

**BOROUGH OF MERCHANTVILLE SCHOOL  
DISTRICT**

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

**FISCAL YEAR ENDED  
JUNE 30, 2016**

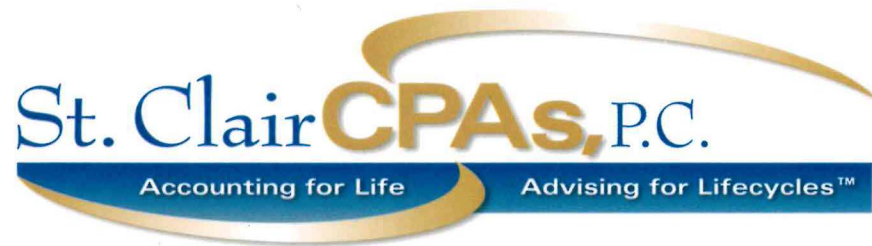


TABLE OF CONTENTS

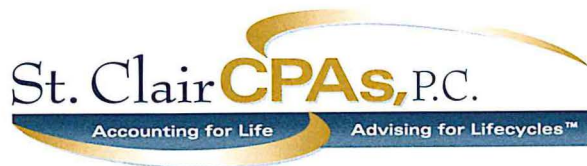
<u>EXHIBIT</u>		<u>PAGE</u>
<b><u>INTRODUCTORY SECTION</u></b>		
LETTER OF TRANSMITTAL		1 - 5
ORGANIZATIONAL CHART		6
LIST OF PRINCIPAL OFFICIALS		7
CONSULTANTS AND ADVISORS		8
<b><u>FINANCIAL SECTION</u></b>		
INDEPENDENT AUDITORS' REPORT		9 - 11
<b>Required Supplementary Information – Part I Management's Discussion and Analysis</b>		12 - 21
<b><u>Basic Financial Statements</u></b>		
<b><u>District-Wide Financial Statements</u></b>		
A-1	Statement of Net Position (Deficit)	22
A-2	Statement of Activities	23
<b><u>Fund Financial Statements</u></b>		
<b><u>Governmental Funds</u></b>		
B-1	Balance Sheet	24
B-2	Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)	25
B-3	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
<b><u>Proprietary Fund – Food Services Fund</u></b>		
B-4	Statement of Net Position (Deficit)	27
B-5	Statement of Revenues, Expenses and Changes in Net Position (Deficit)	28
B-6	Statement of Cash Flows	29
<b><u>Fiduciary Funds</u></b>		
B-7	Statement of Fiduciary Net Position	30
B-8	Statement of Changes in Fiduciary Net Position	31

TABLE OF CONTENTS

<u>EXHIBIT</u>		<u>PAGE</u>
	<b>Notes to Basic Financial Statements</b>	32 - 59
	<b>Required Supplementary Information – Part II</b>	
	<b><u>Budgetary Comparison Schedules</u></b>	
C-1	Budgetary Comparison Schedule – General Fund	60 – 65
C-2	Budgetary Comparison Schedule – Special Revenue Fund	66
	<b><u>Notes to Required Supplementary Information</u></b>	
C-3	Budget-to-GAAP Reconciliation	67
	<b>Required Supplementary Information – Part III</b>	
	<b><u>Schedules Related to Accounting and Reporting for Pensions (GASB 68)</u></b>	
L-1	Schedule of the District’s Proportionate Share of the Net Pension Liability - PERS	68
L-2	Schedule of the District’s Contributions - PERS	69
L-3	Schedule of the District’s Proportionate Share of the Net Pension Liability - TPAF	70
L-4	Notes to the Required Supplementary Information – Part III	71
	<b>Other Supplementary Information</b>	
	<b><u>School Level Schedules</u></b>	
D-1	N/A	
	<b><u>Special Revenue Fund</u></b>	
E-1	Combining Schedules of Revenues and Expenditures – Budgetary Basis	72
E-1a	Combining Schedules of Revenues and Expenditures – Budgetary Basis (Cont’d)	73
E-1b	Combining Schedules of Revenues and Expenditures – Budgetary Basis (Cont’d)	74
E-2	Preschool Education Aid – Schedule of Expenditures – Budgetary Basis	75
	<b><u>Capital Projects Fund</u></b>	
F-1	Summary Schedule of Project Expenditures	76
F-2	Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis	77
	<b><u>Proprietary Funds</u></b>	
G-1	N/A	
	<b><u>Fiduciary Funds</u></b>	
H-1	Combining Statements of Fiduciary Net Position	78
H-2	Combining Statements of Changes in Fiduciary Net Position	79
H-3	Student Activity Agency Fund – Schedule of Receipts and Disbursements	80
H-4	Payroll Agency Fund – Schedule of Receipts and Disbursements	81
	<b><u>Long-Term Debt</u></b>	
I-1	Schedule of Serial Bonds	82
I-2	Schedule of Obligations under Capital Leases	N/A
I-3	Debt Service Fund – Budgetary Comparison Schedule	83

TABLE OF CONTENTS

<u>EXHIBIT</u>		<u>PAGE</u>
<b><u>STATISTICAL SECTION</u></b>		
J-1	Net Position by Component	84
J-2	Changes in Net Position	85 - 86
J-3	Fund Balances, Governmental Funds	87
J-4	Changes in Fund Balances, Governmental Funds	88
J-5	General Fund Other Local Revenue by Source	89
J-6	Assessed Value and Estimated Actual Value of Taxable Property (Unaudited)	90
J-7	Direct and Overlapping Property Tax Rates (Unaudited)	91
J-8	Schedule of Principal Taxpayers (Unaudited)	92
J-9	Municipal Property Tax Levies and Collections (Unaudited)	93
J-10	Ratios of Outstanding Debt by Type (Unaudited)	94
J-11	Ratios of General Bonded Debt Outstanding (Unaudited)	95
J-12	Direct and Overlapping Governmental Activities Debt (Unaudited)	96
J-13	Legal Debt Margin Information (Unaudited)	97
J-14	Demographic and Economic Statistics (Unaudited)	98
J-15	Schedule of Principal Employers (Unaudited)	99
J-16	Full-Time Equivalent District Employees by Function/Program (Unaudited)	100
J-17	Operating Statistics (Unaudited)	101
J-18	School Building Information (Unaudited)	102
J-19	Schedule of Required Maintenance for School Facility (Unaudited)	103
J-20	Insurance Schedule (Unaudited)	104
<b><u>SINGLE AUDIT SECTION</u></b>		
K-1	Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	105 - 106
K-2	Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and New Jersey OMB Circular 15-08	107 - 108
K-3	Schedule of Expenditures of Federal Awards – Schedule A	109
K-4	Schedule of Expenditures of State Financial Assistance – Schedule B	110
K-5	Notes to the Schedules of Expenditures of Awards and Financial Assistance	111 - 112
K-6	Schedule of Findings and Questioned Costs	113 - 117
K-7	Summary Schedule of Prior Year Audit Findings	118



December 1, 2016

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

Dear Honorable President and Members of the Board:

The Comprehensive Annual Financial Report of the Borough of Merchantville School District (District) for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart, and a list of principal officials. The financial section includes the Management's Discussion and Analysis, the basic financial statements, schedules, and notes as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, financial trends, and the fiscal capacity of the District generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of New Jersey Circular 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Information related to this single audit, including the auditors' report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

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

2. ECONOMIC CONDITION AND OUTLOOK:

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

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for handicapped students. The District completed the 2015-2016 fiscal year with a June enrollment of 371 students. The following details the changes in the student enrollment of the District over the last ten years:

<u>Average Daily Enrollment</u>		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2015-16	371.0	2.62%
2014-15	381.0	0.27%
2013-14	380.0	1.33%
2012-13	375.0	6.23%
2011-12	353.0	9.29%
2010-11	323.0	(7.45%)
2009-10	349.0	(1.43%)
2008-09	354.0	(0.28%)
2007-08	355.0	(2.95%)
2006-07	365.4	3.57%
2005-06	352.8	(4.67%)

3. INTERNAL ACCOUNTING CONTROLS:

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

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

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

4. BUDGETARY CONTROLS:

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

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

5. ACCOUNTING SYSTEM AND REPORTS:

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

6. FINANCIAL INFORMATION AT FISCAL YEAR-END:

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2016, and the amount and percentage of changes in relation to prior year revenues:

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2015</u>
Local sources	\$ 4,896,643	58.30%	\$ 300,872
State sources	3,272,279	38.96%	85,612
Federal sources	<u>230,681</u>	<u>2.75%</u>	<u>(24,858)</u>
	<u>\$ 8,399,603</u>	<u>100.00%</u>	<u>\$ 361,626</u>

The increases in revenue from local sources is attributable to an increase in the Local Tax Levy in the amount of \$310,383, an increase of other governmental revenues of \$415, a decrease in miscellaneous revenues of \$4,367, an increase in tuition revenue of \$2,696 and a decrease of \$8,255 in the Debt Service Fund.

The increases in state sources are due to an increase in School Choice Aid of \$26,356, increase in other aid including TPAF contributions of \$79,808, and a decrease in Special Revenue Fund state sources of \$20,552.

The decrease in federal sources is due to a decrease of \$24,858 in federal awards in the Special Revenue Fund.



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

The following schedule presents a summary of General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2016, and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2015</u>
Current expenses			
Instruction	\$ 3,194,000	31.62%	\$ 633,475
Undistributed expenditures	4,565,712	45.20%	(589,005)
Capital outlay	2,072,946	20.52%	1,951,559
Debt service			
Principal	250,000	2.47%	-
Interest	<u>18,750</u>	<u>0.19%</u>	<u>(8,750)</u>
 Total	 <u>\$ 10,101,408</u>	 <u>100.00%</u>	 <u>\$ 1,987,279</u>

The increases in instruction and decreases in undistributed expenditures are attributable to various differences in General and Special Revenue budgets, particularly in instructional expenditures and support services relating to salaries and benefits and maintenance costs.

Capital outlay expenditures represent costs associated with renovations and upgrades to windows, brick pointing, bathrooms, and auditorium.

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

7. DEBT ADMINISTRATION:

As of June 30, 2016, the balance of outstanding bonds was \$1,876,000.

8. CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9. RISK MANAGEMENT:

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



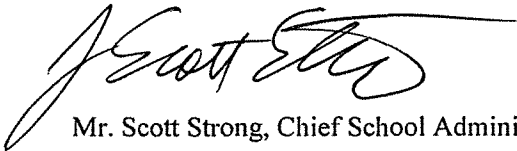
10. INDEPENDENT AUDIT:

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. Frances Sperling Feldbaum, CPA of the accounting firm St. Clair CPAs, P.C., was selected by the Board's Audit Committee. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Uniform Guidance and the State of New Jersey Circular 15-08 OMB *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

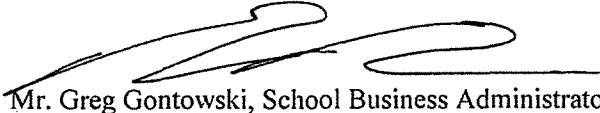
11. ACKNOWLEDGMENTS:

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

Respectfully submitted,



Mr. Scott Strong, Chief School Administrator/Principal

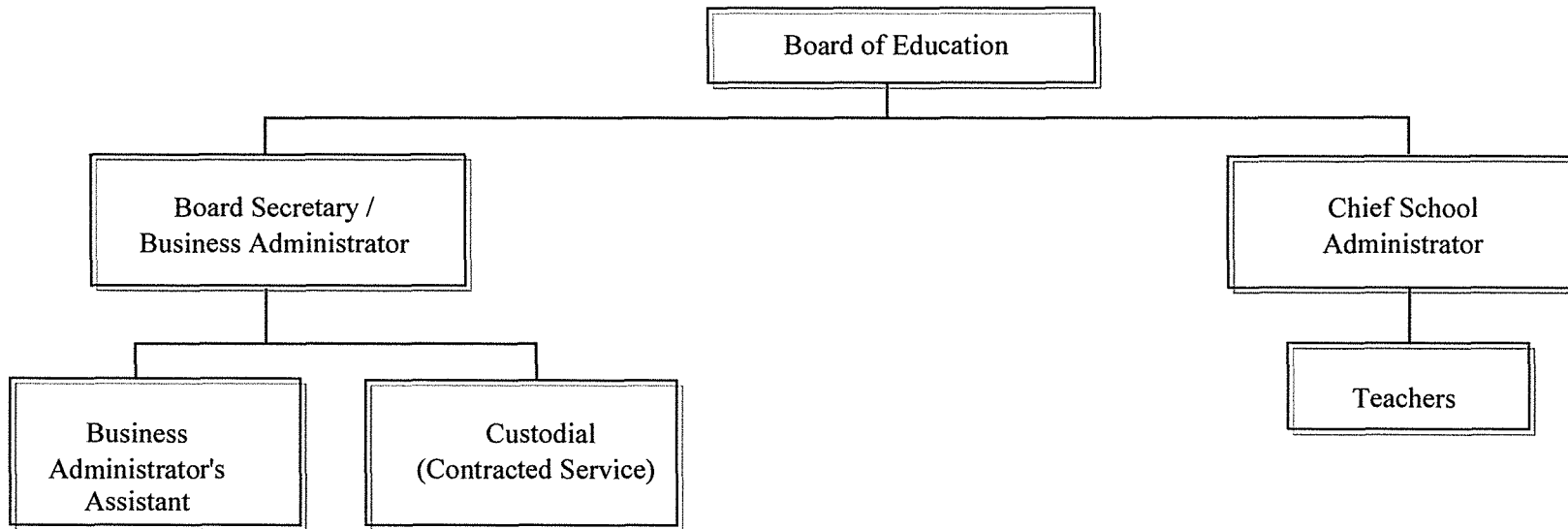


Mr. Greg Gontowski, School Business Administrator/Board Secretary

**ORGANIZATIONAL CHART**

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
BOARD OF EDUCATION  
ORGANIZATIONAL CHART  
(UNIT CONTROL)  
JUNE 30, 2016**

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**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2016**

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<b><u>MEMBERS OF THE BOARD OF EDUCATION</u></b>	<b><u>TERM EXPIRES</u></b>
Elliot Honigfeld, President	2018
Richard James, Vice President	2018
Sean Fitzgerald	2018
Karen Foster	2017
Jennifer Perno	2016
Anjali Stocker	2016
Albert Vitiello	2016
Lee Plenn	2016

**OTHER OFFICIALS**

Scott Strong, Chief School Administrator/Principal

Greg Gontowski, School Business Administrator, Purchasing Agent/Board Secretary

Dr. Bruce Goberman, School Physician

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

**AUDIT FIRM**

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

**ATTORNEY**

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

Vito A. Gagliardi, Jr., Esquire  
Porzio, Bromberg & Newman P.C.  
100 Southgate Parkway  
P.O. Box # 1997  
Morristown, New Jersey 07962-1997

**INSURANCE BROKER OF RECORD**

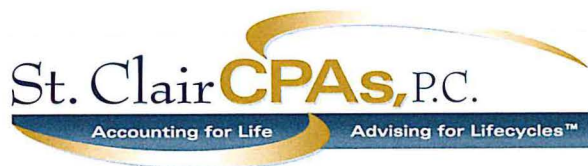
Hardenbergh Insurance Group  
P.O. Box 1000  
Main Street Plaza 1000  
Voorhees, New Jersey 08043

**OFFICIAL DEPOSITORY**

1<sup>st</sup> Colonial Community Bank  
1040 Haddon Avenue  
Collingswood, New Jersey 08108

**INVESTMENT INSTITUTIONS**

NJ Cash Management/Morgan Stanley



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education Borough of Merchantville School District (District), in the County of Camden, State of New Jersey as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education Borough of Merchantville School District, in the County of Camden, State of New Jersey, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, and schedule of the District's contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of the Board of Education Borough of Merchantville School District, in the County of Camden, State of New Jersey's basic financial statements. The introductory section, combining and individual non-major fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by *Title 2, U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the New Jersey OMB's Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid respectively, and are also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, long-term debt schedules and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.




**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016 on our consideration of the Board of Education Borough of Merchantville School District, in the County of Camden, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Board of Education Borough of Merchantville School District, in the County of Camden, State of New Jersey's internal control over financial reporting and compliance.



Frances Sperling Feldbaum, CPA  
Licensed Public School Accountant  
License No. 20CS00248900



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

Merchantville, New Jersey  
December 1, 2016

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART I**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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UNAUDITED

**Overview**

The Management's Discussion and Analysis of the Borough of Merchantville School District's (District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- ❖ General revenues accounted for \$5,028,095 in revenue or 59% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$3,518,741 or 41% percent of total revenues of \$8,546,836.
- ❖ Total assets of governmental activities increased by \$2,072,292, cash and cash equivalents increased by \$213,851, receivables decreased by \$176,504, and capital assets increased by \$1,944,979, offset by an increase in the deferred outflows of resources related to pensions of \$89,965.
- ❖ The School District had \$7,922,517 in expenses; only \$3,518,741 of these expenses were offset by program specific charges for services, grants or contributions. Property taxes in the amount of \$4,569,644 were adequate to provide for these programs.
- ❖ The General Fund had \$7,657,678 in revenues and \$7,316,924 in expenditures. The General Fund's fund balance increased \$340,754 over fiscal year ended June 30, 2015, before other financing sources (uses).

**Using this Comprehensive Annual Financial Report (CAFR)**

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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**Reporting the School District as a Whole**

**Statement of Net Position (Deficit) and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position (Deficit) and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position (Deficit) and the Statement of Activities, the School District is divided into two distinct kinds of activities:

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

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

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

**Governmental Funds**

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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**Proprietary Fund**

The Proprietary Fund is an enterprise fund which uses the accrual basis of accounting.

**Notes to the Financial Statements**

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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**The School District as a Whole**

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

Table 1 provides a summary of the School District's net position as of June 30, 2016 and 2015.

Table 1  
Net Position

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current and other assets	\$ 1,026,199	\$ 988,852
Capital assets, net	<u>3,216,975</u>	<u>1,271,995</u>
Total Assets	<u>4,243,174</u>	<u>2,260,847</u>
<b>Deferred Outflows of Resources</b>		
Related to Pensions	<u>147,943</u>	<u>57,978</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,391,117</u>	<u>\$ 2,318,825</u>
<b>Liabilities</b>		
Long-term liabilities	\$ 2,610,353	\$ 1,096,256
Other liabilities	<u>465,141</u>	<u>529,456</u>
Total Liabilities	<u>3,075,494</u>	<u>1,625,712</u>
<b>Deferred Inflows of Resources</b>		
Related to Pensions	<u>12,103</u>	<u>35,676</u>
<b>Net Position</b>		
Net investment in capital assets	1,340,975	771,995
Restricted	832,295	403,764
Unrestricted	<u>(869,750)</u>	<u>(518,322)</u>
Total Net Position	<u>1,303,520</u>	<u>657,437</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 4,391,117</u>	<u>\$ 2,318,825</u>

Total assets decreased as a result of an increase in receivables, offset by a decrease in cash and capital assets. Total liabilities increased as a result of recording the net pension liability of \$752,765 which was offset by less principal payments on outstanding debt, lower state payable, and less compensated absences.



