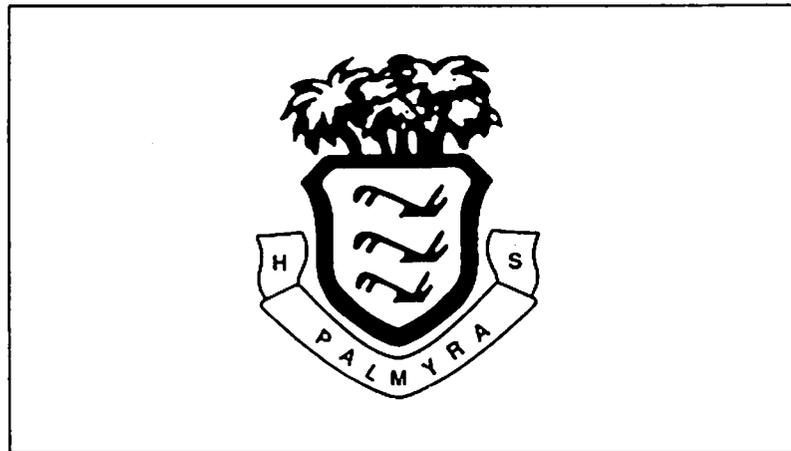


**SCHOOL DISTRICT
OF
PALMYRA**



**Palmyra Board of Education
Palmyra, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year ended June 30, 2012**

**Comprehensive Annual
Financial Report**

of the

Palmyra Board of Education

Palmyra, New Jersey

For the Fiscal Year Ended June 30, 2012

**Prepared by
Palmyra Board of Education
Finance Department**

PALMYRA SCHOOL DISTRICT

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Introductory Section

**Palmyra School District
301 Delaware Avenue
Palmyra, New Jersey 08088**

1. Reporting Entity and Its Services

The Palmyra Borough Board of Education is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by NCGA Statement No. 3 all funds and account groups of the District are included in this report. The Palmyra Borough Board of Education and all of its schools constitute the District's reporting entity.

The district provides a wide range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational, special area enrichment as well as special education programs for children with "special needs" including "gifted" and "learning disabled". The District completed the 2011-2012 fiscal year with an average enrollment of 987 students.

2. Economic condition and Outlook:

Palmyra is a residential community that has a total of 1.92 square miles and is located on the East side of the Delaware River directly across from the northern end of the City of Philadelphia. It serves as the eastern terminus of the Tacony-Palmyra Bridge, which spans the Delaware River. It is readily accessible to many major highways including Route #73, Route #1-295, Route #130 and the New Jersey Turnpike Route #130 and Route #73 are direct access routes to Philadelphia. Conrail has a train station in Palmyra and runs through the heart of the Borough's business district. The Palmyra School District is a three building district, which is located on the Delaware River in close proximity to Philadelphia and Trenton.

3. Major Initiatives:

All Buildings

A wireless internet infrastructure has been constructed to support technology based instruction.

One third (approximately 60) of the oldest desk top computers have been replaced.

OnCourse, an internet based student information system and parent portal was brought on line on 1 July 2012.

Systems3000 accounting and staff information system was brought on line on 1 July 2012.

Delaware Avenue School

Two (2) full day inclusive preschool classes have begun - one (1) for children age 3 and one (1) for children age 4.

iPads and iPad learning activities have been introduced in the Pre-School classrooms.

A new Pre-School curriculum is being utilized.

Charles Street Elementary School (Kindergarten – Grade 6)

Study Island, an internet based learning and benchmarking tool, has been introduced at all elementary grade levels.

A new Language Arts curriculum has been introduced at all elementary grade levels.

iPads and iPad learning activities have been introduced in the Kindergarten and 1st grade classrooms.

A new Science Series was introduced at the 6th grade level.

Technology instruction and assessment for fourth grade students will continue.

15 additional Netbooks were purchased to support learning based classroom activities.

Palmyra High School (Grades 7 – 12)

The course offerings in the College Acceleration Program (CAP) have been expanded. Offered in cooperation with Burlington County College Palmyra High School students can earn up to 66 college credits while still in High School.

The Virtual High School (VHS) an internet based learning program which enables students to take advantage of extensive course offerings, has been expanded to include 20 additional seats.

iPads and iPad learning activities have been introduced in the 6th & 7th grade classrooms.

A new Language Arts curriculum has been introduced at all middle school grade levels.

Palmyra High School will field a Boys and Girls middle school basketball team this winter.

A New algebra and geometry series was introduced in grades 9-12.

TI Inspire calculators have been incorporated as a part of the mathematics curriculum.

Naviance, an internet based college and career readiness platform , will be available in late Fall.

15 additional Netbooks were purchased to support learning based classroom activities.

AP German is being offered and supported by a new textbook series.

The number of available seats in Statistics classes was doubled.

4. Internal Accounting Controls:

The Administration of the District is responsible for establishing and maintaining an internal control structure. It is designated to ensure that the assets of the district are protected from loss, theft or misuse. It also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with General Accepted Accounting Principles (GAAP). The internal control structure is designed to provide reasonable but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by administration.

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

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

5. Budgetary Controls:

In addition to internal controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budgets and 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 cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balances as of June 30, 2012.

6. Accounting Systems and Reports:

The district accounting records reflect Generally Accepted Accounting Principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in the “Notes to the Financial Statements”, Note 1.

7. Cash Management:

The investment policy of the District is guided in large part by state statute as detailed in “Notes to the 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 funds are secured in accordance with the Act.

8. Risk Management:

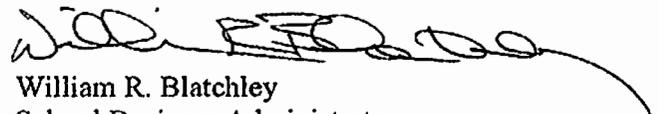
The Board of Education carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive collision, hazard and theft insurance on property, contents and fidelity bonds.

9. Other Information:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board of Education at its reorganization meeting appointed the accounting firm of Inverso and Stewart. In addition to meeting the requirements of the single audit act of 1984 and the related OMB Circular A-133 and state treasury circular letter 04-04 OMB. The auditor’s report on the general-purpose financial statements and individual fund statements and schedules included in the financial section of this report. The auditor’s report related specifically to the single audit is included in the single audit section of this report.

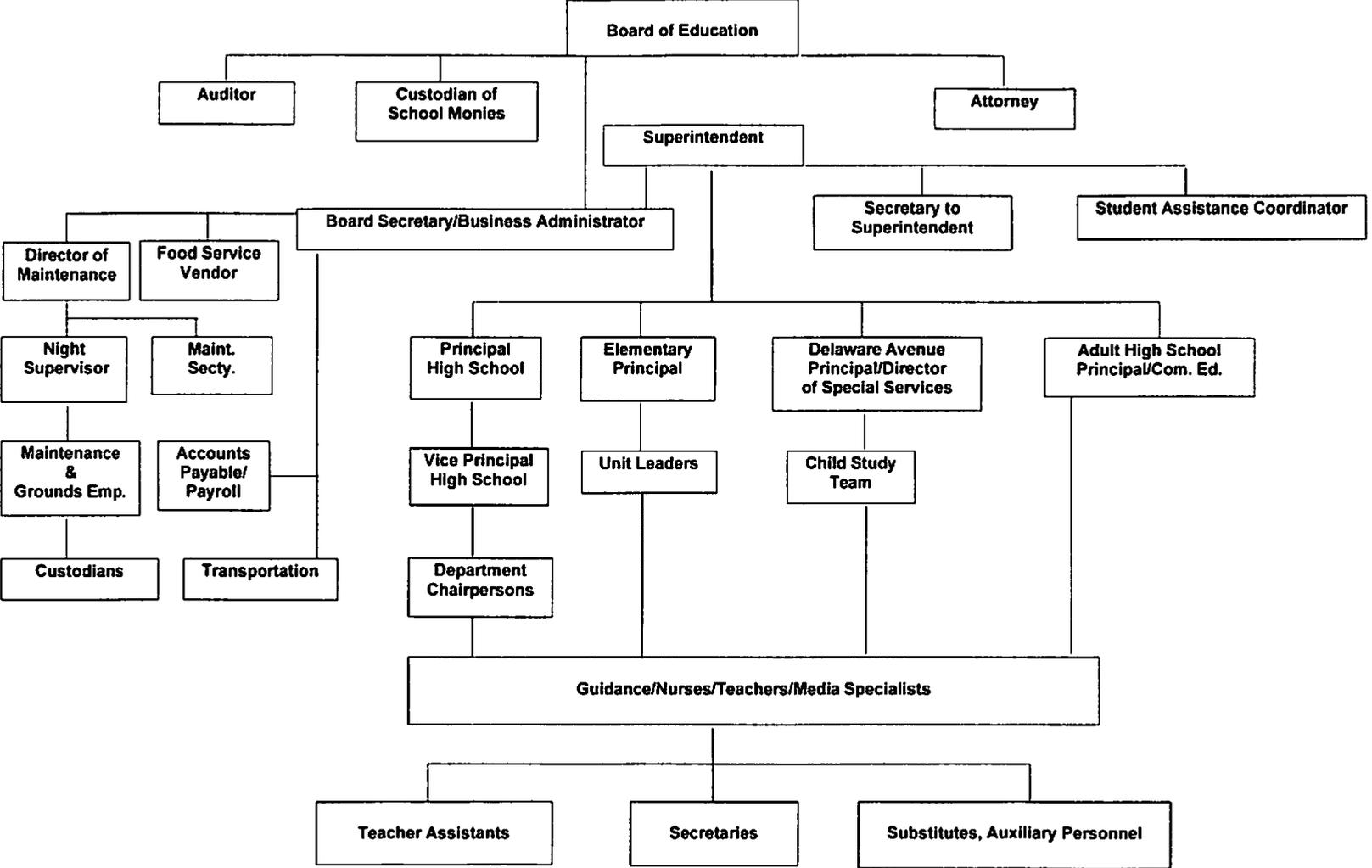


Brian J. McBride
Superintendent



William R. Blatchley
School Business Administrator

PALMYRA BOARD OF EDUCATION
Organizational Chart
(UNIT CONTROL)



PALMYRA SCHOOL DISTRICT

**Roster of Officials
June 30, 2012**

Members of the Board of Education:

Term Expires

Mr. Richard Dreby, President	2012
Mrs. Mary L. Holloway, Vice President	2013
Ms. Valerie R. Flournoy	2014
Mr. Keith Austin	2013
Ms. Nancy Brett	2014
Mr. John Quigg	2013
Mr. Stanley Ozalis	2014
Ms. Vanessa Flournoy	2012
Mr. Scott Warnock	Riverton Representative
Ms. Amy Pine	Beverly Representative

Other Officials:

David Lindenmuth,	Superintendent
William R. Blatchley,	Business Administrator/Board Secretary
Mark Pease,	Principal-High School
Ken Holloway,	Vice-Principal – High School
Jeanne Barber,	Principal-Charles Street School
Robert Pupchick,	Supervisor of Special Services
Robert Donnahoo,	Treasurer of School Monies

**PALMYRA SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

Inverso & Stewart, LLC
12000 Lincoln Drive West, Suite 402
Marlton, NJ 08053

Attorney

Joseph Betley, Esquire
Acting for Capehart and Scatchard, P.A.
Laurel Corporate Center
Suite 300
8000 Midlantic Drive
Mount Laurel, NJ 08054

Official Depository

Beneficial Bank
712 Broad Street
Riverton, NJ 08077

Financial Section

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

12000 Lincoln Drive West, Suite 402
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E-Mail: iscpas@concentric.net

**-Member of-
American Institute of CPAs
New Jersey Society of CPAs**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
of the Board of Education
Palmyra School District
County of Burlington
Palmyra, 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 Palmyra School District, in the County of Burlington, State of New Jersey (School District), as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2012 on our consideration of the Palmyra School District, in the County of Burlington, State of New Jersey's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Palmyra School District's basic financial statements. The accompanying Schedule 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 State of New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the financial statements. In addition, the introductory section, combining statements and related major fund supporting statements and schedules, and statistical section listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules of Expenditures of Federal Awards and State Financial Assistance, combining statements and related major fund supporting statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert A. Stewart
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
August 30, 2012

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

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-Member of-
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New Jersey Society of CPAs

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
Palmyra School District
County of Burlington
Palmyra, 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 Palmyra School District (School District), in the County of Burlington, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 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 in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Palmyra School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Palmyra School District'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 School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified the following deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting: Finding no. #2012-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Palmyra School District in a separate report entitled, *Auditors Management Report on Administrative Findings - Financial, Compliance and Performance* dated August 30, 2012.

This report is intended solely for the information and use of the management of the School District, the Division of Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert A. Stewart
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
August 30, 2012

Required Supplementary Information - Part I

Management's Discussion and Analysis

**Palmyra School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

As management of the Board of Education of the Borough of Palmyra, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the School District exceeded its liabilities at the close of the most recent fiscal year by \$3,286,867 (*net assets*).
- Governmental activities have an unrestricted net assets deficit of \$250,459. The accounting treatments in the governmental funds for compensated absences payable, and the June state aid payments, and state statutes that prohibit school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this deficit balance.
- The total net assets of the School District increased by \$497,090, or a 17.81% increase from the prior fiscal year-end balance. The majority of the increase is attributable to repayment of long-term obligations.
- Fund balance of the School District's governmental funds decreased by \$161,264 resulting in an ending fund balance of \$1,850,062. The decrease was due to spending more of the budget than in the previous year.
- Business-type activities have unrestricted net assets of \$174,228, which may be used to meet the School District's ongoing obligations of the enterprise-related activities.
- The School District's long-term obligations decreased by \$797,831 which is the net result of the current year payments on existing debt obligations.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The *district-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The district-wide financial statements include the statement of net assets and the statement of activities.

The *statement of net assets* presents information about all of the School District's assets and liabilities. The difference between the assets and liabilities is reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the School District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the district-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all or most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund. Business-type activities consolidate the Food Service Fund and the After School Program Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the School District are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds account for essentially the same information reported in the governmental activities of the district-wide financial statements. However, unlike the district-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The School District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The School District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Proprietary funds are used to present the same functions as the business-type activities presented in the district-wide financial statements. The School District maintains one type of proprietary fund - the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the district-wide financial statements, only in more detail.

The School District's two enterprise funds (Food Service Fund and After School Program Fund) are listed individually and are considered to be major funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the School District's programs.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains other supplementary information and schedules required by the New Jersey Audit Program, issued by the New Jersey Department of Education.

District-wide Financial Analysis

The assets of the School District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the School District. The majority of the current assets are the results of the tax levy and state aid collection process.

Capital assets are used in the operations of the School District. These assets are land, buildings, improvements, equipment and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2012. Long-term

liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal year 2012.

