decrease of \$114,274 in federal awards in the Special Revenue Fund.

The following schedule presents a summary of General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2012.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2011</u>
Current expenses			
Instruction	\$ 2,477,805	35.24%	\$ 134,126
Undistributed expenditures	4,245,844	60.39%	406,092
Capital outlay	183	0.00%	183
Debt service			
Principal	255,000	3.63%	5,000
Interest	51,882	0.74%	(6,874)
 Total	 <u>\$ 7,030,714</u>	 <u>100.00%</u>	 <u>\$ 538,527</u>

Expenditures have increased over prior year mostly due to budgetary increases, an increase in student supporting services, and an increase in operation and maintenance of plant services. Expenditures exceeded revenues during the fiscal year, resulting in a decrease to fund balance.

The changes in Debt Service are attributed to normal scheduled interest and principal payments on outstanding bonds.

General Fund Budgeting Highlights

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

General Fund Budgeting Highlights (Continued)

During the course of the fiscal year 2012, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

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

Capital Assets

At the end of the fiscal year 2012, the School District had \$5,303,901 invested in land, buildings, furniture and equipment. Table 4 shows fiscal year 2012 balances compared to 2011, net of depreciation.

Table 4
Capital Assets

	<u>2012</u>	<u>2011</u>
Land	\$ 153,671	\$ 153,671
Building and improvements	1,203,522	1,304,968
Machinery and equipment	<u>7,984</u>	<u>4,470</u>
	<u>\$ 1,365,177</u>	<u>\$ 1,463,109</u>

Debt Administration

At June 30, 2012, the School District had \$1,618,555 as outstanding debt. Of this amount, \$353,555 is for compensated absences, and the balance \$1,265,000 for bonds for school renovations.

For the Future

The Borough of Merchantville School District is in very good financial condition presently. A major concern of the School District is the increased reliance on local property taxes and the reduction of state funding. The School District has analyzed and reduced the budget for school year 2012-2013 accordingly, and at this time, is still able to provide needed services at the high level of quality to which the School District holds itself. However, future finances are not without challenges as the community continues to grow and governmental funding sources are limited.

The Borough of Merchantville School District did pass their school budget for the 2011-2012 school year. The budget for the 2012-2013 school year did not have to go to vote due to the budget being under the cap.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

For the Future (Continued)

The Borough of Merchantville School District is primarily a residential community with very few ratable's; thus the tax burden is focused on homeowners. During the budget process in the spring, it was a concern to the Administration and Board of Education how future budgets would be financed. The School District is also closely monitoring our administrative costs. Therefore, the Board of Education and the Administration will continue to review all cost centers in the School District.

In conclusion, the School District has committed itself 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 plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact William Thompson, School Business Administrator / Board Secretary at Borough of Merchantville Board of Education, c/o Merchantville School District, 130 S. Centre Street, Merchantville, New Jersey 08109 or email at Williamthompsoncpa@comcast.net.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

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

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
STATEMENT OF NET ASSETS (DEFICIT)
JUNE 30, 2012

Exhibit A-1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 939,901	\$ -	\$ 939,901
Due from other funds	87,196	-	87,196
Receivables from other governments	348,536	2,663	351,199
Inventory	-	1,105	1,105
Capital assets, net	<u>1,357,193</u>	<u>7,984</u>	<u>1,365,177</u>
TOTAL ASSETS	<u>2,732,826</u>	<u>11,752</u>	<u>2,744,578</u>
LIABILITIES			
Accounts payable	8,697	5,765	14,462
Interfund payable	-	86,040	86,040
Payable to state government	94,468	-	94,468
Deferred revenue	41,498	-	41,498
Compensated absences, non current	353,555	-	353,555
Bonds payable, current	260,000	-	260,000
Bonds payable, non-current	<u>1,005,000</u>	<u>-</u>	<u>1,005,000</u>
TOTAL LIABILITIES	<u>1,763,218</u>	<u>91,805</u>	<u>1,855,023</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	92,193	-	92,193
Restricted for encumbrances	-	-	-
Restricted for other purposes	510,780	-	510,780
Unrestricted			
Designated for capital projects	-	-	-
Unreserved, undesignated	<u>366,635</u>	<u>(80,053)</u>	<u>286,582</u>
TOTAL NET ASSETS (DEFICIT)	<u>\$ 969,608</u>	<u>\$ (80,053)</u>	<u>\$ 889,555</u>

The accompanying notes are an integral part of this statement.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Instruction							
Regular	\$ 2,004,014	\$ -	\$ 1,769,945	\$ -	\$ (234,069)	\$ -	\$ (234,069)
Special education	321,508	-	213,145	-	(108,363)	-	(108,363)
Other special instruction	152,283	-	26,860	-	(125,423)	-	(125,423)
Support services							
Instruction	1,216,501	-	-	-	(1,216,501)	-	(1,216,501)
Student and instruction related services	687,179	-	222,832	-	(464,347)	-	(464,347)
School administrative services	229,160	-	133,755	-	(95,405)	-	(95,405)
General and business administrative services	392,191	-	-	-	(392,191)	-	(392,191)
Operation and maintenance of plant facilities	430,030	-	-	-	(430,030)	-	(430,030)
Pupil transportation	156,304	-	11,832	-	(144,472)	-	(144,472)
Employee benefits	666,262	-	-	-	(666,262)	-	(666,262)
Transfers to charter schools	64,775	-	-	-	(64,775)	-	(64,775)
On-behalf TPAF contributions	247,810	-	247,810	-	-	-	-
Reimbursement of TPAF contributions	155,815	-	155,815	-	-	-	-
Interest on long-term debt	51,882	-	17,360	-	(34,522)	-	(34,522)
Compensated absences	(26,311)	-	-	-	26,311	-	26,311
Unallocated depreciation	101,446	-	-	-	(101,446)	-	(101,446)
Total governmental activities	<u>6,850,849</u>	<u>-</u>	<u>2,799,354</u>	<u>-</u>	<u>(4,051,495)</u>	<u>-</u>	<u>(4,051,495)</u>
Business-type activities							
Food service	<u>120,506</u>	<u>39,239</u>	<u>68,183</u>	<u>-</u>	<u>-</u>	<u>(13,084)</u>	<u>(13,084)</u>
Total business-type activities	<u>120,506</u>	<u>39,239</u>	<u>68,183</u>	<u>-</u>	<u>-</u>	<u>(13,084)</u>	<u>(13,084)</u>
Total primary government	<u>\$ 6,971,355</u>	<u>\$ 39,239</u>	<u>\$ 2,867,537</u>	<u>-</u>	<u>(4,051,495)</u>	<u>(13,084)</u>	<u>(4,064,579)</u>
General revenues							
Taxes							
Property taxes, levied for general purpose					3,838,282	-	3,838,282
Taxes levied for debt service					289,522	-	289,522
Tuition received					875	-	875
Other local government					11,500	-	11,500
Miscellaneous income					20,796	-	20,796
Transfers					-	-	-
Other					-	-	-
Total general revenues, special items, extraordinary items and transfers					<u>4,160,975</u>	<u>-</u>	<u>4,160,975</u>
Change in net assets					109,480	(13,084)	96,396
Net assets (deficit), beginning					<u>860,128</u>	<u>(66,969)</u>	<u>793,159</u>
Net assets (deficit), ending					<u>\$ 969,608</u>	<u>\$ (80,053)</u>	<u>\$ 889,555</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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

COMBINING AND INDIVIDUAL FUND

STATEMENTS AND SCHEDULES

(B Through I)

The combining and individual fund statements and schedules present more detailed information for the individual funds in a format that segregates information by fund type.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012**

Exhibit B-1

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 889,568	\$ 50,333	\$ -	\$ -	\$ 939,901
Due from other funds	291,324	-	-	-	291,324
Receivables from other governments	71,591	276,945	-	-	348,536
TOTAL ASSETS	\$ 1,252,483	\$ 327,278	\$ -	\$ -	\$ 1,579,761
LIABILITIES AND FUND BALANCES (DEFICIT)					
Liabilities					
Accounts payable	\$ 8,697	\$ -	\$ -	\$ -	\$ 8,697
Interfund payable	-	203,879	-	249	204,128
Payable to state government	-	94,468	-	-	94,468
Deferred revenue	12,567	28,931	-	-	41,498
TOTAL LIABILITIES	21,264	327,278	-	249	348,791
Fund balances (Deficit)					
Nonspendable	-	-	-	-	-
Restricted for:					
Maintenance reserve	80,000	-	-	-	80,000
Excess surplus	430,780	-	-	-	430,780
Committed	-	-	-	-	-
Assigned					
Special revenue fund	-	-	-	-	-
Capital projects fund	-	-	-	-	-
Debt service fund	-	-	-	(249)	(249)
Other purposes	431,747	-	-	-	431,747
Unassigned	288,692	-	-	-	288,692
TOTAL FUND BALANCES (DEFICIT)	1,231,219	-	-	(249)	1,230,970
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,252,483	\$ 327,278	\$ -	\$ -	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds. The cost of the assets is \$5,280,469 and the accumulated depreciation is \$3,923,276.

1,357,193

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.

(1,618,555)

Net assets of governmental activities

\$ 969,608

The accompanying notes are an integral part of this statement.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2012

Exhibit B-2

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources					
Local tax levy	\$ 3,838,282	\$ -	\$ -	\$ 289,522	\$ 4,127,804
Other local government units	11,500	-	-	-	11,500
Tuition charges	875	-	-	-	875
Miscellaneous	20,796	-	-	-	20,796
TOTAL LOCAL SOURCES	3,871,453	-	-	289,522	4,160,975
State sources	2,161,675	266,077	-	17,360	2,445,112
Federal sources	61,925	292,317	-	-	354,242
TOTAL REVENUES	6,095,053	558,394	-	306,882	6,960,329
EXPENDITURES					
Current					
Regular instruction	1,974,442	29,572	-	-	2,004,014
Special education instruction	233,743	87,765	-	-	321,508
Other instruction	55,627	96,656	-	-	152,283
Support services and undistributed costs					
Instruction	1,216,501	-	-	-	1,216,501
Student and instruction related services	412,252	274,927	-	-	687,179
School administrative services	172,430	56,730	-	-	229,160
General and business administrative services	392,191	-	-	-	392,191
Operation and maintenance of plant facilities	429,847	-	-	-	429,847
Pupil transportation	156,304	-	-	-	156,304
Employee benefits	653,518	12,744	-	-	666,262
Transfers to charter schools	64,775	-	-	-	64,775
On-behalf TPAF contributions	247,810	-	-	-	247,810
Reimbursement TPAF Social Security contributions	155,815	-	-	-	155,815
Debt service					
Principal	-	-	-	255,000	255,000
Interest and other charges	-	-	-	51,882	51,882
Capital outlay- construction services	183	-	-	-	183
TOTAL EXPENDITURES	6,165,438	558,394	-	306,882	7,030,714
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(70,385)	-	-	-	(70,385)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Withdrawal from reserve	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES AND USES	-	-	-	-	-
NET CHANGES IN FUND BALANCES (DEFICIT)	(70,385)	-	-	-	(70,385)
FUND BALANCE, BEGINNING (DEFICIT)	1,301,604	-	-	(249)	1,301,355
FUND BALANCE, ENDING	\$ 1,231,219	\$ -	\$ -	\$ (249)	\$ 1,230,970

The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
GOVERNMENTAL FUNDS**

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (from B-2) \$ (70,385)

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, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current fiscal year.

