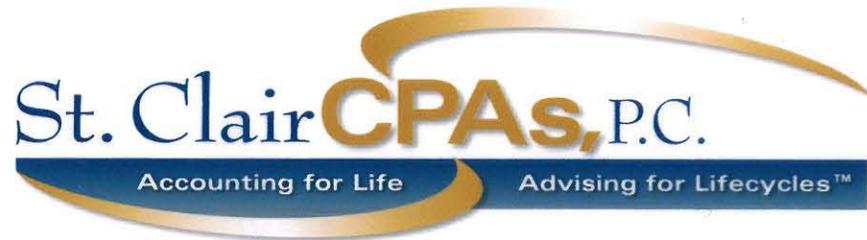


BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT

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

**FISCAL YEAR ENDED
JUNE 30, 2011**



BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
JUNE 30, 2011

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BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
JUNE 30, 2011

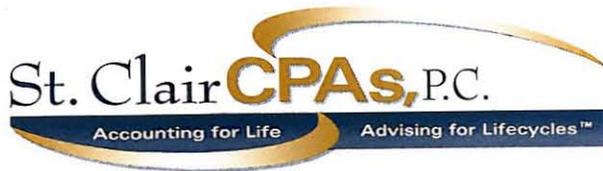
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BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
JUNE 30, 2011

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November 22, 2011

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, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

1. REPORTING ENTITY AND ITS SERVICES:

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

2. ECONOMIC CONDITION AND OUTLOOK:

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

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for handicapped students. The District completed the 2010-2011 fiscal year with a June enrollment of 323 students, which is 1 student below the October 15, 2010 count for the Application for State School Aid. The following details the changes in the student enrollment of the District over the last ten years:

<u>Average Daily Enrollment</u>		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2010-11	323.0	(7.45%)
2009-10	349.0	(1.43%)
2008-09	354.0	(0.28%)
2007-08	355.0	(2.95%)
2006-07	365.4	3.57%
2005-06	352.8	(4.67%)
2004-05	370.1	1.93%
2003-04	363.1	2.92%
2002-03	352.8	(0.34%)
2001-02	354.0	3.33%

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, 2011, 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 2010</u>
Local sources	\$ 4,533,598	63.87%	\$ 99,492
State sources	2,158,590	30.41%	224,287
Federal sources	406,591	5.72%	(308,196)
	<u>\$ 7,098,779</u>	<u>100.00%</u>	<u>\$ 15,583</u>

The net increase in revenue from Local Sources is attributable to an increase in the Local Tax Levy in the amount of \$163,427, offset by a decrease of miscellaneous revenues in the General Fund and a decrease of \$47,598 in the Debt Service Fund.

The net increase in State sources is attributable to increases in General Fund State Aid of \$300,833 and a decrease in Special Revenue State Aid of \$73,491, as well as a small decrease in the Debt Service Fund.

The decrease in Federal sources is \$264,073 and is attributable to no federal funding received this year in the General Fund, as well as a decrease of \$44,123 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, 2011, 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 2010</u>
Current expenses			
Instruction	\$ 2,343,679	36.10%	\$ (309,270)
Undistributed expenditures	3,839,752	59.14%	(538,849)
Capital outlay	-	0%	-
Debt service			
Principal	250,000	3.85%	10,000
Interest	<u>58,756</u>	<u>0.91%</u>	<u>(9,601)</u>
 Total	 <u>\$ 6,492,187</u>	 <u>100.00%</u>	 <u>\$ (847,720)</u>

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

There was no current year or prior year capital projects.

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

7. DEBT ADMINISTRATION:

As of June 30, 2011, the outstanding balance relating to the 2004 bonds was \$1,520,000.