The assets of the primary government activities exceeded liabilities by \$3,082,373 with an unrestricted deficit balance of \$250,459. The net assets of the primary government do not include internal balances. As mentioned earlier, deficit unrestricted net assets are primarily due to the accounting treatment for compensated absences payable and the June state aid payments, and state statutes that prohibit school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

A net investment of \$1,440,913 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's public school students, represents 43.84% of the School District's net assets. Net assets of \$1,922,185 have been restricted as follows:

Restricted for Future Budget Appropriations	\$ 267,712
Restricted for Future Maintenance Costs	340,379
Restricted for Future Capital Projects	694,100
Restricted for Subsequent Year's Budget	<u>619,994</u>
Total	<u>\$ 1,922,185</u>

**Comparative Summary of Net Assets
As of June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current assets	\$2,037,000	\$2,170,818	\$175,482	\$202,484	\$2,212,482	\$2,373,302
Capital assets	<u>14,780,647</u>	<u>14,898,901</u>	<u>30,266</u>	<u>8,967</u>	<u>14,810,913</u>	<u>14,907,868</u>
Total assets	<u>16,817,647</u>	<u>17,069,719</u>	<u>205,748</u>	<u>211,451</u>	<u>17,023,395</u>	<u>17,281,170</u>
LIABILITIES						
Current liabilities	927,057	820,345	1,254	-	928,311	820,345
Noncurrent liabilities	<u>12,808,217</u>	<u>13,671,048</u>			<u>12,808,217</u>	<u>13,671,048</u>
Total liabilities	<u>13,735,274</u>	<u>14,491,393</u>	<u>1,254</u>	<u>-</u>	<u>13,736,528</u>	<u>14,491,393</u>
Net Assets	<u>\$3,082,373</u>	<u>\$2,578,326</u>	<u>\$204,494</u>	<u>\$211,451</u>	<u>\$3,286,867</u>	<u>\$2,789,777</u>
Net Assets Consist of:						
Invested in Capital Asset	\$1,410,647	\$ 868,901	\$ 30,266	\$ 8,967	\$1,440,913	\$ 877,868
Restricted Assets	1,922,185	2,063,474			1,922,185	2,063,474
Unrestricted Assets	<u>(250,459)</u>	<u>(354,049)</u>	<u>174,228</u>	<u>202,484</u>	<u>(76,231)</u>	<u>(151,565)</u>
Net Assets	<u>\$3,082,373</u>	<u>\$2,578,326</u>	<u>\$204,494</u>	<u>\$211,451</u>	<u>\$3,286,867</u>	<u>\$2,789,777</u>

Palmyra School District
Comparative Schedule of Changes in Net Assets
As of and for the Fiscal Year Ended June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
Revenues:						
Charges for services	\$ 1,740,648	\$1,728,342	\$ 261,656	\$ 246,571	\$ 2,002,304	\$ 1,974,913
Operating grants and contributions	1,869,015	1,794,424	205,030	167,318	2,074,045	1,961,742
Property taxes	8,150,787	8,150,787			8,150,787	8,150,787
State aid - unrestricted	4,725,939	4,267,162			4,725,939	4,267,162
Other revenues	36,445	53,693	99	1,406	36,544	55,099
Contribution of capital assets			25,782		25,782	-
Total Revenues	16,522,834	15,994,408	492,567	415,295	17,015,401	16,409,703
Expenses:						
Governmental Activities:						
Instruction	6,229,895	6,081,160			6,229,895	6,081,160
Tuition	987,665	1,068,813			987,665	1,068,813
Related services	1,662,108	1,427,491			1,662,108	1,427,491
Administrative services	1,069,620	1,006,084			1,069,620	1,006,084
Operations and Maintenance	1,337,947	1,840,879			1,337,947	1,840,879
Transportation	253,947	315,102			253,947	315,102
Employee benefits	3,491,252	3,278,700			3,491,252	3,278,700
Interest on debt	488,934	562,219			488,934	562,219
Other	597,286	19,318			597,286	19,318
Loss on disposal of capital assets	133				133	-
Business-Type Activities:						
Food Service			345,900	320,327	345,900	320,327
After School Program			63,624	64,104	63,624	64,104
Total Expenses	16,118,787	15,599,766	409,524	384,431	16,528,311	15,984,197
Increase (Decrease) in Net Assets before transfers						
Assets before transfers	404,047	394,642	83,043	30,864	487,090	425,506
Transfers	100,000		(90,000)			
Change in Net Assets	504,047	394,642	(6,957)	30,864	487,090	425,506
Net Assets, July 1	2,578,326	2,183,684	211,451	180,587	2,789,777	2,364,271
Net Assets, June 30	\$ 3,082,373	\$2,578,326	\$ 204,494	\$ 211,451	\$ 3,276,867	\$ 2,789,777

Governmental Activities

Governmental activities increased the net assets of the School District by \$504,047 during the current fiscal year, thereby accounting for most of the increase in the net assets of the School District. Key elements of the increase in net assets for governmental activities are as follows:

- Long-term debt obligations were reduced by \$797,831.

Business-type Activities

Business-type activities decreased the School District's net assets by \$6,957. Key elements of the decrease in net assets for governmental activities are as follows:

- The Food Services Fund had an operating profit of \$30,315.
- The After School Fund operating loss of \$37,272 due to transferring \$90,000 to the general fund.

Financial Analysis of the Governmental Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$1,850,062, a decrease of \$161,264 in comparison with the prior year. The majority of this decrease is the result of the school district spending a higher percentage of the budget.

The unassigned fund balance for the School District at the end of the fiscal year represents the unassigned deficit fund balance for the General Fund of \$72,123. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) restricted cash reserved for future capital outlay expenditures (\$694,100), 2) appropriated as a revenue source in the subsequent year's budget (\$619,994), 3) reserved for future maintenance costs (\$340,379), or 4) reserved for future budget appropriation in accordance with state statute (\$267,712).

The general fund is the chief operating fund of the School District. As discussed earlier, the balance in the unreserved fund balance is due, primarily, to the accounting treatment of the June state aid payments as discussed in the notes to the basic financial statements, and state statutes that prohibit New Jersey school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

Revenue in the special revenue fund is generally recognized at the time that the outlays are identified; therefore no fund balances are normally generated in the special revenue fund.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$295,275. This increase to the budget represents additional state aid received for the fire alarm system project.

At the end of the current fiscal year, unassigned fund balance (budgetary basis) of the general fund was \$329,925, while total fund balance (budgetary basis) was \$2,252,110. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$15,033,567. Unassigned fund balance (budgetary basis) represents 2.19% of expenditures while total fund balance (budgetary basis) represents 14.98% of that same amount.

Capital Asset and Debt Administration

The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totaled \$14,684,847 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was \$223,021, or a 1.49% decrease. The decrease is primarily due to the current year depreciation expense offset by current year additions.

Capital Asset (net of accumulated depreciation) June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
Land	\$ 46,066	\$ 46,066			\$ 46,066	\$ 46,066
Const. in Progress					-	-
Site Improvements	93,683	77,163			93,683	77,163
Building and Building Improvements	14,386,566	14,677,112			14,386,566	14,677,112
Vehicles	126,066	2,028				2,028
Equipment	128,266	96,532	\$ 30,266	\$ 8,967	158,532	105,499
Net Assets	<u>\$ 14,780,647</u>	<u>\$ 14,898,901</u>	<u>\$ 30,266</u>	<u>\$ 8,967</u>	<u>\$ 14,684,847</u>	<u>\$ 14,907,868</u>

Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 5) of this report.

Long-term debt – During the fiscal year ended June 30, 2012, the School District had total bonded debt outstanding of \$13,370,000 backed by the full faith and credit of the School District. In addition there is \$143,217 outstanding in unpaid sick leave.

General obligation bonds for the School District decreased during the current fiscal year according to the normal schedule of payments.

The School District continues to maintain its AA rating from Standard & Poor's Corporation for its general obligation bond issues.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$23,401,220 and the legal debt margin was \$10,031,220.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 7) of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered and incorporated into the preparation of the School District's budget for the 2012-13 fiscal year.

- The increase in budget lines were in the areas of salaries, benefits, special education and energy costs. All other areas of spending were kept at the same level as the previous year or reduced to a lower amount.
- The School District was able to hold the tax rate steady for the 2012-2013 budget year.
- The Palmyra School District has committed itself to strong financial controls. The School District spends a lot of time monitoring its budget, scrutinizing spending requests, and has been implementing even stronger internal controls. The School District commits itself to constantly reviewing the ways in which it conducts business, and making improvements whenever possible, in order to meet future challenges and maximize instructional spending.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Palmyra School District Business Administrator, 301 Delaware Avenue, Palmyra, New Jersey, 08065, telephone number (856) 786-9300.

Basic Financial Statements

District-Wide Financial Statements

PALMYRA SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 876,135	\$ 163,667	\$ 1,039,802
Receivables, net	326,672	9,431	336,103
Inventory		2,384	2,384
Restricted Assets:			
Cash and Cash Equivalents	694,100		694,100
Deferred Bond Issuance Costs - net	140,093		140,093
Capital Assets, net (Note 5)	<u>14,780,647</u>	<u>30,266</u>	<u>14,810,913</u>
Total Assets	<u>16,817,647</u>	<u>205,748</u>	<u>17,023,395</u>
LIABILITIES:			
Accounts payable		1,254	1,254
Accrued interest payable	175,212		175,212
Deferred revenue	46,845		46,845
Noncurrent liabilities (Note 7):			
Due within one year	705,000		705,000
Due beyond one year	<u>12,808,217</u>		<u>12,808,217</u>
Total Liabilities	<u>13,735,274</u>	<u>1,254</u>	<u>13,736,528</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1,410,647	30,266	1,440,913
Restricted for:			
Other purposes	1,922,185		1,922,185
Unrestricted (Deficit)	<u>(250,459)</u>	<u>174,228</u>	<u>(76,231)</u>
Total Net Assets	<u>\$ 3,082,373</u>	<u>\$ 204,494</u>	<u>\$ 3,286,867</u>

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

PALMYRA SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
Instruction:							
Regular	\$ 4,297,173	\$ 1,740,648			\$ (2,556,525)		\$ (2,556,525)
Special Education	1,597,824		\$ 362,847		(1,234,977)		(1,234,977)
Other instruction	334,898				(334,898)		(334,898)
Support Services:							
Tuition	987,665				(987,665)		(987,665)
Student & instruction related services	1,662,108		233,263		(1,428,845)		(1,428,845)
General administrative services	315,776				(315,776)		(315,776)
School administrative services	503,830				(503,830)		(503,830)
Central services	250,014				(250,014)		(250,014)
Plant operations and maintenance	1,337,947				(1,337,947)		(1,337,947)
Pupil transportation	253,947				(253,947)		(253,947)
Unallocated employee benefits	3,491,252		1,066,420		(2,424,832)		(2,424,832)
Interest on long-term debt	488,934		206,485		(282,449)		(282,449)
Unallocated depreciation and amortization	597,286				(597,286)		(597,286)
Total Governmental Activities	<u>16,118,654</u>	<u>1,740,648</u>	<u>1,869,015</u>		<u>(12,508,991)</u>		<u>(12,508,991)</u>
Business-Type Activities:							
Food service	345,900	\$ 145,386	205,030			\$ 4,516	4,516
After school program	63,624	116,270				52,646	52,646
Total Business-Type Activities	<u>409,524</u>	<u>261,656</u>	<u>205,030</u>			<u>57,162</u>	<u>57,162</u>
Total Primary Government	<u>\$ 16,528,178</u>	<u>\$ 2,002,304</u>	<u>\$ 2,074,045</u>	<u>\$ -</u>	<u>(12,508,991)</u>	<u>57,162</u>	<u>(12,451,829)</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net					7,225,184		7,225,184
Taxes levied for debt service					925,603		925,603
Federal and State aid not restricted					4,725,939		4,725,939
Investment Earnings					1,182	99	1,281
Miscellaneous Income					35,263		35,263
Transfers					100,000	(90,000)	10,000
Contribution of capital assets						25,782	25,782
Loss on disposal of capital assets					(133)		(133)
Total general revenues, special items, extraordinary items and transfers					<u>13,013,038</u>	<u>(64,119)</u>	<u>12,948,919</u>
Change in Net Assets					504,047	(6,957)	497,090
Net Assets - July 1, 2011					<u>2,578,326</u>	<u>211,451</u>	<u>2,789,777</u>
Net Assets - June 30, 2012					<u>\$ 3,082,373</u>	<u>\$ 204,494</u>	<u>\$ 3,286,867</u>

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

Fund Financial Statements

PALMYRA SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2012

ASSETS	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 992,163	\$ (116,028)			\$ 876,135
Receivables, net:					
State aid	142,816				142,816
Federal aid	6,153	162,873			169,026
Other	14,830				14,830
Restricted assets:					
Cash and cash equivalents	<u>694,100</u>				<u>694,100</u>
Total Assets	<u>\$ 1,850,062</u>	<u>\$ 46,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,896,907</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred revenues		<u>46,845</u>			<u>46,845</u>
Total Liabilities		<u>46,845</u>			<u>46,845</u>
Fund Balances:					
Restricted for:					
Capital reserve	\$ 694,100				\$ 694,100
Maintenance reserve	340,379				340,379
Excess surplus	267,712				267,712
Assigned to:					
Subsequent year's budget	619,994				619,994
Unassigned	<u>(72,123)</u>				<u>(72,123)</u>
Total Fund Balances	<u>1,850,062</u>				<u>1,850,062</u>
Total Liabilities and Fund Balances	<u>\$ 1,850,062</u>	<u>\$ 46,845</u>	<u>\$ -</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$22,361,192 and the accumulated depreciation is \$7,580,545	14,780,647
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.	140,093
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:	
General Obligation Bonds	\$ (13,370,000)
Accrued Interest Payable	(175,212)
Compensated Absences Payable	<u>(143,217)</u>
	<u>(13,688,429)</u>
Net assets of governmental activities	<u><u>\$ 3,082,373</u></u>

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

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 7,225,184			\$ 925,603	\$ 8,150,787
Tuition	1,740,648				1,740,648
Interest earned	1,182				1,182
Miscellaneous	35,263				35,263
Total local sources	9,002,277			925,603	9,927,880
State sources	5,608,259			206,485	5,814,744
Federal sources	184,100	\$ 596,110			780,210
Total Revenues	14,794,636	596,110		1,132,088	16,522,834
EXPENDITURES:					
Current expense:					
Regular instruction	4,400,577				4,400,577
Special education instruction	1,234,623	363,201			1,597,824
Other instruction	334,898				334,898
Support services and undistributed costs:					
Tuition	987,665				987,665
Student & instruction related services	1,428,845	233,263			1,662,108
General administrative services	281,349				281,349
School administrative services	469,404				469,404
Central services	200,429				200,429
Admin Info.technology	49,585				49,585
Plant operations and maintenance	1,274,658				1,274,658
Pupil transportation	246,582				246,582
Unallocated employee benefits	3,491,252				3,491,252
Capital outlay	633,700				633,700
Debt service:					
Principal				660,000	660,000
Interest and other charges				494,067	494,067
Total Expenditures	15,033,567	596,464		1,154,067	16,784,098
Excess (Deficiency) of Revenues over (under) Expenditures	(238,931)	(354)		(21,979)	(261,264)
Other Financing Sources (Uses):					
Transfers in	100,000				100,000
Total Other Financing Sources (Uses)	100,000				100,000
Net Change in Fund Balances	(138,931)	(354)		(21,979)	(161,264)
Fund Balances - July 1, 2011	1,988,993	354		21,979	2,011,326
Fund Balances - June 30, 2012	\$ 1,850,062	\$ -	\$ -	\$ -	\$ 1,850,062

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

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

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (161,264)

Amounts reported for governmental activities in the statement of activities (A-2)
are different because:

Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation expense	\$ (688,532)	
Capital outlays not being depreciated	(63,289)	
Capital outlays	<u>633,700</u>	(118,121)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

660,000

Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.

(19,399)

The net effect of various miscellaneous transactions involving capital assets (i.e., disposals and donations) is to decrease net assets.

(133)

Interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This amount is the net effect of the difference in the treatment of interest on long-term debt.