**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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**The School District as a Whole (Continued)**

Table 2 shows changes in net position for fiscal year 2016.

Table 2  
Changes in Net Position

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 52,095	\$ 34,410
Operating grants and contributions	3,615,916	3,512,209
General revenues		
Property taxes	4,823,211	4,521,083
Other	204,884	72,444
Total Revenues	<u>8,696,106</u>	<u>8,140,146</u>
<b>Program Expenses</b>		
Instruction	3,194,000	2,560,525
Support services		
Pupils and instructional staff	2,109,293	2,028,742
General administration, school administration, and business	1,408,644	2,331,386
Operation and maintenance of plant facilities	776,552	547,024
Pupil transportation	294,634	252,501
Interest on long-term debt	18,750	27,500
Food service	127,506	111,884
Unallocated depreciation	120,644	115,265
Total Expenses	<u>8,050,023</u>	<u>7,974,827</u>
Increase (decrease) in net position	<u>\$ 646,083</u>	<u>\$ 165,319</u>

**Governmental Activities**

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 59% percent of revenues for governmental activities for the Borough of Merchantville School District for the fiscal year 2016. The School District's total revenues for only governmental activities were \$8,546,836 for the fiscal year ended June 30, 2016. Federal, State and local grants accounted for 41%. The total cost of governmental program and services was \$7,922,517. Instruction comprises 40% of the School District's expenses.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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**Business-Type Activities**

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

- ❖ Food service expenses exceeded revenues by \$21,764.
- ❖ Charges for services represents \$52,095 or 53% of business type activities revenue. This represents amounts paid by patrons for daily food services.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and donated commodities was \$97,175.

**Governmental Activities**

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

Table 3

	2016		2015	
	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
<b>Program Expenses</b>				
Instruction	\$ 3,194,000	\$ 1,104,148	\$ 2,560,525	\$ 426,731
Support services				
Pupils and instructional staff	2,109,293	1,921,627	2,028,742	1,832,708
General administration, school administration, and business	1,408,644	204,503	2,331,386	1,256,585
Operation and maintenance of plant facilities	776,552	776,552	547,024	547,024
Pupil transportation	294,634	272,755	252,501	230,622
Interest and long-term debt	18,750	3,547	27,500	11,802
Unallocated depreciation	120,644	120,644	115,265	115,265
<b>Total Expenses</b>	<b>\$ 7,922,517</b>	<b>\$ 4,403,776</b>	<b>\$ 7,862,943</b>	<b>\$ 4,420,737</b>

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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**Governmental Activities (Continued)**

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

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

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

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

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

Other includes unallocated depreciation.

**The School District's Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., General Fund, Special Revenue Fund, Capital Projects and Debt Service Fund presented in the fund financial statements) had total revenues of \$8,399,603 and expenditures of \$10,101,408. The net change in fund balance for the year was in the General Fund, as a decrease of \$108,325. The School District is able to meet current operating costs with no urgent need for additional funds.

As demonstrated by the various statements and schedules included in the financial section of this report, despite federal funding decreases, the School District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2016, and the amount of increases and decreases in relation to prior year revenues.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2015</u>
Local sources	\$ 4,896,643	58.30%	\$ 300,872
State sources	3,272,279	38.96%	85,612
Federal sources	<u>230,681</u>	<u>2.75%</u>	<u>(24,858)</u>
	<u>\$ 8,399,603</u>	<u>100.00%</u>	<u>\$ 361,626</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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**The School District's Funds (Continued)**

The increases in revenue from local sources is attributable to an increase in the Local Tax Levy in the amount of \$310,383, an increase of other governmental revenues of \$415, a decrease in miscellaneous revenues of \$4,367, an increase in tuition revenue of \$2,696 and a decrease of \$8,255 in the Debt Service Fund.

The increases in state sources are due to an increase in School Choice Aid of \$26,356, increase in other aid including TPAF contributions of \$79,808, and a decrease in Special Revenue Fund state sources of \$20,552.

The decrease in federal sources is due to a decrease of \$24,858 in federal awards in the Special Revenue Fund.

The following schedule presents a summary of General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2016.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2015</u>
Current expenses			
Instruction	\$ 3,194,000	31.62%	\$ 633,475
Undistributed expenditures	4,565,712	45.20%	(589,005)
Capital outlay	2,072,946	20.52%	1,951,559
Debt service			
Principal	250,000	2.47%	-
Interest	<u>18,750</u>	<u>0.19%</u>	<u>(8,750)</u>
 Total	 <u>\$ 10,101,408</u>	 <u>100.00%</u>	 <u>\$ 1,987,279</u>

Expenditures have increased over prior year mostly due to an increase in student supporting services. Expenditures exceeded revenues during the fiscal year, resulting in a decrease to fund balance.

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

**General Fund Budgeting Highlights**

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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**General Fund Budgeting Highlights (Continued)**

During the course of the fiscal year 2016, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

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

**Capital Assets**

At the end of the fiscal year 2016, the School District had \$7,576,526 invested in land, buildings, furniture and equipment. Table 4 shows fiscal year 2016 balances compared to 2015, net of depreciation.

Table 4  
Capital Assets

	<u>2016</u>	<u>2015</u>
Land	\$ 153,671	\$ 153,671
Construction in progress	2,042,560	-
Building and improvements	1,008,066	1,104,272
Machinery and equipment	<u>12,678</u>	<u>14,052</u>
	<u>\$ 3,216,975</u>	<u>\$ 1,271,995</u>

**Debt Administration**

At June 30, 2016, the School District had \$1,876,000 as outstanding debt for bonds for school renovations.

**For the Future**

The Borough of Merchantville School District is in very good financial condition presently. A major concern of the School District is the increased reliance on local property taxes and the reduction of state funding. The School District has an increase in the budget for 2016-2017. As a result, the district will still be able to provide needed services at the high level of quality to which the School District holds itself. However, future finances are not without challenges as the community continues to grow and governmental funding sources are limited.

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

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

The Borough of Merchantville School District did not need to go to a vote for the school budget for the 2014-2015 and 2015-2016 school years due to the budget being under the cap.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Greg Gontowski, School Business Administrator/Board Secretary at Borough of Merchantville Board of Education, c/o Merchantville School District, 130 S. Centre Street, Merchantville, New Jersey 08109 or email at [Gontowski@merchantville.K12.nj.us](mailto:Gontowski@merchantville.K12.nj.us).

**BASIC FINANCIAL STATEMENTS**



## **DISTRICT-WIDE FINANCIAL STATEMENTS**

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
STATEMENT OF NET POSITION (DEFICIT)  
JUNE 30, 2016**

**Exhibit A-1**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Cash and cash equivalents	\$ 744,730	\$ -	\$ 744,730
Due from other funds	117,626	-	117,626
Receivables from other governments	142,203	16,788	158,991
Inventory	-	4,852	4,852
Capital assets, net	3,207,095	9,880	3,216,975
<b>TOTAL ASSETS</b>	<u>4,211,654</u>	<u>31,520</u>	<u>4,243,174</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	<u>147,943</u>	<u>-</u>	<u>147,943</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 4,359,597</u>	<u>\$ 31,520</u>	<u>\$ 4,391,117</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Accounts payable	-	2,874	2,874
Interfund payable	-	116,225	116,225
Payable to state government	78,673	-	78,673
Compensated absences, non current	231,588	-	231,588
Bonds payable, current	250,000	-	250,000
Bonds payable, non-current	1,626,000	-	1,626,000
Net pension liability	752,765	-	752,765
Unearned revenue	17,369	-	17,369
<b>TOTAL LIABILITIES</b>	<u>2,956,395</u>	<u>119,099</u>	<u>3,075,494</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	<u>12,103</u>	<u>-</u>	<u>12,103</u>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	1,331,095	9,880	1,340,975
Restricted for encumbrances	-	-	-
Restricted for other purposes	832,295	-	832,295
Unrestricted			
Designated for capital projects	-	-	-
Unreserved, undesignated	<u>(772,291)</u>	<u>(97,459)</u>	<u>(869,750)</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>1,391,099</u>	<u>(87,579)</u>	<u>1,303,520</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>	<u>\$ 4,359,597</u>	<u>\$ 31,520</u>	<u>\$ 4,391,117</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

**Exhibit A-2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Instruction							
Regular	\$ 2,457,523	\$ -	\$ 1,814,743	\$ -	\$ (642,780)	\$ -	\$ (642,780)
Special education	397,674	-	230,435	-	(167,239)	-	(167,239)
Other special instruction	338,803	-	44,674	-	(294,129)	-	(294,129)
Support services							
Instruction	1,411,543	-	-	-	(1,411,543)	-	(1,411,543)
Student and instruction related services	697,750	-	187,666	-	(510,084)	-	(510,084)
School administrative services	269,881	-	544,852	-	274,971	-	274,971
General and business administrative services	338,495	-	47,604	-	(290,891)	-	(290,891)
Operation and maintenance of plant facilities	776,552	-	-	-	(776,552)	-	(776,552)
Pupil transportation	294,634	-	21,879	-	(272,755)	-	(272,755)
Employee benefits	117,180	-	-	-	(117,180)	-	(117,180)
Transfers to charter schools	71,403	-	-	-	(71,403)	-	(71,403)
On-behalf TPAF contributions	438,507	-	438,507	-	-	-	-
Reimbursement of TPAF contributions	173,178	-	173,178	-	-	-	-
Interest on long-term debt	18,750	-	15,203	-	(3,547)	-	(3,547)
Unallocated depreciation	120,644	-	-	-	(120,644)	-	(120,644)
Total governmental activities	<u>7,922,517</u>	<u>-</u>	<u>3,518,741</u>	<u>-</u>	<u>(4,403,776)</u>	<u>-</u>	<u>(4,403,776)</u>
Business-type activities							
Food service	127,506	52,095	97,175	-	-	21,764	21,764
Total business-type activities	<u>127,506</u>	<u>52,095</u>	<u>97,175</u>	<u>-</u>	<u>-</u>	<u>21,764</u>	<u>21,764</u>
Total primary government	<u>\$ 8,050,023</u>	<u>\$ 52,095</u>	<u>\$ 3,615,916</u>	<u>-</u>	<u>(4,403,776)</u>	<u>21,764</u>	<u>(4,382,012)</u>
General revenues							
Taxes							
Property taxes, levied for general purpose					4,569,664	-	4,569,664
Taxes levied for debt service					253,547	-	253,547
Tuition received					6,800	-	6,800
Other local government					32,441	-	32,441
Miscellaneous income					165,643	-	165,643
Total general revenues, special items, extraordinary items and transfers					<u>5,028,095</u>	<u>-</u>	<u>5,028,095</u>
Change in net position					624,319	21,764	646,083
Net position (deficit), beginning, restated					<u>766,780</u>	<u>(109,343)</u>	<u>657,437</u>
Net position (deficit), ending					<u>\$ 1,391,099</u>	<u>\$ (87,579)</u>	<u>\$ 1,303,520</u>

The accompanying notes are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**

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

**COMBINING AND INDIVIDUAL FUND**  
**STATEMENTS AND SCHEDULES**

**(B through I)**

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016**

**Exhibit B-1**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Cash and cash equivalents	\$ 598,315	\$ 146,415	\$ -	\$ -	\$ 744,730
Due from other funds	704,479	-	-	-	704,479
Receivables from other governments	54,679	87,524	-	-	142,203
<b>TOTAL ASSETS</b>	<u>1,357,473</u>	<u>233,939</u>	<u>-</u>	<u>-</u>	<u>1,591,412</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,357,473</u>	<u>\$ 233,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,591,412</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payable	30,559	139,486	416,559	249	586,853
Payable to other governments	-	78,673	-	-	78,673
Unearned revenue	1,589	15,780	-	-	17,369
<b>TOTAL LIABILITIES</b>	<u>32,148</u>	<u>233,939</u>	<u>416,559</u>	<u>249</u>	<u>682,895</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	-	-	-	-	-
<b>Fund balances (deficit)</b>					
Nonspendable	-	-	-	-	-
Restricted for:					
Maintenance reserve	80,000	-	-	-	80,000
Excess surplus	542,404	-	-	-	542,404
Reserve for excess surplus - designated for subsequent year's expenditures	199,891	-	-	-	199,891
Capital reserve	10,000	-	-	-	10,000
Committed	-	-	-	-	-
Assigned					
Special revenue fund	-	-	-	-	-
Capital projects fund	-	-	(416,559)	-	(416,559)
Debt service fund	-	-	-	(249)	(249)
Other purposes	454,087	-	-	-	454,087
Unassigned	38,943	-	-	-	38,943
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>1,325,325</u>	<u>-</u>	<u>(416,559)</u>	<u>(249)</u>	<u>908,517</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)</b>	<u>\$ 1,357,473</u>	<u>\$ 233,939</u>	<u>\$ -</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds. The cost of the assets is \$7,576,525 and the accumulated depreciation is \$4,369,431	3,207,095
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.	(2,107,588)
Net pension liability	(752,765)
Deferred outflows of resources - related to pensions	147,943
Deferred inflows of resources - related to pensions	<u>(12,103)</u>
Net position of governmental activities	<u>\$ 1,391,099</u>

The accompanying notes are an integral part of this statement.

## GOVERNMENTAL FUNDS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT)

YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local sources					
Local tax levy	\$ 4,569,664	\$ -	\$ -	\$ 253,547	\$ 4,823,211
Other local government units	32,441	-	-	-	32,441
Tuition charges	6,800	-	-	-	6,800
Interest earned on investments	1,678	-	-	-	1,678
Miscellaneous	32,513	-	-	-	32,513
<b>TOTAL LOCAL SOURCES</b>	<b>4,643,096</b>	<b>-</b>	<b>-</b>	<b>253,547</b>	<b>4,896,643</b>
State sources	3,014,582	242,494	-	15,203	3,272,279
Federal sources	-	230,681	-	-	230,681
<b>TOTAL REVENUES</b>	<b>7,657,678</b>	<b>473,175</b>	<b>-</b>	<b>268,750</b>	<b>8,399,603</b>
<b>EXPENDITURES</b>					
Current					
Regular instruction	2,339,421	118,102	-	-	2,457,523
Special education instruction	397,674	-	-	-	397,674
Other instruction	217,826	120,977	-	-	338,803
Support services and undistributed costs					
Instruction	1,411,543	-	-	-	1,411,543
Student and instruction related services	514,897	182,853	-	-	697,750
School administrative services	234,419	35,462	-	-	269,881
General and business administrative services	338,495	-	-	-	338,495
Operation and maintenance of plant facilities	776,552	-	-	-	776,552
Pupil transportation	294,634	-	-	-	294,634
Employee benefits	77,988	15,781	-	-	93,769
Transfers to charter schools	71,403	-	-	-	71,403
On-behalf TPAF contributions	438,507	-	-	-	438,507
Reimbursement TPAF Social Security contributions	173,178	-	-	-	173,178
Debt service					
Principal	-	-	-	250,000	250,000
Interest and other charges	-	-	-	18,750	18,750
Capital outlay- construction services	30,387	-	2,042,559	-	2,072,946
<b>TOTAL EXPENDITURES</b>	<b>7,316,924</b>	<b>473,175</b>	<b>2,042,559</b>	<b>268,750</b>	<b>10,101,408</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>340,754</b>	<b>-</b>	<b>(2,042,559)</b>	<b>-</b>	<b>(1,701,805)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	-	-	-	-	-
Other	187,309	-	-	-	187,309
Bond proceeds	-	-	1,593,480	-	1,593,480
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<b>187,309</b>	<b>-</b>	<b>1,593,480</b>	<b>-</b>	<b>1,780,789</b>
<b>NET CHANGES IN FUND BALANCES (DEFICIT)</b>	<b>528,063</b>	<b>-</b>	<b>(449,079)</b>	<b>-</b>	<b>78,984</b>
<b>FUND BALANCE, (DEFICIT) BEGINNING</b>	<b>797,262</b>	<b>-</b>	<b>32,520</b>	<b>(249)</b>	<b>829,533</b>
<b>FUND BALANCE, (DEFICIT) ENDING</b>	<b>\$ 1,325,325</b>	<b>\$ -</b>	<b>\$ (416,559)</b>	<b>\$ (249)</b>	<b>\$ 908,517</b>

The accompanying notes are an integral part of this statement.