Depreciation expense	(101,446)	
Capital outlay	<u> -</u>	
		(101,446)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	255,000
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In the statement of activities, certain operating expenses, e.g., compensated absences (vacations and sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.	<u>26,311</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 109,480</u>
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The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
PROPRIETARY FUND - FOOD SERVICES FUND
STATEMENT OF NET ASSETS (DEFICIT)
JUNE 30, 2012**

Exhibit B-4

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	-
Accounts receivable		
State		64
Federal		2,599
Inventory		<u>1,105</u>
TOTAL CURRENT ASSETS		<u>3,768</u>

FIXED ASSETS

Equipment		23,792
Accumulated depreciation		<u>(15,808)</u>
		<u>7,984</u>
	\$	<u>11,752</u>

LIABILITIES

Accounts payable	\$	5,765
Interfund payable		<u>86,040</u>
TOTAL LIABILITIES		91,805

NET ASSETS (DEFICIT)

Unrestricted		<u>(80,053)</u>
	\$	<u>11,752</u>

The accompanying notes are an integral part of this statement.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
PROPRIETARY FUND - FOOD SERVICES FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT)
YEAR ENDED JUNE 30, 2012

Exhibit B-5

OPERATING REVENUE

Local sources	
Daily sales - reimbursable programs	
School lunch program	\$ -
Daily sales - non-reimbursable programs	39,239
TOTAL OPERATING REVENUE	<u>39,239</u>

OPERATING EXPENSES

Salaries	63,658
Depreciation	326
Cost of sales	56,522
TOTAL OPERATING EXPENSES	<u>120,506</u>

OPERATING LOSS (81,267)

NON-OPERATING REVENUES

State sources	
State school lunch program	1,407
Federal sources	
National school lunch program	50,738
National school breakfast program	6,554
Food distribution program	8,868
Management fee refund	616
TOTAL NON-OPERATING REVENUES	<u>68,183</u>

LOSS BEFORE OPERATING TRANSFERS IN (OUT) (13,084)

OPERATING TRANSFERS IN (OUT) -
CHANGE IN NET ASSETS (13,084)

DEFICIT, BEGINNING (66,969)

DEFICIT, ENDING \$ (80,053)

The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 PROPRIETARY FUND - FOOD SERVICES FUND
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2012**

Exhibit B-6

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 39,239
Payments to employees	(63,658)
Payments to suppliers	(71,192)
NET CASH USED BY OPERATING ACTIVITIES	<u>(95,611)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	1,407
Federal sources	57,292
Interfund	40,136
Other	616
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>99,451</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of equipment	<u>(3,840)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,840)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, BEGINNING	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ -</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating loss	\$ (81,267)
Depreciation	326
Donated commodities received during the year	8,868
Decrease in accounts receivable	925
Decrease in inventory	392
Decrease in accounts payable	(24,855)
Total adjustments	<u>(14,344)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (95,611)</u>

The accompanying notes are an integral part of this statement.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

Exhibit B-7

	<u>Expendable Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 5,444	\$ 57,840
Prepaid payroll deductions and withholding	<u>-</u>	<u>3,454</u>
TOTAL ASSETS	<u>\$ 5,444</u>	<u>\$ 61,294</u>
LIABILITIES		
Payroll deductions and withholding	\$ -	\$ 43,211
Interfund payable	-	1,156
Due to student groups	<u>-</u>	<u>16,927</u>
TOTAL LIABILITIES	<u>-</u>	<u>61,294</u>
NET ASSETS		
Reserved for unemployment claims	4,395	-
Principal portion - expendable trust	<u>1,049</u>	<u>-</u>
TOTAL NET ASSETS	<u>5,444</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,444</u>	<u>\$ 61,294</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 YEAR ENDED JUNE 30, 2012**

Exhibit B-8

	<u>Expendable Trust Funds</u>	<u>Agency Funds</u>
ADDITIONS		
Local sources		
Interest	\$ 6	\$ -
Withholdings	<u>3,035</u>	<u>-</u>
TOTAL ADDITIONS	<u>3,041</u>	<u>-</u>
DEDUCTIONS		
Undistributed expenditures - unemployment benefits	964	-
Bank fees	<u>-</u>	<u>-</u>
TOTAL DEDUCTIONS	964	-
CHANGE IN NET ASSETS	2,077	-
NET ASSETS, BEGINNING	<u>3,367</u>	<u>-</u>
NET ASSETS, ENDING	<u>\$ 5,444</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Borough of Merchantville School District (District) Board of Education (Board) 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 more significant of the Board's accounting policies are described below.

Reporting Entity

The Borough of Merchantville 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 and staggered so that three members are elected each year. The purpose of the District is to educate students in grades K-8. The School District had an approximate enrollment as of June 30, 2012 of 353 students.

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

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

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

Basis of Presentation

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

District-Wide Financial Statements

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The statement of net assets presents the financial condition of the governmental and business-type activities of the District at the fiscal year end.

The statement of activities presents a comparison between direct expenses and program revenues for each different business-type activity of the District and for each function of the Districts governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses, expenses of the District related to the administration and support of the District's programs, such as personnel and accounting are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

Fund Financial Statements

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

Fund Accounting

GOVERNMENTAL FUNDS

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

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

As required by the New Jersey Department of Education, the District includes budgeted capital outlay in this fund. Generally accepted accounting principles, as they pertain to governmental entities, state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Continued)

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to, fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund – The Special Revenue Fund is used to account for and report the proceeds of specific revenue 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 all financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets.

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 on bonds issued to finance major property acquisition, construction and improvement programs.

PROPRIETARY FUNDS

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

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

PROPRIETARY FUNDS (Continued)

Enterprise Fund (Continued)

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

Food Service Fund:	
Equipment	12 Years

FIDUCIARY FUNDS

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

Expendable Trust Fund – An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. The District's Expendable Trust Funds include the Unemployment Compensation Insurance Fund and the Scholarship Trust Fund.

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

Agency Funds – Agency Funds are used to account for the assets the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include Payroll and Student Activity Funds.

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

Basis of Accounting

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

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

District-Wide, Proprietary, and Fiduciary Fund Financial Statements: The District-Wide statements report using the economic resources measurement focus and the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue for grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the county office for approval and are voted on at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the Special Revenue Fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board Resolution.

Formal budgetary integration into the accounting systems is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Governmental Funds – Statements of Revenues, Expenditures and Changes in Fund Balances to the GAAP basis of accounting as presented in the Statement of Activities.

Note that the District does not report encumbrances outstanding at year end as expenditures in the General Fund since the General Fund budget follows modified accrual basis with the exception of the revenue recognition policy for the one or more June state aid payments.

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources:				
Actual amounts (budgetary) revenues from the budgetary comparison schedules	\$ 6,138,940	\$ 558,394	\$ 6,175,565	\$ 690,408
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	104,300	-	79,402	-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting purposes</i> .	-	-	-	-
State aid payment recognized for budgetary purposes, not recognized for GAAP purposes until the subsequent year.	<u>(148,187)</u>	<u>-</u>	<u>(104,300)</u>	<u>-</u>
Total revenues (GAAP Basis)	<u>\$ 6,095,053</u>	<u>\$ 558,394</u>	<u>\$ 6,150,667</u>	<u>\$ 690,408</u>
Uses/outflows of resources:				
Actual amounts (budgetary) total outflows	\$ 6,165,438	\$ 558,394	\$ 5,493,022	\$ 690,408
Adjustments:				
Current year encumbrances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures (GAAP Basis)	<u>\$ 6,165,438</u>	<u>\$ 558,394</u>	<u>\$ 5,493,022</u>	<u>\$ 690,408</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances

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

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.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash, Cash Equivalents, and Investments

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

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral having a market value 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 full amount of their deposits to Governmental Units.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition Receivable

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

Tuition Payable

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

Inventory and Prepaid Expenses

Inventory and prepaid expenses, which benefit future periods, other than those recorded in the Enterprise Fund, are recorded as expenditures during the year of purchase.

Inventory in the Enterprise Fund is valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

Interfund Transactions

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The District has established a formal system of accounting for its capital assets. Capital assets acquired or constructed are recorded at original cost. Donated fixed assets are valued at their estimated fair market value on the date received. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000. Capital assets are depreciated in the district-wide financial statements using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School buildings	50
Building improvements	20-15
Electrical/Plumbing	30
Vehicles	8
Office and computer equipment	5-10
Instructional equipment	10
Grounds equipment	15

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

Prior to implementation of GASB Statement No. 34, government funds' capital assets were accounted for in the general fixed assets account group and were not recorded directly as a part of any individual fund's financial statements. Infrastructure of governmental funds was not previously capitalized. Upon implementing GASB 34, Governmental Units are required to account for all capital assets, including infrastructure, in the district-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required.

Compensated Absences

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

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the Debt Service Fund.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been met. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Long-Term Obligations

Long-term obligations are reported on the District-Wide financial statements. In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current resources are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

Fund Equity

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

Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The District’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classification (continued)

Fund Statements

Governmental fund equity is classified as fund balance. For periods beginning after June 30, 2010, fund balance is reported in accordance with GASB No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*". GASB No. 54 established accounting and financial reporting standards for governmental funds. Under GASB No. 54, fund balances are classified under five categories:

- a. Nonspendable – Amounts that cannot be spent because they are either (1) no in spendable form (e.g. inventories, prepaid amounts, long-term loans and notes receivables, property held for resale) or (2) legally or contractually required to be maintained intact (e.g. the corpus or principal of a permanent fund).
- b. Restricted – Amounts that are constrained for a specific purpose through restrictions of external parties (e.g. creditors, grantors, contributors, or laws or regulations of other governments) or by constitutional provision or enabling legislation.
- c. Committed – Committed fund balance is amounts that are constrained for specific purposes imposed by formal action of the government's highest level of decision-making authority (i.e. amounts that have been committed by a governing body's legislation, ordinance, or resolution for a specific purpose, such as an amount from specific park and recreation revenues committed by a governing body's resolution to be used only for park maintenance).
- d. Assigned – Assigned fund balance is amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. Intent should be expressed by (1) the governing body itself or (2) a body (e.g. a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- e. Unassigned – Unassigned fund balance is the residual classification for a government's general fund and includes all amounts that are not constrained as reported in the other classifications.

Operating Revenues and Expenses

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

Subsequent Events

The Company has evaluated events or transactions that have occurred after June 30, 2012 (the financial statement date) through November 30, 2012, the date that the financial statements were available to be issued. During this period, the Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

The District maintains cash balances at a financial institution. Amounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC). Balances may exceed this limit at times throughout the year. The District has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2012, the carrying amount of the District's deposits was \$939,901 and the bank balance was \$1,059,377.

Custodial credit risk for deposits, is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk, however, they comply with the New Jersey Statute by depositing all funds in depositories covered under GUDPA.

Investments

New Jersey Cash Management Fund (Fund) - All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to ensure the quality of investments and to minimize the risks related to the investments. In all the years of the Division of Investment's (Division) existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of June 30, 2012, the District had \$732 on deposit with the New Jersey Cash Management Fund.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The average maturity of the District's investments in the Fund is less than one year.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal investment policy that addresses credit risk, however, there were no investments that were subjected to credit risk as of June 30, 2012.

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy that addresses custodial credit risk. The District held no investments that exposed it to custodial credit risk as of June 30, 2012.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that addresses foreign currency risk, however, the District held no investments that were exposed to foreign currency risk as of June 30, 2012.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 CAPITAL ASSETS

The following schedule is a summarization of the changes in capital assets by source for the fiscal year ended June 30, 2012:

	Balance June 30,	<u>Additions</u>	<u>Transfers or Retirements</u>	Balance June 30,
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 153,671	\$ -	\$ -	\$ 153,671
Total capital assets not being depreciated	<u>153,671</u>	<u>-</u>	<u>-</u>	<u>153,671</u>
<i>Capital assets being depreciated:</i>				
Site improvements	6,022	-	-	6,022
Building and improvements	4,593,383	-	-	4,593,383
Machinery and equipment	<u>527,393</u>	<u>-</u>	<u>-</u>	<u>527,393</u>
Total capital assets being depreciated	<u>5,126,798</u>	<u>-</u>	<u>-</u>	<u>5,126,798</u>
 Total capital assets at historical cost	 5,280,469	 -	 -	 5,280,469
 Less accumulated depreciation for				
Building and improvements	(3,292,830)	(101,446)	-	(3,394,276)
Machinery and equipment	<u>(529,000)</u>	<u>-</u>	<u>-</u>	<u>(529,000)</u>
Total accumulated depreciation	<u>(3,821,830)</u>	<u>(101,446)</u>	<u>-</u>	<u>(3,923,276)</u>
 Governmental capital assets, net	 <u>\$ 1,458,639</u>	 <u>\$ (101,446)</u>	 <u>\$ -</u>	 <u>\$ 1,357,193</u>
Business-type activities:				
<i>Capital assets being depreciated</i>				
Equipment	\$ 19,952	\$ 3,840	\$ -	\$ 23,792
Less accumulated depreciation	<u>(15,482)</u>	<u>(326)</u>	<u>-</u>	<u>(15,808)</u>
 Enterprise fund capital assets, net	 <u>\$ 4,470</u>	 <u>\$ 3,514</u>	 <u>\$ -</u>	 <u>\$ 7,984</u>

Depreciation expense for governmental activities was \$101,446 as of June 30, 2012 and was not charged to any specific governmental programs, but is reported as a direct expense on the Statement of Activities.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 4 CAPITAL RESERVE ACCOUNT

The capital reserve account was established by the Borough of Merchantville School District Board of Education by inclusion of \$500 on October 10, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the General Fund and its activity is included in the annual General Fund budget.

Funds placed in the capital reserve account are restricted to capital projects in the District’s approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual General Fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The balance of the capital reserve for the year ended June 30, 2012 is \$0.

NOTE 5 LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the Statement of Net Assets.

	Balance June 30,	Issued	Retired/ Adjustments	Balance June 30,	Amounts Due Within One Year
Bonds payable	\$ 1,520,000	\$ -	\$ (255,000)	\$ 1,265,000	\$ 260,000
Compensated absences payable	<u>379,868</u>	<u>-</u>	<u>(26,313)</u>	<u>353,555</u>	<u>-</u>
	<u>\$ 1,899,868</u>	<u>\$ -</u>	<u>\$ (281,313)</u>	<u>\$ 1,618,555</u>	<u>\$ 260,000</u>

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Bonds Payable

Bonds are authorized in accordance with state law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds.

Principal and interest due on bonds outstanding is as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 260,000	\$ 44,550	\$ 304,550
2014	255,000	36,425	291,425
2015	250,000	27,500	277,500
2016	250,000	18,750	268,750
2017	250,000	9,375	259,375
	<u>\$ 1,265,000</u>	<u>\$ 136,600</u>	<u>\$ 1,401,600</u>

Bonds Authorized But Not Issued

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

Capital Leases

The District does not currently have any open capital lease payments as of June 30, 2012.

NOTE 6 OPERATING LEASES – NEW LEASES

The District has commitments to lease certain office equipment under operating leases expiring August 2015. Future minimum lease payments are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2013	\$ 22,489
2014	22,489
2015	22,489
2016	3,748
Total future minimum lease payments	<u>\$ 71,215</u>

Rental payments for the year ended June 30, 2012 were \$21,557.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7 PENSION PLANS

Description of Plans

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

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955 under the provisions of N.J.S.A. 18A:66 to provide retirement, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the System's other related noncontributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS)

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

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.36B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provide for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2012**

NOTE 7 PENSION PLANS (CONTINUED)

Significant Legislation

During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes, or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method for market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employees' rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the District's normal contributions to the fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapter 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits, accordingly, the pension costs for TPAF and PERS were reduced.