5,133

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

137,831

Change in Net Assets of Governmental Activities

\$ 504,047

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

PALMYRA SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-Type Activities		
	Enterprise Funds		
	Food Service Fund	After School Program	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 22,419	\$ 141,248	\$ 163,667
Intergovernmental receivables:			
State	215		215
Federal	8,699		8,699
Other		517	517
Inventories	2,384		2,384
Total current assets	<u>33,717</u>	<u>141,765</u>	<u>175,482</u>
Noncurrent assets:			
Machinery and equipment (net of accumulated depreciation)	28,236	2,030	30,266
Total noncurrent assets	<u>28,236</u>	<u>2,030</u>	<u>30,266</u>
Total Assets	<u>61,953</u>	<u>143,795</u>	<u>205,748</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	1,254		1,254
Total current liabilities	<u>1,254</u>		<u>1,254</u>
NET ASSETS:			
Invested in capital assets	28,236	2,030	30,266
Unrestricted	32,463	141,765	174,228
Total Net Assets	<u>\$ 60,699</u>	<u>\$ 143,795</u>	<u>\$ 204,494</u>

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

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

	Business-Type Activities		
	Enterprise Funds		
	Food Service Fund	After School Program	Totals
Operating Revenues:			
Charges for Services:			
Daily sales:			
Reimbursable programs	\$ 63,428		\$ 63,428
Non-reimbursable programs	81,958		81,958
Program fees		\$ 116,270	116,270
Total Operating Revenue	145,386	116,270	261,656
Operating Expenses:			
Salaries and fringe benefits	140,323	57,103	197,426
Management fee	15,260		15,260
Supplies and materials	7,632	5,971	13,603
Depreciation	6,513	145	6,658
Other costs	12,480	405	12,885
Cost of sales	163,692		163,692
Total Operating Expenses	345,900	63,624	409,524
Operating Income (Loss)	(200,514)	52,646	(147,868)
Non-Operating Revenues:			
State sources:			
State school lunch program	4,317		4,317
Federal sources:			
National school lunch program	148,234		148,234
National school breakfast program	25,229		25,229
Special milk program	290		290
Food distribution program	26,960		26,960
Local sources:			
Interest earned	17	82	99
Total Non-Operating Revenues	205,047	82	205,129
Income (Loss) before Contributions and Transfers	4,533	52,728	57,261
Contributions and Transfers:			
Capital asset contribution	25,782		25,782
Operating Transfer out		(90,000)	(90,000)
Total Contributions and Transfers	25,782	(90,000)	(64,218)
Changes in Net Assets	30,315	(37,272)	(6,957)
Net Assets - July 1, 2011	30,384	181,067	211,451
Net Assets - June 30, 2012	\$ 60,699	\$ 143,795	\$ 204,494

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

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

	Business-Type Activities		
	Enterprise Funds		
	Food Service Fund	After School Program	Total
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 147,881	\$ 116,951	\$ 264,832
Cash payments to employees for services	(140,323)	(57,103)	(197,426)
Cash payments to suppliers for goods and services	(194,459)	(6,376)	(200,835)
Net Cash Provided by (used for) Operating Activities	<u>(186,901)</u>	<u>53,472</u>	<u>(133,429)</u>
Cash Flows from Noncapital Financing Activities:			
Cash received from state sources	4,384		4,384
Cash received from federal sources	202,417		202,417
Net Cash Provided by (used for) Noncapital Financing Activities	<u>206,801</u>		<u>206,801</u>
Cash Flows Used by Capital and Related Financing Activities:			
Transfer to general fund		(90,000)	(90,000)
Purchase of Equipment		(2,175)	(2,175)
Net Cash Used for Capital and Related Financing Activities		<u>(92,175)</u>	<u>(92,175)</u>
Cash Flow Provided by Investing Activities:			
Interest on cash equivalents	17	82	99
Net Increase (Decrease) in Cash and Cash Equivalents	19,917	(38,621)	(18,704)
Cash and Cash Equivalents - July 1, 2011	<u>2,502</u>	<u>179,869</u>	<u>182,371</u>
Cash and Cash Equivalents - June 30, 2012	<u>\$ 22,419</u>	<u>\$ 141,248</u>	<u>\$ 163,667</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Operating Activities:			
Operating Income (Loss)	\$ (200,514)	\$ 52,646	\$ (147,868)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by (used for) Operating Activities:			
Operating Activities:			
Depreciation	6,513	145	6,658
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	2,495	681	3,176
(Increase) decrease in inventories	3,351		3,351
Increase (decrease) in accounts payable	1,254		1,254
Net Cash Provided by (used for) Operating Activities	<u>\$ (186,901)</u>	<u>\$ 53,472</u>	<u>\$ (133,429)</u>
Noncash Noncapital Financing Activities:			
During the year the District received \$26,960 of food commodities from the U. S. Department of Agriculture.			

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

PALMYRA SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Unemployment Compensation Trust</u>	<u>Trust Funds Flexible Benefit Trust</u>	<u>Agency Funds</u>
ASSETS:			
Cash and cash equivalents	<u>\$ 19,461</u>	<u>\$ 39</u>	<u>\$ 110,288</u>
 Total Assets	 <u>19,461</u>	 <u>39</u>	 <u><u>\$ 110,288</u></u>
 LIABILITIES:			
Payroll deductions and withholdings			\$ 8,636
Due to student groups	<u> </u>	<u> </u>	<u>101,652</u>
 Total Liabilities	 <u> </u>	 <u> </u>	 <u><u>\$ 110,288</u></u>
 NET ASSETS:			
Held in trust for unemployment claims and other purposes	<u>\$ 19,461</u>		
Held in trust for claims		<u>\$ 39</u>	

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

PALMYRA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Unemployment Compensation Trust</u>	<u>Flexible Benefit Trust</u>
ADDITIONS:		
Contributions:		
Employee	\$ 38,333	\$ 1,740
Employer	6,319	3,000
Total Contributions	<u>44,652</u>	<u>4,740</u>
Interest earned on investments	<u>9</u>	<u>1</u>
Total Additions	<u>44,661</u>	<u>4,741</u>
DEDUCTIONS:		
Claims paid	25,214	1,702
Return of employer contribution		3,000
Total Deductions	<u>25,214</u>	<u>4,702</u>
Change in Net Assets	19,447	39
Net Assets - July 1, 2011	<u>14</u>	<u> </u>
Net Assets - June 30, 2012	<u>\$ 19,461</u>	<u>\$ 39</u>

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

Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Borough of Palmyra School District ("School District") is a Type II district located in the County of Burlington, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board of Education is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the School District is to provide educational services for resident students in grades K through 12. In addition, the School District provides educational services for students in grades 9 through 12 received from the Beverly City School District and the Riverton Borough School District, on a tuition basis. The Palmyra School District has an approximate enrollment at June 30, 2012 of 972 students.

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

Component Units – GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The following organization is considered to be a component unit; however, the School District has determined that it is not significant and, therefore, has not been included in the basic financial statements:

Palmyra Education Foundation
127 Garfield Avenue
Palmyra, New Jersey 08065

Requests for financial information should be addressed to the organization listed above.

Basis of Presentation

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

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

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

**Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Statements (Continued) - The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

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

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

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

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

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

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.

Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The School District's enterprise funds are:

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

After School Program Fund - This fund accounts for the financial activity related to providing day care services for School District students before and after school and during the summer.

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: trust funds and agency funds. Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds (i.e. payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has four fiduciary funds; an unemployment compensation trust fund, a flexible spending account fund, a student activity fund, and a payroll fund.

Measurement Focus

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

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

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

Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days after fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The School District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available. The School District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of restricted formula aids recorded in the special revenue fund, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

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

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

Budgets/Budgetary Control - Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for their approval before adoption. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:23A-16.2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

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

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

Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances – governmental funds. Note that the School District does not report encumbrances outstanding at 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.

Encumbrances - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Encumbrances are a component of fund balance at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected in the balance sheet as deferred revenues at fiscal year-end.

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

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

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (GUDPA), a multiple financial institution collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

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

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

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

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed, and is not recorded since any amounts are considered immaterial to the basic financial statements.

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

**Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Short-Term Interfund Receivables / Payables - Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund in the School District and that are due within one year. These amounts are eliminated in the governmental and business-type columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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

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

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

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

Accrued Salaries and Wages - Certain School District employees, who provide services to the School District over the ten-month academic year, have the option to have their salaries evenly disbursed during the twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2012, the amounts earned by these employees were disbursed to the employees' own individual credit union accounts.

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

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

**Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts. The School District had no nonspendable fund balance at June 30, 2012.

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

Committed – This fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, which for the School District is the Board of Education. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action imposing the commitment.

Assigned – This fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the Business Administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes.

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

**Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. There are no non-operating expenses.

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

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

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the School District's deposits may not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. Banks that qualify as public depositories under New Jersey statutes hold cash deposits, with bank balances totaling \$2,298,308.29 at June 30, 2012.

3. CAPITAL RESERVE ACCOUNT

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

Funds placed in the capital reserve account are restricted to capital projects in the School District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the New Jersey Department of Education, a school district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

3. CAPITAL RESERVE ACCOUNT (Continued)

The activity of the capital reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Balance July 1, 2011		\$	756,918
Increased by:			
Interest Earned	\$ 1,182		
Board Resolution	<u>200,000</u>		
			<u>201,182</u>
			958,100
Decreased by:			
Budget Withdrawal	264,000		
Board Resolution	<u> </u>		
			<u>264,000</u>
Balance June 30, 2012		\$	<u><u>694,100</u></u>

The June 30, 2012 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted projects.

The withdrawals from the capital reserve were utilized to fund facilities projects approved by the New Jersey Department of Education, consistent with the School District's LRFP.

4. ACCOUNTS RECEIVABLES

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

Accounts receivable at June 30, 2012 for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Intergovernmental				
State	\$ 142,816		\$ 215	\$ 143,031
Federal	6,153	\$ 162,873	8,699	177,725
Other	<u>14,830</u>		<u>517</u>	<u>15,347</u>
Total	<u><u>\$ 163,799</u></u>	<u><u>\$ 162,873</u></u>	<u><u>\$ 9,431</u></u>	<u><u>\$ 336,103</u></u>

Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

5. CAPITAL ASSETS

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

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Governmental Activities:				
Land	\$ 46,066			\$ 46,066
Construction in Progress				-
Total Capital Assets not being Depreciated	46,066	-	-	46,066
Land Improvements	449,615	\$ 38,916		488,531
Building and Improvements	20,035,647	328,730		20,364,377
Vehicles	196,466	138,025		334,491
Equipment	1,076,616	64,740	\$ (13,628)	1,127,728
Total Historical Cost	<u>21,804,410</u>	<u>570,411</u>	<u>(13,628)</u>	<u>22,361,193</u>
Less Accumulated Depreciation:				
Land Improvements	(372,452)	(22,396)		(394,848)
Building and Improvements	(5,358,535)	(619,276)		(5,977,811)
Vehicles	(194,438)	(13,987)		(208,425)
Equipment	(980,084)	(32,873)	13,495	(999,462)
Total Accumulated Depreciation	<u>(6,905,509)</u>	<u>(688,532)</u>	<u>13,495</u>	<u>(7,580,546)</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,898,901</u>	<u>\$ (118,121)</u>	<u>\$ (133)</u>	<u>\$ 14,780,647</u>
Business-Type Activities:				
Equipment	\$ 276,326	\$ 27,957	\$ (555)	\$ 303,728
Less - Accumulated Depreciation	<u>(267,359)</u>	<u>(6,658)</u>	<u>555</u>	<u>(273,462)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 8,967</u>	<u>\$ 21,299</u>	<u>\$ -</u>	<u>\$ 30,266</u>

Depreciation expense in the amount of \$688,532 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Regular Instruction	\$ 34,427
General Administration	34,427
School Administration	34,426
Transportation	7,365
Unallocated	<u>577,887</u>
Total depreciation expense	<u>\$ 688,532</u>

**Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

6. INVENTORY

Inventory in the Food Service Fund at June 30, 2012 consisted of the following:

Food	\$	1,843
Supplies		541
		541
	\$	2,384

7. LONG-TERM OBLIGATIONS

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

	<u>Principal Outstanding June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 281,048		\$ 137,831	\$ 143,217	
General Obligation Bonds	14,030,000		660,000	13,370,000	\$ 705,000
	\$ 14,311,048	\$ -	\$ 797,831	\$ 13,513,217	\$ 705,000

Bonds Payable - Bonds and loans are authorized in accordance with State law by the voters of the School District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the School District are as follows:

2010 General Obligation Bonds dated October 15, 2009 in the amount of \$9,233,000 due in annual installments through March 1, 2030, bearing interest rate of 2.50% to 4.00%.

2008 Refunding Bonds dated May 1, 2008 in the amount of \$900,000 due in annual installments through May 1, 2015, bearing interest rate of 2.50% to 4.75%.

2006 General Obligation Bonds dated July 6, 2006 in the amount of \$3,237,000 due in annual installments through January 1, 2021, bearing interest rate of 4.00% to 4.25%.

As of June 30, 2012, principal and interest due on bonds outstanding is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 705,000	\$ 476,392	\$ 1,181,392
2014	725,000	451,918	1,176,918
2015	720,000	431,168	1,151,168
2016	885,000	405,405	1,290,405
2017	910,000	375,005	1,285,005
2018-2022	4,227,000	1,377,552	5,604,552
2023-2027	3,250,000	721,913	3,971,913
2028-2030	1,948,000	150,885	2,098,885
	\$ 13,370,000	\$ 4,390,238	\$ 17,760,238

As of June 30, 2012 the School District had no authorizations to issue additional bonded debt.

**Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

7. LONG-TERM OBLIGATIONS (Continued)

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

8. OPERATING LEASES

At June 30, 2012, the School District had operating lease agreements in effect for copy machines. Total rental payments for such leases were \$42,496 for the fiscal year ended June 30, 2012. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 48,469
2014	37,687
2015	34,332
2016	34,332
2017	5,722
	<u>\$ 160,542</u>

9. PENSION PLANS

Description of Plans – Substantially all of the School District's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Teachers' Pension and Annuity Fund (TPAF)

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. Chapter 78 P.L. 2011 changed the employee contribution rate as follows: Effective with the first payroll check to be paid on or after October 1, 2011 plan members rate will increase to 6.5% with an additional increase of .14% beginning in July 2012 and continuing each year until the rate reaches 7.5% in July 2018. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

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

**Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS)

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. Chapter 78 P.L. 2011 changed the employee contribution rate as follows: Effective with the first payroll check to be paid on or after October 1, 2011 plan members rate will increase to 6.5% with an additional increase of .14% beginning in July 2012 and continuing each year until the rate reaches 7.5% in July 2018. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

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

<u>Fiscal Year</u>	<u>Normal Contributions</u>	<u>Accrued Liability</u>	<u>Non Contributory Life</u>	<u>Total Liability Paid by District</u>
2012	\$ 47,766	\$ 95,532	\$ 9,130	\$ 152,428
2011	54,744	87,230	10,783	152,757
2010	39,554	50,822	12,533	102,909

Defined Contribution Retirement Program (DCRP)

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Chapter 78 P.L. 2011 changed the employee contribution rate as follows: Effective with the first payroll check to be paid on or after October 1, 2011 plan members rate will increase to 6.5% with an additional increase of .14% beginning in July 2012 and continuing each year until the rate reaches 7.5% in July 2018. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, state statute also requires the return to the normal rate when such surplus pension assets no longer exist. The employee contributions along with the School District's contribution for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

There were no School District employees enrolled in the DCRP for the fiscal years ended June 30, 2012, 2011 and 2010.

Related Party Investments – The Division of Pensions and Benefits does not invest in securities issued by the School District.

**Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

10. POST-RETIREMENT BENEFITS

The School District contributes to the New Jersey State Health Benefits Program (SHBP), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP was established to provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 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 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 State establishes the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contribution to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the year ended June 30, 2012 was \$417,199, which equaled the required contributions. The State's contribution to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2012, the School District has recognized as revenues and expenditures \$207,535 of on-behalf payments made by the State of New Jersey for normal retirement costs related to TPAF and \$441,686 for employer's share of social security contributions for TPAF members, as calculated on their base salaries.

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters.

Property and Liability Insurance - The School 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.

Joint Insurance Pool - The School District is a member of the School Alliance Insurance Fund. Insurance coverage as provided by the Fund can be found in the Statistical Section of this Comprehensive Annual Financial Report.

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The School District is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if necessary. The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

**Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

12. RISK MANAGEMENT (Continued)

Joint Insurance Pool (Continued) - The Fund publishes its own financial report which can be obtained by writing to: School Alliance Insurance Fund, c/o PEGAS, 51 Everett Drive, Lawrenceville, New Jersey, 08648.

New Jersey Unemployment Compensation Insurance - The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The School District is billed quarterly for amounts due to the State.

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	\$ 6,328	\$ 38,333	\$ 25,214	\$ 19,461
2011	60,300		60,294	14
2010	104	9,390	36,264	1

13. DEFERRED COMPENSATION

The School District offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, available to all permanent School District employees, permit participants to defer a portion of their current salary to future years. Participation in the plans is optional. The deferred compensation is not available to the participants until termination, retirement, death, or an unforeseeable emergency occurs. The plan assets are held in trust for the benefit of the employee and are administered by a third party therefore they are not reflected on the financial statements of the School District.