**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

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Exhibit B-3

TOTAL NET CHANGES IN FUND BALANCES (DEFICIT) -  
 GOVERNMENTAL FUNDS (from B-2) \$ 78,984

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

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

Depreciation expense	(120,644)	
Capital outlay	<u>2,072,559</u>	
		1,951,915

Repayment of bond principal is an expenditure in the governmental funds,  
 but the repayment reduces long-term liabilities in the statement of net assets  
 and is not reported in the statement of activities. 250,000

The issuance of long term debt (bonds) provides current financial resources  
 to governmental funds, while the repayment of the principal consumes the  
 current financial resources of the governmental funds. This amount is the  
 net effect of these differences in the treatment of long term debt. (1,593,480)

In the statement of activities, certain operating expenses, e.g., compensated  
 absences (vacations and sick pay) are measured by the amounts earned  
 during the year. In the governmental funds, however, expenditures for these  
 items are reported in the amount of financial resources used (paid). This  
 amount is the net effect of the difference in the treatment of compensated  
 absences. (39,832)

Governmental funds report District pension contributions as expenditures.  
 However in the statement of activities, the cost of pension benefits earned is  
 reported as pension expense. This is the amount by which pension benefits  
 earned exceeded the District's pension contributions in the current period. (23,268)

**CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES** **\$ 624,319**

The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 PROPRIETARY FUND - FOOD SERVICES FUND  
 STATEMENT OF NET POSITION (DEFICIT)  
 JUNE 30, 2016**

**Exhibit B-4**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**CURRENT ASSETS**

Cash and cash equivalents	\$ -
Accounts receivable	
State	350
Federal	16,438
Inventory	<u>4,852</u>

**TOTAL CURRENT ASSETS** 21,640

**FIXED ASSETS**

Equipment	30,698
Accumulated depreciation	<u>(20,818)</u>

9,880

**DEFERRED OUTFLOWS OF RESOURCES** -

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** \$ 31,520

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)**

**LIABILITIES**

Accounts payable	2,874
Interfund payable	<u>116,225</u>

**TOTAL LIABILITIES** 119,099

**DEFERRED INFLOWS OF RESOURCES** -

**NET POSITION (DEFICIT)**

Net investment in capital assets	9,880
Reserved for encumbrances	-
Unrestricted	<u>(97,459)</u>

**TOTAL NET POSITION (DEFICIT)** (87,579)

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES  
 AND NET POSITION (DEFICIT)** \$ 31,520

The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT** **Exhibit B-5**  
**PROPRIETARY FUND - FOOD SERVICES FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT)**  
**YEAR ENDED JUNE 30, 2016**

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**OPERATING REVENUE**

Local sources	
Daily sales - reimbursable programs	
School lunch program	\$ -
Daily sales - non-reimbursable programs	52,095
<b>TOTAL OPERATING REVENUE</b>	<u>52,095</u>

**OPERATING EXPENSES**

Salaries	63,515
Depreciation	914
Supplies and materials	4,301
Cost of sales	58,776
<b>TOTAL OPERATING EXPENSES</b>	<u>127,506</u>

OPERATING LOSS (75,411)

**NON-OPERATING REVENUES**

State sources	
State school lunch program	1,243
State school breakfast program	-
Federal sources	
National school lunch program	62,248
National school breakfast program	5,131
Food distribution program	11,855
Management fee refund	16,698
<b>TOTAL NON-OPERATING REVENUES</b>	<u>97,175</u>

LOSS BEFORE OPERATING TRANSFERS IN (OUT) 21,764

OPERATING TRANSFERS IN (OUT)

Operating transfers in - general fund	-
<b>CHANGES IN NET POSITION (DEFICIT)</b>	<u>21,764</u>

DEFICIT, BEGINNING (109,343)

DEFICIT, ENDING \$ (87,579)

The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 PROPRIETARY FUND - FOOD SERVICES FUND  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2016**

**Exhibit B-6**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 52,095
Payments to employees	(63,515)
Payments to suppliers	(102,465)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(113,885)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State sources	1,243
Federal sources	67,379
Interfund	28,565
Other	16,698
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>113,885</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of equipment	<u>-</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>-</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	-
CASH AND CASH EQUIVALENTS, BEGINNING	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ -</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (75,411)
Depreciation	914
Donated commodities received during the year	11,855
Increase in accounts receivable	(6,104)
Increase in inventory	(1,608)
Decrease in accounts payable	(43,531)
Total adjustments	<u>(38,474)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (113,885)</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2016**

**Exhibit B-7**

	<u>Expendable Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 35,375	\$ 99,435
Prepaid payroll deductions and withholding	<u>-</u>	<u>4,092</u>
<b>TOTAL ASSETS</b>	<u>\$ 35,375</u>	<u>\$ 103,527</u>
<b>LIABILITIES</b>		
Payroll deductions and withholding	\$ -	\$ 82,418
Interfund payable	-	1,960
Due to student groups	<u>-</u>	<u>19,149</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>103,527</u>
<b>NET POSITION</b>		
Reserved for unemployment claims	34,326	-
Principal portion - expendable trust	<u>1,049</u>	<u>-</u>
<b>TOTAL NET POSITION</b>	<u>35,375</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 35,375</u>	<u>\$ 103,527</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 YEAR ENDED JUNE 30, 2016**

**Exhibit B-8**

	<u>Expendable Trust Funds</u>	<u>Agency Funds</u>
<b>ADDITIONS</b>		
Local sources		
Interest	\$ 70	\$ -
Withholdings	<u>4,390</u>	<u>-</u>
<b>TOTAL ADDITIONS</b>	<u>4,460</u>	<u>-</u>
<b>DEDUCTIONS</b>		
Undistributed expenditures - unemployment benefits	-	-
Bank fees	<u>-</u>	<u>-</u>
<b>TOTAL DEDUCTIONS</b>	-	-
<b>CHANGE IN NET POSITION</b>	4,460	-
NET POSITION, BEGINNING	<u>30,915</u>	<u>-</u>
<b>NET POSTION, ENDING</b>	<u>\$ 35,375</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Reporting Entity**

The Borough of Merchantville School District is a Type II district located in the County of Camden, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms and staggered so that three members are elected each year. The purpose of the District is to educate students in grades K-8. The School District had an approximate enrollment as of June 30, 2016 of 371 students.

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

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

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

**Basis of Presentation**

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

*District-Wide Financial Statements*

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Basis of Presentation (Continued)**

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

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

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

*Fund Financial Statements*

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

**Fund Accounting**

**GOVERNMENTAL FUNDS**

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

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

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



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fund Accounting (Continued)**

**GOVERNMENTAL FUNDS (Continued)**

**General Fund (Continued)**

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

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

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

**Debt Service Fund** – The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

**PROPRIETARY FUNDS**

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

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fund Accounting (Continued)**

**PROPRIETARY FUNDS (Continued)**

**Enterprise Fund (Continued)**

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

Food Service Fund:	
Equipment	12 Years

**FIDUCIARY FUNDS**

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

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

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

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

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

**Basis of Accounting**

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Basis of Accounting (Continued)**

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

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

In accordance with the provisions of GASB Statement 65, certain items previously reported as assets and liabilities are now reported as deferred outflows of resources and deferred inflows of resources. Specifically, grant revenue previously reported as deferred revenue is now reported as a deferred inflow of resources.

**Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the county office for approval and are voted on at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the Special Revenue Fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. All budget amendments/transfers must be approved by School Board Resolution.

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Budgets/Budgetary Control (Continued)**

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

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

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

	2016		2015	
	General Fund	Special Revenue Fund	General Fund	Special Revenue Fund
Sources/inflows of resources:				
Actual amounts (budgetary) revenues from the budgetary comparison schedules.	\$ 7,619,128	\$ 488,956	\$ 7,165,663	\$ 518,585
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	249,607	-	293,316	-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary purposes</i> , but in the year the supplies are received for <i>financial reporting purposes</i> .	-	(15,781)	-	-
State aid payment recognized for budgetary purposes, not recognized for GAAP purposes until the subsequent year.	(211,057)	-	(249,607)	-
 Total revenues (GAAP Basis)	<u>\$ 7,657,678</u>	<u>\$ 473,175</u>	<u>\$ 7,209,372</u>	<u>\$ 518,585</u>
Uses/outflows of resources:				
Actual amounts (budgetary) total outflows	\$ 7,316,924	\$ 488,956	\$ 7,318,044	\$ 518,585
Adjustments:				
Current year encumbrances	-	(15,781)	-	-
 Total expenditures (GAAP Basis)	<u>\$ 7,316,924</u>	<u>\$ 473,175</u>	<u>\$ 7,318,044</u>	<u>\$ 518,585</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Encumbrances**

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

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**Cash, Cash Equivalents, and Investments**

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

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

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

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral having a market value at least equal to five percent of the average daily balance of collected public funds to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to Governmental Units.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Tuition Receivable**

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

**Tuition Payable**

Tuition charges for the fiscal year ended June 30, 2016, are based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

**Inventory and Prepaid Expenses**

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

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

**Interfund Transactions**

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Capital Assets**

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

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

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

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

**Compensated Absences**

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

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deferred Outflows and Deferred Inflows of Resources**

The Statement of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after Total Assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after Total Liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The District is required to report the following as deferred outflows of resources and deferred inflows of resources:

**Defined Benefit Pension Plans** – The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investment, changes in the District's proportion of expense and liabilities to the pension as a whole, differences between the District's pension contribution and its proportionate share of contributions, and the District's pension contributions subsequent to the pension valuation measurement date.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the District is eligible to realize the revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

**Long-Term Obligations**

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

**Fund Equity**

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



**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Equity Classification**

*Government-Wide Statements*

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

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

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

*Fund Statements*

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Operating Revenues and Expenses**

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

**Subsequent Events**

The District has evaluated events or transactions that have occurred after June 30, 2016 (the financial statement date) through December 1, 2016, the date that the financial statements were available to be issued. Except as noted below, no events or transactions occurred requiring adjustment to or disclosure in the financial statements.

**Impact of Recently Issued Accounting Principles**

**Recently Issued and Adopted Pronouncements**

The GASB has issued the following Statements which became effective in fiscal year as shown below:

Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015 and did not have any effect on the District's financial reporting.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement is effective for fiscal years beginning after June 15, 2015 and did not have a material impact on the District's financial reporting.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for fiscal years beginning after June 15, 2015 and is reflected in the District's financial reporting.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. This Statement is effective for fiscal years beginning after June 15, 2015 and did not have any effect on the District's financial reporting.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Impact of Recently Issued Accounting Principles (Continued)**

**Recently Issued Accounting Pronouncements**

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement becomes effective for fiscal years beginning after June 15, 2016. The District does not expect this Statement will have an impact on their financial statements.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement becomes effective for the District in fiscal years beginning after June 15, 2017. The District has not evaluated the impact of the adoption of this Statement on their financial statements.

Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement becomes effective for fiscal years beginning after June 15, 2016. The District does not expect this Statement will have an impact on their financial statements.

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS

**Deposits**

The District maintains cash balances at a financial institution. Amounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC). Balances may exceed this limit at times throughout the year. The District has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2016, the carrying amount of the District's deposits was \$744,730 and the bank balance was \$1,253,219.

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

**Investments**

**New Jersey Cash Management Fund (Fund)** - All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to ensure the quality of investments and to minimize the risks related to the investments. In all the years of the Division of Investment's (Division) existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of June 30, 2016, the District had \$735 on deposit with the New Jersey Cash Management Fund.

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

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal investment policy that addresses credit risk, however, there were no investments that were subjected to credit risk as of June 30, 2016.

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy that addresses custodial credit risk. The District held no investments that exposed it to custodial credit risk as of June 30, 2016.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that addresses foreign currency risk, however, the District held no investments that were exposed to foreign currency risk as of June 30, 2016.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

NOTE 3 CAPITAL ASSETS

The following schedule is a summarization of the changes in capital assets by source for the fiscal year ended June 30, 2015:

	Balance June 30, 2015	Additions	Transfers or Retirements	Balance June 30, 2016
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 153,671	\$ -	\$ -	\$ 153,671
Construction in progress	-	2,042,560	-	2,042,560
<b>Total capital assets not being depreciated</b>	<u>153,671</u>	<u>2,042,560</u>	<u>-</u>	<u>2,196,231</u>
<i>Capital assets being depreciated:</i>				
Site improvements	6,022	30,000	-	36,022
Building and improvements	4,834,020	-	-	4,834,020
Machinery and equipment	510,253	-	-	510,253
<b>Total capital assets being depreciated</b>	<u>5,350,295</u>	<u>30,000</u>	<u>-</u>	<u>5,380,295</u>
Total capital assets at historical cost	<u>5,503,966</u>	<u>2,072,560</u>	<u>-</u>	<u>7,576,526</u>
Less accumulated depreciation for				
Site improvements	-	(1,500)	(6,022)	(7,522)
Building and improvements	(3,735,770)	(118,684)	-	(3,854,454)
Machinery and equipment	(506,995)	(460)	-	(507,455)
<b>Total accumulated depreciation</b>	<u>(4,242,765)</u>	<u>(120,644)</u>	<u>(6,022)</u>	<u>(4,369,431)</u>
Governmental capital assets, net	<u>\$ 1,261,201</u>	<u>\$ 1,951,916</u>	<u>\$ (6,022)</u>	<u>\$ 3,207,095</u>
<b>Business-type activities:</b>				
<i>Capital assets being depreciated</i>				
Equipment	\$ 30,698	\$ -	\$ -	\$ 30,698
Less accumulated depreciation	(19,904)	(914)	-	(20,818)
Enterprise fund capital assets, net	<u>\$ 10,794</u>	<u>\$ (914)</u>	<u>\$ -</u>	<u>\$ 9,880</u>

Depreciation expense for governmental activities was \$120,644 as of June 30, 2016 and was not charged to any specific governmental programs, but is reported as a direct expense on the Statement of Activities.

Depreciation expense for business-type activities was \$914 as of June 30, 2016 and is reported as an operating expense on the Statement of Reviews, Expenses and Changes in Net Position (Deficit).

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**NOTE 4 CAPITAL RESERVE ACCOUNT**

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

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

The balance of the capital reserve for the year ended June 30, 2016 is \$10,000.

**NOTE 5 LONG-TERM OBLIGATIONS**

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the Statement of Net Position (Deficit).

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016	Amounts Due Within One Year
Bonds payable	\$ 500,000	\$ 1,626,000	\$ (250,000)	\$ 1,876,000	\$ 250,000
Compensated absences payable	247,613	-	(16,025)	231,588	-
Net pension liability	598,643	154,122	-	752,765	-
	<u>\$ 1,346,256</u>	<u>\$ 1,780,122</u>	<u>\$ (266,025)</u>	<u>\$ 2,860,353</u>	<u>\$ 250,000</u>

**Bonds Payable**

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

Principal and interest due on bonds outstanding is as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 250,000	\$ 83,483	\$ 333,483
2018	126,000	47,515	173,515
2019	125,000	43,750	168,750
2020	125,000	40,000	165,000
2021	125,000	36,250	161,250
2022-2026	605,000	125,600	730,600
2027-2031	520,000	40,412	560,412
	<u>\$ 1,876,000</u>	<u>\$ 417,010</u>	<u>\$ 2,293,010</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2016**

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NOTE 5 LONG-TERM OBLIGATIONS (continued)

**Capital Leases**

The District does not currently have any open capital leases as of June 30, 2016.

NOTE 6 OPERATING LEASES

The District has commitments to lease certain office equipment under operating leases expiring August 2018. Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 22,489
2018	22,489
2019	3,748
2020	-
Total future minimum lease payments	<u>\$ 48,726</u>

Rental payments for the year ended June 30, 2016 were \$22,401.

NOTE 7 PENSION PLANS

**Description of Plans**

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

**Teachers' Pension and Annuity Fund (TPAF)**

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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NOTE 7 PENSION PLANS (continued)

**Public Employees' Retirement System (PERS)**

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A and 43:3B to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system under another state or local jurisdiction.

**Vesting and Benefit Provisions**

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

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

**Significant Legislation**

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



**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2016**

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NOTE 7 PENSION PLANS (continued)

**Contribution Requirements**

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114 and 115, P.L. 1997 and Chapter 62, P.L. 1994, plan members enrolled in the TPAF and PERS, respectively, were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. Pursuant to the provisions of Chapter 78 P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase will be phased-in over seven years, which began July 1, 2012. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the district has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions*.

The District's contractually required contribution rate for the fiscal year ended June 30, 2015 was 4.40% of the District's covered-employee payroll, of which 0.00% of payroll was required from the District and 100.00% of payroll was required from the State of New Jersey. The District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2015 because of the 100.00% special funding situation with the State of New Jersey.

During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$438,507 to the TPAF for normal and post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A 18A:66-90 the State of New Jersey reimbursed the District \$173,178 during the fiscal year ended June 30, 2016 for the employer's share of the social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund and district-wide statements and schedules as a revenue and expenditure.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Teachers' Pension and Annuity Fund** – At June 30, 2016 the District was not required to report a liability for its proportionate share of the net pension liability because of a 100% reduction for State of New Jersey pension support provided to the District. The State's proportionate share of net pension liability, attributable to the District is as follows:

District's proportionate share of net pension liability	\$ -
State of New Jersey's proportionate share of net pension liability associated with the District	16,285,513
	<u>\$ 16,285,513</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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NOTE 7 PENSION PLANS (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Teachers' Pension and Annuity Fund (Cont'd)** – The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At June 30, 2016, the District proportion was 0.00% due to the 100% special funding situation of the State of New Jersey. For the fiscal year ended June 30, 2015, the District recognized \$994,377 in revenue and expense, in the Government-Wide Financial Statements, for the State of New Jersey on behalf TPAF contributions.

**Public Employees' Retirement System** – At June 30, 2016, the District reported a liability of \$752,765 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion was 0.0033533713%, which was an increase of 0.0001559597% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized \$56,646 in the Government-Wide Financial Statements, for pension expense for PERS.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	80,841	-
Net difference between projected and actual earnings on pension plan investments	-	12,103
Changes in proportion and differences between District contributions and proportionate share of contributions	33,724	-
District contributions subsequent to the measurement date	<u>33,378</u>	<u>-</u>
	<u>\$ 147,943</u>	<u>\$ 12,103</u>

\$33,378 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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NOTE 7 PENSION PLANS (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Public Employees' Retirement System (Cont'd)** – Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	<u>PERS</u>
2017	\$ (1,942)
2018	(1,942)
2019	(1,942)
2020	1,235
Thereafter	649
	<u>\$ (3,942)</u>

**Actuarial Assumptions**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>TPAF</u>	<u>PERS</u>
Inflation	2.50%	3.01%
Salaries increases:		
2012-2021	Varies based on experience	2.15% - 4.40% based on age
Thereafter	Varies based on experience	3.15% - 5.40% based on age
Investment rate of return	7.90%	7.90%
Mortality rate table	RP-2000	RP-2000
Period of Actuarial Experience Study		
upon which actuarial assumptions were based	July 1, 2009-June 30, 2012	July 1, 2008-June 30, 2011

For TPAF, mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements were based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

For PERS, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

NOTE 7 PENSION PLANS (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Actuarial Assumptions (Continued)**

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of returns for each major asset class included in TPAF's and PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	TPAF		PERS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.53%	5.00%	1.04%
U.S. Treasuries	-	-	1.75%	1.64%
U.S. Government bonds	1.75%	1.39%	1.00%	2.49%
U.S. Credit bonds	13.50%	2.72%	-	-
Investment Grade Credit	-	-	10.00%	1.79%
U.S. Mortgages	2.10%	2.54%	2.10%	1.62%
U.S. High yield bonds	2.00%	4.55%	2.00%	4.03%
U.S. Inflation-indexed bonds	1.50%	1.47%	1.50%	3.25%
Broad U.S. equities	27.25%	5.63%	27.25%	8.50%
Hedge Funds- Multi Strategy	4.00%	4.59%	-	-
Hedge Funds Equity Hedge	4.00%	5.68%	-	-
Hedge Funds Distressed	4.00%	4.30%	-	-
Developed foreign equities	12.00%	6.22%	12.00%	6.88%
Emerging market equities	6.40%	8.46%	6.40%	10.00%
Private equity	9.25%	9.15%	9.25%	12.41%
Hedge funds/absolute return	-	-	12.00%	4.72%
Real estate (property)	4.25%	3.97%	2.00%	6.83%
Real estate (REITS)	-	-	4.25%	5.12%
Commodities	1.00%	3.58%	1.00%	5.32%
Global Debt ex U.S.	-	-	3.50%	-0.40%
Timber	1.00%	4.09%	-	-
Farmland	1.00%	4.61%	-	-
	<u>100%</u>		<u>100%</u>	

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2016**

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NOTE 7 PENSION PLANS (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 4.13% and 4.68% for TPAF as of June 30, 2015 and 2014, respectively, and 4.90% and 5.39% for PERS as of June 30, 2015 and 2014, respectively. For TPAF and PERS, these single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates for TPAF and PERS assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2017 for TPAF and 2033 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027 for TPAF and 2033 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

**Teacher's Pension and Annuity Fund (TPAF)**

As indicated above, TPAF has a special funding situation where the State pays 100% of the District's annual required contribution. As such, the net pension liability as of June 30, 2015 attributable to the District is \$0 and the State's net pension liability attributable to the District using discount rate of 4.13%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	TPAF		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability	<u>19,469,127</u>	<u>16,285,513</u>	<u>13,721,836</u>
	<u>\$ 19,469,127</u>	<u>\$ 16,285,513</u>	<u>\$ 13,721,836</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2016**

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NOTE 7 PENSION PLANS (continued)

**Sensitivity of District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate (Continued)**

**Public Employees Retirement System (PERS)**

The following presents the District's proportionate share of the net pension liability at June 30, 2015 calculated using a discount rate of 4.90% for PERS, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	PERS		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the net pension liability	\$ 935,594	\$ 752,765	\$ 599,482

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

NOTE 8 POST-RETIREMENT BENEFITS

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 education employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. 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 benefits 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 employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**NOTE 9 COMPENSATED ABSENCES**

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

District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to subsequent years. Upon retirement with not less than fifteen (15) years of service in the District, the District shall pay the employee for unused sick leave in accordance with the District's agreements with the various employee unions. Vacation days not used during the year may only be carried forward with approval from the Superintendent.