Contribution Requirements

The contribution policy is set by N.J.S.A 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey legislation. As of June 30, 2007, TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a non-contributing employer of the TPAF.

Three-Year Trend Information for PERS

Year	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ -	100%	\$ -
6/30/11	\$ -	100%	\$ -
6/30/10	\$ -	100%	\$ -

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

Year	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$403,625	100%	\$ -
6/30/11	\$348,642	100%	\$ -
6/30/10	\$347,309	100%	\$ -

During the fiscal year ended June 30, 2012, the State of New Jersey contributed \$247,810 to the TPAF for normal and post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A 18A:66-90 the State of New Jersey reimbursed the District \$155,815 during the fiscal year ended June 30, 2012 for the employer's share of the social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund and district-wide statements and schedules as a revenue and expenditure in accordance with GASB 27.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 POST-RETIREMENT BENEFITS

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

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

The District does not provide any additional post-retirement benefits and therefore, is not subjected to the reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 45 "*Accounting and Financial Reporting by Employers for Post-Retirement Benefits Other Than Pensions*".

NOTE 9 COMPENSATED ABSENCES

The District accounts for compensated absences as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "*Accounting for Compensated Absences*". A liability for compensated absences attributed to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. District employees who are employed for ten months are entitled to ten paid sick leave days per fiscal school year.

District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to subsequent years. Upon retirement with not less than fifteen (15) years of service in the District, the District shall pay the employee for unused sick leave in accordance with the District's 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 of the governmental fund types is recorded and reflected as a governmental activity on the Statement of Net Assets. The current portion of the compensated absence balance is not considered material to the applicable fund total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences.

The liability for vested compensated absences of the Enterprise Fund is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, no liability existed for compensated absences in the Food Service Fund.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2012**

NOTE 10 DEFERRED COMPENSATION

The Board offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Service Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators during the fiscal year ended June 30, 2012, were Seeley Agency, Lincoln Investment Planning, Vanguard Funds and Equitable.

NOTE 11 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$ -	\$ 3,035	\$ 964	\$ 4,395
2010-2011	\$ -	\$ 4,966	\$ 8,614	\$ 2,318
2009-2010	\$ -	\$ 2,994	\$ 563	\$ 5,955

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 12 INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet as of June 30, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 291,324	\$ -
Special Revenue Fund	-	203,879 (a)
Food Service Fund	-	86,040 (b)
Debt Service Fund	-	249 (c)
Agency Funds	-	1,156 (d)
	<u>\$ 291,324</u>	<u>\$ 291,324</u>

- (a) Transfer from General Fund to cover operating deficit due to decrease in federal and state funding.
- (b) Transfer from General Fund to cover operating deficit.
- (c) Transfer from General Fund to cover debt service payments.
- (d) Amounts in payroll agency fund in excess of required withholdings.

NOTE 13 INVENTORY

Inventory in the Food Service Fund as of June 30, 2012 is valued at \$1,105 and consists of various food products and supplies.

The value of federal donated commodities as reflected on Schedule K-3 (required by the Single Audit Act Amendment of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

NOTE 14 FUND BALANCE APPROPRIATED

- General Fund – of the \$1,231,219 General Fund balance as of June 30, 2012, \$80,000 is reserved for maintenance, \$430,780 for Excess Surplus, \$431,747 is assigned for other purposes which is primarily encumbrances and \$288,692 is unassigned.
- Special Revenue Fund – The Special Revenue Fund balance as of June 30, 2012 is \$0.
- Capital Projects Fund – The Capital Projects Fund balance as of June 30, 2012 is \$0.
- Debt Service Fund – The Debt Service Fund balance as of June 30, 2012 is a deficit of (\$249).

NOTE 15 CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to N.J.S.A 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance as of June 30, 2012 is \$430,780. The excess fund balance at June 30, 2011 was \$350,719. Pursuant to the provisions of Executive Order No. 14, \$0 of that amount was approved by the Commissioner of the Department of Education for withdrawal to address any budget shortfall in the General Fund account group due to the 2011-2012 withholding of state aid.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 16 LITIGATION

The Board is, from time to time, involved in claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the District.

NOTE 17 NET ASSETS

Net assets invested in capital assets, net of related debt consist of the following:

Land	\$ 153,671
Other capital assets net of accumulated depreciation	1,203,522
Less: related long-term debt outstanding, less unspent portion	<u>(1,265,000)</u>
	<u>\$ 92,193</u>

The government-wide statement of net assets reports \$510,780 of restricted net assets of which \$80,000 is restricted by enabling legislation.

NOTE 18 FUND BALANCE

Generally Accepted Accounting Principles (GAAP) requires disclosure of individual funds that have deficit balances at year-end. As of June 30, 2012, there was a deficit balance of (\$249) in the Debt Service Fund.

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:					
Maintenance	80,000	-	-	-	80,000
Excess surplus	430,780	-	-	-	430,780
Committed to:					
Capital projects	-	-	-	-	-
Assigned					
Special revenue fund	-	-	-	-	-
Capital projects fund	-	-	-	-	-
Debt service fund	-	-	(249)	-	(249)
Encumbrances	423,299	-	-	-	423,299
Equipment lease payable	8,448	-	-	-	8,448
Unassigned	<u>288,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,692</u>
Total fund balances:	<u>\$ 1,231,219</u>	<u>\$ -</u>	<u>\$ (249)</u>	<u>\$ -</u>	<u>\$ 1,230,970</u>

REQUIRED SUPPLEMENTARY INFORMATION

PART II

GENERAL FUND DETAIL STATEMENTS

The General Fund is used to account for resources traditionally associated with the District which are not legally required or by sound financial management to be accounted for in another fund. This fund accounts for the District's ordinary operations financed primarily from property taxes and State aid. It is the most significant fund in relation to the District's overall operations.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
YEAR ENDED JUNE 30, 2012

Exhibit C-1

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
LOCAL SOURCES					
Local tax levy	\$ 3,838,282	\$ -	\$ 3,838,282	\$ 3,838,282	\$ -
Other local government units	11,500	-	11,500	11,500	-
Tuition	10,500	-	10,500	875	(9,625)
Interest on investments	-	-	-	-	-
Miscellaneous	-	-	-	20,796	20,796
TOTAL LOCAL SOURCES	3,860,282	-	3,860,282	3,871,453	11,171
STATE SOURCES					
Core curriculum standards aid	-	-	-	-	-
Transportation aid	-	-	-	11,832	11,832
Extraordinary aid	-	-	-	26,860	26,860
Special education aid	213,145	-	213,145	213,145	-
Equalization aid	1,355,462	-	1,355,462	1,416,345	60,883
Security aid	-	-	-	-	-
School choice aid	-	-	-	133,755	133,755
Other unrestricted aid	-	-	-	-	-
On-behalf TPAF pension contributions (non-budgeted)	-	-	-	247,810	247,810
Reimbursement TPAF Social Security contributions (non-budgeted)	-	-	-	155,815	155,815
TOTAL STATE SOURCES	1,568,607	-	1,568,607	2,205,562	636,955
FEDERAL SOURCES					
ARRA- Education jobs fund	60,044	1,881	61,925	61,925	-
TOTAL FEDERAL SOURCES	60,044	1,881	61,925	61,925	-
TOTAL REVENUES	5,488,933	1,881	5,490,814	6,138,940	648,126
EXPENDITURES					
CURRENT EXPENSES					
Instruction - regular programs					
Salaries of teachers					
Preschool/kindergarten	183,420	42,577	225,997	217,144	8,853
Grades 1-5	921,642	10,538	932,180	919,187	12,993
Grades 6-8	612,260	57,282	669,542	647,663	21,879
ARRA- ESF & GSF	-	-	-	-	-
Home instruction					
Purchased professional - educational services	-	200	200	-	200
Other purchased services	1,150	-	1,150	255	895
General supplies	-	-	-	-	-
Regular programs - undistributed instruction					
Other salaries for instruction	44,082	(4,100)	39,982	36,600	3,382
Purchased professional - educational services	2,575	-	2,575	2,523	52
Purchased technical services	21,600	(6,180)	15,420	14,919	501
Other purchased services	41,000	4,942	45,942	43,902	2,040
General supplies	66,000	19,775	85,775	77,488	8,287
Textbooks	8,825	6,310	15,135	14,761	374
TOTAL REGULAR PROGRAMS	1,902,554	131,344	2,033,898	1,974,442	59,456
Perceptually impaired					
Salaries of teachers	1,700	-	1,700	-	1,700
Other salaries for instruction	-	-	-	-	-
Purchased professional - educational services	-	-	-	-	-
General supplies	500	120	620	570	50
Textbooks	500	1,028	1,528	1,528	-
TOTAL PERCEPTUALLY IMPAIRED	2,700	1,148	3,848	2,098	1,750

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - (CONTINUED)
 GENERAL FUND
 YEAR ENDED JUNE 30, 2012**

**Exhibit C-1
 (Continued)**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Continued)					
CURRENT EXPENSES (Continued)					
Resource room					
Salaries of teachers	193,292	12,189	205,481	198,454	7,027
Other salaries for instruction	3,362	25,650	29,012	19,973	9,039
General supplies	650	(100)	550	498	52
Textbooks	500	1,260	1,760	1,760	-
TOTAL RESOURCE ROOM	197,804	38,999	236,803	220,685	16,118
Preschool Disabilities- Part Time					
Salaries of teachers	57,124	(51,895)	5,229	2,729	2,500
Other salaries for instruction	6,587	4,183	10,770	8,231	2,539
TOTAL PRESCHOOL DISABILITIES	63,711	(47,712)	15,999	10,960	5,039
Home instruction					
Purchased professional - educational services	500	-	500	-	500
General supplies	-	-	-	-	-
TOTAL HOME INSTRUCTION	500	-	500	-	500
TOTAL SPECIAL EDUCATION	264,715	(7,565)	257,150	233,743	23,407
Basic skills/remedial					
Salaries of teachers	56,972	(45,713)	11,259	9,438	1,821
Purchased professional - educational services	23,000	(20,927)	2,073	-	2,073
General supplies	350	-	350	316	34
	<u>80,322</u>	<u>(66,640)</u>	<u>13,682</u>	<u>9,754</u>	<u>3,928</u>
Bilingual education					
Salaries of teachers	5,950	200	6,150	5,695	455
Purchased professional - educational services	630	1,800	2,430	2,246	184
General supplies	350	(215)	135	35	100
	<u>6,930</u>	<u>1,785</u>	<u>8,715</u>	<u>7,976</u>	<u>739</u>
School sponsored co-curricular activities					
Salaries	30,749	(2,750)	27,999	27,598	401
Purchased services	881	-	881	782	99
Supplies and materials	2,705	800	3,505	3,306	199
Other objects	2,960	-	2,960	2,891	69
TOTAL SCHOOL SPONSORED CO-CURRICULAR ACTIVITIES	37,295	(1,950)	35,345	34,577	768
Summer School					
Salaries	2,454	-	2,454	2,418	36
Other salaries for instruction	1,141	-	1,141	902	239
TOTAL SUMMER SCHOOL	3,595	-	3,595	3,320	275
TOTAL INSTRUCTION	2,295,411	56,974	2,352,385	2,263,812	88,573
Undistributed expenses instruction					
Tuition					
Regular - LEAs-in state	513,852	189,171	703,023	701,923	1,100
Co. special services and regional day school	172,010	(75,600)	96,410	95,702	708
To other LEAs within state special	80,764	(10,137)	70,627	62,807	7,820
County vocational school districts regular	45,600	2,850	48,450	48,450	-
County vocational school districts special	28,500	(5,700)	22,800	22,800	-
Private schools/handicapped within state	221,516	(36,437)	185,079	143,952	41,127
Private schools/handicapped out of state	38,376	(38,376)	-	-	-
State Facilities	59,732	-	59,732	59,732	-
Other	80,990	145	81,135	81,135	-
TOTAL UNDISTRIBUTED EXPENSES - INSTRUCTION	1,241,340	25,916	1,267,256	1,216,501	50,755
Attendance and social work					
Purchased professional and technical services	-	-	-	-	-

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - (CONTINUED)
 GENERAL FUND
 YEAR ENDED JUNE 30, 2012**