14. COMPENSATED ABSENCES

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2012, the liability for compensated absences in the governmental activities fund was \$143,217.

**Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

15. FLEXIBLE BENEFITS PROGRAM

The School District offers its employees a Flexible Benefits Program. The purpose of the program is to provide a tax incentive for plan participants incurring health premium expenses, dependent care expenses and other medical expenses not covered by other insurance. The School District, who is the plan administrator, has contracted with American Family Life Assurance Company (AFLAC) to act as its agent to furnish reimbursement services. The plan participants redirect a prescribed amount of their gross pay (tax-free) into a reimbursement account and then in-turn submit claims to AFLAC for repayment. Because of Internal Revenue Service regulations, if at the end of any plan year unexpended funds remain, these funds will be forfeited by the participants and returned to the School District.

The following is a summary of School District contributions, employee contributions, reimbursements to the plan participants for benefits paid and the ending balance of the School District's fiduciary 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>
2012	\$ 1	\$ 1,740	\$ 1,702	\$ 39
2011	-	-	-	-
2010	-	-	-	-

16. CONTINGENCIES

The School District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School District may be required to reimburse the grantor government.

At June 30, 2012, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District. Additionally, deferred revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

17. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of \$72,123 in the General Fund as of June 30, 2012 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenues, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$72,123 is equal to or less than the June state aid payment.

**Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

18. DEFICIT UNRESTRICTED NET ASSETS

As of June 30, 2012, a deficit of \$388,290 existed in the Unrestricted Net Assets of the Governmental Activities. A reconciliation of Unreserved Fund Balance reported on Exhibit B-1 to Unrestricted Net Assets reported on Exhibited A-1 as follows:

Balances, June 30, 2012:	
Fund Balance (Deficit)	
(Exclusive of Capital Projects and Debt Service Funds):	
Fund Balance - Unassigned	\$ (72,123)
Add - Unamortized Bond Issuance Costs	140,093
Liabilities:	
Accrued Interest Payable	(175,212)
Compensated Absences	(143,217)
Unrestricted Net Assets (Deficit)	\$ (250,459)

19. FUND BALANCES

RESTRICTED

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

General Fund:

Excess Surplus – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund, fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012 is \$267,712 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$461,127 of excess fund balance generated during the 2010-2011 fiscal year has been restricted and designated for utilization in the 2012-2013 budget.

Capital Reserve – As of June 30, 2012, the balance in the capital reserve account is \$694,100. The entire amount is restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan.

Maintenance Reserve Account – As of June 30, 2012, the balance in the maintenance reserve account is \$340,379. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

**Palmyra School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

19. FUND BALANCES (Continued)

ASSIGNED

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

General Fund:

Designated for Subsequent Year's Expenditures – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2013, \$619,994 of general fund balance at June 30, 2012.

UNASSIGNED

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

General Fund – As of June 30, 2012, the fund balance of the general fund was a deficit of \$72,123, thus resulting in the fund balance classification of unassigned. The deficit is a result of the delay in the recording of the June state aid payments until the following fiscal year (See Note 16).

Required Supplementary Information - Part II

Budgetary Comparison Schedules

PALMYRA SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local Tax Levy	\$ 7,225,184		\$ 7,225,184	\$ 7,225,184	
Tuition	1,959,680		1,959,680	1,740,648	\$ (219,032)
Interest earned on capital reserve funds	1,000		1,000	9,461	8,461
Unrestricted misc. revenues	40,000		40,000	26,984	(13,016)
Total local sources	9,225,864		9,225,864	9,002,277	(223,587)
State sources:					
Categorical special education aid	429,438		429,438	429,438	
Equalization aid	3,604,234		3,604,234	3,604,234	
Categorical security aid	139,360		139,360	139,360	
Transportation aid	92,230		92,230	99,740	7,510
Adjustment aid				132,869	132,869
EDA Grant		\$ 136,000	136,000	124,333	(11,667)
Extraordinary aid				50,582	50,582
On-behalf TPAF pension contri. (non-budgeted)				624,734	624,734
Reimbursed TPAF social security contribution (non-budgeted)				441,686	441,686
Total state sources	4,265,262	136,000	4,401,262	5,646,976	1,245,714
Federal sources:					
Education Jobs Fund	159,936		159,936	19,154	(140,782)
SEMI - medicaid reimbursement	19,890		19,890	164,946	145,056
Total federal sources	179,826		179,826	184,100	4,274
TOTAL REVENUES	13,670,952	136,000	13,806,952	14,833,353	1,026,401
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Kindergarten	237,006	15,189	252,195	252,195	
Grades 1-5	1,241,643	(43,480)	1,198,163	1,198,163	
Grades 6-8	694,208	1,217	695,425	695,425	
Grades 9-12	1,723,484	29,089	1,752,573	1,752,573	
Regular Programs - Home Instruction:					
Salaries of teachers	25,091	13,175	38,266	38,266	
Purchased professional - educ services	4,000	22,600	26,600	24,528	2,072
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	71,717		71,717	61,653	10,064
Purchased professional - educ services	6,000	(3,866)	2,134	2,134	
Rental		12,566	12,566	6,810	5,756
Other purchased services	88,655	(40,628)	48,027	37,624	10,403
General supplies	246,927	25,291	272,218	263,140	9,078
Textbooks	48,137	24,025	72,162	68,066	4,096
Total - Regular Programs - Instruction	4,386,868	55,178	4,442,046	4,400,577	41,469

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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PALMYRA SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Education Instruction:					
Learning and/or Language Disabilities:					
Salaries of teachers	\$ 107,176	\$ 6,868	\$ 114,044	\$ 110,694	\$ 3,350
Other salaries for instruction	54,266	5,834	60,100	58,314	1,786
Total learning and/or language disabilities	161,442	12,702	174,144	169,008	5,136
Auditory Impairments:					
Salaries of teachers	61,519	4,399	65,918	65,918	
Other salaries for instruction	21,279		21,279	21,142	137
General supplies	1,000	(1,000)			
Total auditory impairments	83,798	3,399	87,197	87,060	137
Multiple Disabilities:					
Salaries of teachers	191,597	3,873	195,470	195,470	
Other salaries for instruction	69,716	(22,909)	46,807	46,807	
Total multiple disabilities	261,313	(19,036)	242,277	242,277	
Resource room/resource center:					
Salaries of teachers	545,692	(47,668)	498,024	498,024	
Other salaries for instruction	162,410	(415)	161,995	159,888	2,107
General supplies	1,000	(1,000)			
Textbooks	1,000	(1,000)			
Total resource room/resource center	710,102	(50,083)	660,019	657,912	2,107
Preschool Disabilities - Part-Time:					
Salaries of teachers	58,637	(1,500)	57,137	57,137	
Other salaries for instruction	19,260	505	19,765	19,765	
General supplies	200		200		200
Total preschool disabilities - part-time	78,097	(995)	77,102	76,902	200
Home Instruction:					
Purchased professional - educ services	39,500	(29,544)	9,956	1,464	8,492
Total home instruction	39,500	(29,544)	9,956	1,464	8,492
Total Special Education - Instruction	1,334,252	(83,557)	1,250,695	1,234,623	16,072
Basic Skills/Remedial - Instruction					
Salaries of teachers	11,961	(9,553)	2,408		2,408
Other salaries for instruction		1,675	1,675	232	1,443
Total basic skills/remedial - instruction	11,961	(7,878)	4,083	232	3,851

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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PALMYRA SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
School-Sponsored Cocurricular Act - Instruction:					
Salaries	\$ 55,976	\$ 616	\$ 56,592	\$ 51,596	\$ 4,996
Supplies and materials	1,000		1,000		1,000
Total school-sponsored cocurr. act. - instruc.	56,976	616	57,592	51,596	5,996
School-Sponsored Athletics - Instruction:					
Salaries	205,924	10,633	216,557	199,645	16,912
Purchased prof. and technical services		43,655	43,655	41,574	2,081
Cleaning, repair and maintenance		10,000	10,000	3,475	6,525
Other purchased services	45,449	(45,449)			
Travel		1,794	1,794	615	1,179
Supplies and materials	37,350	(4,000)	33,350	21,783	11,567
Other objects	30,278	(6,000)	24,278	15,978	8,300
Total school-sponsored athletics - instruc.	319,001	10,633	329,634	283,070	46,564
Total Instruction	6,109,058	(25,008)	6,084,050	5,970,098	113,952
Undistributed Expenditures - Instruction					
Tuition to other LEA's within the state - special	24,465	(3,200)	21,265	21,265	
Tuition to county voc. school district - regular	101,355		101,355	101,355	
Tuition to county voc. school district - special	38,445		38,445	35,676	2,769
Tuition to CSSD & reg. day schools	390,190	82,692	472,882	472,574	308
Tuition to priv. sch. for the disabled in state	309,183	53,180	362,363	356,795	5,568
Tuition - State facilities	44,239	(38,890)	5,349		5,349
Total undistributed expenditures - instruction	907,877	93,782	1,001,659	987,665	13,994
Attendance and Social Work:					
Salaries	40,500		40,500	40,500	
Total attendance and social work	40,500		40,500	40,500	
Health Services:					
Salaries	137,536	(10,756)	126,780	126,780	
Other salaries		11,350	11,350	11,350	
Purchased professional and tech. services	1,400	(1,400)			
Other purchased services	1,355	(1,355)			
Travel		508	508	216	292
Supplies and materials	12,685	(6,509)	6,176	3,392	2,784
Total health services	152,976	(8,162)	144,814	141,738	3,076

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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PALMYRA SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Speech, OT, PT, & Related Services:					
Salaries	\$ 171,775	\$ 1,375	\$ 173,150	\$ 173,150	
Purchased professional - educ. services	216,300	(51,077)	165,223	148,619	\$ 16,604
Supplies and materials	1,223	(202)	1,021	1,021	
Total speech, ot, pt. & related services	389,298	(49,904)	339,394	322,790	16,604
Other Support Services Student - Extra:					
Salaries	60,000	28,380	88,380	71,754	16,626
Total other support services student - extra	60,000	28,380	88,380	71,754	16,626
Guidance:					
Salaries of other professional staff	283,124	(12,485)	270,639	270,639	
Salaries of secretarial and clerical assistants	21,870		21,870	17,555	4,315
Purchased professional - educ. services	2,050	2,000	4,050	1,278	2,772
Purchased professional and tech. services	9,100	(9,100)			
Other purchased services	1,774	(1,774)			
Travel		1,274	1,274	200	1,074
Supplies and materials	11,475		11,475	6,203	5,272
Total guidance	329,393	(20,085)	309,308	295,875	13,433
Child Study Teams:					
Salaries of other professional staff	246,365	78,025	324,390	314,180	10,210
Salaries of secretarial and clerical assistants	67,829		67,829	67,829	
Purchased professional - educ. services	9,000	65,128	74,128	72,300	1,828
Other purchased prof and tech services	10,500	(10,500)			
Miscellaneous purchased services	7,704	(7,704)			
Supplies and materials	1,000	2,344	3,344	3,145	199
Other objects	800		800	800	
Total child study teams	343,198	127,293	470,491	458,254	12,237
Improvement of Instructional Services:					
Salaries of supervisor of instruction	18,800		18,800		18,800
Total improvement of instructional services	18,800		18,800		18,800
Educational Media Services/School Library:					
Salaries	74,937	40	74,977	73,282	1,695
Purchased professional - tech. services	9,384	(2,319)	7,065	6,715	350
Other purchased services	12,325	(2,659)	9,666	9,391	275
Miscellaneous purchased services		325	325	159	166
Supplies and materials	2,000		2,000	1,913	87
Total educational media services/school library	98,646	(4,613)	94,033	91,460	2,573

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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PALMYRA SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Instructional Staff Training Services:					
Other purchased services	\$ 18,262	\$ (3,706)	\$ 14,556	\$ 6,474	\$ 8,082
Total instructional staff training services	18,262	(3,706)	14,556	6,474	8,082
Support Services - General Administration:					
Salaries	192,099	(4,909)	187,190	185,868	1,322
Salaries - secretarial and clerical assistants		4,909	4,909	4,909	
Legal services	31,602	(5,641)	25,961	13,544	12,417
Audit fees	26,112	(26,112)			
Other purchased professional services	4,200	34,300	38,500	36,500	2,000
Insurance		5,478	5,478		5,478
Communications / telephone	22,000		22,000	17,215	4,785
BOE other purchased services	7,740		7,740	2,490	5,250
Other purchased services	38,053	(19,598)	18,455	3,442	15,013
Supplies and materials	5,452		5,452	2,945	2,507
Miscellaneous expenditures	12,758	7,100	19,858	14,436	5,422
Total support services - general administration	340,016	(4,473)	335,543	281,349	54,194
Support Services School Administration:					
Salaries of principals/assist. principals	316,355	2,400	318,755	309,750	9,005
Salaries of secretarial and clerical assistants	116,656		116,656	100,332	16,324
Other purchased services	3,830	38,275	42,105	40,471	1,634
Travel		1,966	1,966	1,200	766
Supplies and materials	9,451		9,451	8,151	1,300
Other objects	12,245		12,245	9,500	2,745
Total support services - school administration	458,537	42,641	501,178	469,404	31,774
Central Services:					
Salaries	196,557	(850)	195,707	178,708	16,999
Salaries of secretarial and clerical assistants		850	850		850
Travel		2,500	2,500	1,739	761
Miscellaneous purchased services	6,444	14,179	20,623	13,875	6,748
Supplies and materials	9,890	(3,400)	6,490	3,718	2,772
Miscellaneous expenditures	5,500	(2,420)	3,080	2,389	691
Total central services	218,391	10,859	229,250	200,429	28,821
Administrative Information Technology:					
Purchased technical services	37,151	5,511	42,662	42,238	424
Supplies and materials	6,000	1,827	7,827	7,347	480
Total admin. info. technology	43,151	7,338	50,489	49,585	904

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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PALMYRA SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Required Maintenance School Facilities:					
Salaries	\$ 131,827	\$ 23,675	\$ 155,502	\$ 119,740	\$ 35,762
Cleaning, repair, and maintenance services	86,290	14,300	100,590	99,989	601
General supplies	27,289	167	27,456	27,456	
Other objects	1,898		1,898	1,898	
Total required maintenance school facilities	247,304	38,142	285,446	249,083	36,363
Custodial Services:					
Salaries	457,352	(18,249)	439,103	415,149	23,954
Purchased professional and technical services	2,750		2,750	1,823	927
Cleaning, repair, and maintenance services	41,635	(1,115)	40,520	40,280	240
Other purchased property services	68,202	3,071	71,273	71,264	9
Insurance	108,293	(40)	108,253	108,253	
Miscellaneous purchased services	8,690	(2,849)	5,841	5,840	1
General supplies	53,497		53,497	53,497	
Energy (Electricity)	380,200		380,200	329,469	50,731
Total other operations & maint. of plant	1,120,619	(19,182)	1,101,437	1,025,575	75,862
Total operation & maint. of plant services	1,367,923	18,960	1,386,883	1,274,658	112,225
Student Transportation Services:					
Salaries for pupil trans. (bet. home & school)					
Special education	25,830		25,830	25,830	
Salaries for pupil transportation - other than between home and school	26,606		26,606	26,606	
Cleaning, repair, and maintenance services	4,620		4,620	3,278	1,342
Contr. serv. (not bet. home & school) - Vendors	11,572	(1,750)	9,822	5,457	4,365
Contr. serv. (special ed. students.) - Vendors	280,250	(25,000)	255,250	177,859	77,391
Contr. serv. (special ed. students.) - ESCs & CTSA's	5,000	(1,600)	3,400		3,400
Supplies and materials	5,000	3,350	8,350	7,552	798
Total student transportation services	358,878	(25,000)	333,878	246,582	87,296
Unallocated Benefits - Employee Benefits:					
Social security contributions	221,857	(4,391)	217,466	217,297	169
Other retirement contributions - regular	168,260	(8,769)	159,491	152,428	7,063
Unemployment compensation	35,000	(6,568)	28,432	6,319	22,113
Workmen's compensation	164,766		164,766	136,242	28,524
Health benefits	2,076,078	(30,350)	2,045,728	1,844,724	201,004
Tuition reimbursement	12,781	54	12,835	12,835	
Other employee benefits	59,985		59,985	54,987	4,998
Total unallocated benefits - employee benefits	2,738,727	(50,024)	2,688,703	2,424,832	263,871
On-behalf TPAF pension contr. (non-budgeted)				624,734	(624,734)
Reimbursed TPAF social security contr. (non-budgeted)				441,686	(441,686)
Total Undistributed Expenditures	7,884,573	163,286	8,047,859	8,429,769	(381,910)
Total General Current Expense	13,993,631	138,278	14,131,909	14,399,867	(267,958)