8. CASH MANAGEMENT:

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

9. RISK MANAGEMENT:

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

10. INDEPENDENT AUDIT:

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

11. ACKNOWLEDGMENTS:

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

Respectfully submitted,



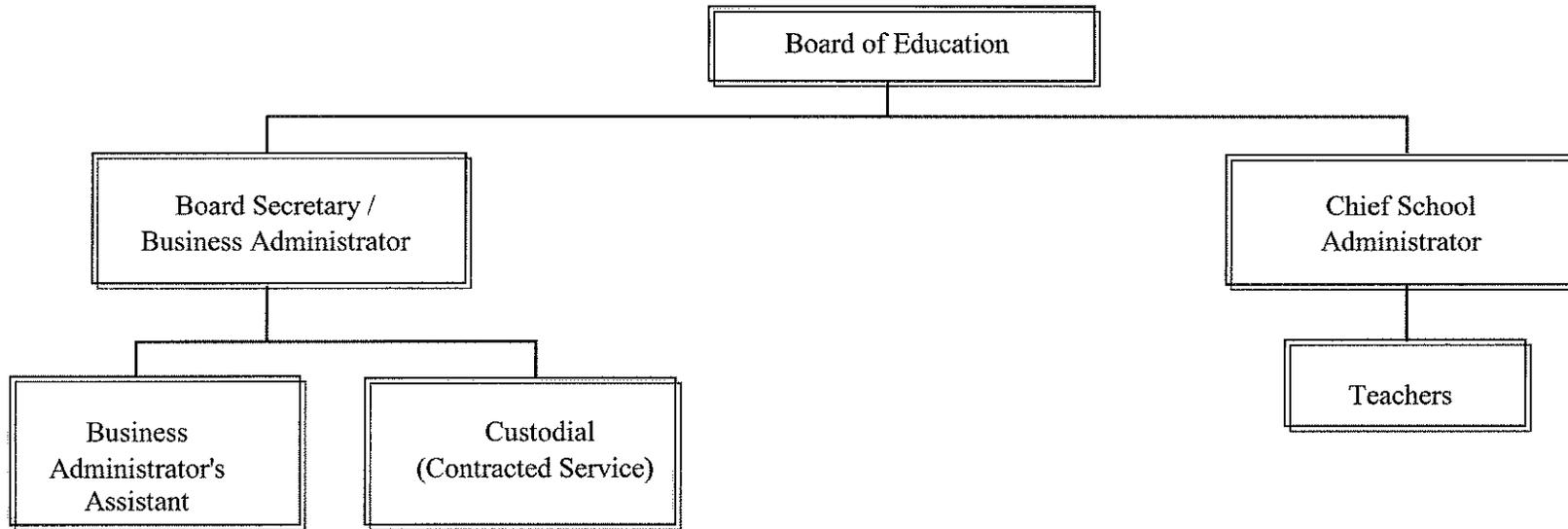
Mr. Timothy Bell, Interim Chief School Administrator/Principal



Mr. William Thompson, School Business Administrator/Board Secretary

ORGANIZATIONAL CHART

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



**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2011**

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

OTHER OFFICIALS

Timothy Bell, Interim Chief School Administrator/Principal

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

Dr. Bruce Goberman, School Physician

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

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

AUDIT FIRM

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

ATTORNEY

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

INSURANCE BROKER OF RECORD

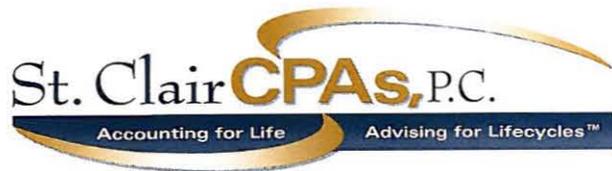
Connor Strong Companies, Inc.
123 Rosenhayn Avenue
P.O. Box 358
Bridgeton, New Jersey 08302

OFFICIAL DEPOSITORY

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

INVESTMENT INSTITUTIONS

NJ Cash Management/Morgan Stanley



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education Borough of Merchantville School District (District), in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Merchantville Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2011, and the respective changes in financial position and cash flow, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011, on our consideration of the Borough of Merchantville, Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 11 through 19 and 51 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Merchantville Board of Education's financial statements as a whole. The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the State Treasury Circular 04-04 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* respectively, and are also not a required part of the basic financial statements of the Board of Education Borough of Merchantville. The combining and individual fund financial statements, long term debt schedules and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived directly and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.



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



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

Merchantville, New Jersey
November 22, 2011

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

UNAUDITED

Overview

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

Financial Highlights

Key financial highlights for 2011 are as follows:

- ❖ General revenues accounted for \$4,533,349 in revenue or 63% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,659,942 or 37% percent to total revenues of \$7,193,291.
- ❖ Total assets of governmental activities increased by \$504,855, cash and cash equivalents increased by \$817,641, receivables decreased by \$235,233 and capital assets decreased by \$102,906.
- ❖ The School District had \$6,504,458 in expenses; only \$2,659,942 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) in the amount of \$4,533,349 were adequate to provide for these programs.
- ❖ The General Fund had \$6,150,667 in revenues and \$5,493,023 in expenditures. The General Fund's fund balance increased \$657,644 over fiscal year ended June 30, 2010.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

Enterprise Fund

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

Notes to the Financial Statements

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets as of June 30, 2011 and 2010.