**Exhibit C-1
 (Continued)**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Continued)					
CURRENT EXPENSES (Continued)					
Undistributed expenses (Continued)					
Health services					
Salaries	62,717	3,300	66,017	63,775	2,242
Purchased professional and technical services	3,000	-	3,000	3,000	-
Other purchased services	1,034	(150)	884	81	803
Supplies and materials	1,000	150	1,150	1,106	44
TOTAL HEALTH SERVICES	67,751	3,300	71,051	67,962	3,089
Other support services - students - related services - extraordinary services					
Salaries	92,360	-	92,360	89,216	3,144
Purchased professional - educational services	62,000	(21,154)	40,846	35,227	5,619
Supplies and materials	1,000	(100)	900	563	337
Other objects	-	100	100	37	63
TOTAL OTHER SUPPORT SERVICES - STUDENTS - RELATED SERVICES - EXTRAORDINARY SERVICES	155,360	(21,154)	134,206	125,043	9,163
Special education - extraordinary services					
Salaries	-	-	-	-	-
Purchased professional - educational services	57,343	(5,650)	51,693	43,467	8,226
TOTAL SPECIAL EDUCATION - EXTRAORDINARY SERVICES	57,343	(5,650)	51,693	43,467	8,226
Other support services - students - regular					
Salaries - other professionals	-	3,850	3,850	3,506	344
Purchased professional - educational services	-	8,000	8,000	1,255	6,745
Other purchased professional and technical services	5,500	-	5,500	-	5,500
Other purchased services	-	100	100	67	33
Travel	-	-	-	-	-
Supplies and materials	1,400	(47)	1,353	471	882
Other objects	-	150	150	110	40
TOTAL OTHER SUPPORT SERVICES-STUDENTS - REGULAR	6,900	12,053	18,953	5,409	13,544
Other support services - students - special services					
Salaries of other professional staff	167,875	(25,541)	142,334	135,334	7,000
Salaries of secretarial and clerical assistants	15,863	(11,000)	4,863	3,726	1,137
Purchased professional - educational services	22,050	(150)	21,900	17,589	4,311
Purchased professional and technical services	700	-	700	-	700
Purchased miscellaneous services	270	-	270	169	101
Supplies and materials	1,500	1,000	2,500	2,180	320
TOTAL OTHER SUPPORT SERVICES - STUDENTS - SPECIAL SERVICES	208,258	(35,691)	172,567	158,998	13,569
Improvement of instructional services/ other support services- instructional staff					
Salaries of Supervisors of Instruction	-	9,889	9,889	9,375	514
Salaries of other professional staff	7,044	(6,675)	369	-	369
Other purchased prof. and tech. services	-	-	-	-	-
Other purchased services	-	-	-	-	-
Supplies and materials	-	-	-	-	-
TOTAL IMPROVEMENT OF INSTRUCTIONAL SERVICES/OTHER SUPPORT SERVICES - INSTRUCTIONAL STAFF	7,044	3,214	10,258	9,375	883

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

**Exhibit C-1
(Continued)**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Continued)					
CURRENT EXPENSES (Continued)					
Undistributed expenses (Continued)					
Educational media services/school library					
Salaries	2,276	(1,865)	411	-	411
Supplies and materials	500	49	549	527	22
TOTAL EDUCATIONAL MEDIA SERVICES/ SCHOOL LIBRARY	2,776	(1,816)	960	527	433
Instructional staff training services					
Other purchased services	1,300	1,200	2,500	1,471	1,029
Support services general administration					
Salaries	131,541	19,039	150,580	149,580	1,000
Legal services	25,000	(4,779)	20,221	16,061	4,160
Audit fees	19,584	4,434	24,018	24,018	-
Other purchased professional services	31,700	206,875	238,575	158,582	79,993
Purchased technical services	2,720	-	2,720	1,904	816
Communication/telephone	25,300	(809)	24,491	20,801	3,690
BOE other purchased services	2,450	(769)	1,681	-	1,681
Miscellaneous purchased services	15,300	(2,456)	12,844	10,480	2,364
Supplies and materials	650	2,420	3,070	2,704	366
BOE in-house training/meeting supplies	-	-	-	-	-
Miscellaneous expenditures	-	3,919	3,919	3,872	47
Membership dues and fees	-	4,874	4,874	4,189	685
TOTAL SUPPORT SERVICES GENERAL ADMINISTRATION	254,245	232,748	486,993	392,191	94,802
Support services school administration					
Salaries of principals/assistant principals	-	8,684	8,684	2,604	6,080
Salaries of secretarial and clerical assistants	48,154	1,500	49,654	48,061	1,593
Purchased professional and technical services	4,000	5,400	9,400	8,551	849
Other purchased services	-	-	-	-	-
Supplies and materials	650	866	1,516	899	617
Miscellaneous expenditures	-	49	49	-	49
TOTAL SUPPORT SERVICES CENTRAL SERVICES	52,804	16,499	69,303	60,115	9,188
Undistributed expenses					
Central services					
Salaries	102,572	-	102,572	100,055	2,517
Purchased professional services	-	-	-	-	-
Purchased technical services	8,831	733	9,564	8,427	1,137
Miscellaneous purchased services	-	58	58	21	37
Supplies and materials	650	590	1,240	1,218	22
Miscellaneous expenditures	-	110	110	94	16
TOTAL SUPPORT SERVICES SCHOOL ADMINISTRATION	112,053	1,491	113,544	109,815	3,729
Administrative informational technology					
Salaries	-	-	-	-	-
Supplies and materials	2,500	-	2,500	2,500	-
TOTAL ADMINISTRATIVE INFORMATIONAL TECHNOLOGY	2,500	-	2,500	2,500	-
Allowable maintenance for school facilities					
Cleaning, repair and maintenance services	57,000	29,227	86,227	59,645	26,582
Supplies and materials	18,000	16,765	34,765	20,913	13,852
Other objects	-	-	-	-	-
TOTAL ALLOWABLE MAINTENANCE FOR SCHOOL FACILITIES	75,000	45,992	120,992	80,558	40,434

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - (CONTINUED)
 GENERAL FUND
 YEAR ENDED JUNE 30, 2012**

**Exhibit C-1
 (Continued)**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Continued)					
CURRENT EXPENSES (Continued)					
Undistributed expenses (Continued)					
Operation and maintenance of plant services					
Salaries	9,766	5,100	14,866	12,259	2,607
Purchased professional and technical services	1,820	3,070	4,890	2,530	2,360
Cleaning, repair and maintenance services	184,569	5,000	189,569	181,448	8,121
Rental of land and buildings	-	-	-	-	-
Other purchased property services	5,100	500	5,600	5,591	9
Insurance	34,355	(19,318)	15,037	15,037	-
Miscellaneous purchased services	-	-	-	-	-
General supplies	12,000	3,186	15,186	10,777	4,409
Energy (heat and electricity)	123,350	(1,611)	121,739	95,037	26,702
Other objects	-	-	-	-	-
Care and upkeep of grounds					
Salaries	7,695	4,000	11,695	6,191	5,504
Security					
Salaries	15,459	8,461	23,920	20,419	3,501
TOTAL OPERATION AND MAINTENANCE OF PLANT SERVICES	394,114	8,388	402,502	349,289	53,213
Student transportation services					
Salaries between home and school	1,983	350	2,333	2,188	145
Management fee - ESC transportation programs	5,110	2,228	7,338	2,978	4,360
Aid in lieu of payments	43,200	6,153	49,353	36,111	13,242
Contracted services					
Between home and school - vendors	41,695	-	41,695	40,091	1,604
Other than between home and school - vendors	6,428	-	6,428	4,800	1,628
Home/school - joint	-	1,500	1,500	1,180	320
Special education - vendors	-	-	-	-	-
Special education - joint agreements	-	7,500	7,500	5,813	1,687
Regular students - ESCs	7,500	(1,500)	6,000	3,750	2,250
Special education - ESCs	71,490	8,237	79,727	59,393	20,334
TOTAL STUDENT TRANSPORTATION SERVICES	177,406	24,468	201,874	156,304	45,570
Unallocated benefits					
Social security benefits	26,500	32,969	59,469	49,732	9,737
Other retirement contributions	55,697	30,454	86,151	38,615	47,536
Unemployment compensation	98,600	112,011	210,611	11,438	199,173
Health benefits	527,302	(21,570)	505,732	480,510	25,222
Workers' compensation	23,460	(5,300)	18,160	18,155	5
Tuition reimbursement	15,000	5,715	20,715	12,802	7,913
Other employee benefits	20,000	28,180	48,180	42,266	5,914
TOTAL UNALLOCATED BENEFITS	766,559	182,459	949,018	653,518	295,500
On-behalf of TPAF pension contributions (non-budgeted)					
	-	-	-	247,810	(247,810)
Reimbursement TPAF Social Security contributions (non-budgeted)					
	-	-	-	155,815	(155,815)
Transfers to charter schools	42,680	28,596	71,276	64,775	6,501
TOTAL UNDISTRIBUTED EXPENDITURES	3,625,433	522,013	4,147,446	3,901,443	246,003
TOTAL EXPENDITURES - CURRENT EXPENSE	5,920,844	578,987	6,499,831	6,165,255	334,576

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - (CONTINUED)
 GENERAL FUND
 YEAR ENDED JUNE 30, 2012**

**Exhibit C-1
 (Continued)**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Undistributed expenditures					
Special Schools	-	3,900	3,900	-	3,900
Facilities Acquisition and Construction Services					
Construction Services	25,000	-	25,000	-	25,000
Other Objects	183	-	183	183	-
TOTAL CAPITAL OUTLAY	<u>25,183</u>	<u>3,900</u>	<u>29,083</u>	<u>183</u>	<u>28,900</u>
TOTAL EXPENDITURES	<u>5,946,027</u>	<u>582,887</u>	<u>6,528,914</u>	<u>6,165,438</u>	<u>363,476</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>(457,094)</u>	<u>(581,006)</u>	<u>(1,038,100)</u>	<u>(26,498)</u>	<u>(1,011,602)</u>
Other financing sources (uses)					
Operating transfers in (out)	5,000	-	5,000	-	5,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(452,094)	(581,006)	(1,033,100)	(26,498)	1,006,602
FUND BALANCES, BEGINNING	<u>(705,296)</u>	<u>(836,827)</u>	<u>(1,590,920)</u>	<u>1,405,904</u>	<u>2,996,824</u>
FUND BALANCES, ENDING	<u>\$ (1,157,390)</u>	<u>\$ (1,417,833)</u>	<u>\$ (2,624,020)</u>	<u>\$ 1,379,406</u>	<u>\$ 4,003,426</u>

RECAPITULATION OF FUND BALANCES

Nonspendable fund balance	\$ -
Restricted fund balance	
Reserve for excess surplus	430,780
Maintenance reserve	80,000
Committed fund balance	-
Assigned fund balance	
Year end encumbrances	423,299
Other purposes	8,448
Unassigned	<u>436,879</u>
Total	1,379,406
Last State aid payment not recognized on GAAP basis	<u>148,187</u>
	<u>\$ 1,231,219</u>

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2012

Exhibit C-2

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
State sources	\$ 229,043	\$ 37,034	\$ 266,077	\$ 266,077	\$ -
Federal sources	256,431	45,410	301,841	292,317	9,524
TOTAL REVENUES	<u>485,474</u>	<u>82,444</u>	<u>567,918</u>	<u>558,394</u>	<u>9,524</u>
EXPENDITURES					
Instruction					
Salaries of teachers	149,146	(29,409)	119,737	117,337	2,400
Other salaries for instruction	24,065	(24,065)	-	-	-
Purchased professional - technical services	-	158,581	158,581	158,581	-
Purchased professional educational services	-	98,144	98,144	96,656	1,488
General supplies	-	33,780	33,780	33,642	138
Textbooks	-	14,224	14,224	14,224	-
Equipment	-	8,864	8,864	8,864	-
TOTAL INSTRUCTION	<u>173,211</u>	<u>260,119</u>	<u>433,330</u>	<u>429,304</u>	<u>4,026</u>
Support services					
Salaries of teachers	-	-	-	-	-
Salaries of secretarial and clerical assistants	-	-	-	-	-
Personal services - employee benefits	-	14,869	14,869	12,744	2,125
Purchased professional - technical services	-	30,664	30,664	30,000	664
Purchased professional - educational services	-	78,039	78,039	75,330	2,709
General supplies	-	11,016	11,016	11,016	-
TOTAL SUPPORT SERVICES	<u>-</u>	<u>134,588</u>	<u>134,588</u>	<u>129,090</u>	<u>5,498</u>
Facilities acquisition and construction services					
Instructional equipment	-	-	-	-	-
TOTAL FACILITIES ACQUISITION AND CONSTRUCTION SERVICES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>173,211</u>	<u>394,707</u>	<u>567,918</u>	<u>558,394</u>	<u>9,524</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)					
	<u>\$ 312,263</u>	<u>\$ (312,263)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET-TO-GAAP RECONCILIATION
YEAR ENDED JUNE 30, 2012**

Exhibit C-3

Note A - Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 6,138,940	\$ 558,394
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes	104,300	-
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	-	-
The last state aid payment is recognized for budgetary purposes and differs from GAAP, which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33)	<u>(148,187)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 6,095,053</u>	<u>\$ 558,394</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 6,165,438	\$ 558,394
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 6,165,438</u>	<u>\$ 558,394</u>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

DETAIL STATEMENTS

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

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULES OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012