The liability for vested compensated absences of the governmental fund types is recorded and reflected as a governmental activity on the Statement of Net Position. The current portion of the compensated absence balance is not considered material to the applicable fund total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences.

The liability for vested compensated absences of the Enterprise Fund is recorded within those funds as the benefits accrue to employees. As of June 30, 2016, no liability existed for compensated absences in the Food Service Fund.

**NOTE 10 DEFERRED COMPENSATION**

The Board offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Service Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators during the fiscal year ended June 30, 2016, were Seeley Agency, Lincoln Investment Planning, Vanguard Funds and Equitable.

**NOTE 11 RISK MANAGEMENT**

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

**Property and Liability Insurance**

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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NOTE 11 RISK MANAGEMENT (CONTINUED)

**New Jersey Unemployment Compensation Insurance**

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ -	\$ 4,460	\$ -	\$ 34,326
2014-2015	\$ -	\$ 5,041	\$ -	\$ 29,866
2013-2014	\$ -	\$ 5,955	\$ -	\$ 24,773

NOTE 12 INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet as of June 30, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 704,479	\$ 30,559 (e)
Special Revenue Fund	-	139,486 (a)
Food Service Fund	-	116,225 (b)
Debt Service Fund	-	249 (c)
Agency Funds	30,559	31,960 (d) (e)
Capital Projects Fund	-	416,559
	<u>\$ 735,038</u>	<u>\$ 735,038</u>

- (a) Transfers from General Fund to cover operating deficit due to decreases in funding.
- (b) Transfer from General Fund to cover operating deficit.
- (c) Transfer from General Fund to cover debt service payments.
- (d) Amounts in payroll agency fund in excess of required withholdings.
- (e) Transfers between Agency Funds and General Fund for excess funds.

NOTE 13 INVENTORY

Inventory in the Food Service Fund as of June 30, 2016 is valued at \$4,852 and consists of various food products and supplies.

The value of federal donated commodities as reflected on Schedule K-3 is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.



**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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NOTE 14 FUND BALANCE APPROPRIATED

- General Fund – of the \$1,325,325 General Fund balance as of June 30, 2016, \$80,000 is reserved for maintenance, \$542,404 for Excess Surplus, \$199,891 for subsequent year’s expenditures, \$10,000 for capital reserve, \$454,087 is assigned for other purposes which is primarily encumbrances, and \$38,943 is unassigned.
- Special Revenue Fund – The Special Revenue Fund balance as of June 30, 2016 is \$0.
- Capital Projects Fund –The Capital Projects Fund balance as of June 30, 2016 is a deficit of (\$416,559).
- Debt Service Fund – The Debt Service Fund balance as of June 30, 2016 is a deficit of (\$249).

NOTE 15 CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to N.J.S.A 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years’ budget. The excess fund balance as of June 30, 2016 is \$542,404. The excess fund balance at June 30, 2015 was \$199,891. Pursuant to the provisions of Executive Order No. 14, \$0 of that amount was approved by the Commissioner of the Department of Education for withdrawal to address any budget shortfall in the General Fund account group due to the 2015-2016 withholding of state aid.

NOTE 16 LITIGATION

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

NOTE 17 NET POSITION

Net investment in capital assets consists of the following:

Land	\$ 153,671
Other capital assets net of accumulated depreciation	3,063,304
Less: related long-term debt outstanding, less unspent portion	<u>(1,876,000)</u>
	<u>\$ 1,340,975</u>

The government-wide statement of net position (deficit) reports \$832,295 of restricted net position of which \$90,000 is restricted by enabling legislation.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**NOTE 18 FUND BALANCE**

Generally Accepted Accounting Principles (GAAP) requires disclosure of individual funds that have deficit balances at year-end. As of June 30, 2016, there were deficit balances of \$(416,559) in the Capital Projects Fund and \$(249) in the Debt Service Fund.

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Debt Service</u>	<u>Total Governmental Funds</u>
<b>Fund Balances:</b>					
<b>Nonspendable</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted for:</b>					
Maintenance	80,000	-	-	-	80,000
Excess surplus	542,404	-	-	-	542,404
Reserve for excess surplus - designated for subsequent year's expenditures	199,891	-	-	-	199,891
Capital reserve	10,000	-	-	-	10,000
<b>Committed to:</b>					
Capital projects	-	-	-	-	-
<b>Assigned</b>					
Special revenue fund	-	-	-	-	-
Capital projects fund	-	-	(416,559)	-	(416,559)
Debt service fund	-	-	-	(249)	(249)
Encumbrances	271,112	-	-	-	271,112
Designated for subsequent year's expenditures	182,975	-	-	-	182,975
<b>Unassigned</b>	<u>38,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,943</u>
<b>Total fund balances:</b>	<u>\$ 1,325,325</u>	<u>\$ -</u>	<u>\$ (416,559)</u>	<u>\$ (249)</u>	<u>\$ 908,517</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART II**

## **GENERAL FUND DETAIL STATEMENTS**

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE -  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2016**

**Exhibit C-1**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES</b>					
<b>LOCAL SOURCES</b>					
Local tax levy	\$ 4,569,664	\$ -	\$ 4,569,664	\$ 4,569,664	\$ -
Other local government units	10,000	-	10,000	32,441	22,441
Tuition	-	-	-	6,800	6,800
Interest on investments	-	-	-	1,678	1,678
Miscellaneous	-	-	-	32,513	32,513
<b>TOTAL LOCAL SOURCES</b>	<u>4,579,664</u>	<u>-</u>	<u>4,579,664</u>	<u>4,643,096</u>	<u>63,432</u>
<b>STATE SOURCES</b>					
Core curriculum standards aid	-	-	-	-	-
Transportation aid	21,879	-	21,879	21,879	-
Extraordinary aid	55,000	-	55,000	44,674	(10,326)
Special education aid	230,435	-	230,435	230,435	-
Equalization aid	1,474,903	-	1,474,903	1,474,903	-
Security aid	11,201	-	11,201	11,201	-
School choice aid	544,852	-	544,852	544,852	-
Other unrestricted aid	36,403	-	36,403	36,403	-
On-behalf TPAF pension contributions (non-budgeted)	-	-	-	438,507	438,507
Reimbursement TPAF Social	-	-	-	-	-
Security contributions (non-budgeted)	-	-	-	173,178	173,178
<b>TOTAL STATE SOURCES</b>	<u>2,374,673</u>	<u>-</u>	<u>2,374,673</u>	<u>2,976,032</u>	<u>601,359</u>
<b>TOTAL REVENUES</b>	<u>6,954,337</u>	<u>-</u>	<u>6,954,337</u>	<u>7,619,128</u>	<u>664,791</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENSES</b>					
Instruction - regular programs					
Salaries of teachers					
Preschool/kindergarten	305,662	9,900	315,562	273,551	42,011
Grades 1-5	1,033,441	(5,000)	1,028,441	997,321	31,120
Grades 6-8	693,881	61,300	755,181	740,162	15,019
Home instruction					
Salaries of teachers	6,260	-	6,260	660	5,600
Purchased professional - educational services	4,200	-	4,200	-	4,200
Other purchased services	-	-	-	-	-
General supplies	-	-	-	-	-
Regular programs - undistributed instruction					
Other salaries for instruction	50,368	5,400	55,768	52,754	3,014
Instructional aides - substitutes	3,000	6,000	9,000	5,275	3,725
Purchased professional - educational services	12,765	600	13,365	13,330	35
Purchased technical services	30,565	7,650	38,215	34,025	4,190
Cleaning, repair, maintenance	-	1,200	1,200	340	860
Other purchased services	46,144	800	46,944	45,688	1,256
General supplies	144,955	25,600	170,555	164,760	5,795
Textbooks and educational supplies	27,550	(15,700)	11,850	11,555	295
<b>TOTAL REGULAR PROGRAMS</b>	<u>2,358,791</u>	<u>97,750</u>	<u>2,456,541</u>	<u>2,339,421</u>	<u>117,120</u>
Cognitive mild					
Purchased professional - educational services	-	-	-	-	-
<b>TOTAL COGNITIVE MILD</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Perceptually impaired					
Salaries of teachers	-	-	-	-	-
Other salaries for instruction	-	-	-	-	-
Purchased professional - educational services	-	-	-	-	-
General supplies	-	-	-	-	-
Textbooks	-	-	-	-	-
<b>TOTAL PERCEPTUALLY IMPAIRED</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - (CONTINUED)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2016**

**Exhibit C-1  
(Continued)**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES (Continued)</b>					
<b>CURRENT EXPENSES (Continued)</b>					
Resource room					
Salaries of teachers	287,556	(19,200)	268,356	263,184	5,172
Other salaries for instruction	129,219	(3,800)	125,419	122,302	3,117
General supplies	1,000	500	1,500	1,466	34
Textbooks	-	-	-	-	-
<b>TOTAL RESOURCE ROOM</b>	<b>417,775</b>	<b>(22,500)</b>	<b>395,275</b>	<b>386,952</b>	<b>8,323</b>
Preschool Disabilities- Part Time					
Salaries of teachers	29,796	(12,500)	17,296	10,722	6,574
Other salaries for instruction	-	-	-	-	-
<b>TOTAL PRESCHOOL DISABILITIES</b>	<b>29,796</b>	<b>(12,500)</b>	<b>17,296</b>	<b>10,722</b>	<b>6,574</b>
Home instruction					
Purchased professional - educational services	2,100	-	2,100	-	2,100
General supplies	-	-	-	-	-
<b>TOTAL HOME INSTRUCTION</b>	<b>2,100</b>	<b>-</b>	<b>2,100</b>	<b>-</b>	<b>2,100</b>
<b>TOTAL SPECIAL EDUCATION</b>	<b>449,671</b>	<b>(35,000)</b>	<b>414,671</b>	<b>397,674</b>	<b>16,997</b>
Basic skills/remedial					
Salaries of teachers	195,030	(38,750)	156,280	155,080	1,200
Purchased professional - educational services	-	-	-	-	-
General supplies	1,065	450	1,515	1,383	132
<b>TOTAL BASIC SKILLS/REMEDIAL</b>	<b>196,095</b>	<b>(38,300)</b>	<b>157,795</b>	<b>156,463</b>	<b>1,332</b>
Bilingual education					
Salaries of teachers	-	-	-	-	-
Purchased professional - educational services	2,000	1,500	3,500	3,003	497
General supplies	200	-	200	-	200
<b>TOTAL BILINGUAL EDUCATION</b>	<b>2,200</b>	<b>1,500</b>	<b>3,700</b>	<b>3,003</b>	<b>697</b>
School sponsored co-curricular activities					
Salaries	53,711	(24,954)	28,757	21,935	6,822
Purchased services	3,264	(3,264)	-	-	-
Supplies and materials	4,100	(4,010)	90	10	80
Other objects	1,562	410	1,972	1,955	17
<b>TOTAL SCHOOL SPONSORED CO-CURRICULAR ACTIVITIES</b>	<b>62,637</b>	<b>(31,818)</b>	<b>30,819</b>	<b>23,900</b>	<b>6,919</b>
Athletics					
Salaries	4,000	27,154	31,154	22,909	8,245
Purchased services	1,500	4,464	5,964	2,856	3,108
Supplies and materials	3,000	4,000	7,000	4,269	2,731
Other objects	-	100	100	58	42
<b>TOTAL ATHLETICS</b>	<b>8,500</b>	<b>35,718</b>	<b>44,218</b>	<b>30,092</b>	<b>14,126</b>
Summer School					
Salaries	3,000	-	3,000	3,000	-
Other salaries for instruction	1,500	(100)	1,400	1,368	32
<b>TOTAL SUMMER SCHOOL</b>	<b>4,500</b>	<b>(100)</b>	<b>4,400</b>	<b>4,368</b>	<b>32</b>
<b>TOTAL INSTRUCTION</b>	<b>3,082,394</b>	<b>29,750</b>	<b>3,112,144</b>	<b>2,954,921</b>	<b>157,223</b>
Undistributed expenses instruction					
Tuition					
Regular - LEAs-in state	573,321	164,169	737,490	737,489	1
Co. special services and regional day school	-	-	-	-	-
To other LEAs within state special	-	113,400	113,400	113,394	6
County vocational school districts regular	61,520	-	61,520	61,520	-
County vocational school districts special	15,380	-	15,380	15,380	-
County special services and regional day schools	225,339	(95,318)	130,021	129,818	203
Private schools/handicapped within state	447,484	(122,956)	324,528	266,198	58,330
Private schools/handicapped out of state	72,139	(3,116)	69,023	-	69,023
State Facilities	-	-	-	-	-
Other	90,838	-	90,838	87,744	3,094
<b>TOTAL UNDISTRIBUTED EXPENSES INSTRUCTION</b>	<b>1,486,021</b>	<b>56,179</b>	<b>1,542,200</b>	<b>1,411,543</b>	<b>130,657</b>
Attendance and social work					
Purchased professional and technical services	-	-	-	-	-

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - (CONTINUED)  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2016**

**Exhibit C-1  
 (Continued)**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES (Continued)</b>					
CURRENT EXPENSES (Continued)					
Undistributed expenses (Continued)					
Health services					
Salaries	90,538	-	90,538	89,103	1,435
Purchased professional and technical services	3,000	-	3,000	3,000	-
Other purchased services	565	-	565	93	472
Supplies and materials	1,000	2,300	3,300	3,287	13
<b>TOTAL HEALTH SERVICES</b>	<b>95,103</b>	<b>2,300</b>	<b>97,403</b>	<b>95,483</b>	<b>1,920</b>
Other support services - students - related services - extraordinary services					
Salaries	67,935	(1,000)	66,935	66,435	500
Purchased professional - educational services	16,320	(4,200)	12,120	2,732	9,388
Supplies and materials	913	300	1,213	1,126	87
Other objects	-	-	-	-	-
<b>TOTAL OTHER SUPPORT SERVICES - STUDENTS - RELATED SERVICES - EXTRAORDINARY SERVICES</b>	<b>85,168</b>	<b>(4,900)</b>	<b>80,268</b>	<b>70,293</b>	<b>9,975</b>
Special education - extraordinary services					
Salaries	-	-	-	-	-
Purchased professional - educational services	86,477	-	86,477	54,734	31,743
<b>TOTAL SPECIAL EDUCATION - EXTRAORDINARY SERVICES</b>	<b>86,477</b>	<b>-</b>	<b>86,477</b>	<b>54,734</b>	<b>31,743</b>
Other support services - guidance					
Salaries - other professionals	49,139	2,600	51,739	51,670	69
Purchased professional - educational services	5,000	-	5,000	5,000	-
Other purchased professional and technical services	-	-	-	-	-
Other purchased services	-	-	-	-	-
Travel	-	-	-	-	-
Supplies and materials	9,700	(9,400)	300	299	1
Other objects	85	-	85	-	85
<b>TOTAL OTHER SUPPORT SERVICES-STUDENTS - REGULAR</b>	<b>63,924</b>	<b>(6,800)</b>	<b>57,124</b>	<b>56,969</b>	<b>155</b>
Other support services - child study team					
Salaries of other professional staff	242,421	(34,469)	207,952	200,549	7,403
Salaries of secretarial and clerical assistants	-	-	-	-	-
Purchased professional - educational services	2,000	4,609	6,609	6,609	-
Purchased professional and technical services	-	-	-	-	-
Purchased miscellaneous services	200	260	460	459	1
Supplies and materials	12,365	(4,900)	7,465	7,399	66
Other objects	2,600	-	2,600	2,460	140
<b>TOTAL OTHER SUPPORT SERVICES - STUDENTS - SPECIAL SERVICES</b>	<b>259,586</b>	<b>(34,500)</b>	<b>225,086</b>	<b>217,476</b>	<b>7,610</b>
Improvement of instructional services/ other support services- instructional staff					
Salaries of Supervisors of Instruction	-	-	-	-	-
Salaries of other professional staff	22,800	-	22,800	18,055	4,745
Other purchased prof. and tech. services	-	-	-	-	-
Other purchased services	-	-	-	-	-
Supplies and materials	-	-	-	-	-
<b>TOTAL IMPROVEMENT OF INSTRUCTIONAL SERVICES/OTHER SUPPORT SERVICES - INSTRUCTIONAL STAFF</b>	<b>22,800</b>	<b>-</b>	<b>22,800</b>	<b>18,055</b>	<b>4,745</b>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - (CONTINUED)  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2016**