Table 1
Net Assets

	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 1,529,037	\$ 921,276
Capital assets, net	<u>1,463,109</u>	<u>1,566,015</u>
Total Assets	<u>\$ 2,992,146</u>	<u>\$ 2,487,291</u>
Liabilities		
Long-term liabilities	\$ 1,644,868	\$ 1,859,288
Other liabilities	<u>554,121</u>	<u>523,679</u>
Total Liabilities	<u>\$ 2,198,989</u>	<u>\$ 2,382,967</u>
Net Assets		
Invested in capital assets, net of debt	\$ (61,361)	\$ (209,917)
Restricted	80,000	427,963
Unrestricted	<u>774,518</u>	<u>(113,722)</u>
Total Net Assets	<u>\$ 793,157</u>	<u>\$ 104,324</u>

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

The School District as a Whole (Continued)

Table 2 shows changes in net assets for fiscal year 2011.

Table 2
Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Revenues		
Program revenues		
Charges for services	\$ 31,615	\$ 38,699
Operating grants and contributions	2,628,327	2,710,144
General revenues		
Property taxes	4,489,334	4,373,505
Other	<u>44,015</u>	<u>9,548</u>
Total Revenues	<u>7,193,291</u>	<u>7,131,896</u>
Program Expenses		
Instruction	2,343,679	2,652,949
Support services		
Pupils and instructional staff	1,860,900	2,181,572
General administration, school administration, and business	1,462,322	1,522,113
Operation and maintenance of plant facilities	381,434	485,971
Pupil transportation	175,676	198,083
Interest on long-term debt	58,756	68,357
Food service	120,247	116,768
Unallocated depreciation	<u>101,444</u>	<u>103,947</u>
Total Expenses	<u>6,504,458</u>	<u>7,329,760</u>
Increase (decrease) in net assets	<u>\$ 688,833</u>	<u>\$ (197,864)</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 62% percent of revenues for governmental activities for the Borough of Merchantville School District for the fiscal year 2011. The School District's total revenues for governmental activities were \$7,098,530 for the fiscal year ended June 30, 2011. Federal, State and local grants accounted for 38%. The total cost of all program and services was \$6,504,458. Instruction comprises 37% of the School District's expenses.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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 \$25,486.
- ❖ Charges for services represents \$31,615 or 33% of revenue. This represents amounts paid by patrons for daily food services.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and donated commodities was \$50,102.

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.

	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>
Program Expenses				
Instruction	\$ 2,343,679	\$ 373,199	\$ 2,652,949	\$ 738,435
Support services				
Pupils and instructional staff	1,860,900	1,632,307	2,181,572	1,907,937
General administration, school administration, and business	1,462,322	1,113,679	1,522,113	1,133,868
Operation and maintenance of plant facilities	381,434	381,434	485,971	485,971
Pupil transportation	175,676	175,676	198,083	145,908
Interest and long-term debt	58,756	41,290	68,357	47,836
Unallocated depreciation	<u>101,444</u>	<u>101,444</u>	<u>103,947</u>	<u>103,947</u>
 Total Expenses	 <u>\$ 6,384,211</u>	 <u>\$ 3,819,029</u>	 <u>\$ 7,212,992</u>	 <u>\$ 4,563,902</u>

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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 \$7,098,779 and expenditures of \$6,492,187. The net change in fund balance for the year was in the General Fund, as an increase of \$606,592. The School District is still able to meet current operating costs based on accumulated fund balances.

As demonstrated by the various statements and schedules included in the financial section of this report, despite federal funding decreases, the School District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2011, 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 2010</u>
Local sources	\$ 4,533,598	63.87%	\$ 99,492
State sources	2,158,590	30.41%	224,287
Federal sources	406,591	5.72%	(308,196)
	<u>\$ 7,098,779</u>	<u>100.00%</u>	<u>\$ 15,583</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

The School District's Funds (Continued)

The increase in local sources is attributed to increases in the local tax levy of \$163,427, a decrease in interest income of \$63, a decrease of miscellaneous revenue of \$20,778, an increase in tuition revenue of \$4,504 in the General Fund, and a decrease of \$47,598 of local tax levy in the Debt Service Fund.

The increases in state sources are due to increases in the Equalization aid of \$509,962, and a decrease in Special Revenue Fund state sources of \$73,491.