Exhibit E-1

	Nonpublic Basic Skills	Nonpublic Textbooks	Nonpublic Nursing	Nonpublic ESL	Nonpublic Exam & Class	Nonpublic Trans	Total Other Prog. (See E-1a)	Total Other Prog. (See E-1b)	Total
REVENUES									
State sources	\$ 129,251	\$ 14,224	\$ 20,318	\$ 2,586	\$ 15,617	\$ 6,794	\$ 77,287	\$ -	\$ 266,077
Federal sources	-	-	-	-	-	-	132,210	160,107	292,317
TOTAL REVENUES	<u>129,251</u>	<u>14,224</u>	<u>20,318</u>	<u>2,586</u>	<u>15,617</u>	<u>6,794</u>	<u>209,497</u>	<u>160,107</u>	<u>558,394</u>
EXPENDITURES									
Instruction									
Salaries of teachers	-	-	-	-	-	-	117,337	-	117,337
Other salaries for instruction	-	-	-	-	-	-	-	-	-
Purchased professional and technical services	129,251	-	20,318	2,586	-	-	-	6,426	158,581
General supplies	-	-	-	-	-	-	15,481	18,161	33,642
Textbooks	-	14,224	-	-	-	-	-	-	14,224
Purchased professional educational services	-	-	-	-	-	-	-	96,656	96,656
Purchased instructional equipment	-	-	-	-	-	-	-	8,864	8,864
TOTAL INSTRUCTION	<u>129,251</u>	<u>14,224</u>	<u>20,318</u>	<u>2,586</u>	<u>-</u>	<u>-</u>	<u>132,818</u>	<u>130,107</u>	<u>429,304</u>
Support services									
Salaries of									
Teachers	-	-	-	-	-	-	-	-	-
Other professional staff	-	-	-	-	-	-	-	-	-
Secretarial and clerical assistants	-	-	-	-	-	-	-	-	-
Purchased technology services	-	-	-	-	-	-	-	30,000	30,000
Supplies and materials	-	-	-	-	-	-	11,016	-	11,016
Personal services - employee benefits	-	-	-	-	-	-	12,744	-	12,744
Purchased professional educational services	-	-	-	-	15,617	6,794	52,919	-	75,330
TOTAL SUPPORT SERVICES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,617</u>	<u>6,794</u>	<u>76,679</u>	<u>30,000</u>	<u>129,090</u>
Facilities acquisition and construction services									
instructional equipment	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 129,251</u>	<u>\$ 14,224</u>	<u>\$ 20,318</u>	<u>\$ 2,586</u>	<u>\$ 15,617</u>	<u>\$ 6,794</u>	<u>\$ 209,497</u>	<u>\$ 160,107</u>	<u>\$ 558,394</u>

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULES OF REVENUES AND EXPENDITURES - BUDGETARY BASIS (CONTINUED)
YEAR ENDED JUNE 30, 2012

Exhibit E-1a

	<u>Nonpublic Speech</u>	<u>Nonpublic Supp Instruct</u>	<u>Preschool Education Aid</u>	<u>Title I</u>	<u>Title I Prior</u>	<u>Title II - A</u>	<u>Title II - A Prior</u>	<u>Total</u>
REVENUES								
State sources	\$ 22,116	\$ 11,926	\$ 43,245	\$ -	\$ -	\$ -	\$ -	\$ 77,287
Federal sources	-	-	-	90,336	15,481	20,501	5,892	132,210
TOTAL REVENUES	<u>22,116</u>	<u>11,926</u>	<u>43,245</u>	<u>90,336</u>	<u>15,481</u>	<u>20,501</u>	<u>5,892</u>	<u>209,497</u>
EXPENDITURES								
Instruction								
Salaries of teachers	-	-	43,245	74,092	-	-	-	117,337
Other salaries for instruction	-	-	-	-	-	-	-	-
Purchased professional and technical services	-	-	-	-	-	-	-	-
Supplies and materials	-	-	-	-	15,481	-	-	15,481
TOTAL INSTRUCTION	<u>-</u>	<u>-</u>	<u>43,245</u>	<u>74,092</u>	<u>15,481</u>	<u>-</u>	<u>-</u>	<u>132,818</u>
Support services								
Personal services - employee benefits	-	-	-	12,744	-	-	-	12,744
Purchased professional educational services	22,116	11,926	-	3,500	-	9,485	5,892	52,919
Purchased professional and technical services	-	-	-	-	-	-	-	-
Supplies and materials	-	-	-	-	-	11,016	-	11,016
TOTAL SUPPORT SERVICES	<u>22,116</u>	<u>11,926</u>	<u>-</u>	<u>16,244</u>	<u>-</u>	<u>20,501</u>	<u>5,892</u>	<u>76,679</u>
TOTAL EXPENDITURES	<u>\$ 22,116</u>	<u>\$ 11,926</u>	<u>\$ 43,245</u>	<u>\$ 90,336</u>	<u>\$ 15,481</u>	<u>\$ 20,501</u>	<u>\$ 5,892</u>	<u>\$ 209,497</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
SPECIAL REVENUE FUND**

Exhibit E-1b

**COMBINING SCHEDULES OF REVENUES AND EXPENDITURES - BUDGETARY BASIS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

	I.D.E.A. Part B Basic	I.D.E.A. Pre School	ARRA I.D.E.A. Basic	Total
REVENUES				
State sources	\$ -	\$ -	\$ -	\$ -
Federal sources	146,729	6,426	6,952	160,107
TOTAL REVENUES	<u>146,729</u>	<u>6,426</u>	<u>6,952</u>	<u>160,107</u>
EXPENDITURES				
Instruction				
Salaries of teachers	-	-	-	-
Other salaries for instruction	-	-	-	-
Purchased professional and technical services	-	6,426	-	6,426
Purchased professional educational services	96,656	-	-	96,656
General supplies	11,209	-	6,952	18,161
Tuition	-	-	-	-
Purchased instructional equipment	8,864	-	-	8,864
TOTAL INSTRUCTION	<u>116,729</u>	<u>6,426</u>	<u>6,952</u>	<u>130,107</u>
Support services				
Salaries of teachers	-	-	-	-
Salaries of other professional staff	-	-	-	-
Supplies and materials	-	-	-	-
Purchased professional and technical services	30,000	-	-	30,000
Personal services - employee benefits	-	-	-	-
Purchased professional educational services	-	-	-	-
TOTAL SUPPORT SERVICES	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Facilities acquisition and construction services				
instructional equipment	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 146,729</u>	<u>\$ 6,426</u>	<u>\$ 6,952</u>	<u>\$ 160,107</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012**

Exhibit E-2

	2012		
	Budgeted	Actual	Variance
EXPENDITURES			
Instruction			
Salaries of teachers	\$ 43,245	\$ 43,245	\$ -
Other salaries for instruction	-	-	-
Purchased professional and technical services	-	-	-
General supplies	-	-	-
TOTAL INSTRUCTION	<u>43,245</u>	<u>43,245</u>	<u>-</u>
Support services			
Salaries - other professionals	-	-	-
Personal services - employee benefits	-	-	-
Supplies and materials	-	-	-
Purchased professional education services	-	-	-
TOTAL SUPPORT SERVICES	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 43,245</u>	<u>\$ 43,245</u>	<u>\$ -</u>

Calculation of Budget and Carryover

Total 2011-12 Preschool Education Aid allocation	\$ 17,478
Add: actual ECPA carryover (June 30, 2011)	32,166
Less: Prior year budgeted expenditures	<u>(6,399)</u>
Total Preschool Education Aid funds available for 2011-12 budget	43,245
Less: 2011-12 budgeted Preschool Education Aid (including prior year budgeted carryover)	<u>43,245</u>
Available and unbudgeted Preschool Education Aid funds as of June 30, 2012	-
Add: 2011-12 unexpended Preschool Education Aid	<u>-</u>
2011-12 actual carryover - Preschool Education Aid	<u>\$ -</u>
2011-12 Preschool Education Aid carryover budgeted in 2012-13	<u>\$ -</u>

CAPITAL PROJECTS FUND

DETAIL STATEMENTS

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES
 YEAR ENDED JUNE 30, 2012**

Exhibit F-1

Project Title/Issue	Date	Original Appropriations	Expenditures to Date		Transfer to General Fund	Unexpended Balance June 30, 2012
			Prior Years	Current Year		
N/A	N/A	\$ -	\$ -	\$ -	\$ -	\$ -
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FIDUCIARY FUNDS
DETAIL STATEMENTS

Trust Funds are used to account for assets held by the School District when it acts in a fiduciary capacity.

Scholarship Fund – This is an Expendable Trust Fund. Distributions may be made from the principal and its earnings.

Unemployment Compensation Expendable Trust Fund – This Fund accounts for a portion of the employees' deductions for unemployment compensation under the Benefit Reimbursement Method.

Agency Funds are used to account for assets held by the School District as an agent for an individual, private organizations, other governments and/or other funds.

Student Activity Fund – This Agency Fund is used to account for student funds held at the school.

Payroll Fund – This Agency Fund is used for the payroll transactions of the School District.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2012

Exhibit H-1

	<u>Expendable Trust</u>		<u>Agency</u>		
	<u>Scholarship</u>	<u>Unemploymen Compensation</u>	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 1,049	\$ 4,395	\$ 16,927	\$ 40,913	\$ 63,284
Prepaid payroll deductions and withholding	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,454</u>	<u>3,454</u>
TOTAL ASSETS	<u>\$ 1,049</u>	<u>\$ 4,395</u>	<u>\$ 16,927</u>	<u>\$ 44,367</u>	<u>\$ 66,738</u>
LIABILITIES					
Payroll deductions and withholding	\$ -	\$ -	\$ -	\$ 43,211	\$ 43,211
Interfund payable	-	-	-	1,156	1,156
Due to student groups	<u>-</u>	<u>-</u>	<u>16,927</u>	<u>-</u>	<u>16,927</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>16,927</u>	<u>44,367</u>	<u>61,294</u>
NET ASSETS					
Reserved for unemployment claims	-	4,395	-	-	4,395
Principal portion - expendable trust	<u>1,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,049</u>
TOTAL NET ASSETS	<u>1,049</u>	<u>4,395</u>	<u>-</u>	<u>-</u>	<u>5,444</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,049</u>	<u>\$ 4,395</u>	<u>\$ 16,927</u>	<u>\$ 44,367</u>	<u>\$ 66,738</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 FIDUCIARY FUNDS
 COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 YEAR ENDED JUNE 30, 2012**

Exhibit H-2

	Expendable		Agency		Total
	Scholarship	Unemployment Compensation	Student Activity	Payroll	
ADDITIONS					
Local sources					
Interest	\$ -	\$ 6	\$ -	\$ -	\$ 6
Withholdings	-	3,035	-	-	3,035
TOTAL ADDITIONS	-	3,041	-	-	3,041
DEDUCTIONS					
Undistributed expenditures - unemployment benefits	-	964	-	-	964
Bank fees	-	-	-	-	-
TOTAL DEDUCTIONS	-	964	-	-	964
CHANGE IN NET ASSETS	-	2,077	-	-	2,077
NET ASSETS, BEGINNING	1,049	2,318	-	-	3,367
NET ASSETS, ENDING	\$ 1,049	\$ 4,395	\$ -	\$ -	\$ 5,444

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 STUDENT ACTIVITY AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 YEAR ENDED JUNE 30, 2012**

Exhibit H-3

	Balance, July 1, 2011	Receipts	Disbursements	Balance, June 30, 2012
ELEMENTARY SCHOOLS				
Yearbook	\$ 3,884	\$ 2,940	\$ 2,818	\$ 4,006
Principal's projects	8,336	1,089	1,823	7,602
Music	1,148	1,879	1,911	1,116
Student council	1,509	2,850	3,156	1,203
Naturalist club	614	1,009	1,362	261
Computer account	168	64	-	232
PTA	-	500	318	182
Junior honor society	1,024	-	-	1,024
Interest	1,301	-	-	1,301
Carroll Will fund	-	150	150	-
TOTAL	<u>\$ 17,984</u>	<u>\$ 10,481</u>	<u>\$ 11,538</u>	<u>\$ 16,927</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2012**

Exhibit H-4

	<u>Balance, July 1, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2012</u>
ASSETS				
Cash and cash equivalents	\$ 18,908	\$ 1,202,471	\$ 1,180,466	\$ 40,913
Prepaid payroll deductions and withholding	<u>7,238</u>	<u>76,785</u>	<u>80,569</u>	<u>3,454</u>
TOTAL ASSETS	<u>\$ 26,146</u>	<u>\$ 1,279,256</u>	<u>\$ 1,261,035</u>	<u>\$ 44,367</u>
LIABILITIES				
Payroll deductions and withholdings	\$ 26,146	\$ 1,278,100	\$ 1,261,035	\$ 43,211
Interfund payable	<u>-</u>	<u>1,156</u>	<u>-</u>	<u>1,156</u>
TOTAL LIABILITIES	<u>\$ 26,146</u>	<u>\$ 1,279,256</u>	<u>\$ 1,261,035</u>	<u>\$ 44,367</u>

LONG-TERM DEBT

DETAIL SCHEDULES

The Long-Term Debt schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes serial bonds outstanding and obligations under capital leases.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2012**

Exhibit I-1

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>
School renovations	March 3, 2004	\$ 2,750,000							
			1/15/13	\$ 260,000	3.125%				
			1/15/14	255,000	3.500%				
			1/15/15	250,000	3.500%				
			1/15/16	250,000	3.750%				
			1/15/17	250,000	3.750%	<u>1,520,000</u>	<u>-</u>	<u>255,000</u>	<u>1,265,000</u>
			TOTAL			<u>\$ 1,520,000</u>	<u>\$ -</u>	<u>\$ 255,000</u>	<u>\$ 1,265,000</u>

DEBT SERVICE FUND

The Debt Service Fund is used to record the outstanding principal balances of the general long-term liabilities of the School District. This includes serial bonds outstanding and the noncurrent liability for compensated absences.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2012**