**Exhibit C-1  
 (Continued)**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES (Continued)</b>					
<b>CURRENT EXPENSES (Continued)</b>					
Undistributed expenses (Continued)					
Educational media services/school library					
Salaries	-	-	-	-	-
Supplies and materials	1,000	-	1,000	-	1,000
<b>TOTAL EDUCATIONAL MEDIA SERVICES/ SCHOOL LIBRARY</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>
Instructional staff training services					
Other purchased services	7,000	-	7,000	1,887	5,113
Support services general administration					
Salaries	224,770	14,500	239,270	237,377	1,893
Legal services	10,000	900	10,900	9,888	1,012
Audit fees	22,161	2,000	24,161	23,895	266
Other purchased professional services	158,335	(100,019)	58,316	33,215	25,101
Purchased technical services	1,995	150	2,145	2,125	20
Communication/telephone	15,475	(5,500)	9,975	7,842	2,133
Travel	-	-	-	-	-
BOE other purchased services	1,000	-	1,000	-	1,000
Miscellaneous purchased services	17,102	-	17,102	10,798	6,304
Supplies and materials	5,040	(1,000)	4,040	1,899	2,141
Judgments	-	2,000	2,000	2,000	-
BOE in-house training/meeting supplies	-	-	-	-	-
Miscellaneous expenditures	7,539	(400)	7,139	5,733	1,406
Membership dues and fees	4,300	-	4,300	3,723	577
<b>TOTAL SUPPORT SERVICES GENERAL ADMINISTRATION</b>	<b>467,717</b>	<b>(87,369)</b>	<b>380,348</b>	<b>338,495</b>	<b>41,853</b>
Support services school administration					
Salaries of principals/assistant principals	-	-	-	-	-
Salaries of secretarial and clerical assistants	73,184	5,600	78,784	75,989	2,795
Purchased professional and technical services	-	-	-	-	-
Purchased professional and educational services	8,800	-	8,800	8,435	365
Supplies and materials	1,200	1,000	2,200	1,586	614
Miscellaneous expenditures	-	-	-	-	-
Other objects	-	-	-	-	-
<b>TOTAL SUPPORT SERVICES SCHOOL ADMINISTRATION</b>	<b>83,184</b>	<b>6,600</b>	<b>89,784</b>	<b>86,010</b>	<b>3,774</b>
Undistributed expenses					
Central services					
Salaries	117,846	2,067	119,913	115,546	4,367
Purchased professional services	-	-	-	-	-
Purchased technical services	9,978	200	10,178	10,094	84
Miscellaneous purchased services	50	173	223	223	-
Supplies and materials	2,000	(240)	1,760	1,121	639
Miscellaneous expenditures	790	-	790	495	295
<b>TOTAL CENTRAL SERVICES</b>	<b>130,664</b>	<b>2,200</b>	<b>132,864</b>	<b>127,479</b>	<b>5,385</b>
Administrative informational technology					
Salaries	18,430	-	18,430	18,430	-
Supplies and materials	2,500	-	2,500	2,500	-
<b>TOTAL ADMINISTRATIVE INFORMATIONAL TECHNOLOGY</b>	<b>20,930</b>	<b>-</b>	<b>20,930</b>	<b>20,930</b>	<b>-</b>
Allowable maintenance for school facilities					
Salaries	79,091	(6,200)	72,891	70,113	2,778
Cleaning, repair and maintenance services	161,873	29,526	191,399	191,399	-
Supplies and materials	86,590	64,654	151,244	151,203	41
Other objects	-	-	-	-	-
<b>TOTAL ALLOWABLE MAINTENANCE FOR SCHOOL FACILITIES</b>	<b>327,554</b>	<b>87,980</b>	<b>415,534</b>	<b>412,715</b>	<b>2,819</b>



**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - (CONTINUED)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2016**

**Exhibit C-1  
(Continued)**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES (Continued)</b>					
<b>CURRENT EXPENSES (Continued)</b>					
Undistributed expenses (Continued)					
Operation and maintenance of plant services					
Salaries	6,792	106,134	112,926	110,079	2,847
Salaries of non-instructional aides	26,311	10,600	36,911	35,250	1,661
Purchased professional and technical services	8,085	-	8,085	6,795	1,290
Cleaning, repair and maintenance services	198,215	(193,700)	4,515	1,541	2,974
Rental of land and buildings	750	1,800	2,550	2,323	227
Other purchased property services	5,500	650	6,150	6,059	91
Insurance	17,337	(100)	17,237	16,508	729
Miscellaneous purchased services	350	450	800	750	50
General supplies	34,000	24,500	58,500	52,547	5,953
Energy (heat and electricity)	120,000	(31,688)	88,312	88,312	-
Other objects	166	-	166	166	-
Care and upkeep of grounds					
Salaries	4,845	800	5,645	5,390	255
Cleaning, repair, and maintenance	10,000	14,000	24,000	23,582	418
General supplies	-	9,000	9,000	8,575	425
Security					
Salaries	2,475	5,000	7,475	5,960	1,515
<b>TOTAL OPERATION AND MAINTENANCE OF PLANT SERVICES</b>					
	<u>434,826</u>	<u>(52,554)</u>	<u>382,272</u>	<u>363,837</u>	<u>18,435</u>
Student transportation services					
Salaries between home and school	2,395	3,800	6,195	4,139	2,056
Management fee - ESC transportation programs	13,909	(1,400)	12,509	12,292	217
Aid in lieu of payments	80,431	(40,720)	39,711	38,719	992
Contracted services					
Between home and school - vendors	22,207	(21,987)	220	220	-
Other than between home and school - vendors	8,781	100	8,881	6,993	1,888
Home/school - joint	-	1,040	1,040	1,031	9
Special education - vendors	-	-	-	-	-
Special education - joint agreements	-	-	-	-	-
Regular students - ESCs	9,104	142,986	152,090	151,874	216
Special education - ESCs	159,165	(79,799)	79,366	79,366	-
<b>TOTAL STUDENT TRANSPORTATION SERVICES</b>					
	<u>295,992</u>	<u>4,020</u>	<u>300,012</u>	<u>294,634</u>	<u>5,378</u>
Unallocated benefits					
Social security benefits	45,150	33,300	78,450	78,375	75
Other retirement contributions	45,865	(12,300)	33,565	33,378	187
Unemployment compensation	10,000	(7,500)	2,500	-	2,500
Health benefits	16,000	(13,500)	2,500	(83,134)	85,634
Workers' compensation	31,050	-	31,050	29,052	1,998
Tuition reimbursement	21,000	-	21,000	8,501	12,499
Other employee benefits	75,600	-	75,600	11,816	63,784
<b>TOTAL UNALLOCATED BENEFITS</b>					
	<u>244,665</u>	<u>-</u>	<u>244,665</u>	<u>77,988</u>	<u>166,677</u>
On-behalf of TPAF pension contributions (non-budgeted)					
	-	-	-	438,507	(438,507)
Reimbursement TPAF Social Security contributions (non-budgeted)					
	-	-	-	173,178	(173,178)
Transfers to charter schools	32,463	38,940	71,403	71,403	-
Food service fund transfers	-	-	-	-	-
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>					
	<u>4,145,074</u>	<u>12,096</u>	<u>4,157,170</u>	<u>4,331,616</u>	<u>(174,446)</u>
<b>TOTAL EXPENDITURES - CURRENT EXPENSE</b>					
	<u>7,227,468</u>	<u>41,846</u>	<u>7,269,314</u>	<u>7,286,537</u>	<u>(17,223)</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - (CONTINUED)  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2016**

**Exhibit C-1  
 (Continued)**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CAPITAL OUTLAY					
Equipment					
Undistributed expenditures					
Non-instructional equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Facilities Acquisition and Construction Services					
Construction Services	30,000	-	30,000	30,000	-
Other Objects	387	-	387	387	-
TOTAL CAPITAL OUTLAY	<u>30,387</u>	<u>-</u>	<u>30,387</u>	<u>30,387</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>7,257,855</u>	<u>41,846</u>	<u>7,299,701</u>	<u>7,316,924</u>	<u>(17,223)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>(303,518)</u>	<u>(41,846)</u>	<u>(345,364)</u>	<u>302,204</u>	<u>(647,568)</u>
Other financing sources (uses)					
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,309</u>	<u>(187,309)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,309</u>	<u>(187,309)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(303,518)</u>	<u>(41,846)</u>	<u>(345,364)</u>	<u>489,513</u>	<u>(834,877)</u>
FUND BALANCES (DEFICIT), BEGINNING	<u>(2,820,409)</u>	<u>(18,502)</u>	<u>(2,838,911)</u>	<u>1,046,869</u>	<u>(2,101,482)</u>
<b>FUND BALANCES (DEFICIT), ENDING</b>	<u><b>\$(3,123,927)</b></u>	<u><b>\$(60,348)</b></u>	<u><b>\$(3,184,275)</b></u>	<u><b>\$ 1,536,382</b></u>	<u><b>\$(2,936,359)</b></u>
<b>RECAPITULATION OF FUND BALANCES</b>					
Nonspendable fund balance				\$ -	
Restricted fund balance					
Reserve for excess surplus				542,404	
Maintenance reserve				80,000	
Reserve for excess surplus- designated for subsequent year's expenditures				199,891	
Capital reserve				10,000	
Committed fund balance				-	
Assigned fund balance					
Year end encumbrances				271,112	
Designated for subsequent year's expenditures				182,975	
Unassigned				<u>250,000</u>	
Total				1,536,382	
Last State aid payment not recognized on GAAP basis				<u>211,057</u>	
				<u><b>\$ 1,325,325</b></u>	

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE -  
 SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2016**

**Exhibit C-2**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
State sources	\$ 260,463	\$ 81,355	\$ 341,818	\$ 242,494	\$ 99,324
Federal sources	<u>179,469</u>	<u>81,776</u>	<u>261,245</u>	<u>246,462</u>	<u>14,783</u>
<b>TOTAL REVENUES</b>	<u>439,932</u>	<u>163,131</u>	<u>603,063</u>	<u>488,956</u>	<u>114,107</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of teachers	112,693	5,409	118,102	118,102	-
Employee benefits	-	-	-	-	-
Purchased professional - technical services	121,722	41,174	162,896	107,628	55,268
Purchased professional - educational services	112,189	22,244	134,433	120,977	13,456
Purchased miscellaneous services	-	-	-	-	-
General supplies	-	18,508	18,508	17,729	779
Textbooks	17,983	(168)	17,815	17,733	82
Equipment	-	-	-	-	-
<b>TOTAL INSTRUCTION</b>	<u>364,587</u>	<u>87,167</u>	<u>451,754</u>	<u>382,169</u>	<u>69,585</u>
Support services					
Salaries of teachers	-	-	-	-	-
Salaries of secretarial and clerical assistants	-	-	-	-	-
Personal services - employee benefits	-	16,138	16,138	15,781	357
Purchased professional - technical services	17,085	25,180	42,265	36,773	5,492
Purchased professional - educational services	58,260	34,321	92,581	46,758	45,823
Purchased miscellaneous services	-	325	325	-	325
General supplies	-	-	-	7,475	(7,475)
<b>TOTAL SUPPORT SERVICES</b>	<u>75,345</u>	<u>75,964</u>	<u>151,309</u>	<u>106,787</u>	<u>44,522</u>
Facilities acquisition and construction services					
Instructional equipment	-	-	-	-	-
<b>TOTAL FACILITIES ACQUISITION AND CONSTRUCTION SERVICES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>439,932</u>	<u>163,131</u>	<u>603,063</u>	<u>488,956</u>	<u>114,107</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET-TO-GAAP RECONCILIATION  
YEAR ENDED JUNE 30, 2016**

**Exhibit C-3**

Note A - Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 7,619,128	\$ 488,956
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes	249,607	-
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	-	(15,781)
The last state aid payment is recognized for budgetary purposes and differs from GAAP, which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33)	<u>(211,057)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 7,657,678</u>	<u>\$ 473,175</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 7,316,924	\$ 488,956
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	<u>-</u>	<u>(15,781)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,316,924</u>	<u>\$ 473,175</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART III**

**SCHEDULES RELATED TO ACCOUNTING**

**AND**

**REPORTING FOR PENSIONS (GASB 68)**

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

**Exhibit L-1**

	Measurement Date Ending June 30,		
	2015	2014	2013
District's proportion of the net pension liability	0.0033533713%	0.0031974116%	0.0031294810%
District's proportionate share of the net pension liability	\$ 752,765	\$ 598,643	\$ 598,106
District's covered-employee payroll	\$ 278,665	\$ 224,534	\$ 219,435
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	270.13%	266.62%	272.57%
Plan fiduciary net position as a percentage of the total pension liability	47.92%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the presentation will only include information for those years for which information is available.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

**Exhibit L-2**

	Fiscal Year Ended June 30,		
	2016	2015	2014
Contractually required contribution	\$ 33,378	\$ 28,486	\$ 26,359
Contributions in relation to the contractually required contribution	<u>(33,378)</u>	<u>(28,486)</u>	<u>(26,359)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 306,447	\$ 278,665	\$ 224,534
Contributions as a percentage of District's covered-employee payroll	10.89%	10.22%	11.74%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the presentation will only include information for those years for which information is available.



**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' PENSION AND ANNUITY FUND (TPAF)**

**Exhibit L-3**

	Measurement Date Ending June 30,		
	2015	2014	2013
District's proportion of the net pension liability	0.00%	0.00%	0.00%
State's proportion of the net pension liability associated with the Distr	<u>100%</u>	<u>100%</u>	<u>100%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>16,285,513</u>	<u>12,693,563</u>	<u>12,653,598</u>
	<u>\$ 16,285,513</u>	<u>\$ 12,693,563</u>	<u>\$ 12,653,598</u>
District's covered-employee payroll	\$ 2,345,342	\$ 2,436,881	\$ 2,555,252
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%
State's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	694.38%	520.89%	495.20%
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the presentation will only include information for those years for which information is available.

**Public Employees' Retirement System (PERS)**

*Changes in Benefit terms* – None

*Changes in Assumptions* – The discount rate changed from 5.55% as of June 30, 2014, to 5.39% as of June 30, 2015, in accordance with Paragraph 44 of GASB Statement No. 67.

**Teachers' Pension and Annuity Fund (TPAF)**

*Changes in Benefit Terms* – None

*Changes in Assumptions* – The discount rate changed from 4.95% as of June 30, 2014, to 4.68% as of June 30, 2015, in accordance with Paragraph 44 of GASB Statement No. 67.

*Contributions* - The District is not required to make any contributions towards TPAF. There is a special funding situation where the State of New Jersey pays 100% of the required contributions.

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND**

**DETAIL STATEMENTS**

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULES OF REVENUES AND EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2016**

**Exhibit E-1**

	Nonpublic Basic Skills	Nonpublic Textbooks	Nonpublic Nursing	Nonpublic Technology	Nonpublic Exam & Class	Nonpublic Trans	Total Other Prog. (See E-1a)	Total Other Prog. (See E-1b)	Total
<b>REVENUES</b>									
State sources	\$ 77,155	\$ 17,733	\$ 27,799	\$ 8,072	\$ 17,388	\$ 3,800	\$ 90,547	\$ -	\$ 242,494
Federal sources	-	-	-	-	-	-	86,652	159,810	246,462
<b>TOTAL REVENUES</b>	<u>77,155</u>	<u>17,733</u>	<u>27,799</u>	<u>8,072</u>	<u>17,388</u>	<u>3,800</u>	<u>177,199</u>	<u>159,810</u>	<u>488,956</u>
<b>EXPENDITURES</b>									
Instruction									
Salaries of teachers	-	-	-	-	-	-	118,102	-	118,102
Other salaries for instruction	-	-	-	-	-	-	-	-	-
Purchased professional and technical services	77,155	-	27,799	-	-	-	2,674	-	107,628
General supplies	-	-	-	8,072	-	-	824	8,833	17,729
Textbooks	-	17,733	-	-	-	-	-	-	17,733
Purchased professional educational services	-	-	-	-	-	-	-	120,977	120,977
Purchased instructional equipment	-	-	-	-	-	-	-	-	-
<b>TOTAL INSTRUCTION</b>	<u>77,155</u>	<u>17,733</u>	<u>27,799</u>	<u>8,072</u>	<u>-</u>	<u>-</u>	<u>121,600</u>	<u>129,810</u>	<u>382,169</u>
Support services									
Salaries of									
Teachers	-	-	-	-	-	-	-	-	-
Other professional staff	-	-	-	-	-	-	-	-	-
Secretarial and clerical assistants	-	-	-	-	-	-	-	-	-
Purchased technology services	-	-	-	-	-	-	6,773	30,000	36,773
Supplies and materials	-	-	-	-	-	-	7,475	-	7,475
Personal services - employee benefits	-	-	-	-	-	-	15,781	-	15,781
Purchased professional educational services	-	-	-	-	17,388	3,800	25,570	-	46,758
<b>TOTAL SUPPORT SERVICES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,388</u>	<u>3,800</u>	<u>55,599</u>	<u>30,000</u>	<u>106,787</u>
Facilities acquisition and construction services									
instructional equipment	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 77,155</u>	<u>\$ 17,733</u>	<u>\$ 27,799</u>	<u>\$ 8,072</u>	<u>\$ 17,388</u>	<u>\$ 3,800</u>	<u>\$ 177,199</u>	<u>\$ 159,810</u>	<u>\$ 488,956</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT**

**Exhibit E-1a**

**SPECIAL REVENUE FUND**

**COMBINING SCHEDULES OF REVENUES AND EXPENDITURES - BUDGETARY BASIS (CONTINUED)**

**YEAR ENDED JUNE 30, 2016**

	<u>Nonpublic Speech</u>	<u>Nonpublic ESL</u>	<u>Nonpublic Supp Instruction</u>	<u>Nonpublic Security</u>	<u>Preschool Education Aid</u>	<u>Title I</u>	<u>Title II - A</u>	<u>Total</u>
<b>REVENUES</b>								
State sources	\$ 11,537	\$ 2,674	\$ 14,033	\$ 7,475	\$ 54,828	\$ -	\$ -	\$ 90,547
Federal sources	-	-	-	-	-	79,055	7,597	86,652
<b>TOTAL REVENUES</b>	<u>11,537</u>	<u>2,674</u>	<u>14,033</u>	<u>7,475</u>	<u>54,828</u>	<u>79,055</u>	<u>7,597</u>	<u>177,199</u>
<b>EXPENDITURES</b>								
Instruction								
Salaries of teachers	-	-	-	-	54,828	63,274	-	118,102
Other salaries for instruction	-	-	-	-	-	-	-	-
Purchased professional and technical services	-	2,674	-	-	-	-	-	2,674
Supplies and materials	-	-	-	-	-	-	824	824
<b>TOTAL INSTRUCTION</b>	<u>-</u>	<u>2,674</u>	<u>-</u>	<u>-</u>	<u>54,828</u>	<u>63,274</u>	<u>824</u>	<u>121,600</u>
Support services								
Personal services - employee benefits	-	-	-	-	-	15,781	-	15,781
Purchased professional educational services	11,537	-	14,033	-	-	-	-	25,570
Purchased professional and technical services	-	-	-	-	-	-	6,773	6,773
Supplies and materials	-	-	-	7,475	-	-	-	7,475
<b>TOTAL SUPPORT SERVICES</b>	<u>11,537</u>	<u>-</u>	<u>14,033</u>	<u>7,475</u>	<u>-</u>	<u>15,781</u>	<u>6,773</u>	<u>55,599</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 11,537</u>	<u>\$ 2,674</u>	<u>\$ 14,033</u>	<u>\$ 7,475</u>	<u>\$ 54,828</u>	<u>\$ 79,055</u>	<u>\$ 7,597</u>	<u>\$ 177,199</u>