The decrease in federal sources is attributed to no federal grant awards in the General Fund, and a decrease of \$44,123 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, 2011.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2010</u>
Current expenses			
Instruction	\$ 2,343,679	36.10%	\$ (309,270)
Undistributed expenditures	3,839,752	59.14%	(538,849)
Capital outlay	-	0%	-
Debt service			
Principal	250,000	3.85%	10,000
Interest	<u>58,756</u>	<u>0.91%</u>	<u>(9,601)</u>
 Total	 <u>\$ 6,492,187</u>	 <u>100.00%</u>	 <u>\$ (847,720)</u>

Expenditures have decreased over prior year mostly due to budgetary decreases, a decrease in student supporting services, and a decrease in operation and maintenance of plant services. Revenues exceeded expenditures during the fiscal year, resulting in an increase 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, 2011**

General Fund Budgeting Highlights (Continued)

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

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

Capital Assets

At the end of the fiscal year 2011, the School District had \$5,300,421 invested in land, buildings, furniture and equipment. Table 4 shows fiscal year 2011 balances compared to 2010, net of depreciation.

Table 4
Capital Assets

	<u>2011</u>	<u>2010</u>
Land	\$ 153,671	\$ 153,671
Building and improvements	1,304,968	1,408,019
Machinery and equipment	<u>4,470</u>	<u>4,325</u>
	<u>\$ 1,463,109</u>	<u>\$ 1,566,015</u>

Debt Administration

At June 30, 2011, the School District had \$1,899,868 as outstanding debt. Of this amount, \$379,868 is for compensated absences, and the balance \$1,520,000 for bonds for school renovations.

For the Future

The Borough of Merchantville School District is in very good financial condition presently. A major concern of the School District is the increased reliance on local property taxes and the reduction of state funding. The School District has analyzed and reduced the budget for school year 2011-2012 accordingly, and at this time, is still able to provide needed services at the high level of quality to which the School District holds itself. However, future finances are not without challenges as the community continues to grow and governmental funding sources are limited.

The Borough of Merchantville School District did not pass their school budget for the 2010-2011 school year. However, the budget for the 2011-2012 school year did pass by a few votes. In the past, the school budgets have been defeated by an overwhelming margin. The contributing factors for the defeated budgets are thought to be the continuing problems with the regional high school district, the high tax rate and the change in the economy.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

For the Future (Continued)

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 our administrative costs. Therefore, the Board of Education and the Administration will continue to review all cost centers in the School District.

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

Contacting the School District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

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

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
STATEMENT OF NET ASSETS (DEFICIT)
JUNE 30, 2011

Exhibit A-1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,181,523	\$ -	\$ 1,181,523
Due from other funds	45,904	-	45,904
Receivables from other governments	296,525	3,588	300,113
Inventory	-	1,497	1,497
Capital assets, net	1,458,639	4,470	1,463,109
TOTAL ASSETS	<u>2,982,591</u>	<u>9,555</u>	<u>2,992,146</u>
LIABILITIES			
Accounts payable	83,709	30,620	114,329
Interfund payable	-	45,904	45,904
Payable to state government	49,909	-	49,909
Deferred revenue	88,979	-	88,979
Compensated absences, non current	379,868	-	379,868
Bonds payable, current	255,000	-	255,000
Bonds payable, non-current	1,265,000	-	1,265,000
TOTAL LIABILITIES	<u>2,122,465</u>	<u>76,524</u>	<u>2,198,989</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	(61,361)	-	(61,361)
Restricted for encumbrances	-	-	-
Restricted for other purposes	430,719	-	430,719
Unrestricted			
Designated for capital projects	-	-	-
Unreserved, undesignated	490,768	(66,969)	423,799
TOTAL NET ASSETS (DEFICIT)	<u>\$ 860,126</u>	<u>\$ (66,969)</u>	<u>\$ 793,157</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