Exhibit I-3

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local sources					
Local tax levy	\$ 289,522	\$ -	\$ 289,522	\$ 289,522	\$ -
State sources					
Debt service aid	<u>17,360</u>	<u>-</u>	<u>17,360</u>	<u>17,360</u>	<u>-</u>
TOTAL REVENUES	<u>306,882</u>	<u>-</u>	<u>306,882</u>	<u>306,882</u>	<u>-</u>
EXPENDITURES					
Regular debt service					
Interest	51,882	-	51,882	51,882	-
Redemption of principal	<u>255,000</u>	<u>-</u>	<u>255,000</u>	<u>255,000</u>	<u>-</u>
Total regular debt service	<u>306,882</u>	<u>-</u>	<u>306,882</u>	<u>306,882</u>	<u>-</u>
TOTAL EXPENDITURES	<u>306,882</u>	<u>-</u>	<u>306,882</u>	<u>306,882</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)					
Operating transfers in	-	-	-	-	-
Withdrawal from reserve	(250)	-	(250)	-	(250)
Transfer from general fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(250)</u>	<u>-</u>	<u>(250)</u>	<u>-</u>	<u>(250)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>(250)</u>	<u>-</u>	<u>(250)</u>	<u>-</u>	<u>(250)</u>
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>(249)</u>	<u>249</u>
Fund balance, ending	<u>(250)</u>	<u>-</u>	<u>(250)</u>	<u>(249)</u>	<u>(1)</u>
Recapitulation of excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgeted fund balance	<u>\$ (250)</u>	<u>\$ -</u>	<u>\$ (250)</u>	<u>\$ (249)</u>	<u>\$ (1)</u>

STATISTICAL SECTION

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST THREE FISCAL YEARS**

Exhibit J-1

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 92,193	\$ (61,361)	\$ (209,917)
Restricted for encumbrances	-	-	-
Restricted for other purposes	510,780	430,719	427,963
Unrestricted			
Designated for subsequent year's expenditures	-	-	-
Designated for capital projects	-	-	-
Unreserved, undesignated	<u>366,635</u>	<u>490,768</u>	<u>(72,239)</u>
TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS	<u>\$ 969,608</u>	<u>\$ 860,126</u>	<u>\$ 145,807</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -
Restricted for encumbrances	-	-	-
Restricted for other purposes	-	-	-
Unrestricted			
Designated for subsequent year's expenditures	-	-	-
Designated for capital projects	-	-	-
Unreserved, unrestricted	<u>(80,053)</u>	<u>(66,969)</u>	<u>(41,483)</u>
TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS	<u>\$ (80,053)</u>	<u>\$ (66,969)</u>	<u>\$ (41,483)</u>
District-wide			
Invested in capital assets, net of related debt	\$ 92,193	\$ (61,361)	\$ (209,917)
Restricted for encumbrances	-	-	-
Restricted for other purposes	510,780	430,719	427,963
Unrestricted			
Designated for subsequent year's expenditures	-	-	-
Designated for capital projects	-	-	-
Unreserved, undesignated	<u>286,582</u>	<u>423,799</u>	<u>(113,722)</u>
TOTAL DISTRICT NET ASSETS	<u>\$ 889,555</u>	<u>\$ 793,157</u>	<u>\$ 104,324</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST THREE FISCAL YEARS**

Exhibit J-2

	<u>2012</u>	<u>2011</u>	<u>2010</u>
EXPENSES			
Governmental activities			
Instruction			
Regular	\$ 2,004,014	\$ 1,849,361	\$ 1,987,059
Special education	321,508	262,568	381,656
Other special education	152,283	231,750	284,234
Support services			
Instruction	1,216,501	1,090,679	1,164,186
Student and instruction related services	687,179	770,221	1,017,386
School administrative services	229,160	181,728	194,392
General and business administrative services	392,191	221,966	217,166
Operation and maintenance of plant facilities	430,030	381,434	485,971
Pupil transportation	156,304	175,676	198,083
Employee benefits	666,262	638,586	732,019
Transfer to charter schools	64,775	30,820	22,089
On-behalf TPAF pension contributions	247,810	178,165	171,229
Reimbursement of TPAF contributions	155,815	170,477	176,080
Interest on long-term debt	51,882	58,756	68,357
Compensated absences	(26,311)	40,580	9,138
Unallocated depreciation	101,446	101,444	103,947
TOTAL GOVERNMENTAL ACTIVITIES	<u>6,850,849</u>	<u>6,384,211</u>	<u>7,212,992</u>
Business-type activities			
Food service	120,506	120,247	116,768
TOTAL BUSINESS-TYPE ACTIVITIES	<u>120,506</u>	<u>120,247</u>	<u>116,768</u>
TOTAL EXPENSES	<u>6,971,355</u>	<u>6,504,458</u>	<u>7,329,760</u>
PROGRAM REVENUES			
Governmental activities			
Operating grants and contributions	2,799,354	2,565,181	2,649,090
Capital grants and contributions	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>2,799,354</u>	<u>2,565,181</u>	<u>2,649,090</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
CHANGES IN NET ASSETS (CONTINUED)
LAST THREE FISCAL YEARS**

**Exhibit J-2
(Continued)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
PROGRAM REVENUES (Continued)			
Business-type activities			
Food service			
Charges for services	39,239	31,615	38,699
Operating grants and contributions	68,183	63,146	61,054
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL BUSINESS TYPE ACTIVITIES	<u>107,422</u>	<u>94,761</u>	<u>99,753</u>
TOTAL PROGRAM REVENUES	<u>2,906,776</u>	<u>2,659,942</u>	<u>2,748,843</u>
NET (EXPENSE)/REVENUE			
Governmental activities	(4,051,495)	(3,819,030)	(4,563,902)
Business-type activities	<u>(13,084)</u>	<u>(25,486)</u>	<u>(17,015)</u>
TOTAL NET (EXPENSE)/REVENUE	<u>(4,064,579)</u>	<u>(3,844,516)</u>	<u>(4,580,917)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
Governmental activities			
Property taxes levied for general purposes	3,838,282	4,249,096	4,085,669
Taxes levied for debt service	289,522	240,238	287,836
Tuition received	875	17,729	13,225
Other local government	11,500	11,500	11,500
Miscellaneous income	20,796	15,035	35,876
Transfers	-	-	2,012
Other	<u>-</u>	<u>(249)</u>	<u>(51,053)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>4,160,975</u>	<u>4,533,349</u>	<u>4,385,065</u>
Business-type activities			
Transfers	<u>-</u>	<u>-</u>	<u>(2,012)</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>-</u>	<u>-</u>	<u>(2,012)</u>
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS	<u>4,160,975</u>	<u>4,533,349</u>	<u>4,383,053</u>
CHANGE IN NET ASSETS			
Governmental activities	109,480	714,319	(178,837)
Business-type activities	<u>(13,084)</u>	<u>(25,486)</u>	<u>(19,027)</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ 96,396</u>	<u>\$ 688,833</u>	<u>\$ (197,864)</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST THREE FISCAL YEARS**

Exhibit J-3

	<u>2012</u>	<u>2011</u>	<u>2010</u>
GENERAL FUND			
Nonspendable	\$ -	\$ -	\$ -
Restricted for:			
Maintenance reserve	80,000	80,000	80,000
Excess surplus	430,780	350,719	347,963
Committed			
Assigned	431,747	588,785	-
Unassigned	<u>288,692</u>	<u>282,100</u>	<u>267,049</u>
 TOTAL GENERAL FUND	 <u>\$ 1,231,219</u>	 <u>\$ 1,301,604</u>	 <u>\$ 695,012</u>
 ALL OTHER GOVERNMENTAL FUNDS			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	-
Committed	-	-	-
Assigned			
Debt service fund	(249)	(249)	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL ALL OTHER GOVERNMENTAL FUNDS	 <u>\$ (249)</u>	 <u>\$ (249)</u>	 <u>\$ -</u>

Note: The presentation has been revised to reflect the implementation of GASB Statement No. 54 for the fiscal year ended June 30, 2012. Prior years amounts have been reclassified to conform to the presentation, however, now there was no effect on total fund balances.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

Exhibit J-4

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
REVENUES										
Local tax levy	\$ 4,127,804	\$ 4,489,334	\$ 4,373,505	\$ 4,392,134	\$ 4,318,420	\$ 4,160,301	\$ 4,173,149	\$ 3,895,123	\$ 3,880,359	\$ 3,714,648
Other local government units	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	-	-
Tuition charges	875	17,729	13,225	30,400	31,260	25,005	22,960	21,006	21,504	20,335
Interest earned on investments	-	-	63	4,133	20,509	30,543	22,159	13,031	2,971	4,015
Miscellaneous	20,796	15,035	35,813	34,496	26,565	10,650	11,175	7,694	1,021	16,126
State sources	2,445,112	2,158,590	1,934,303	2,424,878	2,576,283	2,444,665	2,258,858	2,169,673	2,099,758	2,049,196
Federal sources	354,242	406,591	714,787	196,230	266,703	203,923	232,319	223,755	263,101	175,492
TOTAL REVENUES	6,960,329	7,098,779	7,083,196	7,093,771	7,251,240	6,886,587	6,732,120	6,341,782	6,268,714	5,979,812
EXPENDITURES										
Instruction										
Regular	2,004,014	1,849,361	1,987,059	1,918,502	1,909,818	1,713,709	1,667,598	1,515,399	1,437,030	1,725,765
Special	321,508	262,568	381,656	347,417	391,960	419,904	425,893	398,192	352,125	239,869
Other	152,283	231,750	284,234	112,932	115,729	105,295	116,625	127,499	51,592	81,003
Support services and undistributed costs										
Instruction	1,216,501	1,090,679	1,164,186	1,096,131	1,177,082	947,992	1,176,123	1,298,264	1,500,135	1,560,051
Student and instruction related services	687,179	770,221	1,017,386	904,273	1,031,546	952,488	798,699	618,172	571,632	197,075
General administration	392,191	221,966	217,166	198,667	210,057	195,555	158,046	164,469	266,406	215,558
School administration	229,160	181,728	194,392	183,497	206,449	175,778	402,376	382,085	276,845	143,179
Operations and maintenance	429,847	381,434	485,971	447,838	577,093	409,053	388,698	366,998	359,496	277,631
Pupil transportation	156,304	175,676	198,083	213,625	250,323	304,483	315,366	308,385	235,541	236,147
Business and other support services										
Employee benefits	666,262	638,586	732,019	629,060	605,194	623,115	575,252	520,443	454,577	494,309
Other	64,775	30,820	22,089	-	-	-	-	-	-	94,041
On-behalf TPAF pension contributions	247,810	178,165	171,229	154,342	314,989	295,378	149,710	122,897	124,746	87,631
Reimbursed TPAF Social Security contributions	155,815	170,477	176,080	177,752	172,178	162,788	158,163	158,127	149,858	146,241
Capital outlay	183	-	-	-	11,910	14,812	51,975	31,037	-	-
Debt service										
Principal	255,000	250,000	240,000	225,000	225,000	225,000	205,000	215,000	245,000	230,000
Interest and other charges	51,882	58,756	68,357	79,606	90,856	102,106	112,957	110,668	182,555	197,020
TOTAL EXPENDITURES	7,030,714	6,492,187	7,339,907	6,688,642	7,290,184	6,647,456	6,702,481	6,337,635	6,207,538	5,925,520
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)										
EXPENDITURES	(70,385)	606,592	(256,711)	405,129	(38,944)	239,131	29,639	4,147	61,176	54,292
OTHER FINANCING SOURCES (USES)										
Transfers in	-	51,053	2,012	5,528	-	-	-	45,671	-	-
Transfers out	-	(51,052)	-	(3,469)	(12,544)	-	(13,500)	(45,671)	(22,394)	-
Withdrawal from reserve	-	(250)	(51,053)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(249)	(49,041)	2,059	(12,544)	-	(13,500)	-	(22,394)	-
NET CHANGE IN FUND BALANCES	\$ (70,385)	\$ 606,343	\$ (305,752)	\$ 407,188	\$ (51,488)	\$ 239,131	\$ 16,139	\$ 4,147	\$ 38,782	\$ 54,292
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES										
	4.56%	4.99%	4.39%	4.77%	4.53%	5.18%	4.98%	5.42%	7.40%	7.77%

Source: District Records

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS**

Exhibit J-5

<u>Years Ended June 30,</u>	<u>Tuition</u>	<u>Interest on Investments</u>	<u>Insurance Refunds</u>	<u>Prior Year Orders Cancelled</u>	<u>Refund of Prior Year Expenditures</u>	<u>Pennsauken BOE</u>	<u>Pilot Program</u>	<u>Miscellaneous</u>	<u>Total</u>
2012	\$ 875	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,500	\$ 20,796	\$ 33,171
2011	17,729	-	-	-	-	-	11,500	15,035	44,264
2010	13,225	63	3,326	-	22,068	-	11,500	10,419	60,601
2009	30,400	4,133	8,505	766	21,919	2,654	11,500	652	80,529
2008	31,260	20,509	10,335	2,997	6,903	-	11,500	6,330	89,834
2007	25,005	30,543	-	-	-	-	11,500	10,650	77,698
2006	22,960	22,159	-	-	-	-	4,133	11,175	60,427
2005	21,006	13,031	-	-	-	-	11,500	7,694	53,231
2004	21,504	2,971	-	-	-	-	-	1,021	25,496
2003	20,335	4,015	-	-	-	-	-	16,126	40,476

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN CALENDAR YEARS
 UNAUDITED**