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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PALMYRA SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY:					
Interest Deposit on Capital Reserve	\$ 1,000		\$ 1,000		\$ 1,000
Equipment:					
Kindergarten	8,797		8,797	\$ 8,796	1
Grades 9-12	22,860		22,860	21,940	920
Instruction - undistributed instruction		\$ 17,708	17,708	17,708	
Undistributed Expenditures - central services	14,485		14,485	14,485	
Undistributed Expenditures - maint. & repairs	116,500	8,000	124,500	123,915	585
Undistributed Expenditures - care & upkeep grounds	23,500		23,500	23,195	305
Undistributed Expenditures - admin. info. technology		2,695	2,695	2,695	
Undistributed Expenditures - Student transportation	90,000	(8,000)	82,000	81,880	120
Total Equipment	276,142	20,403	296,545	294,614	1,931
Facilities Acquisition and Construction Services:					
Construction services	204,000	136,000	340,000	301,979	38,021
Other objects	60,000	594	60,594	37,107	23,487
Total Facilities Acq and Construc Services	264,000	136,594	400,594	339,086	61,508
Total Capital Outlay	541,142	156,997	698,139	633,700	64,439
TOTAL EXPENDITURES	14,534,773	295,275	14,830,048	15,033,567	(203,519)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(863,821)	(159,275)	(1,023,096)	(200,214)	822,882
Other Financing Sources:					
Operating transfers in - athletic fund				10,000	10,000
Operating transfers in - after school program				90,000	90,000
Total other financing sources				100,000	100,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(863,821)	(159,275)	(1,023,096)	(100,214)	922,882
Fund Balance - July 1, 2011	2,352,324		2,352,324	2,352,324	
Fund Balance - June 30, 2012	\$ 1,488,503	\$ (159,275)	\$ 1,329,228	\$ 2,252,110	\$ 922,882
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Capital reserve				\$ 694,100	
Maintenance reserve				340,379	
Excess surplus				267,712	
Assigned Fund Balance:					
Designated for subsequent year's expenditures				619,994	
Unassigned Fund Balance				329,925	
				2,252,110	
Last State Aid Payment not Recognized on a GAAP Basis				(402,048)	
Fund Balance per Governmental Funds (GAAP)				\$ 1,850,062	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

PALMYRA SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Education Jobs Funds
General Fund
For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Federal sources		\$ 164,946	\$ 164,946	\$ 164,946	
Total Revenues		<u>164,946</u>	<u>164,946</u>	<u>164,946</u>	
Grades 1-5					
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Kindergarten		48,713	48,713	48,713	
Grades 1-5		53,723	53,723	53,723	
Total - Regular Programs - Instruction		<u>102,436</u>	<u>102,436</u>	<u>102,436</u>	
Undistributed Expenditures:					
Required maintenance for school facilities:					
Salaries		62,510	62,510	62,510	
Total Unallocated Benefits		<u>62,510</u>	<u>62,510</u>	<u>62,510</u>	
Total Expenditures		<u>164,946</u>	<u>164,946</u>	<u>164,946</u>	
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PALMYRA SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Federal sources	\$ 629,614		\$ 629,614	\$ 596,110	\$ (33,504)
Total Revenues	<u>629,614</u>		<u>629,614</u>	<u>596,110</u>	<u>(33,504)</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	234,099		234,099	234,099	
Tuition	71,402		71,402	71,402	
General supplies	70,591		70,591	57,346	13,245
Total instruction	<u>376,092</u>		<u>376,092</u>	<u>362,847</u>	<u>13,245</u>
Support services:					
Salaries	113,818		113,818	98,878	14,940
Personal services - employee benefits	42,760		42,760	42,760	
Purchased professional - educ. services	37,000		37,000	31,681	5,319
Purchased professional tech. services	2,019		2,019	2,019	
Other purchased services	13,337		13,337	13,337	
Supplies and materials	44,588		44,588	44,588	
Total support services	<u>253,522</u>		<u>253,522</u>	<u>233,263</u>	<u>20,259</u>
Facilities acquisition and construction services:					
Instructional equipment					
Total facilities acq. and const. services					
Total Expenditures	<u>629,614</u>		<u>629,614</u>	<u>596,110</u>	<u>33,504</u>
Total Outflows	<u>629,614</u>		<u>629,614</u>	<u>596,110</u>	<u>33,504</u>
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>

PALMYRA SCHOOL DISTRICT
Notes to Required Supplementary Information
Budgetary Comparison
For the Fiscal Year Ended June 30, 2012

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP
Revenues and Expenditures**

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 14,833,353	\$ 596,110
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	363,331	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(402,048)	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 14,794,636	\$ 596,110
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 15,033,567	\$ 596,110
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
		354
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 15,033,567	\$ 596,464

Other Supplementary Information

Special Revenue Fund

**PALMYRA SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2012**

	<u>Title I</u>	<u>Title IIA</u>	<u>Title II D</u>	<u>IDEA Basic</u>	<u>ARRA IDEA Basic</u>	<u>IDEA Preschool</u>	<u>IDEA Preschool Carryover</u>	<u>Counseling Demonstration Program</u>	<u>Total</u>
REVENUES:									
State sources									
Federal sources	\$ 174,648	\$ 40,956	\$ 388	\$ 238,746	\$ 4,258	\$ 4,865	\$ 4,690	\$ 127,559	\$ 596,110
Total Revenues	174,648	40,956	388	238,746	4,258	4,865	4,690	127,559	596,110
EXPENDITURES:									
Instruction:									
Salaries of teachers	135,779			98,320					234,099
Tuition				71,402					71,402
Supplies and materials	3,273	40,956		1,184	2,378	4,865	4,690		57,346
Total instruction	139,052	40,956		170,906	2,378	4,865	4,690		362,847
Support services:									
Salaries				36,159				62,719	98,878
Personal services-employee benefits	27,156							15,604	42,760
Purchased prof. - educ. services				31,681					31,681
Purchase prof. - tech. services					1,880			139	2,019
Other purchased services	8,440							4,897	13,337
Supplies and materials			388					44,200	44,588
Total support services	35,596		388	67,840	1,880			127,559	233,263
Facilities acquisition and const. serv.:									
Instructional equipment									
Total facilities acq. and const. serv.									
Total Expenditures	174,648	40,956	388	238,746	4,258	4,865	4,690	127,559	596,110
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	---	---	---	---	---	---	---	---	---

Capital Projects Fund

The District does not maintain a capital projects fund.

Proprietary Funds

PALMYRA SCHOOL DISTRICT
Enterprise Funds
Combining Statement of Net Assets
June 30, 2012

	<u>Food Service Fund</u>	<u>After School Program</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 22,419	\$ 141,248	\$ 163,667
Accounts receivable:			
State	215		215
Federal	8,699		8,699
Other		517	517
Inventories	<u>2,384</u>		<u>2,384</u>
Total Current Assets	<u>33,717</u>	<u>141,765</u>	<u>175,482</u>
Noncurrent Assets:			
Equipment	301,553	2,175	303,728
Accumulated depreciation	<u>(273,317)</u>	<u>(145)</u>	<u>(273,462)</u>
Total Noncurrent Assets	<u>28,236</u>	<u>2,030</u>	<u>30,266</u>
Total Assets	<u>61,953</u>	<u>143,795</u>	<u>205,748</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	<u>1,254</u>		<u>1,254</u>
Total Liabilities	<u>1,254</u>		<u>1,254</u>
NET ASSETS:			
Invested in capital assets	28,236	2,030	30,266
Unrestricted	<u>32,463</u>	<u>141,765</u>	<u>174,228</u>
Total Net Assets	<u>\$ 60,699</u>	<u>\$ 143,795</u>	<u>\$ 204,494</u>

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

	Food Service Fund	After School Program	Totals
OPERATING REVENUES:			
Daily sales-reimbursable programs:			
School lunch program	\$ 60,750		\$ 60,750
School breakfast program	2,678		2,678
Daily sales non-reimbursable programs	79,005		79,005
Special functions	2,953		2,953
Program fees		<u>\$ 116,270</u>	<u>116,270</u>
 Total Operating Revenue	 <u>145,386</u>	 <u>116,270</u>	 <u>261,656</u>
OPERATING EXPENSES:			
Salaries and fringe benefits	140,323	57,103	197,426
Management fee	15,260		15,260
Supplies and materials	7,632	5,971	13,603
Depreciation	6,513	145	6,658
Other costs	12,480	405	12,885
Cost of sales	<u>163,692</u>		<u>163,692</u>
 Total Operating Expenses	 <u>345,900</u>	 <u>63,624</u>	 <u>409,524</u>
 Operating Income (Loss)	 <u>(200,514)</u>	 <u>52,646</u>	 <u>(147,868)</u>
Non-Operating Revenues:			
State sources:			
State school lunch program	4,317		4,317
Federal sources:			
National school lunch program	148,234		148,234
School breakfast program	25,229		25,229
Special milk program	290		290
Food distribution program	26,960		26,960
Interest earned	<u>17</u>	<u>82</u>	<u>99</u>
 Total Non-Operating Revenues	 <u>205,047</u>	 <u>82</u>	 <u>205,129</u>
 Income (Loss) before Contributions and Transfers	 <u>4,533</u>	 <u>52,728</u>	 <u>57,261</u>
Contributions and Transfers:			
Capital asset contribution	25,782		25,782
Operating transfer out		<u>(90,000)</u>	<u>(90,000)</u>
 Total Contributions and Transfers	 <u>25,782</u>	 <u>(90,000)</u>	 <u>(64,218)</u>
 Changes in Net Assets	 30,315	 (37,272)	 (6,957)
Net Assets - July 1, 2011	<u>30,384</u>	<u>181,067</u>	<u>211,451</u>
 Net Assets - June 30, 2012	 <u>\$ 60,699</u>	 <u>\$ 143,795</u>	 <u>\$ 204,494</u>

PALMYRA SCHOOL DISTRICT
Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

	Food Service Fund	After School Program	Totals
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 147,881	\$ 116,951	\$ 264,832
Cash payments to employees for services	(140,323)	(57,103)	(197,426)
Cash payments to suppliers for goods and services	(194,459)	(6,376)	(200,835)
Net cash used for operating activities	(186,901)	53,472	(133,429)
Cash Flows from Noncapital Financing Activities:			
Cash received from state sources	4,384		4,384
Cash received from federal sources	202,417		202,417
Net cash provided by noncapital financing activities	206,801		206,801
Cash Flows Used by Capital and Related Financing Activities:			
Capital asset contribution	25,782		25,782
Transfer to general fund		(90,000)	(90,000)
Purchase of equipment	(25,782)	(2,175)	(27,957)
Net cash provided by capital and related financing activities		(92,175)	(92,175)
Cash Flow Provided by Investing Activities:			
Interest on cash equivalents	17	82	99
Net increase (decrease) in cash and cash equivalents	19,917	(38,621)	(18,704)
Cash and cash equivalents - July 1, 2011	2,502	179,869	182,371
Cash and cash equivalents - June 30, 2012	\$ 22,419	\$ 141,248	\$ 163,667
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (200,514)	\$ 52,646	\$ (147,868)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:			
Depreciation	6,513	145	6,658
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	2,495	681	3,176
(Increase) decrease in inventory	3,351		3,351
Increase (decrease) in accounts payable	1,254		1,254
Net cash provided by (used for) Operating Activities	\$ (186,901)	\$ 53,472	\$ (133,429)

Noncash Noncapital Financing Activities:

During the year the District received \$26,960 of food commodities from the U.S. Department of Agriculture.

Fiduciary Funds

PALMYRA SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Fiduciary Net Assets
June 30, 2012

	Trust Funds		Agency Funds		Totals
	Unemployment Compensation Insurance Trust	Flexible Benefits Trust	Student Activity	Payroll	
ASSETS:					
Cash and cash equivalents	\$ 19,461	\$ 39	\$ 101,652	\$ 8,636	\$ 129,788
Total Assets	19,461	39	\$ 101,652	\$ 8,636	129,788
 LIABILITIES:					
Payroll deductions and withholdings Due to student groups			\$ 101,652	\$ 8,636	8,636 101,652
Total Liabilities			\$ 101,652	\$ 8,636	110,288
 NET ASSETS:					
Held in trust for payment of claims	19,461	39			19,500
Total Net Assets	\$ 19,461	\$ 39			\$ 19,500

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

	Flexible Benefits Trust Fund	Unemployment Compensation Insurance Trust Fund	Totals
ADDITIONS:			
Interest on investments	\$ 1	\$ 9	\$ 10
Employer contributions	3,000	6,319	9,319
Employee contributions	1,740	38,333	40,073
Total Additions	4,741	44,661	49,402
DEDUCTIONS:			
Claims paid	1,702	25,214	26,916
Return of employer contribution	3,000		3,000
Total Deductions	4,702	25,214	29,916
Change in Net Assets	39	19,447	19,486
Net Assets -- July 1, 2011	14	14	14
Net Assets -- June 30, 2012	\$ 39	\$ 19,461	\$ 19,500

PALMYRA SCHOOL DISTRICT
Fiduciary Funds
Student Activity Agency Fund Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2012</u>
District Administration	\$ 13,689	\$ 2,113	\$ 2,224	\$ (11,351)	\$ 2,227
Charles Street School	7,059	10,286	9,439	(375)	7,531
Delaware Avenue School	231				231
High School	49,692	92,819	102,030	11,376	51,857
Scholarships	20,857	3,625	6,245	350	18,587
Athletics	22,198	16,276	17,255		21,219
Total all schools	<u>\$ 113,726</u>	<u>\$ 125,119</u>	<u>\$ 137,193</u>	<u>\$ -</u>	<u>\$ 101,652</u>

PALMYRA SCHOOL DISTRICT
Fiduciary Funds
Payrol Agency Fund Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS:				
Cash and cash equivalents	<u>\$ 77,744</u>	<u>\$ 9,166,243</u>	<u>\$ 9,235,351</u>	<u>\$ 8,636</u>
Total Assets	<u><u>\$ 77,744</u></u>	<u><u>\$ 9,166,243</u></u>	<u><u>\$ 9,235,351</u></u>	<u><u>\$ 8,636</u></u>
 LIABILITIES:				
Net payroll		\$ 5,744,736	\$ 5,744,736	
Payroll deductions and withholdings	<u>\$ 77,744</u>	<u>3,421,507</u>	<u>3,490,615</u>	<u>\$ 8,636</u>
Total Liabilities	<u><u>\$ 77,744</u></u>	<u><u>\$ 9,166,243</u></u>	<u><u>\$ 9,235,351</u></u>	<u><u>\$ 8,636</u></u>

Long-Term Debt Schedules

PALMYRA SCHOOL DISTRICT
Statement of Serial Bonds
For the Fiscal Year Ended June 30, 2012