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

**Exhibit E-1b**

**COMBINING SCHEDULES OF REVENUES AND EXPENDITURES-BUDGETARY BASIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

	I.D.E.A. Part B Basic	I.D.E.A. Pre School	Total
<b>REVENUES</b>			
State sources	\$ -	\$ -	\$ -
Federal sources	153,567	6,243	159,810
<b>TOTAL REVENUES</b>	<u>153,567</u>	<u>6,243</u>	<u>159,810</u>
<b>EXPENDITURES</b>			
Instruction			
Salaries of teachers	-	-	-
Other salaries for instruction	-	-	-
Purchased professional and technical services	-	-	-
Purchased professional educational services	114,734	6,243	120,977
General supplies	8,833	-	8,833
Tuition	-	-	-
Purchased instructional equipment	-	-	-
<b>TOTAL INSTRUCTION</b>	<u>123,567</u>	<u>6,243</u>	<u>129,810</u>
Support services			
Salaries of teachers	-	-	-
Salaries of other professional staff	-	-	-
Supplies and materials	-	-	-
Purchased professional and technical services	30,000	-	30,000
Personal services - employee benefits	-	-	-
Purchased professional educational services	-	-	-
<b>TOTAL SUPPORT SERVICES</b>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Facilities acquisition and construction services			
instructional equipment	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 153,567</u>	<u>\$ 6,243</u>	<u>\$ 159,810</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID  
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2016**

**Exhibit E-2**

	2016		
	Budgeted	Actual	Variance
<b>EXPENDITURES</b>			
Instruction			
Salaries of teachers	\$ 54,828	\$ 54,828	\$ -
Other salaries for instruction	-	-	-
Purchased professional and technical services	-	-	-
General supplies	-	-	-
<b>TOTAL INSTRUCTION</b>	<u>54,828</u>	<u>54,828</u>	<u>-</u>
Support services			
Salaries - other professionals	-	-	-
Personal services - employee benefits	-	-	-
Supplies and materials	-	-	-
Purchased professional education services	-	-	-
<b>TOTAL SUPPORT SERVICES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 54,828</u>	<u>\$ 54,828</u>	<u>\$ -</u>

**Calculation of Budget and Carryover**

Total 2015-16 Preschool Education Aid allocation	\$ 54,828
Add: actual ECPA carryover (June 30, 2015)	-
Less: Prior year budgeted expenditures	-
Total Preschool Education Aid funds available for 2015-16 budget	54,828
Less: 2015-16 budgeted Preschool Education Aid (including prior year budgeted carryover)	<u>54,828</u>
Available and unbudgeted Preschool Education Aid funds as of June 30, 2016	-
Add: 2015-16 unexpended Preschool Education Aid	-
2015-16 actual carryover - Preschool Education Aid	<u>\$ -</u>
2016-16 Preschool Education Aid carryover budgeted in 2016-17	<u>\$ -</u>



**CAPITAL PROJECTS FUND**

**DETAIL STATEMENTS**

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
 YEAR ENDED JUNE 30, 2016**

<u>Project Title/Issue</u>	<u>Date</u>	<u>Original Appropriations</u>	<u>Expenditures to Date</u>		<u>Transfer to General Fund</u>	<u>Unexpended Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>		
School Renovations/Alterations StateProject No. 3110-060-14-2000	10/9/2014	\$ 1,626,000	\$ -	\$ 1,626,000	\$ -	\$ -

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2016**

---

**Exhibit F-2**

REVENUES AND OTHER FINANCING SOURCES

Bond proceeds and transfers \$ 1,593,480

EXPENDITURES AND OTHER FINANCING USES

Purchased professional and technical services 99,708

Land and improvements -

Construction services 1,942,851

Equipment purchases -

**TOTAL EXPENDITURES** 2,042,559

EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES (449,079)

FUND BALANCE, beginning 32,520

**FUND BALANCE, ending** \$ (416,559)

**FIDUCIARY FUNDS**

**DETAIL STATEMENTS**

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

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

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

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

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**COMBINING STATEMENTS OF FIDUCIARY NET POSITION**  
**JUNE 30, 2016**

**Exhibit H-1**

	Expendable Trust		Agency		Total
	Scholarship	Unemployment Compensation	Student Activity	Payroll	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,049	\$ 34,326	\$ 19,149	\$ 80,286	\$ 134,810
Prepaid payroll deductions and withholding	-	-	-	4,092	4,092
<b>TOTAL ASSETS</b>	<u>\$ 1,049</u>	<u>\$ 34,326</u>	<u>\$ 19,149</u>	<u>\$ 84,378</u>	<u>\$ 138,902</u>
<b>LIABILITIES</b>					
Payroll deductions and withholding	\$ -	\$ -	\$ -	\$ 82,418	\$ 82,418
Interfund payable	-	-	-	1,960	1,960
Due to student groups	-	-	19,149	-	19,149
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>19,149</u>	<u>84,378</u>	<u>103,527</u>
<b>NET POSITION</b>					
Reserved for unemployment claims	-	34,326	-	-	34,326
Principal portion - expendable trust	1,049	-	-	-	1,049
<b>TOTAL NET POSITION</b>	<u>1,049</u>	<u>34,326</u>	<u>-</u>	<u>-</u>	<u>35,375</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 1,049</u>	<u>\$ 34,326</u>	<u>\$ 19,149</u>	<u>\$ 84,378</u>	<u>\$ 138,902</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
 YEAR ENDED JUNE 30, 2016**

**Exhibit H-2**

	Expendable Trust		Agency		Total
	Scholarship	Unemployment Compensation	Student Activity	Payroll	
<b>ADDITIONS</b>					
Local sources					
Interest	\$ -	\$ 70	\$ -	\$ -	\$ 70
Withholdings	-	4,390	-	-	4,390
<b>TOTAL ADDITIONS</b>	-	4,460	-	-	4,460
<b>DEDUCTIONS</b>					
Undistributed expenditures - unemployment benefits	-	-	-	-	-
Bank fees	-	-	-	-	-
<b>TOTAL DEDUCTIONS</b>	-	-	-	-	-
CHANGE IN NET POSITION	-	4,460	-	-	4,460
NET POSITION, BEGINNING	1,049	29,866	-	-	30,915
<b>NET POSITION, ENDING</b>	<u>\$ 1,049</u>	<u>\$ 34,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,375</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STUDENT ACTIVITY AGENCY FUND  
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
 YEAR ENDED JUNE 30, 2016**

**Exhibit H-3**

	Balance, July 1, 2015	Receipts	Disbursements	Balance, June 30, 2016
<b>ELEMENTARY SCHOOLS</b>				
Yearbook	\$ 5,074	\$ 3,840	\$ 4,438	\$ 4,476
Principal's projects	5,107	4,864	4,575	5,396
Music	1,093	515	40	1,568
Student council	206	3,835	2,582	1,459
Naturalist club	739	2,775	2,317	1,197
Computer account	140	41	-	181
PTA	182	-	-	182
Junior honor society	478	1,399	-	1,877
Interest	1,301	21	-	1,322
Carroll Will fund	1,491	-	-	1,491
<b>TOTAL</b>	<b>\$ 15,811</b>	<b>\$ 17,290</b>	<b>\$ 13,952</b>	<b>\$ 19,149</b>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 PAYROLL AGENCY FUND  
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
 YEAR ENDED JUNE 30, 2016**

**Exhibit H-4**

	<u>Balance, July 1, 2015</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2016</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 24,064	\$ 1,461,513	\$ 1,405,291	\$ 80,286
Prepaid payroll deductions and withholding	<u>64</u>	<u>97,363</u>	<u>93,335</u>	<u>4,092</u>
<b>TOTAL ASSETS</b>	<u>\$ 24,128</u>	<u>\$ 1,558,876</u>	<u>\$ 1,498,626</u>	<u>\$ 84,378</u>
<b>LIABILITIES</b>				
Payroll deductions and withholdings	\$ 22,168	\$ 1,558,876	\$ 1,498,626	\$ 82,418
Interfund payables	<u>1,960</u>	<u>-</u>	<u>-</u>	<u>1,960</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 24,128</u>	<u>\$ 1,558,876</u>	<u>\$ 1,498,626</u>	<u>\$ 84,378</u>



**LONG-TERM DEBT**

**DETAIL SCHEDULES**

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
JUNE 30, 2016**

**Exhibit I-1**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2016</u>
School renovations	March 3, 2004	\$ 2,750,000							
			1/15/17	250,000	3.750%	500,000	-	250,000	250,000
School renovations	July 15, 2015	\$ 1,626,000	7/15/17	126,000	3.000%				
			7/15/18	125,000	3.000%				
			7/15/19	125,000	3.000%				
			7/15/20	125,000	3.000%				
			7/15/21	125,000	3.000%				
			7/15/22	125,000	3.000%				
			7/15/23	125,000	3.000%				
			7/15/24	115,000	3.000%				
			7/15/25	115,000	3.000%				
			7/15/26	110,000	3.000%				
			7/15/27	110,000	3.000%				
			7/15/28	100,000	3.125%				
			7/15/29	100,000	3.250%				
			7/15/30	100,000	3.250%				
						-	1,626,000	-	1,626,000
			<b>TOTAL</b>			<u>\$ 500,000</u>	<u>\$ 1,626,000</u>	<u>\$ 250,000</u>	<u>\$ 1,876,000</u>

**DEBT SERVICE FUND**

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2016**

**Exhibit I-3**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Local sources					
Local tax levy	\$ 253,547	\$ -	\$ 253,547	\$ 253,547	\$ -
State sources					
Debt service aid	<u>15,203</u>	<u>-</u>	<u>15,203</u>	<u>15,203</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>268,750</u>	<u>-</u>	<u>268,750</u>	<u>268,750</u>	<u>-</u>
<b>EXPENDITURES</b>					
Regular debt service					
Interest	18,750	-	18,750	18,750	-
Redemption of principal	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total regular debt service	<u>268,750</u>	<u>-</u>	<u>268,750</u>	<u>268,750</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>268,750</u>	<u>-</u>	<u>268,750</u>	<u>268,750</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)					
Operating transfers in	-	-	-	-	-
Withdrawal from reserve	-	-	-	-	-
Transfer from general fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning	<u>(250)</u>	<u>-</u>	<u>(250)</u>	<u>(249)</u>	<u>(1)</u>
<b>Fund balance, ending</b>	<u>\$ (250)</u>	<u>\$ -</u>	<u>\$ (250)</u>	<u>\$ (249)</u>	<u>\$ (1)</u>
Recapitulation of excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgeted fund balance	<u>\$ (250)</u>	<u>\$ -</u>	<u>\$ (250)</u>	<u>\$ (249)</u>	<u>\$ (1)</u>

**STATISTICAL SECTION**

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

**Exhibit J-1**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental activities			
Net investment in capital assets	\$ 1,331,095	\$ 761,201	\$ 510,552
Restricted for encumbrances	-	-	-
Restricted for other purposes	832,295	403,764	478,240
Unrestricted			
Designated for subsequent year's expenditures	-	-	-
Designated for capital projects	-	-	-
Unreserved, undesignated	<u>(772,291)</u>	<u>(398,185)</u>	<u>176,945</u>
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	<u>\$ 1,391,099</u>	<u>\$ 766,780</u>	<u>\$ 1,165,737</u>
Business-type activities			
Net investment in capital assets	\$ 9,880	\$ 10,794	\$ 11,708
Restricted for encumbrances	-	-	-
Restricted for other purposes	-	-	-
Unrestricted			
Designated for subsequent year's expenditures	-	-	-
Designated for capital projects	-	-	-
Unreserved, unrestricted	<u>(97,459)</u>	<u>(120,137)</u>	<u>(113,580)</u>
TOTAL BUSINESS-TYPE ACTIVITIES DEFICIT	<u>\$ (87,579)</u>	<u>\$ (109,343)</u>	<u>\$ (101,872)</u>
District-wide			
Net investment in capital assets	\$ 1,340,975	\$ 771,995	\$ 522,260
Restricted for encumbrances	-	-	-
Restricted for other purposes	832,295	403,764	478,240
Unrestricted			
Designated for subsequent year's expenditures	-	-	-
Designated for capital projects	-	-	-
Unreserved, undesignated	<u>(869,750)</u>	<u>(518,322)</u>	<u>63,365</u>
TOTAL DISTRICT NET POSITION	<u>\$ 1,303,520</u>	<u>\$ 657,437</u>	<u>\$ 1,063,865</u>

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

**Exhibit J-2**

	2016	2015	2014
<b>EXPENSES</b>			
Governmental activities			
Instruction			
Regular	\$ 2,457,523	\$ 2,042,033	\$ 2,060,081
Special education	397,674	295,357	318,964
Other special education	338,803	223,135	195,516
Support services			
Instruction	1,411,543	1,396,059	1,279,988
Student and instruction related services	697,750	632,683	698,322
School administrative services	269,881	245,353	211,860
General and business administrative services	338,495	785,627	429,686
Operation and maintenance of plant facilities	776,552	547,024	468,690
Pupil transportation	294,634	252,501	219,241
Employee benefits	117,180	737,645	705,448
Transfer to charter schools	71,403	30,884	71,138
On-behalf TPAF pension contributions	438,507	360,447	265,209
Reimbursement of TPAF contributions	173,178	171,430	178,697
Interest on long-term debt	18,750	27,500	36,425
Compensated absences	-	-	-
Unallocated depreciation	120,644	115,265	112,985
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>7,922,517</b>	<b>7,862,943</b>	<b>7,252,250</b>
Business-type activities			
Food service	127,506	111,884	114,515
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>127,506</b>	<b>111,884</b>	<b>114,515</b>
<b>TOTAL EXPENSES</b>	<b>8,050,023</b>	<b>7,974,827</b>	<b>7,366,765</b>
<b>PROGRAM REVENUES</b>			
Governmental activities			
Operating grants and contributions	3,518,741	3,442,206	3,233,192
Capital grants and contributions	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>3,518,741</b>	<b>3,442,206</b>	<b>3,233,192</b>

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

**Exhibit J-2  
(Continued)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROGRAM REVENUES (Continued)			
Business-type activities			
Food service			
Charges for services	52,095	34,410	40,576
Operating grants and contributions	97,175	70,003	67,625
Capital grants and contributions	-	-	-
TOTAL BUSINESS TYPE ACTIVITIES	<u>149,270</u>	<u>104,413</u>	<u>108,201</u>
TOTAL PROGRAM REVENUES	<u>3,668,011</u>	<u>3,546,619</u>	<u>3,341,393</u>
NET (EXPENSE)/REVENUE			
Governmental activities	(4,403,776)	(4,420,737)	(4,019,058)
Business-type activities	<u>21,764</u>	<u>(7,471)</u>	<u>(6,314)</u>
TOTAL NET (EXPENSE)/REVENUE	<u>(4,382,012)</u>	<u>(4,428,208)</u>	<u>(4,025,372)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
Governmental activities			
Property taxes levied for general purposes	4,569,664	4,259,281	4,095,839
Taxes levied for debt service	253,547	261,802	274,939
Tuition received	6,800	4,104	34,506
Other local government	32,441	32,026	11,500
Miscellaneous income	165,643	36,314	97,464
Transfers	-	-	-
Other	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>5,028,095</u>	<u>4,593,527</u>	<u>4,514,248</u>
Business-type activities			
Transfers	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION	<u>5,028,095</u>	<u>4,593,527</u>	<u>4,514,248</u>
CHANGES IN NET POSITION			
Governmental activities	624,319	172,790	495,190
Business-type activities	<u>21,764</u>	<u>(7,471)</u>	<u>(6,314)</u>
TOTAL CHANGES IN NET POSITION	<u>\$ 646,083</u>	<u>\$ 165,319</u>	<u>\$ 488,876</u>



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

**Exhibit J-3**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>GENERAL FUND</b>			
Nonspendable	\$ -	\$ -	\$ -
Restricted for:			
Maintenance reserve	80,000	80,000	80,000
Excess surplus	542,404	199,891	113,873
Reserve for excess surplus- designated for subsequent year's expenditures	199,891	113,873	274,367
Capital reserve	10,000	10,000	10,000
Committed			
Assigned	454,087	315,740	386,935
Unassigned	<u>38,943</u>	<u>77,758</u>	<u>40,759</u>
<b>TOTAL GENERAL FUND</b>	<b><u>\$ 1,325,325</u></b>	<b><u>\$ 797,262</u></b>	<b><u>\$ 905,934</u></b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	-
Committed	-	-	-
Assigned			
Debt service fund	(249)	(249)	(249)
Capital projects fund	(416,559)	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b>	<b><u>\$ (416,808)</u></b>	<b><u>\$ (249)</u></b>	<b><u>\$ (249)</u></b>