Exhibit J-6

<u>Years Ended December 31,</u>	<u>Net Assessed Valuations Taxable</u>	<u>Real Property Assessed Valuations</u>	<u>Percentage of Net Assessed Valuation to Real Property Assessed Valuations</u>	<u>Estimated Actual (County Equalized) Value</u>	<u>Total Direct School Tax Rate *</u>
2011	\$ 160,467,511	\$ 157,083,900	102.15%	256,540,581	2.637
2010	160,877,095	157,657,300	102.04%	272,397,360	2.706
2009	160,989,391	157,814,400	102.01%	287,443,223	2.638
2008	161,241,144	157,894,000	102.12%	290,062,234	2.657
2007	160,977,463	157,894,000	101.95%	293,539,312	2.531
2006	161,044,521	157,475,000	102.27%	229,859,526	2.484
2005	163,279,412	156,852,100	104.10%	204,880,271	2.384
2004	163,230,247	157,580,500	103.59%	180,923,728	2.295
2003	163,571,570	157,565,350	103.81%	203,818,571	2.236
2002	163,012,426	157,274,650	103.65%	155,684,227	2.125

* Tax rates are per \$100

Source: Borough of Merchantville, Tax Assessor

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN CALENDAR YEARS
UNAUDITED**

Exhibit J-7

<u>Years Ended December 31,</u>	<u>Basic Rate</u>	<u>General Obligation Debt Service</u>	<u>Total Direct School Tax Rate</u>	<u>Municipal</u>	<u>County</u>	<u>Total Direct and Overlapping Tax Rate</u>
2011	2.601	7,856,273	2.637	1.385	1.216	5.238
2010	2.567	8,254,097	2.706	1.335	1.232	5.273
2009	2.411	8,694,737	2.638	1.279	1.132	5.049
2008	2.389	8,064,639	2.657	1.228	1.161	5.046
2007	2.62 (B)	6,662,962	2.531	1.045	1.208	4.784
2006	2.62	6,768,182	2.484	1.013	1.153	4.65
2005	2.75	6,287,934	2.384	0.983	1.041	4.408
2004	3.30	6,562,998	2.295	0.953	0.977	4.225
2003	(A)	6,954,193	2.236	0.939	0.995	4.17
2002	(A)	7,655,104	2.125	0.915	0.980	4.02

(A) Amounts are not available for these years.

(B) Amount not available for current year, prior year rate used.

Source: Borough of Merchantville audited financial statements

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
SCHEDULE OF PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED**

Exhibit J-8

<u>Taxpayer</u>	<u>2012</u>		<u>2003</u>	
	<u>Assessed Valuation</u>	<u>As a % of District's Net Assessed Valuation</u>	<u>Assessed Valuation</u>	<u>As a % of District's Net Assessed Valuation</u>
Verizon, NJ	\$ 7,688,620	4.78%	\$ 8,225,320	5.05%
Merchantville Partners, LP	4,617,400	2.87%	2,459,300	1.51%
Citadel Wellwood, LLC	1,728,100	1.07%	1,075,000	0.67%
42 W. Maple, LLC	1,299,800	0.81%	887,000	0.54%
Prospect Norse	1,132,600	0.70%	750,000	0.46%
Kaurene Family Investments, LLC / CVS	1,101,400	0.68%	(A)	(A)
Three Brothers Real Estate, LLC	1,047,300	0.65%	(A)	(A)
26-28 S. Centre Street Associates, LLC	945,400	0.59%	644,600	0.40%
17 East Maple, LLC	938,200	0.58%	(A)	(A)
Richard Ounjian Et Al	921,800	0.57%	(A)	(A)
Interstate Net Bank	796,100	0.49%	(A)	(A)
TOTAL	<u>\$ 22,216,720</u>	<u>13.79%</u>	<u>\$ 14,041,220</u>	<u>8.63%</u>

Source: Municipal Tax Assessor

(A) Amounts are not available for this year.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MUNICIPAL PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN CALENDAR YEARS
UNAUDITED**

Exhibit J-9

<u>Years Ended December 31,</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Tax Levy Collected</u>
2011	\$ 8,417,003	\$ 7,978,620	94.79%
2010	8,512,891	7,964,657	93.56%
2009	8,142,974	7,704,703	94.62%
2008	8,152,217	7,695,433	94.40%
2007	7,707,506	7,521,454	97.59%
2006	7,496,348	7,220,036	96.31%
2005	7,201,771	6,991,869	97.09%
2004	6,929,195	6,743,020	97.31%
2003	6,824,011	6,609,326	96.84%
2002	6,558,994	6,388,854	97.40%

Source: Borough of Merchantville audited financial statements

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED**

Exhibit J-10

Years Ended June 30,	Government Activities				Business-Type Activities		Total District	Percentage Personal Income *	Per Capita*
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2012	\$ 1,265,000	\$ -	\$ -	\$ -	\$ -	\$ 1,265,000	0.82%	338	
2011	1,520,000	-	-	-	-	1,520,000	0.96%	398	
2010	1,770,000	-	-	-	-	1,770,000	1.14%	470	
2009	2,010,000	-	-	-	-	2,010,000	1.36%	534	
2008	2,235,000	-	-	-	-	2,235,000	1.55%	594	
2007	2,460,000	-	-	-	-	2,460,000	1.70%	646	
2006	2,685,000	-	-	-	-	2,685,000	1.96%	703	
2005	2,890,000	-	-	-	-	2,890,000	2.11%	757	
2004	3,105,000	-	-	-	-	3,105,000	2.35%	814	
2003	3,140,000	-	-	-	-	3,140,000	2.47%	823	

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED**

Exhibit J-11

<u>Years Ended June 30,</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percentage of Actual Taxable Value of Property (a)</u>	<u>Per Capita (b)</u>
2012	1,265,000	0.79%	338
2011	1,520,000	0.94%	398
2010	1,770,000	1.10%	470
2009	2,010,000	1.25%	534
2008	2,235,000	1.39%	594
2007	2,460,000	1.53%	646
2006	2,685,000	1.64%	703
2005	2,890,000	1.77%	757
2004	3,105,000	1.90%	814
2003	3,140,000	1.92%	824

(a) See Exhibit J-6 for property tax data.

(b) See Exhibit J-14 for population data.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
YEAR ENDED JUNE 30, 2012
UNAUDITED**

Exhibit J-12

Net direct debt of school district as of June 30, 2012	\$ 1,265,000
Net overlapping debt of school district	
Merchantville Borough (100%)	1,520,000 *
County of Camden - Borough's share	<u>1,103,398</u>
Total direct and overlapping debt as of June 30, 2012	<u>\$ 3,888,398</u>

* This does not include any debt of the Merchantville - Pennsauken Water Commission

Source: Merchantville Borough Chief Financial Officer and Camden County Treasurer's Office.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN YEARS
 UNAUDITED**

Exhibit J-14

<u>Years Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Camden County Per Capita Personal Income</u>	<u>School District Population</u>
2011	10.60%	41,282	3,738
2010	6.50%	41,234	3,821
2009	6.20%	41,282	3,765
2008	3.90%	39,266	3,764
2007	2.90%	38,209	3,763
2006	3.20%	37,910	3,806
2005	2.90%	35,895	3,820
2004	4.10%	34,580	3,816
2003	4.60%	33,264	3,815
2002	4.40%	32,015	3,811

Source: New Jersey Department of Education Audit Information website.
 New Jersey Department of Labor, Statistics

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 SCHEDULE OF PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO
 UNAUDITED**

Exhibit J-15

<u>Employer</u>	<u>2012</u>		<u>2003</u>	
	<u>Employees</u>	<u>% of Total Municipal Employment</u>	<u>Employees</u>	<u>% of Total Municipal Employment</u>
Merchantville Pediatrics	35	N/A	N/A	N/A
The Blue Monkey	32	N/A	N/A	N/A
St. Clair CPA Solutions	28	N/A	N/A	N/A
CVS	27	N/A	N/A	N/A
Rite Aid	10	N/A	N/A	N/A
PNC Bank	13	N/A	N/A	N/A
TOTAL	<u>145</u>	N/A	N/A	N/A

Source: Municipal Borough Office

Note: The reporting requirement of nine years ago data was not obtainable from available sources.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 UNAUDITED**

Exhibit J-16

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
FUNCTION/PROGRAM										
Instruction										
Regular	27	27	27	25	25	25	24	24	28	24
Special education	4	4	4	4	4	4	4	4	4	5
Other special education	-	-	-	-	-	-	-	-	-	-
SUPPORT SERVICES										
Student and instruction related services	4	4	4	4	4	3	2	2	3	2
General administration	1	1	1	1	1	1	1	1	1	1
School administration	1	1	1	1	1	1	1	1	1	1
Operation and maintenance of plant facilities	-	-	-	-	-	-	-	-	-	-
TOTAL	<u>37</u>	<u>37</u>	<u>37</u>	<u>35</u>	<u>35</u>	<u>34</u>	<u>32</u>	<u>32</u>	<u>37</u>	<u>33</u>

(A) Amounts are not available for these years.

Source: District Personnel Records

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

Exhibit J-17

<u>Years Ended June 30,</u>	<u>Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost Per Pupil</u>	<u>% Change</u>	<u>Teaching Staff (a)</u>	<u>Pupil/Teacher Ratio (Elementary)</u>	<u>Average Daily Enrollment</u>	<u>Average Daily Attendance</u>	<u>% Change in Average Daily Enrollment</u>	<u>Attendance %</u>
2012	353	6,723,649	19,047	-0.51%	31	10	354.6	337.0	8.00%	95.04%
2011	323	6,183,431	19,144	-6.35%	31	11	328.3	313.5	-5.93%	95.49%
2010	344	7,031,550	20,441	13.35%	28	12	349.0	331	-1.41%	94.84%
2009	354	6,384,035	18,034	-10.90%	31	11	354.0	317.0	2.91%	89.55%
2008	344	6,384,036	18,558	17.16%	31	11	344.0	302.9	-5.75%	88.05%
2007	365	6,962,418	19,075	-3.43%	31	12	365.0	342.5	3.46%	93.84%
2006	354	6,305,538	17,812	8.58%	33	11	352.8	333.6	-4.67%	94.56%
2005	363	6,332,549	17,445	6.61%	30	12	370.1	349.8	1.93%	94.51%
2004	374	5,980,930	15,992	-22.00%	31	12	363.1	343.1	2.92%	94.50%
2003	355	5,779,983	16,282	3.34%	37	10	352.8	334.3	-0.34%	94.76%

Source: District Records.

(a) Includes only full time equivalents of certified staff.

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

Exhibit J-18

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>DISTRICT BUILDING</u>										
Merchantville Elementary (1936)										
Square feet	85,758	85,758	85,758	85,758	85,758	85,758	85,758	85,758	85,758	85,758
Capacity (students)	574	574	574	574	574	574	574	574	574	574
Enrollment	353	323	344	354	344	368	353	363	374	355
Number of schools at June 30, 2012										
Elementary = 1										

Source: District Facilities Office

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITY
 LAST TEN FISCAL YEARS**

Exhibit J-19

**UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES**

11-000-261-420

11-000-261-610

11-000-261-800

		<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
School Facilities*	Project # (s)									
Merchantville Elementary	N/A	\$ 80,558	\$ 57,050	\$ 84,073	\$ 47,798	\$ 206,994	\$ 53,622	\$ 39,431	\$ 37,142	\$ 37,066
Total School Facilities		<u>\$ 80,558</u>	<u>\$ 57,050</u>	<u>\$ 84,073</u>	<u>\$ 47,798</u>	<u>\$ 206,994</u>	<u>\$ 53,622</u>	<u>\$ 39,431</u>	<u>\$ 37,142</u>	<u>\$ 37,066</u>

Note: The reporting requirement of ten years ago data was not obtainable from available sources.

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

Source: District Records.

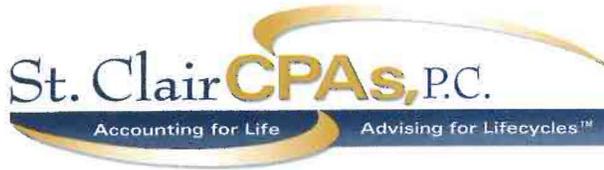
BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2012
UNAUDITED

Exhibit J-20

	<u>Coverage</u>	<u>Deductible</u>
Burlington County Insurance Pool Joint Insurance Fund BCIPJIF		
Property, Inland Marine and Automobile Physical Damages	\$150,000,000	\$ 500
Boiler and Machinery	125,000,000	1,000
Crime	500,000	500
General and Automobile Liability	10,000,000	-
Educator's Legal Liability	10,000,000	-
Pollution Legal Liability	3,000,000	25,000
Surety Bonds -Liberty Mutual Insurance Company		
Business administrator	159,000	-
Treasurer	159,000	-
Workers' compensation - New Jersey School Boards Association	2,000,000	-
Compulsory student accident coverage	1,000,000	-

Source: District Records

SINGLE AUDIT SECTION



**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 Merchantville School District
County of Camden, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education Borough of Merchantville School District (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 District's basic financial statements and have issued our report thereon dated November 30, 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 audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Board of Education Borough of Merchantville School District, in the County of Camden, State of New Jersey is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Merchantville Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Merchantville Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Merchantville'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 combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, the Borough of Merchantville Board of Education, the New Jersey State Department of Education (cognizant audit agency) and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

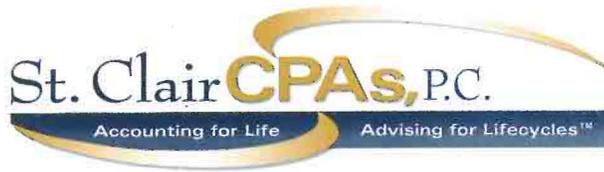


William P. St. Clair, CPA
Licensed Public School Accountant
License No. CS02343



St. Clair CPAs, P.C.
Certified Public Accountants

Merchantville, New Jersey
November 30, 2012



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
NEW JERSEY OMB CIRCULAR 04-04**

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

Compliance

We have audited the compliance of the Board of Education Borough of Merchantville School District (District), in the County of Camden, State of New Jersey, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2012. The Borough of Merchantville Board of Education's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Borough of Merchantville Board of Education's management. Our responsibility is to express an opinion on the Borough of Merchantville Board of Education's compliance based on our audit.