Issue	Date of Issue	Amount of Issue	Annual Maturities		Rate of Interest	Balance July 1, 2011	Issued	Retired	Balance June 30, 2012
			Date	Amount					
Refunding Bonds	05/01/08	\$ 1,745,000	05/01/13	\$ 305,000	4.50%	\$ 1,185,000		\$ 285,000	\$ 900,000
			05/01/14	300,000	3.00%				
			05/01/15	295,000	4.75%				
General Obligation	07/01/06	3,487,000	01/01/13	50,000	4.00%	3,287,000		50,000	3,237,000
			1/1/2014-15	75,000	4.00%				
			01/01/16	485,000	4.00%				
			01/01/17	510,000	4.125%				
			1/1/2018-20	510,000	4.25%				
			01/01/21	512,000	4.25%				
General Obligation	10/15/09	9,883,000	3/1/2013-15	350,000	2.50%	9,558,000		325,000	9,233,000
			3/1/2016-18	400,000	2.75%				
			03/01/19	400,000	3.00%				
			03/01/20	425,000	3.00%				
			03/01/21	460,000	3.25%				
			03/01/22	500,000	3.25%				
			3/1/2023-29	650,000	3.50%				
			03/01/30	648,000	4.00%				
					<u>\$ 14,030,000</u>	<u>\$ -</u>	<u>\$ 660,000</u>	<u>\$ 13,370,000</u>	

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PALMYRA SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
For the Fiscal Year Ended June 30, 2012

	<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	\$ 925,603		\$ 925,603	\$ 925,603	
State sources:					
Debt Service Aid Type II	<u>206,485</u>		<u>206,485</u>	<u>206,485</u>	
Total Revenues	<u>1,132,088</u>		<u>1,132,088</u>	<u>1,132,088</u>	
EXPENDITURES:					
Regular debt service:					
Interest	494,067		494,067	494,067	
Redemption of principal	<u>660,000</u>		<u>660,000</u>	<u>660,000</u>	
Total Expenditures	<u>1,154,067</u>		<u>1,154,067</u>	<u>1,154,067</u>	
Excess (Deficiency) of revenues over (under) expenditures	(21,979)		(21,979)	(21,979)	
Other Financing Sources:					
Operating transfers in					
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(21,979)		(21,979)	(21,979)	
Fund Balance - July 1, 2011	<u>21,979</u>		<u>21,979</u>	<u>21,979</u>	
Fund Balance - June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Recapitulation of Excess (Deficiency) or revenues over (under) expenditures					
Budgeted Fund Balance	<u>\$ (21,979)</u>	<u>\$ -</u>	<u>\$ (21,979)</u>	<u>\$ (21,979)</u>	<u>\$ -</u>

Statistical Section

**Palmyra School District
Net Assets by Component,
Last Ten Fiscal Years
(accrual basis of accounting)**

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	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ 1,372,488	\$ 1,596,905	\$ 1,811,669	\$ 2,534,796	\$ 2,703,829	\$ 2,605,099	\$ 2,034,468	\$ 905,874	\$ 868,901	\$ 1,410,647
Restricted for:										
Capital projects	878,545	387,679	890,350	816,471	331,475	810,715	1,360,035		76,245	21,979
Debt service				39,582	39,582	44,020	98,286			354
Special revenue										
Other purposes	389,642	1,210,936	1,009,296	569,575	1,868,653	1,275,317	1,193,295	1,854,376	2,041,141	1,922,165
Unrestricted	53,220	(171,846)	(281,682)	(237,791)	(278,354)	(449,969)	(629,620)	(652,811)	(354,048)	(250,459)
Total governmental activities net assets	<u>\$ 2,693,895</u>	<u>\$ 3,023,674</u>	<u>\$ 3,429,623</u>	<u>\$ 3,522,633</u>	<u>\$ 4,665,185</u>	<u>\$ 4,285,182</u>	<u>\$ 4,056,484</u>	<u>\$ 2,183,684</u>	<u>\$ 2,578,326</u>	<u>\$ 3,082,373</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 68,601	\$ 80,884	\$ 71,659	\$ 39,053	\$ 32,431	\$ 25,809	\$ 19,187	\$ 13,269	\$ 8,967	\$ 30,266
Unrestricted	161,216	112,954	124,965	133,185	151,234	183,182	189,240	167,318	202,484	174,228
Total business-type activities net assets	<u>\$ 229,817</u>	<u>\$ 193,838</u>	<u>\$ 196,624</u>	<u>\$ 172,238</u>	<u>\$ 183,665</u>	<u>\$ 208,971</u>	<u>\$ 208,427</u>	<u>\$ 180,587</u>	<u>\$ 211,451</u>	<u>\$ 204,494</u>
District-wide:										
Invested in capital assets, net of related debt	\$ 1,441,089	\$ 1,677,789	\$ 1,883,328	\$ 2,573,849	\$ 2,736,260	\$ 2,630,908	\$ 2,053,655	\$ 919,143	\$ 877,868	\$ 1,440,913
Restricted:										
Capital projects	878,545	387,679	890,350	816,471	331,475	810,715	1,360,035	-	-	-
Debt service				39,582	39,582	44,020	98,286	76,245	21,979	-
Other purposes	389,642	1,210,936	1,009,296	569,575	1,868,653	1,275,317	1,193,295	1,854,376	2,041,141	1,922,165
Unrestricted	214,436	(68,892)	(156,727)	(104,606)	(127,120)	(266,807)	(440,380)	(485,493)	(151,565)	(76,231)
Total district net assets	<u>\$ 2,923,712</u>	<u>\$ 3,217,512</u>	<u>\$ 3,628,247</u>	<u>\$ 3,694,871</u>	<u>\$ 4,848,850</u>	<u>\$ 4,494,153</u>	<u>\$ 4,284,891</u>	<u>\$ 2,364,271</u>	<u>\$ 2,789,423</u>	<u>\$ 3,286,867</u>

Palmyra School District
 Changes in Net Assets, Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 4,730,474	\$ 5,013,089	\$ 5,288,097	\$ 4,323,777	\$ 4,201,162	\$ 5,053,129	\$ 4,652,891	\$ 4,846,951	\$ 4,542,144	\$ 4,297,173
Special education	1,446,527	1,448,588	1,625,041	1,202,268	1,258,529	1,219,958	1,354,492	1,319,211	1,228,609	1,597,824
Other instruction	366,783	420,939	412,545	325,055	340,048	369,346	408,698	387,277	310,407	334,898
Support Services:										
Tuition	1,209,805	1,294,395	1,089,444	1,177,690	782,378	849,561	929,455	827,855	1,068,813	987,665
Student & instruction related services	1,557,770	1,501,513	1,707,437	1,399,763	1,232,518	1,459,106	1,483,964	1,524,423	1,427,491	1,662,108
School administrative services	555,978	600,523	608,603	389,641	437,253	448,421	466,558	467,671	484,710	503,830
General and business administrative services	403,401	543,035	762,733	698,397	600,348	639,535	621,490	638,281	521,374	565,790
Plant operations and maintenance	1,163,103	1,078,004	1,229,025	1,050,570	1,056,904	1,254,304	1,389,150	1,493,770	1,840,879	1,337,947
Pupil transportation	307,127	303,278	316,645	330,931	291,818	308,483	342,235	306,731	315,102	253,947
Business and other support services	357,856	304,180								
Unallocated employee benefits				2,839,948	3,295,423	3,865,598	2,951,276	3,159,569	3,278,700	3,491,252
Special schools	175,120	184,265	188,013	144,223	153,092	178,724	174,789	193,289		
Interest on long-term debt	257,913	236,585	282,198	184,032	222,740	290,230	267,642	703,617	562,219	488,934
Unallocated depreciation	130,014	119,687	124,309	105,718	74,199	79,382	126,210		19,318	597,286
Total governmental activities expenses	12,661,871	13,048,081	13,630,090	14,172,013	13,946,412	16,015,777	15,168,850	15,668,625	15,599,766	16,118,654
Business-type activities:										
Food service	317,627	334,048	322,035	363,125	326,157	324,110	300,253	336,756	320,327	345,900
After school program	63,191	70,051	61,234	77,046	67,525	82,399	81,640	116,010	64,104	63,624
Total business-type activities expense	380,818	404,099	383,269	440,171	393,682	406,509	381,893	452,766	384,431	409,524
Total district expenses	\$ 13,042,689	\$ 13,452,180	\$ 14,013,359	\$ 14,612,184	\$ 14,340,094	\$ 16,422,286	\$ 15,550,743	\$ 16,321,391	\$ 15,984,197	\$ 16,528,178
Program Revenues:										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ 1,684,641	\$ 1,524,697	\$ 1,947,520	\$ 1,885,347	\$ 1,865,238	\$ 1,835,783	\$ 1,423,288	\$ 1,608,803	\$ 1,728,342	\$ 1,740,648
Operating grants and contributions	1,512,091	1,721,299	1,740,820	1,849,001	2,225,419	2,483,694	1,492,374	1,839,864	1,794,424	1,869,015
Capital grants and contributions	8,506									
Total governmental activities program revenues	3,203,238	3,245,996	3,688,340	3,734,348	4,090,657	4,319,477	2,915,662	3,448,667	3,522,766	3,609,663

(Continued)

Palmyra School District
 Changes In Net Assets, Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities:										
Charges for services:										
Food service	\$ 185,630	\$ 194,725	\$ 204,913	\$ 197,103	\$ 169,389	\$ 170,434	\$ 165,975	\$ 157,885	\$ 152,888	\$ 145,386
After school program	59,939	56,333	65,805	92,100	101,731	111,387	86,113	93,517	93,683	116,270
Operating grants and contributions	105,153	116,892	113,513	122,583	128,627	130,567	128,120	172,116	167,318	205,030
Capital grants and contributions										
Total business-type activities program revenues	<u>350,722</u>	<u>387,950</u>	<u>384,231</u>	<u>411,876</u>	<u>399,747</u>	<u>412,388</u>	<u>380,208</u>	<u>423,518</u>	<u>413,889</u>	<u>466,686</u>
Total district program revenues	<u>\$ 3,553,960</u>	<u>\$ 3,613,946</u>	<u>\$ 4,072,571</u>	<u>\$ 4,146,224</u>	<u>\$ 4,480,404</u>	<u>\$ 4,731,865</u>	<u>\$ 3,295,870</u>	<u>\$ 3,670,185</u>	<u>\$ 3,938,655</u>	<u>\$ 4,076,349</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (9,458,633)	\$ (9,802,085)	\$ (9,941,750)	\$ (10,437,665)	\$ (9,855,755)	\$ (11,696,300)	\$ (12,253,188)	\$ (12,421,958)	\$ (12,077,000)	\$ (12,508,991)
Business-type activities	(30,096)	(36,149)	962	(28,295)	6,065	5,879	(1,685)	(29,248)	29,458	57,162
Total district-wide net expense	<u>\$ (9,488,729)</u>	<u>\$ (9,838,234)</u>	<u>\$ (9,940,788)</u>	<u>\$ (10,465,960)</u>	<u>\$ (9,849,690)</u>	<u>\$ (11,690,421)</u>	<u>\$ (12,254,873)</u>	<u>\$ (12,451,206)</u>	<u>\$ (12,047,542)</u>	<u>\$ (12,451,829)</u>
General Revenues and Other Changes in Net Assets:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 5,241,251	\$ 5,448,636	\$ 5,481,069	\$ 5,729,721	\$ 6,121,339	\$ 6,519,838	\$ 6,780,632	\$ 6,972,447	\$ 7,151,345	\$ 7,225,184
Taxes levied for debt service	458,571	458,570	471,759	515,000	488,036	697,997	380,547	524,190	999,442	825,603
Unrestricted grants and contributions	3,843,771	4,098,067	4,201,283	4,193,758	4,194,561	4,491,178	4,754,902	4,550,482	4,267,162	4,725,939
State aid restricted for capital projects			2,400	82,921	8,235					
Interest earnings	5,817	4,179	11,220	15,127	97,997	11,523	50,088	67,282	9,345	1,182
Miscellaneous income	74,150	122,412	179,968	118,178	88,139	48,346	58,301	83,872	44,348	35,263
Loss on disposal of capital assets				(101)						(133)
Transfers						(16,000)				100,000
Total governmental activities	<u>9,623,560</u>	<u>10,131,864</u>	<u>10,347,699</u>	<u>10,654,604</u>	<u>10,998,307</u>	<u>11,752,862</u>	<u>12,024,470</u>	<u>12,198,273</u>	<u>12,471,642</u>	<u>13,013,038</u>
Business-type activities:										
Interest earnings	463	170	1,824	3,809	5,362	3,427	1,141	1,408	1,406	99
Contribution of capital assets										25,782
Transfers						16,000				(90,000)
Total business-type activities	<u>463</u>	<u>170</u>	<u>1,824</u>	<u>3,809</u>	<u>5,362</u>	<u>19,427</u>	<u>1,141</u>	<u>1,408</u>	<u>1,406</u>	<u>(64,119)</u>
Total district-wide	<u>\$ 9,624,023</u>	<u>\$ 10,132,034</u>	<u>\$ 10,349,523</u>	<u>\$ 10,658,413</u>	<u>\$ 11,003,669</u>	<u>\$ 11,772,309</u>	<u>\$ 12,025,611</u>	<u>\$ 12,199,681</u>	<u>\$ 12,473,048</u>	<u>\$ 12,948,919</u>
Change In Net Assets:										
Governmental activities	\$ 164,927	\$ 329,779	\$ 405,949	\$ 216,939	\$ 1,142,552	\$ 56,582	\$ (228,716)	\$ (223,685)	\$ 394,642	\$ 504,047
Business-type activities	(29,633)	(35,979)	2,786	(24,386)	11,427	25,306	(544)	(27,840)	30,864	(6,957)
Total district-wide	<u>\$ 135,294</u>	<u>\$ 293,800</u>	<u>\$ 408,735</u>	<u>\$ 192,553</u>	<u>\$ 1,153,979</u>	<u>\$ 81,888</u>	<u>\$ (229,262)</u>	<u>\$ (251,525)</u>	<u>\$ 425,506</u>	<u>\$ 497,090</u>

Palmyra School District
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

		Fiscal Year Ending June 30,									
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:											
Restricted for											
Capital reserve	\$	878,545	\$ 387,679	\$ 398,904	\$ 414,031	\$ 505,271	\$ 810,715	\$ 816,943	\$ 747,573	\$ 756,918	\$ 694,100
Excess surplus		177,845	376,030	529,168	40,407	496,620	412,157	244,184	599,821	461,127	267,712
Maintenance reserve										200,000	340,379
Future tuition payments						148,000	298,000	448,000	300,000		
Assigned to:											
Year-end Encumbrances						338,762	68,540	12,611	10,352	23,275	
Designated for subsequent year's budget		200,000	834,906	480,128	529,168	380,000	496,620	488,500	196,630	599,821	619,994
Unassigned		487,663	174,120	57,741	59,076	80,888	52,888	(182,530)	(122,966)	(52,148)	(72,123)
Total general fund	\$	<u>1,744,053</u>	<u>1,772,735</u>	<u>1,465,941</u>	<u>1,042,682</u>	<u>1,949,541</u>	<u>2,138,920</u>	<u>1,827,708</u>	<u>1,731,410</u>	<u>1,988,993</u>	<u>1,850,062</u>
All Other Governmental Funds											
Assigned to:											
Special revenue fund	\$	(2,175)	\$ (2,794)	\$ (2,794)	\$ (2,794)	\$ (2,794)	\$ (2,794)			\$ 354	
Capital projects fund				491,446	202,440	331,475		\$ 543,092			
Debt service fund		11,798			39,582	39,582	44,020	98,286	\$ 76,245		
Total all other governmental funds	\$	<u>9,623</u>	<u>(2,794)</u>	<u>488,652</u>	<u>239,228</u>	<u>368,263</u>	<u>41,226</u>	<u>641,378</u>	<u>76,245</u>	<u>354</u>	<u>-</u>