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

**Exhibit J-4**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>REVENUES</b>										
Local tax levy	\$ 4,823,211	\$ 4,521,083	\$ 4,357,641	\$ 4,251,996	\$ 4,127,804	\$ 4,489,334	\$ 4,373,505	\$ 4,392,134	\$ 4,318,420	\$ 4,160,301
Other local government units	32,441	32,026	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500
Tuition charges	6,800	4,104	34,506	14,957	875	17,729	13,225	30,400	31,260	25,005
Interest earned on investments	1,678	-	-	-	-	-	63	4,133	20,509	30,543
Miscellaneous	32,513	38,558	33,874	6,123	20,796	15,035	35,813	34,496	26,565	10,650
State sources	3,272,279	3,186,667	3,002,589	2,845,190	2,445,112	2,158,590	1,934,303	2,424,878	2,576,283	2,444,665
Federal sources	230,681	255,539	229,815	269,050	354,242	406,591	714,787	196,230	266,703	203,923
<b>TOTAL REVENUES</b>	<b>8,399,603</b>	<b>8,037,977</b>	<b>7,669,925</b>	<b>7,398,816</b>	<b>6,960,329</b>	<b>7,098,779</b>	<b>7,083,196</b>	<b>7,093,771</b>	<b>7,251,240</b>	<b>6,886,587</b>
<b>EXPENDITURES</b>										
<b>Instruction</b>										
Regular	2,457,523	2,042,033	2,060,081	2,239,244	2,004,014	1,849,361	1,987,059	1,918,502	1,909,818	1,713,709
Special	397,674	295,357	318,964	299,468	321,508	262,568	381,656	347,417	391,960	419,904
Other	338,803	223,135	195,516	189,591	152,283	231,750	284,234	112,932	115,729	105,295
<b>Support services and undistributed costs</b>										
Instruction	1,411,543	1,396,059	1,279,988	1,462,747	1,216,501	1,090,679	1,164,186	1,096,131	1,177,082	947,992
Student and instruction related services	697,750	632,683	698,322	782,340	687,179	770,221	1,017,386	904,273	1,031,546	952,488
General administration	338,495	785,627	429,686	432,747	392,191	221,966	217,166	198,667	210,057	195,555
School administration	269,881	245,353	211,860	212,687	229,160	181,728	194,392	183,497	206,449	175,778
Operations and maintenance	776,552	547,024	468,303	435,810	429,847	381,434	485,971	447,838	577,093	409,053
Pupil transportation	294,634	252,501	219,241	183,351	156,304	175,676	198,083	213,625	250,323	304,483
<b>Business and other support services</b>										
Employee benefits	93,769	732,709	705,448	751,692	666,262	638,586	732,019	629,060	605,194	623,115
Other	71,403	30,884	71,138	63,318	64,775	30,820	22,089	-	-	-
On-behalf TPAF pension contributions	438,507	360,447	265,209	344,708	247,810	178,165	171,229	154,342	314,989	295,378
Reimbursed TPAF Social Security contributions	173,178	171,430	178,697	180,925	155,815	170,477	176,080	177,752	172,178	162,788
Capital outlay	2,072,946	121,387	61,887	68,988	183	-	-	-	11,910	14,812
<b>Debt service</b>										
Principal	250,000	250,000	255,000	260,000	255,000	250,000	240,000	225,000	225,000	225,000
Interest and other charges	18,750	27,500	27,500	44,550	51,882	58,756	68,357	79,606	90,856	102,106
<b>TOTAL EXPENDITURES</b>	<b>10,101,408</b>	<b>8,114,129</b>	<b>7,446,840</b>	<b>7,952,166</b>	<b>7,030,714</b>	<b>6,492,187</b>	<b>7,339,907</b>	<b>6,688,642</b>	<b>7,290,184</b>	<b>6,647,456</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>										
	<b>(1,701,805)</b>	<b>(76,152)</b>	<b>223,085</b>	<b>(553,350)</b>	<b>(70,385)</b>	<b>606,592</b>	<b>(256,711)</b>	<b>405,129</b>	<b>(38,944)</b>	<b>239,131</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	-	-	-	-	-	51,053	2,012	5,528	-	-
Transfers out	187,309	-	-	-	-	(51,052)	-	(3,469)	(12,544)	-
Bond proceeds	1,593,480	-	-	-	-	(250)	(51,053)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,780,789</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(249)</b>	<b>(49,041)</b>	<b>2,059</b>	<b>(12,544)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 78,984</b>	<b>\$ (76,152)</b>	<b>\$ 223,085</b>	<b>\$ (553,350)</b>	<b>\$ (70,385)</b>	<b>\$ 606,343</b>	<b>\$ (305,752)</b>	<b>\$ 407,188</b>	<b>\$ (51,488)</b>	<b>\$ 239,131</b>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>										
	2.73%	3.54%	4.07%	3.98%	4.56%	4.99%	4.39%	4.77%	4.53%	5.18%

Source: District Records

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

**Exhibit J-5**

<u>Years Ended June 30,</u>	<u>Tuition</u>	<u>Interest on Investments</u>	<u>Insurance Refunds</u>	<u>Prior Year Orders Cancelled</u>	<u>Refund of Prior Year Expenditures</u>	<u>Pennsauken BOE</u>	<u>Pilot Program</u>	<u>Miscellaneous</u>	<u>Total</u>
2016	\$ 6,800	\$ 1,678	\$ -	\$ -	\$ -	\$ -	\$ 32,441	\$ 32,513	\$ 73,432
2015	4,104	-	-	-	-	-	32,026	6,038	42,168
2014	34,506	-	-	-	-	-	11,500	33,874	79,880
2013	14,957	-	-	-	-	-	11,500	6,123	32,580
2012	875	-	-	-	-	-	11,500	20,796	33,171
2011	17,729	-	-	-	-	-	11,500	15,035	44,264
2010	13,225	63	3,326	-	22,068	-	11,500	10,419	60,601
2009	30,400	4,133	8,505	766	21,919	2,654	11,500	652	80,529
2008	31,260	20,509	10,335	2,997	6,903	-	11,500	6,330	89,834
2007	25,005	30,543	-	-	-	-	11,500	10,650	77,698

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

**Exhibit J-6**

<u>Years Ended December 31,</u>	<u>Net Assessed Valuations Taxable</u>	<u>Real Property Assessed Valuations</u>	<u>Percentage of Net Assessed Valuation to Real Property Assessed Valuations</u>	<u>Estimated Actual (County Equalized) Value</u>	<u>Total Direct School Tax Rate *</u>
2015	244,416,014	239,899,300	101.88%	238,228,344	1.882
2014	246,335,333	242,201,300	101.71%	252,071,338	1.775
2013	244,485,085	239,820,600	101.94%	243,577,379	1.734
2012	246,535,820	240,771,800	102.39%	260,170,214	1.669
2011	160,467,511	157,083,900	102.15%	256,540,581	2.637
2010	160,877,095	157,657,300	102.04%	272,397,360	2.706
2009	160,989,391	157,814,400	102.01%	287,443,223	2.638
2008	161,241,144	157,894,000	102.12%	290,062,234	2.657
2007	160,977,463	157,894,000	101.95%	293,539,312	2.531
2006	161,044,521	157,475,000	102.27%	229,859,526	2.484

\* Tax rates are per \$100

Source: Borough of Merchantville, Tax Assessor

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

**Exhibit J-7**

<u>Years Ended December 31,</u>	<u>Basic Rate</u>	<u>General Obligation Debt Service</u>	<u>Total Direct School Tax Rate</u>	<u>Municipal</u>	<u>County</u>	<u>Total Direct and Overlapping Tax Rate</u>
2015	1.956	\$ 8,221,113	1.882	1.106	0.850	3.838
2014	1.923	9,060,868	1.775	1.050	0.873	3.698
2013	1.846	7,936,769	1.734	1.019	0.827	3.580
2012	1.779	7,565,708	1.669	0.967	0.812	3.448
2011	2.601	7,856,273	2.637	1.385	1.216	5.238
2010	2.567	8,254,097	2.706	1.335	1.232	5.273
2009	2.411	8,694,737	2.638	1.279	1.132	5.049
2008	2.389	8,064,639	2.657	1.228	1.161	5.046
2007	2.620 (A)	6,662,962	2.531	1.045	1.208	4.784
2006	2.620	6,768,182	2.484	1.013	1.153	4.650

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

Source: Borough of Merchantville audited financial statements

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

**Exhibit J-8**

<u>Taxpayer</u>	<u>2016</u>		<u>2007</u>	
	<u>Assessed Valuation</u>	<u>As a % of District's Net Assessed Valuation</u>	<u>Assessed Valuation</u>	<u>As a % of District's Net Assessed Valuation</u>
Verizon, NJ	\$ 6,362,220	2.58%	\$ 4,754,663	2.91%
Emanuel at Maple LLC	3,763,500	1.53%	2,425,000	1.49%
Stratagem Merchantville, LLC	1,900,000	0.77%	(A)	(A)
42 W. Maple, LLC	1,199,800	0.49%	887,500	0.54%
Prospect Norse	1,132,600	0.46%	750,000	0.46%
Kaurene Family Investments, LLC / CVS	1,101,400	0.45%	615,200	0.38%
Three Brothers Real Estate, LLC	1,050,400	0.43%	(A)	(A)
26-28 S. Centre Street Associates, LLC	945,400	0.38%	644,600	0.39%
Richard Ounjian Et Al	921,800	0.37%	(A)	(A)
Friedman Maple Partners, LLC	850,000	0.34%	611,800	0.37%
Premiere Property Management, LLC	796,100	0.32%	(A)	(A)
Goodman Group Lease Compl. Dept.	726,600	0.29%	(A)	(A)
Federal National Mortgage Assn	723,600	0.29%	(A)	(A)
James and Deborah Saultz	<u>686,800</u>	<u>0.28%</u>	<u>(A)</u>	<u>(A)</u>
<b>TOTAL</b>	<b><u>\$ 22,160,220</u></b>	<b><u>8.98%</u></b>	<b><u>\$ 10,688,763</u></b>	<b><u>6.54%</u></b>

Source: Municipal Tax Assessor

**(A) Amounts are not available for this year.**

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

**Exhibit J-9**

<u>Years Ended December 31,</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Tax Levy Collected</u>
2015	9,404,710	9,161,085	97.41%
2014	9,146,665	8,845,443	96.71%
2013	8,762,008	8,448,719	96.42%
2012	8,544,018	8,231,212	96.34%
2011	8,417,003	7,978,620	94.79%
2010	8,512,891	7,964,657	93.56%
2009	8,142,974	7,704,703	94.62%
2008	8,152,217	7,695,433	94.40%
2007	7,707,506	7,521,454	97.59%
2006	7,496,348	7,220,036	96.31%

Source: Borough of Merchantville audited financial statements

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

**Exhibit J-10**

Years Ended June 30,	Government Activities				Business-Type Activities		Total District	Percentage Personal Income *	Per Capita*
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2016	\$ 1,876,000	\$ -	\$ -	\$ -	\$ -	\$ 1,876,000	1.09%	496	
2015	770,134	-	-	-	-	770,134	0.45%	203	
2014	750,000	-	-	-	-	750,000	0.43%	197	
2013	1,005,000	-	-	-	-	1,005,000	0.59%	264	
2012	1,265,000	-	-	-	-	1,265,000	0.82%	348	
2011	1,520,000	-	-	-	-	1,520,000	0.96%	398	
2010	1,770,000	-	-	-	-	1,770,000	1.11%	470	
2009	2,010,000	-	-	-	-	2,010,000	1.29%	534	
2008	2,235,000	-	-	-	-	2,235,000	1.49%	594	
2007	2,460,000	-	-	-	-	2,460,000	1.73%	646	

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

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



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

**Exhibit J-11**

<u>Years Ended June 30,</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percentage of Actual Taxable Value of Property (a)</u>	<u>Per Capita (b)</u>
2016	\$ 1,876,000	0.76%	496
2015	500,000	0.20%	132
2014	750,000	0.31%	198
2013	1,005,000	0.41%	264
2012	1,265,000	0.79%	364
2011	1,520,000	0.94%	398
2010	1,770,000	1.10%	470
2009	2,010,000	1.25%	534
2008	2,235,000	1.39%	594
2007	2,460,000	1.53%	646

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
YEAR ENDED JUNE 30, 2016  
UNAUDITED**

---

**Exhibit J-12**

Net direct debt of school district as of June 30, 2016	\$ 1,876,000
Net overlapping debt of school district	
Merchantville Borough (100%)	500,000 *
County of Camden - Borough's share	<u>827,540</u>
Total direct and overlapping debt as of June 30, 2016	<u>\$ 3,203,540</u>

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED**

**Exhibit J-13**

	Equalized Value Basis																		
									2016	\$ 238,228,344									
									2015	252,071,338									
									2014	<u>243,577,379</u>									
									(A)	<u>\$ 733,877,061</u>									
									Average equalized valuation of taxable property	(A/3) <u>\$ 244,625,687</u>									
									Debt limit (4% of average equalization value)	(B) \$ 9,785,027 *									
									Total net debt applicable to limit	(C) <u>1,876,000</u>									
									Legal debt margin	(B)-(C) <u>\$ 7,909,027</u>									
									2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	
Debt limit	\$ 9,785,027	\$ 10,077,586	\$ 10,137,176	\$ 10,521,442	\$ 10,885,082	\$ 11,417,389	\$ 11,062,308	\$ 11,098,779	\$ 11,013,841	\$ 10,268,082									
Total net debt applicable to limit	<u>1,876,000</u>	<u>500,000</u>	<u>(750,000)</u>	<u>1,005,000</u>	<u>1,265,000</u>	<u>1,520,000</u>	<u>1,770,000</u>	<u>2,010,000</u>	<u>2,235,000</u>	<u>2,460,000</u>									
Legal debt margin	<u>\$ 7,909,027</u>	<u>\$ 9,577,586</u>	<u>\$ 9,387,176</u>	<u>\$ 9,516,442</u>	<u>\$ 9,620,082</u>	<u>\$ 9,897,389</u>	<u>\$ 9,292,308</u>	<u>\$ 9,088,779</u>	<u>\$ 8,778,841</u>	<u>\$ 7,808,082</u>									
Total net debt applicable to the limit as a percentage of debt limit	19.17%	4.96%	7.40%	9.55%	11.62%	13.31%	16.00%	18.11%	20.29%	23.96%									

\* Limit set by NJSA 18A:24-19.

Source: Equalized valuation bases were provided by the Borough of Merchantville

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

**Exhibit J-14**

<u>Years Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Camden County Per Capita Personal Income</u>	<u>School District Population</u>
2015	7.50%	46,886	3,778
2014	7.50%	45,544	3,780
2013	9.10%	45,540	3,791
2012	9.10%	45,540	3,809
2011	10.80%	44,359	3,813
2010	6.50%	42,457	3,819
2009	6.20%	42,242	3,765
2008	3.90%	42,260	3,769
2007	2.90%	40,996	3,789
2006	3.20%	39,561	3,803

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

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

**Exhibit J-15**

<u>Employer</u>	<u>2016</u>		<u>2007</u>	
	<u>Employees</u>	<u>% of Total Municipal Employment</u>	<u>Employees</u>	<u>% of Total Municipal Employment</u>
Merchantville Pediatrics	35	N/A	31	N/A
The Blue Monkey	32	N/A	30	N/A
St. Clair CPA Solutions	32	N/A	42	N/A
CVS	27	N/A	27	N/A
Rite Aid	10	N/A	15	N/A
PNC Bank	13	N/A	13	N/A
<b>TOTAL</b>	<u>149</u>	N/A	<u>158</u>	N/A

Source: Municipal Borough Office

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

**Exhibit J-16**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>FUNCTION/PROGRAM</b>										
<b>Instruction</b>										
Regular	31	28	28	27	27	27	27	25	25	25
Special education	5	4	5	5	4	4	4	4	4	4
Other special education	-	-	-	-	-	-	-	-	-	-
<b>SUPPORT SERVICES</b>										
Student and instruction related services	3	10	9	4	4	4	4	4	4	3
General administration	4	2	1	1	1	1	1	1	1	1
School administration	3	1	1	1	1	1	1	1	1	1
Operation and maintenance of plant facilities	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<u>47</u>	<u>46</u>	<u>44</u>	<u>38</u>	<u>37</u>	<u>37</u>	<u>37</u>	<u>35</u>	<u>35</u>	<u>34</u>

(A) Amounts are not available for these years.

Source: District Personnel Records

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

**Exhibit J-17**

<u>Years Ended June 30,</u>	<u>Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost Per Pupil</u>	<u>% Change</u>	<u>Teaching Staff (a)</u>	<u>Pupil/Teacher Ratio (Elementary)</u>	<u>Average Daily Enrollment</u>	<u>Average Daily Attendance</u>	<u>% Change in Average Daily Enrollment</u>	<u>Attendance %</u>
2016	371	\$ 7,759,712	\$ 20,916	-0.21%	36	10	371.0	356.8	-2.73%	96.17%
2015	381	7,985,782	20,960	12.14%	33	12	381.4	362.6	0.37%	95.07%
2014	380	7,102,453	18,691	-7.52%	33	12	380.0	362.9	1.33%	95.51%
2013	375	7,578,648	20,210	6.11%	32	12	375.0	358.4	5.75%	95.56%
2012	353	6,723,649	19,047	-0.51%	31	10	354.6	337.0	8.00%	95.04%
2011	323	6,183,431	19,144	-6.35%	31	11	328.3	314	-5.93%	95.49%
2010	344	7,031,550	20,441	13.35%	31	12	349.0	331.0	-1.41%	94.84%
2009	354	6,384,035	18,034	-10.90%	28	11	354.0	317.0	2.91%	89.55%
2008	344	6,384,036	18,558	17.16%	31	11	344.0	302.9	-5.75%	88.05%
2007	365	6,962,418	19,075	-3.43%	31	12	365.0	342.5	3.46%	93.84%

Source: District Records.

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

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

**Exhibit J-18**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>DISTRICT BUILDING</u>										
Merchantville Elementary (1936)										
Square feet	85,758	85,758	85,758	85,758	85,758	85,758	85,758	85,758	85,758	85,758
Capacity (students)	574	574	574	574	574	574	574	574	574	574
Enrollment	371	381	380	375	323	344	354	344	368	353
Number of schools at June 30, 2016										
Elementary = 1										

Source: District Facilities Office

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



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

**UNDISTRIBUTED EXPENDITURES - REQUIRED  
 MAINTENANCE FOR SCHOOL FACILITIES  
 11-000-261-420  
 11-000-261-610  
 11-000-261-800**

		<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>School Facilities*</b>	<b>Project # (s)</b>										
Merchantville Elementary	N/A	\$ 127,437	\$ 88,237	\$ 98,221	\$ 68,134	\$ 80,558	\$ 57,050	\$ 84,073	\$ 47,798	\$ 206,994	\$ 53,622
Total School Facilities		<u>\$ 127,437</u>	<u>\$ 88,237</u>	<u>\$ 98,221</u>	<u>\$ 68,134</u>	<u>\$ 80,558</u>	<u>\$ 57,050</u>	<u>\$ 84,073</u>	<u>\$ 47,798</u>	<u>\$ 206,994</u>	<u>\$ 53,622</u>

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

Source: District Records.