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

In our opinion, the Board of Education Borough of Merchantville School District, in the County of Camden, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2012. The results of our auditing procedures did not disclose any instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Internal Control Over Compliance

Management of the Board of Education Borough of Merchantville School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Borough of Merchantville Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Merchantville Board of Education's internal control over compliance.

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

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

This report is intended solely for the information and use of the management of the Borough of Merchantville Board of Education, the New Jersey State Department of Education (cognizant audit agency), other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



William P. St. Clair, CPA
Licensed Public School Accountant
License No. CS02343



St. Clair CPAs, P.C.
Certified Public Accountants

Merchantville, New Jersey
November 30, 2012

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - SCHEDULE A
YEAR ENDED JUNE 30, 2012**

Exhibit K-3

											Due to	Unused	
CFDA	State	Grant Period		Program	Balance	Carryover	Revenue/		Prior Years'	(Accounts	Deferred	Grantor at	Funds
Number	Project	From	To	or Award	June 30,	Walkover	Cash	Expenditures	Balances	Receivable)	Revenue	June 30,	June 30,
				Amount	2011	Amount	Received		Returned	June 30, 2012		2012	2012
FEDERAL GRANTOR/PASS-THROUGH													
GRANTOR/PROGRAM TITLE													
U.S. Department of Agriculture													
Passed-through State Department of Education													
Enterprise Fund :													
Food Distribution Program	10.550	N/A	7/1/2011	6/30/2012	\$ 8,868	\$ -	\$ 8,868	\$ 8,868	\$ -	\$ -	\$ -	\$ -	\$ -
National School Lunch Program	10.555	N/A	7/1/2010	6/30/2011	39,558	(3,129)	-	3,129	-	-	-	-	-
National School Lunch Program	10.555	N/A	7/1/2011	6/30/2012	50,738	-	-	48,512	50,738	-	(2,226)	-	-
National School Breakfast Program	10.553	N/A	7/1/2010	6/30/2011	3,290	(368)	-	368	-	-	-	-	-
National School Breakfast Program	10.553	N/A	7/1/2011	6/30/2012	6,554	-	-	6,181	6,554	-	(373)	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE					109,008	(3,497)	-	67,058	66,160	-	(2,599)	-	-
U.S. Department of Education													
Passed-through State Department of Education													
General Fund:													
ARRA-Education Jobs Fund	84.410	S410A100014	8/10/2010	9/30/2012	61,925	-	-	61,925	-	(61,925)	-	-	-
U.S. Department of Education													
Passed-through State Department of Education													
Special Revenue Fund:													
Title I Prior Year	84.010	IASA311010	9/1/2009	8/31/2010	91,156	(21,025)	-	21,025	-	-	-	-	-
Title I Prior Year	84.010	IASA311011	9/1/2010	8/31/2011	117,067	(101,586)	15,481	101,586	15,481	-	(15,481)	-	-
Title I Current Year	84.010	IASA311012	9/1/2011	8/31/2012	92,277	-	-	53,141	90,336	-	(37,195)	-	1,941
I.D.E.A. Part B, basic Prior year	84.027	FT-3110-11	9/1/2010	8/31/2011	148,388	(19,418)	664	20,082	-	-	-	-	-
I.D.E.A. Part B, basic Current year	84.027	FT-3110-12	9/1/2011	8/31/2012	148,217	-	-	6,995	146,729	-	(139,734)	-	1,488
I.D.E.A. Part B, preschool Prior year	84.173	PS-3110-11	9/1/2010	8/31/2011	6,479	(1,754)	-	1,754	-	-	-	-	-
I.D.E.A. Part B, preschool Current year	84.173	PS-3110-12	9/1/2011	8/31/2012	6,426	-	-	-	6,426	-	(6,426)	-	-
Title II - Eisenhower Carryover year	84.281	IASA311010	9/1/2009	8/31/2010	27,890	(10,410)	-	10,410	-	-	-	-	-
Title II - Eisenhower Prior year	84.281	IASA311011	9/1/2010	8/31/2011	27,896	(21,072)	6,824	22,004	5,892	-	(5,892)	-	932
Title II - Eisenhower Current year	84.281	IASA311012	9/1/2011	8/31/2012	24,862	-	-	-	20,501	-	(20,501)	-	4,361
Title II D Enhanced Ed. Through Tech	84.318X	IASA311011	9/1/2010	8/31/2011	378	(268)	110	268	-	-	-	-	110
Title III	84031A		9/1/2010	8/31/2011	2,473	-	2,473	-	-	-	-	-	2,473
Title IV - Drug free Prior year	84.186	IASA311010	9/1/2009	8/31/2010	1,660	-	1,660	-	-	-	-	-	1,660
ARRA-IDEA Basic	84.391	IASA311011	9/1/2010	8/31/2011	81,821	(28,923)	7,091	36,014	6,952	-	(6,952)	-	139
ARRA-Title I PT A	84.389A		9/1/2010	8/31/2011	23,296	(5,146)	-	5,146	-	-	-	-	-
					800,286	(209,602)	34,303	278,425	292,317	-	(232,181)	-	13,104
TOTAL U.S. DEPARTMENT OF EDUCATION					(209,602)	34,303	278,425	354,242	-	(294,106)	-	-	13,104
TOTAL FEDERAL FINANCIAL ASSISTANCE					\$ (213,099)	\$ 34,303	\$ 345,483	\$ 420,402	\$ -	\$ (296,705)	\$ -	\$ -	\$ 13,104

See accompanying notes to schedules of awards and financial assistance.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE - SCHEDULE B
YEAR ENDED JUNE 30, 2012**

Exhibit K-4

State Grantor/Program Title	Grant or State Project Number	Grant Period From	Grant Period To	Program or Award Amount	Balance at June 30, 2011	Carryover Walkover Amount	Revenue/ Cash Received	Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) June 30, 2012	Deferred Revenue	Due to Grantor at June 30, 2012	Unused Funds June 30, 2012
STATE DEPARTMENT OF EDUCATION													
General Fund :													
Transportation Aid	12-495-034-5120-014	7/1/11	6/30/12	\$ 11,832	\$ -	\$ -	\$ 5,220	\$ 11,832	\$ -	\$ (6,612)	\$ -	\$ -	\$ -
Special Education Aid	12-495-034-5120-089	7/1/11	6/30/12	213,145	-	-	197,541	213,145	-	(15,604)	-	-	-
Extraordinary Aid	12-495-034-5120-044	7/1/11	6/30/12	26,860	-	-	14,367	26,860	-	(12,493)	-	-	-
Equalization Aid	11-495-034-5120-078	7/1/10	6/30/11	1,294,580	(88,695)	-	88,695	-	-	-	-	-	-
Equalization Aid	12-495-034-5120-078	7/1/11	6/30/12	1,416,345	-	-	1,312,658	1,416,345	-	(103,687)	-	-	-
Special Education Categorical Aid	11-495-034-5120-089	7/1/10	6/30/11	213,145	(15,603)	-	15,603	-	-	-	-	-	-
School Choice Aid	12-495-034-5120-068	7/1/11	6/30/12	133,755	-	-	123,963	133,755	-	(9,792)	-	-	-
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11	6/30/12	155,815	-	-	146,461	155,815	-	(9,354)	-	-	-
On-behalf TPAF Pension Contribution	12-495-034-5095-001	7/1/11	6/30/12	247,810	-	-	247,810	247,810	-	-	-	-	-
Total State Department of Education				3,713,287	(104,298)	-	2,152,318	2,205,562	-	(157,542)	-	-	-
Special Revenue Fund:													
N.J. Nonpublic Aid													
Textbook Aid	12-100-034-5120-064	7/1/11	6/30/12	14,224	-	-	14,224	14,152	-	-	-	72	-
Nursing Aid	11-100-034-5120-070	7/1/10	6/30/11	20,003	-	-	-	-	-	-	-	202	-
Nursing Aid	12-100-034-5120-070	7/1/11	6/30/12	20,318	-	-	20,115	20,115	-	-	-	-	-
Auxiliary Services													
Compensatory Education	12-100-034-5120-067	7/1/11	6/30/12	129,251	-	-	129,251	104,479	-	-	-	24,772	-
Transportation	12-100-034-5120-068	7/1/11	6/30/12	6,794	-	-	6,794	1,905	-	-	-	4,889	-
English as a Second Language	12-100-034-5120-067	7/1/11	6/30/12	2,586	-	-	2,586	-	-	-	-	2,586	-
Handicapped Services:													
Supplemental instruction	12-100-034-5120-066	7/1/11	6/30/12	11,926	-	-	11,926	7,436	-	-	-	4,490	-
Examination & Classification	12-100-034-5120-066	7/1/11	6/30/12	15,617	-	-	15,617	13,845	-	-	-	1,772	-
Corrective Speech	12-100-034-5120-066	7/1/11	6/30/12	22,116	-	-	22,116	17,141	-	-	-	4,975	-
Preschool Education Aid	10-100-034-5120-086	7/1/09	6/30/10	83,673	(6,090)	-	6,090	-	-	-	-	-	-
Preschool Education Aid	11-100-034-5120-086	7/1/10	6/30/11	87,390	(6,398)	32,166	32,165	25,767	-	-	-	-	-
Preschool Education Aid	12-100-034-5120-087	7/1/11	6/30/12	17,478	-	-	16,198	17,478	-	(1,280)	-	-	-
					(12,488)	32,166	277,082	222,318	-	(1,280)	-	43,758	-
Capital Projects Fund:													
Educational facilities construction and financing					-	-	-	-	-	-	-	-	-
Debt Service Fund:													
Debt Service Aid Type II	12-495-034-5120-016	7/1/11	6/30/12	17,360	-	-	17,360	17,360	-	-	-	-	-
STATE DEPARTMENT OF AGRICULTURE													
Enterprise Fund:													
National School Lunch Program (State Share)	11-100-034-3360-067	7/1/10	6/30/11	1,057	(91)	-	91	-	-	-	-	-	-
National School Lunch Program (State Share)	12-100-034-3360-067	7/1/11	6/30/12	1,407	-	-	1,343	1,407	-	(64)	-	-	-
TOTAL STATE DEPARTMENT OF AGRICULTURE					(91)	-	1,434	1,407	-	(64)	-	-	-
TOTAL STATE FINANCIAL ASSISTANCE					\$ (116,877)	\$ 32,166	\$ 2,448,194	\$ 2,446,647	\$ -	\$ (158,886)	\$ -	\$ 43,758	\$ -

See accompanying notes to schedules of awards and financial assistance.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS AND
FINANCIAL ASSISTANCE
JUNE 30, 2012

Exhibit K-5

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 Merchantville School District Board of Education. The Board of Education is defined in Note 1 to the District's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the Schedules of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of 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 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 accompany 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, that payment is 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.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS AND
FINANCIAL ASSISTANCE (CONTINUED)
JUNE 30, 2012

Exhibit K-5
(Continued)

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$43,887) for the General Fund and \$0 for the Special Revenue Fund. See the notes to the basic financial statements for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds. Awards and financial assistance revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>
General Fund	\$ 61,925	\$ 2,161,675
Special Revenue Fund	292,317	266,077
Debt Service Fund	-	17,360
Food Service Fund	66,160	1,407
Capital Projects Fund	<u>-</u>	<u>-</u>
 Total Awards and Financial Assistance	 <u>\$ 420,402</u>	 <u>\$ 2,446,519</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions, respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2012. TPAF Social Security Contributions represents the amounts reimbursed by the State for the employer's share of Social Security Contributions for TPAF members for the fiscal year ended June 30, 2012.

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting

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

2). Reportable condition(s) identified that are not considered to be material weaknesses _____ yes X no

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

Federal Awards

Internal control over major programs: **N/A – only State Awards qualify for reporting**

1). Material weakness(es) identified? _____ yes _____ no

2). Reportable condition(s) identified that are not considered to be material weaknesses _____ yes _____ no

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

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

CFDA Number(s)

Name of Federal Program or Cluster

N/A

N/A

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes _____ no

Section I - Summary of Auditors' Results (continued)

State Awards

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

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

Internal control over compliance:

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

2). Reportable condition(s) identified that are not considered to be material weaknesses? yes X no

Any audit findings disclosed that are required to be reported in accordance with New Jersey OMB Circular 04-04 yes X no

Identification of major program:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
11-495-034-5120-078	Equalization Aid

Section II - Financial Statement Findings

Finding: NONE

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's Response:

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

FEDERAL AWARDS:

Finding: NONE

Information on the federal program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

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

STATE AWARDS:

Finding: NONE

Information on the state program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012**

Exhibit K-7

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

STATUS OF PRIOR-YEAR FINDINGS

There were no prior year findings.