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Palmyra School District
 Changes in Fund Balances, Governmental Funds,
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Tax levy	\$ 5,699,822	\$ 5,907,206	\$ 5,952,828	\$ 6,244,721	\$ 6,609,375	\$ 7,217,835	\$ 7,161,179	\$ 7,496,637	\$ 8,150,787	\$ 8,150,787
Tuition charges	1,684,641	1,524,897	1,947,520	1,885,347	1,865,238	1,835,783	1,423,288	1,606,803	1,728,342	1,740,648
Interest earnings	5,817	4,179	11,220	15,127	97,997	11,523	50,088	67,280	9,345	1,182
Miscellaneous	74,150	122,412	179,968	118,178	88,139	48,346	58,301	83,872	44,348	35,263
State sources	4,886,918	5,269,801	5,398,997	5,567,729	5,960,243	6,432,331	5,752,413	4,975,970	5,382,319	5,814,744
Federal sources	475,450	549,583	545,504	557,951	467,972	542,541	494,863	1,414,376	679,267	780,210
Total revenue	12,826,798	13,377,858	14,036,037	14,389,053	15,088,964	16,088,359	14,940,132	15,644,938	15,994,408	16,522,834
Expenditures										
Instruction										
Regular Instruction	3,664,806	3,834,025	3,925,877	4,293,124	4,137,738	4,641,545	4,673,552	4,939,279	4,683,486	4,400,577
Special education instruction	1,119,562	1,094,119	1,206,620	1,202,268	1,258,529	1,219,958	1,354,492	1,319,156	1,228,609	1,597,824
Other instruction	301,326	338,949	329,685	325,055	340,048	369,346	408,698	386,271	310,407	334,898
Support Services:										
Tuition	1,209,805	1,294,395	1,089,444	1,177,690	782,378	849,561	929,455	827,855	1,068,813	987,665
Student & instruction related services	1,273,989	1,204,814	1,333,427	1,399,763	1,232,518	1,459,106	1,483,964	1,521,822	1,427,491	1,662,108
School administrative services	433,373	465,963	455,774	389,641	437,253	448,421	466,558	466,664	450,862	469,404
General and business admin. services	662,506	762,303	673,459	675,209	578,057	610,751	593,468	630,738	487,525	531,363
Plant operations and maintenance	1,018,628	917,348	1,038,503	1,027,382	1,031,931	1,225,520	1,245,449	1,137,642	1,237,808	1,274,658
Pupil transportation	300,186	280,114	290,075	319,337	280,673	294,091	328,224	306,731	315,102	246,582
Other support services	2,035,697	2,302,702	2,657,607	2,839,948	3,295,423	3,865,598	2,951,276	3,159,569	3,278,700	3,491,252
Special Schools	137,945	140,577	139,392	144,223	153,092	178,724	174,789	193,289		
Charter Schools										
Capital outlay	128,818	29,699	12,877	376,423	3,321,625	65,693	9,413,263	668,651	27,646	633,700
Debt service:										
Principal	435,000	460,000	485,000	515,000	560,000	630,000	295,000	325,000	640,000	660,000
Interest and other charges	257,913	236,585	213,645	189,063	162,750	351,703	216,004	423,702	634,290	494,067
Total expenditures	12,979,554	13,361,593	13,851,385	14,874,126	17,572,015	16,210,017	24,534,192	16,306,369	15,790,737	16,784,098
Excess (Deficiency) of revenues over (under) expenditures	(152,756)	16,265	184,652	(485,073)	(2,483,051)	(121,658)	(9,594,060)	(661,431)	203,671	(261,264)
Other Financing sources (uses)										
Proceeds from borrowing					3,487,000		9,883,000			
Accrued interest on sale of bonds					31,945					
Transfers in	11,798		495,045		188,478	293,922	43,860	136,649		100,000
Transfers out	(11,798)		(495,045)		(188,478)	(309,922)	(43,860)	(136,649)		
Total other financing sources (uses)	-	-	-	-	3,518,945	(16,000)	9,883,000	-	-	100,000
Net change in fund balances	\$ (152,756)	\$ 16,265	\$ 184,652	\$ (485,073)	\$ 1,035,894	\$ (137,658)	\$ 288,940	\$ (661,431)	\$ 203,671	\$ (161,264)
Debt service as a percentage of noncapital expenditures	5.39%	5.22%	5.05%	4.86%	5.07%	6.08%	3.38%	4.79%	8.08%	7.15%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

Palmyra School District
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year Ending June 30,	Interest on Investments	Tuition	Commissions	Prior Year Refunds	Shared Services	Rentals	Municipal Share of Costs	Solar Energy Rebate	Miscellaneous	Total
	2003	\$ 23,178	\$ 1,684,641	\$ 6,282	\$ 13,010		\$ 4,259		\$ 26,639	\$ 6,599	\$ 1,764,608
	2004	13,506	1,524,697	6,668	81,598		2,430		16,638	5,751	1,651,288
	2005	50,395	1,947,520	4,718	132,413		3,317			345	2,138,708
	2006	76,485	1,885,437	3,912	48,742		983			3,093	2,018,652
	2007	97,997	1,865,238		88,139						2,051,374
	2008	45,056	1,835,783		3,495					11,318	1,895,652
	2009	63,928	1,423,288		43,624					837	1,531,677
	2010	81,195	1,606,803		10,952			\$ 18,748	36,288	3,969	1,757,955
88	2011	18,553	1,728,342		12,841	\$ 16,000	205			6,094	1,782,035
	2012	1,182	1,740,648		12,202	7,130	855			15,076	1,777,093
		<u>\$ 471,475</u>	<u>\$ 17,242,397</u>	<u>\$ 21,580</u>	<u>\$ 447,016</u>	<u>\$ 23,130</u>	<u>\$ 12,049</u>	<u>\$ 18,748</u>	<u>\$ 79,565</u>	<u>\$ 53,082</u>	<u>\$ 18,369,042</u>

Source: District records

**Palmyra School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm (Qualified)	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2003	\$ 4,102,000	\$ 268,882,050	\$ 209,000	\$ 19,946,700	\$ 6,211,200	\$ 13,442,000	\$ 312,792,950	\$ 638,470	\$ 313,431,420	\$ 30,850,702	\$ 1.884	\$ 354,796,058
2004	3,877,900	269,525,350	209,000	20,036,700	6,250,400	13,356,200	313,255,550	555,842	313,811,392	30,615,702	1.897	384,427,693
2005	3,991,700	270,263,750	209,000	19,428,500	6,250,400	13,356,200	313,499,550	460,240	313,959,790	30,593,202	1.990	430,298,942
2006	4,032,600	270,502,170	209,000	19,121,000	6,250,400	13,160,400	313,275,570	367,529	313,643,099	30,967,302	2.107	485,725,686
2007	3,926,400	270,920,370	209,000	19,017,400	6,250,400	13,160,400	313,483,970	331,475	313,815,445	31,109,502	2.300	554,518,781
2008	3,957,700	271,022,270	130,400	19,224,800	6,250,400	13,160,400	313,745,970	325,019	314,070,989	31,144,802	2.280	583,539,921
2009	3,888,800	271,442,170	89,900	19,221,800	6,250,400	13,160,400	314,053,470	328,736	314,382,206	31,284,102	2.384	609,455,922
2010	3,945,700	271,283,170	35,000	18,910,400	6,000,400	13,047,200	313,221,870	326,992	313,548,862	31,753,302	2.599	598,298,970
2011	4,038,900	268,830,970	27,800	19,431,900	7,588,900	12,942,600	312,861,070	278,442	313,139,512	31,753,302	2.602	598,972,916
2012	4,036,900	268,395,315	27,800	19,347,300	7,042,500	12,942,600	311,792,415	285,208	312,077,623	31,866,102	2.611	Unavailable

Source:

Municipal Tax Assessor

Note:

Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation. Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100 of assessed valuation.

Palmyra School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)

J-7

Fiscal Year Ended June 30,	Palmyra School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Borough of Palmyra	Burlington County	
2003	\$ 1.751	\$ 0.146	\$ 1.897	\$ 0.929	\$ 0.577	\$ 3.403
2004	1.751	0.146	1.897	1.032	0.574	3.503
2005	1.840	0.150	1.990	1.071	0.626	3.687
2006	1.947	0.160	2.107	1.211	0.684	4.002
2007	2.080	0.220	2.300	1.288	0.742	4.330
2008	2.160	0.120	2.280	1.450	0.723	4.453
2009	2.218	0.166	2.384	1.504	0.737	4.625
2010	2.281	0.318	2.599	1.644	0.725	4.968
2011	2.276	0.326	2.602	1.700	0.726	5.028
2012	2.285	0.326	2.611	1.729	0.681	5.021

Source: Municipal Tax Collector

Palmyra School District
Principal Property Tax Payers,
Current Year and Nine Years Ago

J-8

Taxpayer	2012		Taxpayer	2003	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Boss Lady, LLC	\$ 2,200,000	0.70%	Korman Corporation of New Jersey	\$ 3,168,000	1.01%
River Villa Mews	1,540,000	0.49%	Kerbeck	2,787,500	0.89%
Roto Cylinders, Inc.	1,492,600	0.48%	Tower Willow Associates	2,537,000	0.81%
National Amusements, Inc.	1,296,300	0.42%	Philadelphia Sign Co.	2,046,900	0.65%
Philadelphia Sign Co.	1,130,600	0.36%	National Amusements, Inc.	1,747,700	0.56%
David Drew Associates	936,800	0.30%	Roto Cylinders, Inc.	1,742,600	0.56%
Willow Associates	560,000	0.18%	Tower Management Services	1,540,000	0.49%
Willow Associates	560,000	0.18%	David Drew Associates	1,050,000	0.34%
Korman Corporation	560,000	0.18%	Haroutioun K. Aydjian	912,100	0.29%
Korman Corporation	560,000	0.18%	Paul Callahan Trustee	736,000	0.23%
Total	\$ 10,836,300	3.47%		\$ 18,267,800	5.83%

Source: Municipal Tax Assessor

**Palmyra School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

J-9

Fiscal Year Ended June 30,	Taxes Levied for the Calendar Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 5,699,822	\$ 5,699,822	100.00%	-
2004	5,907,206	5,907,206	100.00%	-
2005	5,952,828	5,952,828	100.00%	-
2006	6,244,721	6,244,721	100.00%	-
2007	6,609,375	6,609,375	100.00%	-
2008	7,217,835	7,217,835	100.00%	-
2009	7,161,179	7,161,179	100.00%	-
2010	7,496,637	7,496,637	100.00%	-
2011	8,150,787	8,150,787	100.00%	-
2012	8,150,787	8,150,787	100.00%	-

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

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

Palmyra School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

J-10

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Percentage of Personal Income ^b	Per Capita ^c
	General Obligation Bonds ^a	Capital Leases	Bonds Authorized But not Issued	Capital Leases	Total District		
2003	\$ 4,500,000	\$ 155,970		\$ -	\$ 4,655,970	1.71%	\$ 632
2004	4,040,000	67,946			4,107,946	1.45%	542
2005	3,555,000				3,555,000	1.23%	467
2006	3,040,000		\$ 3,487,823		6,527,823	2.17%	858
2007	5,967,000				5,967,000	1.93%	789
2008	5,407,000				5,407,000	1.65%	717
2009	14,995,000				14,995,000	4.45%	2,023
2010	14,670,000				14,670,000	4.25%	1,995
2011	14,030,000				14,030,000	4.11%	1,912
2012	13,370,000				13,370,000	Unavailable	1,823

Sources:

- a District Records
- b Personal Income has been estimated based upon the municipal population and per capita personal income.
- c Per Capita Personal Income Data provided by the NJ Dept. of Labor and Workforce.

Palmyra School District
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
(dollars in thousands, except per capita)

J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding ^a	Percentage of Net Assessed Valuation Taxable ^b	Per Capita ^c
	General Obligation Bonds	Deductions			
2003	\$ 4,500,000		\$ 4,500,000	1.44%	\$ 610
2004	4,040,000		4,040,000	1.29%	533
2005	3,555,000		3,555,000	1.13%	467
2006	3,040,000		3,040,000	0.97%	399
2007	5,967,000		5,967,000	1.90%	789
2008	5,407,000		5,407,000	1.72%	717
2009	14,995,000		14,995,000	4.77%	2,023
2010	14,670,000		14,670,000	4.68%	1,995
2011	14,030,000		14,030,000	4.48%	1,912
2012	13,370,000		13,370,000	4.28%	1,823

Sources:

- a District Records
- b Net Assessed Valuation provided by Anstract of Ratables, County Board of Taxation
- c Per Capita Personal Inome Data provided by the NJ Dept. of Labor and Workforce.

Palmyra School District
 Ratios of Overlapping Governmental Activities Debt
 As of December 31, 2011

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Borough of Palmyra	\$ 11,803,684 (1)	100.000%	\$ 11,803,684
Burlington County General Obligation Debt	375,374,050 (1)	0.755% (2)	2,834,242
			<hr/>
Subtotal, overlapping debt			14,637,926
Palmyra School District Direct Debt			<hr/>
			13,370,000
Total direct and overlapping debt			<hr/> <hr/> \$ 28,007,926

Sources:

- (1) Entity's Audit Report
- (2) The County percentage is based upon a calculation reflecting the Borough's share of the 2011 Equalized Valuation. The source for this computation was the 2011 County Abstract of Ratables, provided by the County Board of Taxation.

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized valuation basis (1)	
2011	\$ 560,281,286
2010	597,409,632
2009	597,400,552
	<u>\$1,755,091,470</u>
Average equalized valuation of taxable property	<u>\$ 585,030,490</u>
Debt limit (4% of average equalized valuation) (2)	23,401,220
Net bonded school debt (3)	13,370,000
Legal debt margin	<u>\$ 10,031,220</u>

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	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 12,817,939	\$ 13,909,511	\$ 15,381,865	\$ 17,241,347	\$ 19,511,194	\$ 21,550,159	\$ 23,184,746	\$ 23,792,314	\$ 24,015,997	\$ 23,401,220
Total net debt applicable to limit (3)	<u>4,500,000</u>	<u>4,040,000</u>	<u>3,555,000</u>	<u>3,040,000</u>	<u>5,967,000</u>	<u>5,407,000</u>	<u>14,995,000</u>	<u>14,670,000</u>	<u>14,030,000</u>	<u>13,370,000</u>
Legal debt margin	<u>\$ 8,317,939</u>	<u>\$ 9,869,511</u>	<u>\$ 11,826,865</u>	<u>\$ 14,201,347</u>	<u>\$ 13,544,194</u>	<u>\$ 16,143,159</u>	<u>\$ 8,189,746</u>	<u>\$ 9,122,314</u>	<u>\$ 9,985,997</u>	<u>\$ 10,031,220</u>
Total net debt applicable to the limit as a percentage of debt limit	35.11%	29.04%	23.11%	17.63%	30.58%	25.09%	64.68%	61.66%	58.42%	57.13%

Sources:

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

Palmyra School District
 Demographic and Economic Statistics
 Last Ten Fiscal Years

J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2001	7,372	\$ 272,115,264	\$ 36,912	4.0%
2002	7,580	282,726,420	37,299	5.8%
2003	7,615	289,232,930	37,982	5.9%
2004	7,611	301,441,266	39,606	5.3%
2005	7,566	308,654,970	40,795	4.7%
2006	7,536	328,200,336	43,551	5.1%
2007	7,412	336,971,756	45,463	4.6%
2008	7,355	345,449,640	46,968	6.3%
2009	7,336	341,241,376	46,516	10.8%
2010	7,336	e	e	11.4%

Source:

- ^a Population information provided by the NJ Dept of Labor and Workforce Development
- ^b Personal income has been established based upon the municipal population and per capita personal income presented.
- ^c Per Capita personal income provided by the NJ Dept. of Labor and Workforce Development.
- ^d Unemployment data provided by the NJ Dept of Labor and Workforce Development
- ^e Information not available

**Palmyra School District
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years**

J-16

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction										
Regular	69	69	67	67	67	69	69	69	69	64
Special education	19	19	19	17	17	19	19	19	19	29
Adult/continuing education programs	1	1	1	1	1	1	1			
Support Services:										
Student & instruction related services	9	9	10	9	10	10	10	10	10	25
School administrative services	6	6	6	6	6	6	6	6	6	7
General and business administrative services	1	1	1	1	1	1	1	1	1	8
Plant operations and maintenance	16	15	13	13	13	13	13	12	12	16
Business and other support services	14	14	14	14	14	14	14	13	13	1
Child Care	2	2	2	1	1	1	1	1	1	1
Total	137	136	133	129	130	134	134	131	131	151

Source:
District Personnel Records

Palmyra School District
Operating Statistics,
Last Ten Fiscal Years

J-17

Fiscal Year	Resident Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Junior/Senior High School				
2003	1,101	\$ 12,157,823	\$ 11,042.53	15.58%	290	1:11	1:11	1,119.1	1,066.6	-1.61%	95.31%
2004	1,101	12,635,309	11,476.21	3.93%	323	1:12	1:10	1,125.0	1,052.0	2.17%	93.51%
2005	1,067	13,139,863	12,314.77	7.31%	113	1:16	1:13	1,091.2	1,019.7	-3.00%	93.45%
2006	1,070	13,793,640	12,891.25	4.68%	113	1:16	1:13	1,095.2	1,040.7	0.37%	95.02%
2007	1,041	13,527,640	12,994.85	0.80%	113	1:19	1:15	1,044.5	1,003.9	-4.63%	96.11%
2008	1,023	15,162,621	14,821.72	14.06%	115	1:12	1:10	975.8	924.1	-6.58%	94.70%
2009	1,017	14,609,925	14,365.71	-3.08%	114	1:12	1:10	949.7	894.3	-2.67%	94.17%
2010	1,019	14,889,016	14,611.40	1.71%	114	1:12	1:10	959.5	904.3	1.03%	94.25%
2011	1,017	14,488,801	14,246.61	-2.50%	114	1:12	1:10	949.7	924.1	-1.02%	97.30%
2012	972	14,996,331	15,428.32	8.29%	80	1:12	1:10	961.7	909.5	1.26%	94.57%

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Sources: District records

Note: Enrollment based on annual October district count.