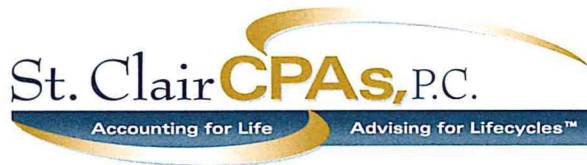
**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
 INSURANCE SCHEDULE  
 JUNE 30, 2016  
 UNAUDITED**

**Exhibit J-20**

	<u>Coverage</u>	<u>Deductible</u>
Burlington County Insurance Pool Joint Insurance Fund BCIP JIF		
Property, Inland Marine and Automobile Physical Damages	\$150,000,000	\$ 500
Boiler and Machinery	125,000,000	1,000
Crime	500,000	500
General and Automobile Liability	20,000,000	-
Educator's Legal Liability	20,000,000	-
Pollution Legal Liability	3,000,000	25,000
Cyber Liability	1,000,000	25,000
Violent Malicious Acts	1,000,000	15,000
Surety Bonds - Liberty Mutual Insurance Company		
Business administrator	170,000	-
Treasurer	170,000	-
Board secretary	35,000	
Workers' compensation - New Jersey School Boards Association	Statutory	-
Compulsory student accident coverage	1,000,000	-

Source: District Records

**SINGLE AUDIT SECTION**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education Borough of Merchantville School District (District), in the County of Camden, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 29, 2016. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements resulting from the adoption of new accounting principles.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough of Merchantville Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the district's internal control.

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

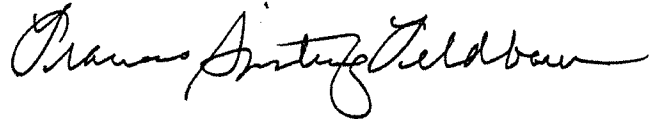
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



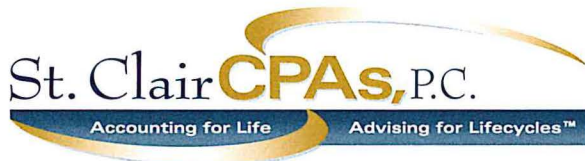
Frances Sperling Feldbaum, CPA  
Licensed Public School Accountant  
License No. 20CS00248900



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

Merchantville, New Jersey  
December 1, 2016





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08**

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

**Report on Compliance for Each Major Federal and State Program**

We have audited the Board of Education Borough of Merchantville School District (District), in the County of Camden, State of New Jersey's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Board of Education's major federal and state programs for the year ended June 30, 2016. The Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Board of Education's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; *Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey OMB's Circular 15-08 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 and state program occurred. An audit includes examining, on a test basis, evidence about the Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Board of Education's compliance.

***Opinion on Each Major Federal and State Program***

In our opinion, the Board of Education Borough of Merchantville School District, in the County of Camden, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2016.

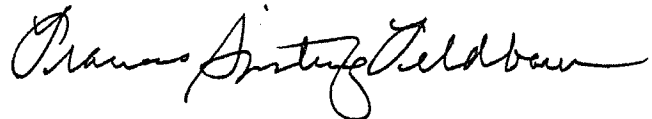
## Report on Internal Control Over Compliance

Management of the Board of Education Borough of Merchantville School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of Merchantville Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey's OMB's Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Merchantville Board of Education's internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purpose.



Frances Sperling Feldbaum, CPA  
Licensed Public School Accountant  
License No. 20CS00248900



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

Merchantville, New Jersey  
December 1, 2016

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - SCHEDULE A  
YEAR ENDED JUNE 30, 2016**

**Exhibit K-3**

		State	Grant Period		Program	Balance	Carryover	Revenue/		Prior Years'	(Accounts	Deferred	Due to	Unused
CFDA	Project		From	To	or Award	June 30,	Walkover	Cash	Expenditures	Balances	Receivable)	Revenue	Grantor at	Funds
Number	Number				Amount	2015	Amount	Received		Returned	June 30, 2016		June 30,	June 30,
FEDERAL GRANTOR/PASS-THROUGH														
GRANTOR/PROGRAM TITLE														
<b>U.S. Department of Agriculture</b>														
Passed-through State Department of Education														
Enterprise Fund :														
Food Distribution Program	10.550	N/A	7/1/2015	6/30/2016	11,855	-	-	11,855	11,855	-	-	-	-	-
Supplemental Nutrition Assistance Program	10.551	N/A	7/1/2014	6/30/2015	1,540	(280)	-	280	-	-	-	-	-	-
Supplemental Nutrition Assistance Program	10.551	N/A	7/1/2015	6/30/2016	1,625	-	-	1,358	1,625	-	(267)	-	-	-
National School Lunch Program	10.555	N/A	7/1/2014	6/30/2015	50,220	(9,113)	-	9,113	-	-	-	-	-	-
National School Lunch Program	10.555	N/A	7/1/2015	6/30/2016	60,725	-	-	50,888	60,725	-	(9,837)	-	-	-
National School Breakfast Program	10.553	N/A	7/1/2014	6/30/2015	5,520	(1,061)	-	1,061	-	-	-	-	-	-
National School Breakfast Program	10.553	N/A	7/1/2015	6/30/2016	5,029	-	-	4,266	5,029	-	(763)	-	-	-
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>					<b>136,514</b>	<b>(10,454)</b>	<b>-</b>	<b>78,821</b>	<b>79,234</b>	<b>-</b>	<b>(10,867)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>U.S. Department of Education</b>														
Passed-through State Department of Education														
Special Revenue Fund:														
Title I Prior Year	84.010	IASA311015	9/1/2014	8/31/2015	82,285	(79,412)	(2,873)	82,285	-	-	-	-	-	-
Title I Current Year	84.010	IASA311016	9/1/2015	8/31/2016	79,412	-	-	46,558	79,055	-	(32,497)	-	-	357
I.D.E.A. Part B, basic Prior year	84.027	FT-3110-15	9/1/2014	8/31/2015	142,788	(138,232)	(4,556)	142,788	-	-	-	-	-	-
I.D.E.A. Part B, basic Current year	84.027	FT-3110-16	9/1/2015	8/31/2016	153,567	-	-	114,605	153,567	-	(38,962)	-	-	-
I.D.E.A. Part B, preschool Prior year	84.173	PS-3110-15	9/1/2014	8/31/2015	5,969	(4,169)	(1,800)	5,969	-	-	-	-	-	-
I.D.E.A. Part B, preschool Current, year	84.173	PS-3110-16	9/1/2015	8/31/2016	6,243	-	-	2,648	6,243	-	(3,595)	-	-	-
Title II - Eisenhower Prior year	84.281	IASA311015	9/1/2014	8/31/2015	35,288	(33,726)	(1,562)	35,288	-	-	-	-	-	-
Title II - Eisenhower Current year	84.281	IASA311016	9/1/2015	8/31/2016	22,023	-	-	-	7,597	-	(7,597)	-	-	14,426
					<b>527,575</b>	<b>(255,539)</b>	<b>(10,791)</b>	<b>430,141</b>	<b>246,462</b>	<b>-</b>	<b>(82,651)</b>	<b>-</b>	<b>-</b>	<b>14,783</b>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>					<b>(255,539)</b>	<b>(10,791)</b>	<b>430,141</b>	<b>246,462</b>	<b>-</b>	<b>(82,651)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,783</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>					<b>\$ (265,993)</b>	<b>\$ (10,791)</b>	<b>\$ 508,962</b>	<b>\$ 325,696</b>	<b>\$ -</b>	<b>\$ (93,518)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,783</b>

See accompanying notes to schedules of awards and financial assistance.



**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE - SCHEDULE B  
YEAR ENDED JUNE 30, 2016**

**Exhibit K-4**

State Grantor/Program Title	Grant or State Project Number	Grant Period From To	Program or Award Amount	Balance at June 30, 2015	Carryover Walkover Amount	Revenue/ Cash Received	Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) June 30, 2016	Deferred Revenue	Grantor at June 30, 2016	Funds June 30, 2016
<b>STATE DEPARTMENT OF EDUCATION</b>												
<b>General Fund :</b>												
Transportation Aid	15-495-034-5120-014	7/1/14 to 6/30/15	\$ 21,879	(\$1,812)	\$ -	\$1,812	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transportation Aid	16-495-034-5120-014	7/1/15 to 6/30/16	21,879	-	-	19,934	21,879	-	(1,945)	-	-	-
Non Public Transportation Aid		7/1/14 to 6/30/15	7,308	(7,308)	-	7,308	-	-	-	-	-	-
Non Public Transportation Aid		7/1/15 to 6/30/16	6,438	-	-	-	6,438	-	(6,438)	-	-	-
Special Education Categorical Aid	15-495-034-5120-089	7/1/14 to 6/30/15	230,435	(19,080)	-	19,080	-	-	-	-	-	-
Special Education Categorical Aid	16-495-034-5120-089	7/1/15 to 6/30/16	230,435	-	-	209,953	230,435	-	(20,482)	-	-	-
Extraordinary Aid	15-495-034-5120-044	7/1/14 to 6/30/15	55,486	(55,486)	-	55,486	-	-	-	-	-	-
Extraordinary Aid	16-495-034-5120-044	7/1/15 to 6/30/16	55,000	-	-	10,326	55,000	-	(44,674)	-	-	-
Equalization Aid	15-495-034-5120-078	7/1/14 to 6/30/15	1,474,903	(120,967)	-	120,967	-	-	-	-	-	-
Equalization Aid	16-495-034-5120-078	7/1/15 to 6/30/16	1,474,903	-	-	1,343,807	1,474,903	-	(131,096)	-	-	-
School Choice Aid	15-495-034-5120-068	7/1/14 to 6/30/15	495,320	(41,013)	-	41,013	-	-	-	-	-	-
School Choice Aid	16-495-034-5120-068	7/1/15 to 6/30/16	544,852	-	-	496,423	544,852	-	(48,429)	-	-	-
Security Aid	15-495-034-5120-084	7/1/14 to 6/30/15	11,201	(927)	-	927	-	-	-	-	-	-
Security Aid	16-495-034-5120-084	7/1/15 to 6/30/16	11,201	-	-	10,205	11,201	-	(996)	-	-	-
Education Adequacy Aid	15-495-034-5120-083	7/1/14 to 6/30/15	36,403	(3,014)	-	3,014	-	-	-	-	-	-
Education Adequacy Aid	16-495-034-5120-083	7/1/15 to 6/30/16	36,403	-	-	33,167	36,403	-	(3,236)	-	-	-
Reimbursed TPAF Social Security	15-495-034-5095-002	7/1/14 to 6/30/15	171,430	(92,744)	-	92,744	-	-	-	-	-	-
Reimbursed TPAF Social Security	16-495-034-5095-002	7/1/15 to 6/30/16	173,178	-	-	164,738	173,178	-	(8,440)	-	-	-
<b>Total State Department of Education</b>			<b>5,058,654</b>	<b>(342,351)</b>	<b>-</b>	<b>2,630,904</b>	<b>2,554,289</b>	<b>-</b>	<b>(265,736)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Special Revenue Fund:</b>												
<b>N.J. Nonpublic Aid</b>												
Textbook Aid	15-100-034-5120-064	7/1/14 to 6/30/15	16,802	-	-	-	-	5,034	-	-	-	-
Textbook Aid	16-100-034-5120-064	7/1/15 to 6/30/16	17,815	-	-	17,815	17,733	-	-	-	82	-
Nursing Aid	15-100-034-5120-070	7/1/14 to 6/30/15	26,748	-	-	-	-	267	-	-	-	-
Nursing Aid	16-100-034-5120-070	7/1/15 to 6/30/16	28,080	-	-	28,080	27,799	-	-	-	281	-
Security Aid	16-100-034-5120-509	7/1/15 to 6/30/16	7,800	-	-	7,800	7,475	-	-	-	325	-
<b>Auxiliary Services</b>												
Compensatory Education	15-100-034-5120-067	7/1/14 to 6/30/15	116,454	-	-	-	-	14,602	-	-	-	-
Compensatory Education	16-100-034-5120-067	7/1/15 to 6/30/16	132,827	-	-	132,827	77,155	-	-	-	55,672	-
English as a Second Language	16-100-034-5120-067	7/1/15 to 6/30/16	7,333	-	-	7,333	2,674	-	-	-	4,659	-
Transportation	15-100-034-5120-068	7/1/14 to 6/30/15	11,475	-	-	-	-	7,517	-	-	-	-
Transportation	16-100-034-5120-068	7/1/15 to 6/30/16	13,984	-	-	13,984	3,800	-	-	-	10,184	-
<b>Handicapped Services:</b>												
Supplemental instruction	15-100-034-5120-066	7/1/14 to 6/30/15	15,695	-	-	-	-	4,395	-	-	-	-
Supplemental instruction	16-100-034-5120-066	7/1/15 to 6/30/16	20,420	-	-	20,420	14,033	-	-	-	6,387	-
Examination & Classification	16-100-034-5120-066	7/1/15 to 6/30/16	23,865	-	-	23,865	17,388	-	-	-	6,477	-
Corrective Speech	15-100-034-5120-066	7/1/14 to 6/30/15	30,923	-	-	-	-	9,719	-	-	-	-
Corrective Speech	16-100-034-5120-066	7/1/15 to 6/30/16	26,754	-	-	26,754	11,537	-	-	-	15,217	-
Technology Initiative	16-100-034-5120-373	7/1/15 to 6/30/16	8,112	-	-	8,112	8,072	-	-	-	40	-
Preschool Education Aid	15-100-034-5120-086	7/1/14 to 6/30/15	67,012	(6,701)	-	6,701	-	-	-	-	-	-
Preschool Education Aid	16-100-034-5120-086	7/1/15 to 6/30/16	54,828	-	-	49,955	54,828	-	(4,873)	-	-	-
			<b>626,927</b>	<b>(6,701)</b>	<b>-</b>	<b>343,646</b>	<b>242,494</b>	<b>41,534</b>	<b>(4,873)</b>	<b>-</b>	<b>99,324</b>	<b>-</b>
<b>Debt Service Fund:</b>												
Debt Service Aid Type II	16-495-034-5120-016	7/1/15 to 6/30/16	15,203	-	-	15,203	15,203	-	-	-	-	-
<b>STATE DEPARTMENT OF AGRICULTURE</b>												
<b>Enterprise Fund:</b>												
National School Lunch Program (State Share)	15-100-034-3360-067	7/1/14 to 6/30/15	1,271	(231)	-	231	-	-	-	-	-	-
National School Lunch Program (State Share)	16-100-034-3360-067	7/1/15 to 6/30/16	1,243	-	-	1,018	1,243	-	(225)	-	-	-
<b>TOTAL STATE DEPARTMENT OF AGRICULTURE</b>			<b>2,514</b>	<b>(231)</b>	<b>-</b>	<b>1,249</b>	<b>1,243</b>	<b>-</b>	<b>(225)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL STATE FINANCIAL ASSISTANCE Subject to OMB 15-08</b>				<b>(349,283)</b>	<b>-</b>	<b>2,991,002</b>	<b>2,813,229</b>	<b>41,534</b>	<b>(270,834)</b>	<b>-</b>	<b>99,324</b>	<b>-</b>
On-behalf TPAF Pension	16-495-034-5095-001	7/1/15 to 6/30/16	438,507	-	-	438,507	438,507	-	-	-	-	-
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>				<b>\$ (349,283)</b>	<b>\$ -</b>	<b>\$ 3,429,509</b>	<b>\$ 3,251,736</b>	<b>\$ 41,534</b>	<b>\$ (270,834)</b>	<b>\$ -</b>	<b>\$ 99,324</b>	<b>\$ -</b>

See accompanying notes to schedules of awards and financial assistance.

**NOTE 1           GENERAL**

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

**NOTE 2           BASIS OF ACCOUNTING**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3           RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

The General Fund is presented in the accompany schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The Special Revenue Fund also recognizes the one or more June state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS AND  
FINANCIAL ASSISTANCE (CONTINUED)  
JUNE 30, 2016**

**Exhibit K-5  
(Continued)**

**NOTE 3            RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$38,550 for the General Fund and (\$15,781) for the Special Revenue Fund. See the notes to the basic financial statements for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds. Awards and financial assistance revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 3,014,582	\$ 3,014,582
Special Revenue Fund	246,462	242,494	488,956
Debt Service Fund	-	15,203	15,203
Food Service Fund	79,234	1,243	80,477
Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>
 Total Awards and Financial Assistance	 <u>\$ 325,696</u>	 <u>\$ 3,273,522</u>	 <u>\$ 3,599,218</u>

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

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

**NOTE 5            OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions, respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2016. TPAF Social Security Contributions represents the amounts reimbursed by the State for the employer's share of Social Security Contributions for TPAF members for the fiscal year ended June 30, 2016.

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting

- 1). Material weakness(es) identified? \_\_\_\_\_ yes X no
- 2). Significant deficiency(ies) identified? \_\_\_\_\_ yes X None reported

Noncompliance material to basic financial statements noted? \_\_\_\_\_ yes X no

**Federal Awards**

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

- 1). Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ no
- 2). Reportable condition(s) identified that are not considered to be material weaknesses \_\_\_\_\_ yes \_\_\_\_\_ no

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

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

**CFDA Number(s)**

**Name of Federal Program or Cluster**

N/A

N/A

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes \_\_\_\_\_ no

**Section I - Summary of Auditors' Results (continued)**

**State Awards**

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?     X     yes                      no

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

Internal control over compliance:

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

2). Significant deficiency(ies) identified that are not considered to be material weaknesses?                      yes     X     none reported

Any audit findings disclosed that are required to be reported in accordance with New Jersey OMB Circular 15-08?                      yes     X     no

Identification of major program:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
16-495-034-5120-078	Equalization Aid

Section II - Financial Statement Findings

**Finding:** NONE

**Condition:**

**Questioned Costs:**

**Context:**

**Effect:**

**Cause:**

**Recommendation:**

**Management's Response:**

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

**FEDERAL AWARDS:**

**Finding:** NONE

**Information on the Federal Program:**

**Criteria or Specific Requirement:**

**Condition:**

**Questioned Costs:**

**Context:**

**Effect:**

**Cause:**

**Recommendation:**

**Management's Response:**

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

**STATE AWARDS:**

**Finding:** NONE

**Information on the State Program:**

**Criteria or Specific Requirement:**

**Condition:**

**Questioned Costs:**

**Context:**

**Effect:**

**Cause:**

**Recommendation:**

**Management's Response:**



This section identifies the status of prior-year findings related to the basic financial statements and Federal and State awards that are required to be reported in accordance with Chapter 6.12 *Government Auditing Standards*, Uniform Guidance and New Jersey OMB's Circular 15-08.

**STATUS OF PRIOR-YEAR FINDINGS**

There were no prior year findings.