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

**Palmyra School District
School Building Information
Last Ten Fiscal Years**

J-18

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>District Building</u>										
<u>Elementary</u>										
Charles Street Elementary (1958)										
Square Feet	62,884	62,884	62,884	62,884	62,884	62,884	62,884	62,884	62,884	62,884
Capacity (students)	705	705	705	705	705	705	705	705	705	705
Enrollment	510	460	464	461	467	467	467	467	470	493
Delaware Avenue Elementary (1956)										
Square Feet	11,539	11,539	11,539	11,539	11,539	11,539	11,539	11,539	11,539	11,539
Capacity (students)	180	180	180	180	180	180	180	180	180	180
Enrollment	26	30	35	32	43	43	43	35	35	27
<u>Senior High School</u>										
Junior/Senior High School (1922)										
Square Feet	99,248	99,248	99,248	99,248	99,248	99,248	99,248	99,248	99,248	99,248
Capacity (students)	765	765	765	765	765	765	765	765	765	765
Enrollment	575	580	587	600	534	534	534	517	512	433

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Number of Schools at June 30, 2012
 Elementary = 2
 Junior/Senior High School = 1
 Other = 0

Palmyra School District
 Schedule of Required Maintenance
 Last Ten Fiscal Years

J-19

**UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-xxx**

* School Facilities	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
Charles Street School	\$ 92,632	\$ 67,127	\$ 65,645	\$ 65,946	\$ 44,373	\$ 58,164	\$ 87,631	\$ 654,656	\$ 69,286	\$ 71,365	\$ 1,276,825
Delaware Avenue School	27,716	42,593	16,739	16,064	17,311	34,517	64,140	229,188	13,472	13,876	475,616
Junior/Senior High School	160,368	89,141	86,539	85,402	70,058	77,164	99,782	1,015,396	109,702	112,994	1,906,546
Total School Facilities	\$ 280,716	\$ 198,861	\$ 168,923	\$ 167,412	\$ 131,742	\$ 169,845	\$ 251,553	\$ 1,899,240	\$ 192,460	\$ 198,235	\$ 3,658,987

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* 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

Palmyra School District
 Insurance Schedule
 June 30, 2012

J-20

	<u>Coverage</u>	<u>Self-insured Retention</u>	<u>Deductible</u>
School Package Policy (1)			
Building and Contents (All Locations)			
Limits of liability per occurrence	\$ 250,000,000		\$ 1,000
General and Automobile Liability	5,000,000	\$ 100,000	
Boiler and Machinery	100,000,000		
Environmental Impairment Liability	1,000,000		5,000
School Leaders Professional Liability	5,000,000		5,000
Excess Liability	10,000,000		
Comprehensive Crime Coverage	100,000		
Workers' Compensation	Statutory		
 Student Accident Liability (1)	 6,000,000		
 Errors and Omissions (2)	 5,000,000		
 Surety Bonds (3)			
Treasurer	250,000		
Board Secretary	150,000		

- (1) School Alliance Insurance Fund
- (2) New Jersey School Boards Association Insurance Group
- (3) Selective Insurance Company

Source: District records

Single Audit Section

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

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New Jersey Society of CPAs

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

The Honorable President and Members
of the Board of Education
Palmyra School District
County of Burlington
Palmyra, New Jersey

Compliance

We have audited Palmyra School District (School District), in the County of Burlington, State of New Jersey's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major federal and state programs for the fiscal year ended June 30, 2012. The School District's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Palmyra School District, in the County of Burlington, State of New Jersey complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 School District, the Division of Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert A. Stewart
Public School Accountant

Marlton, New Jersey
August 30, 2012

PALMYRA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From - To	Balance June 30, 2011			Adjustment	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2012			
					(Accounts Receivable)	Deferred Revenue	Due to Grantor					(Accounts Receivable)	Deferred Revenue	Due to Grantor	
U.S. Department of Education															
Passed-through State Department of Education:															
General Fund															
Education Jobs Fund	84.410A	N/A	\$ 164,946	7/1/10-6/30/12				\$ 164,946	\$ (164,946)						
Special Revenue Fund.															
Title I:															
Fiscal Year 2011	84.010A	NCLB392011	\$ 167,536	9/1/10 - 8/31/11	\$ (40,032)	\$ 8,341		31,691							
Fiscal Year 2010	84.010A	NCLB392010	181,220	9/1/09 - 8/31/10	(14,984)			14,984							
Fiscal Year 2012	84.010A	NCLB392012	182,989	9/1/11 - 8/31/12				106,311	(174,648)		\$ (76,678)	\$ 8,341			
ARRA - Fiscal Year 2010	84.389	ARRA392010	49,695	7/1/09 - 6/30/11	(19,027)			19,027							
Title II A:															
Fiscal Year 2011	84.367A	NCLB392011	43,772	9/1/10 - 8/31/11	(22,157)	8,650		13,507							
Fiscal Year 2010	84.367A	NCLB392010	43,330	9/1/09 - 8/31/10	(520)			520							
Fiscal Year 2012	84.367A	NCLB392012	59,563	9/1/11 - 8/31/12				40,956	(40,956)						
Title II D:															
Fiscal Year 2011	84.318X	NCLB392011	388	9/1/10 - 8/31/11	(2,157)	1,769		388							
Fiscal Year 2012	84.318X	NCLB392012	388	9/1/11 - 8/31/12	(1)		1		(388)		(388)				
I D E A Part B - Basic															
Fiscal Year 2012	84.027	FT392012	260,322	9/1/11 - 8/31/12				192,133	(238,746)		(68,189)	21,576			
ARRA - Fiscal Year 2010	84.391	ARRA392010	202,648	7/1/09 - 6/30/12	(32,814)	4,258		32,814	(4,258)						
I D E A Part B - Preschool:															
Fiscal Year 2011	84.173	PS392011	6,919	9/1/10 - 8/31/11	(12,756)	10,527		6,919	(4,690)						
Fiscal Year 2012	84.173	PS392012	13,143	9/1/11 - 8/31/12				4,175	(4,865)		(8,968)	8,278			
ARRA - Fiscal Year 2010	84.392	ARRA392010	7,304	7/1/09 - 6/30/12	(1,407)			1,407							
Counseling Demonstration Program															
Fiscal Year 2010	84.215E	Q215e090065	421,152	4/1/09 - 3/31/12	(230,152)	164,411		193,300	(127,559)						
Total U.S. Department of Education					<u>(376,007)</u>	<u>197,956</u>		<u>1</u>	<u>823,078</u>	<u>(781,056)</u>		<u>(154,223)</u>	<u>38,195</u>		
U.S. Department of Agriculture															
Passed-through State Department of Education:															
Enterprise Fund															
Food Distribution Program															
Fiscal Year 2012	10.550	N/A	26,960	7/1/11 - 6/30/12				26,960	(26,960)						
Special Milk Program															
Fiscal Year 2012	10.556	N/A	290	7/1/11 - 6/30/12				279	(290)		(11)				
National School Breakfast Program:															
Fiscal Year 2011	10.553	N/A	21,256	7/1/10 - 6/30/11	(1,823)			1,823							
Fiscal Year 2012	10.553	N/A	25,229	7/1/11 - 6/30/12				23,754	(25,229)		(1,475)				
National School Lunch Program															
Fiscal Year 2011	10.555	N/A	126,652	7/1/10 - 6/30/11	(8,580)			8,580							
Fiscal Year 2012	10.555	N/A	148,234	7/1/11 - 6/30/12				141,021	(148,234)		(7,213)				
Total U.S. Department of Agriculture					<u>(10,403)</u>			<u>202,417</u>	<u>(200,713)</u>		<u>(8,699)</u>				
U.S. Department of Health and Human Services															
Passed-through State Department of Human Services:															
General Fund:															
Medical Assistance Program															
Fiscal Year 2011	93.778	N/A	13,203	7/1/10 - 6/30/11	(7,650)			7,650							
Fiscal Year 2012	93.778	N/A	19,154	7/1/11 - 6/30/12				13,001	(19,154)		(6,153)				
					<u>(7,650)</u>			<u>20,651</u>	<u>(19,154)</u>		<u>(6,153)</u>				
Total Federal Awards					<u>\$ (394,060)</u>	<u>\$ 197,956</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1,046,146</u>	<u>\$ (880,923)</u>	<u>\$ -</u>	<u>\$ (169,075)</u>	<u>\$ 38,195</u>	<u>\$ -</u>	

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

PALMYRA SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2012

State Grantor / Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From - To	Balance June 30, 2011			Adjustment	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2012		
				(Accounts Receivable)	Deferred Revenue	Due to Grantor					(Accounts Receivable)	Deferred Revenue	Due to Grantor
State Department of Education													
General Fund:													
Equalization Aid	12-495-034-5120-078	\$ 3,604,234	7/1/11- 6/30/12					\$ 3,202,186	\$ (3,604,234)		\$ (402,048)		
Equalization Aid	11-495-034-5120-078	3,604,234	7/1/10- 6/30/11	\$ (363,331)				363,331					
Special Education Categorical Aid	12-495-034-5120-089	429,438	7/1/11- 6/30/12					429,438	(429,438)				
Security Aid	12-495-034-5120-084	139,360	7/1/11- 6/30/12					139,360	(139,360)				
Transportation Aid	12-495-034-5120-014	99,740	7/1/11- 6/30/12					99,740	(99,740)				
Adjustment Aid	12-495-034-5120-085	132,889	7/1/11- 6/30/12					132,869	(132,869)				
TPAF Wage Freeze	Not available	23,143	7/1/10- 6/30/11	(11,572)				11,572					
Extraordinary Aid	12-495-034-5120-044	50,582	7/1/11- 6/30/12						(50,582)		(50,582)		
Extraordinary Aid	11-495-034-5120-044	29,181	7/1/10- 6/30/11	(29,181)				29,181					
On behalf TPAF Pension Contribution	12-495-034-5095-001	624,734	7/1/11- 6/30/12					624,734	(624,734)				
Reimbursed TPAF Social Security Contr.	12-495-034-5095-002	441,686	7/1/11- 6/30/12					419,385	(441,666)		(22,301)		
Reimbursed TPAF Social Security Contr	11-495-034-5095-002	460,601	7/1/10- 6/30/11	(22,620)				22,620			(22,301)		
Total General Fund				(426,704)				5,474,416	(5,522,643)		(474,931)		
Debt Service Fund:													
Debt Service Aid Type II	12-495-034-5120-017	206,485	7/1/11- 6/30/12					206,485	(206,485)				
NJ Economic Development Authority:													
Capital Projects Fund													
SDA Educational Facilities Construction and Financing Act - Section 15: 2010 Allotment:													
Fire Alarm System	3820-050-10-1001	136,000	7/1/11- 6/30/12					54,400	(124,333)		(69,933)		
State Department of Agriculture													
National School Lunch Program (State Share)													
Fiscal Year 2012	12-100-010-3350-023	4,317	7/1/11- 6/30/12					4,102	(4,317)		(215)		
Fiscal Year 2011	11-100-010-3350-023	3,840	7/1/10- 6/30/11	(282)				282			(215)		
Total Enterprise Fund				(282)				4,384	(4,317)		(215)		
Total State Financial Assistance				\$ (426,986)	\$ -	\$ -	\$ -	\$ 5,739,685	\$ (5,857,778)	\$ -	\$ (545,079)	\$ -	\$ -

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

**Palmyra School District
Notes to Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2012**

I. GENERAL

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

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, 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.

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 the expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment 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 last state aid payment 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 last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$38,717) for the general fund and \$0 for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General	\$ 184,100	\$ 5,608,259	\$ 5,792,359
Special Revenue	596,110		596,110
Capital Projects			-
Debt Service		206,485	206,485
Food Service	200,713	4,317	205,030
Total	<u>\$ 980,923</u>	<u>\$ 5,819,061</u>	<u>\$ 6,799,984</u>

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.

**Palmyra School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2012
(Continued)**

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 year ended June 30, 2012. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

6. MAJOR PROGRAMS

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

7. ADJUSTMENTS

Amounts reported in the column entitled "Adjustments" represent the following:

	<u>Federal</u>
Rounding	<u>\$ 1</u>
Total	<u><u>\$ 1</u></u>

**PALMYRA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Section 1 -- Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: UNQUALIFIED

Internal control over financial reporting:

Material weaknesses identified? yes X no

Significant deficiencies identified that are not considered to be a material weakness? X yes none reported

Noncompliance material to general purpose financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

Material weaknesses identified? yes X no

Significant deficiencies identified that are not considered to be a material weakness? yes X none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.410</u>	<u>Education Jobs Fund</u>
<u>10.555</u>	<u>National School Lunch Program</u>
<u> </u>	<u> </u>

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

Auditee qualified as low-risk auditee? X yes no

**PALMYRA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Section 1 -- Summary of Auditor's 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

Internal Control over major programs:

Material weaknesses identified? yes X no

Significant deficiencies identified that are not considered to be a material weakness? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04? yes X no

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>12-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>12-495-034-5120-089</u>	<u>Special Education Aid</u>
<u>12-495-034-5095-001</u>	<u>TPAF Rimbursed Social Security</u>
<u>12-100-010-3350-023</u>	<u>National School Lunch Program (State Share)</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

**PALMYRA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Section 2 -- Schedule of Financial Statement Findings

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

Finding #2012-1

Criteria or specific requirement:

The Board Secretary's Financial Report should properly reflect true balances for all balance sheet accounts, budgetary revenues and budgetary expenditures.

Condition:

Numerous adjustments were required to the balance sheet accounts and budgetary line accounts to reflect the proper charges to the general, special revenue and debt service fund financial statements.

Context:

Inadequate controls over financial statement preparation.

Effect:

Improper financial decisions may be taken by the Board of Education if financial reports do not properly reflect true balances.

Cause:

Oversight on part of business administrator.

Recommendation:

The School District should take care in recording all assets, liabilities, revenues and expenditures and all expenditures should be properly classified.

View of responsible officials and planned corrective action:

Management agrees with the above finding and will address the matter as part of their corrective action plan.

**PALMYRA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

***Section 3 -- Schedule of Federal Awards and State Financial Assistance
Findings and Questioned Costs***

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

FEDERAL AWARDS

No findings and/or questioned costs identified.

STATE AWARDS

No findings and/or questioned costs identified.

**PALMYRA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENED JUNE 30, 2012**

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

FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings.

FEDERAL AWARDS

There were no prior year audit findings.

STATE AWARDS

There were no prior year audit findings.