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	\$ 1,849,361	\$ -	\$ 1,731,497	\$ -	\$ (117,864)	\$ -	\$ (117,864)
Special education	262,568	-	213,145	-	(49,423)	-	(49,423)
Other special instruction	231,750	-	25,838	-	(205,912)	-	(205,912)
Support services							
Instruction	1,090,679	-	-	-	(1,090,679)	-	(1,090,679)
Student and instruction related services	770,221	-	228,593	-	(541,628)	-	(541,628)
School administrative services	181,728	-	-	-	(181,728)	-	(181,728)
General and business administrative services	221,966	-	-	-	(221,966)	-	(221,966)
Operation and maintenance of plant facilities	381,434	-	-	-	(381,434)	-	(381,434)
Pupil transportation	175,676	-	-	-	(175,676)	-	(175,676)
Employee benefits	638,586	-	-	-	(638,586)	-	(638,586)
Transfers to charter schools	30,820	-	-	-	(30,820)	-	(30,820)
On-behalf TPAF contributions	178,165	-	178,165	-	-	-	-
Reimbursement of TPAF contributions	170,477	-	170,477	-	-	-	-
Interest on long-term debt	58,756	-	17,466	-	(41,290)	-	(41,290)
Compensated absences	40,580	-	-	-	(40,580)	-	(40,580)
Unallocated depreciation	101,444	-	-	-	(101,444)	-	(101,444)
Total governmental activities	<u>6,384,211</u>	<u>-</u>	<u>2,565,181</u>	<u>-</u>	<u>(3,819,030)</u>	<u>-</u>	<u>(3,819,030)</u>
Business-type activities							
Food service	120,247	31,615	63,146	-	-	(25,486)	(25,486)
Total business-type activities	<u>120,247</u>	<u>31,615</u>	<u>63,146</u>	<u>-</u>	<u>-</u>	<u>(25,486)</u>	<u>(25,486)</u>
Total primary government	<u>\$ 6,504,458</u>	<u>\$ 31,615</u>	<u>\$ 2,628,327</u>	<u>-</u>	<u>(3,819,030)</u>	<u>(25,486)</u>	<u>(3,844,516)</u>
General revenues							
Taxes							
Property taxes, levied for general purpose					4,249,096	-	4,249,096
Taxes levied for debt service					240,238	-	240,238
Tuition received					17,729	-	17,729
Other local government					11,500	-	11,500
Miscellaneous income					15,035	-	15,035
Transfers					-	-	-
Other					(249)	-	(249)
Total general revenues, special items, extraordinary items and transfers					<u>4,533,349</u>	<u>-</u>	<u>4,533,349</u>
Change in net assets					<u>714,319</u>	<u>(25,486)</u>	<u>688,833</u>
Net assets (deficit), beginning					<u>145,807</u>	<u>(41,483)</u>	<u>104,324</u>
Net assets (deficit), ending					<u>\$ 860,126</u>	<u>\$ (66,969)</u>	<u>\$ 793,157</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, 2011**

Exhibit B-1

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,181,523	\$ -	\$ -	\$ -	\$ 1,181,523
Due from other funds	185,639	-	-	-	185,639
Receivables from other governments	26,509	270,016	-	-	296,525
TOTAL ASSETS	\$ 1,393,671	\$ 270,016	\$ -	\$ -	\$ 1,663,687
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 83,709	\$ -	\$ -	\$ -	\$ 83,709
Interfund payable	-	139,486	-	249	139,735
Payable to state government	-	49,909	-	-	49,909
Deferred revenue	8,358	80,621	-	-	88,979
TOTAL LIABILITIES	92,067	270,016	-	249	362,332
Fund balances					
Nonspendable	-	-	-	-	-
Restricted for:					
Maintenance reserve	80,000	-	-	-	80,000
Excess surplus	350,719	-	-	-	350,719
Committed	-	-	-	-	-
Assigned					
Special revenue fund	-	-	-	-	-
Capital projects fund	-	-	-	-	-
Debt service fund	-	-	-	(249)	(249)
Other purposes	588,785	-	-	-	588,785
Unassigned	282,100	-	-	-	282,100
TOTAL FUND BALANCES	1,301,604	-	-	(249)	1,301,355
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,393,671	\$ 270,016	\$ -	\$ -	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds. The cost of the assets is \$5,280,469 and the accumulated depreciation is \$3,821,830.	1,458,639
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds.	(1,899,868)
Net assets of governmental activities	<u>\$ 860,126</u>

The accompanying notes are an integral part of this statement.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2011

Exhibit B-2

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources					
Local tax levy	\$ 4,249,096	\$ -	\$ -	\$ 240,238	\$ 4,489,334
Other local government units	11,500	-	-	-	11,500
Tuition charges	17,729	-	-	-	17,729
Miscellaneous	15,035	-	-	-	15,035
TOTAL LOCAL SOURCES	4,293,360	-	-	240,238	4,533,598
State sources	1,857,307	283,817	-	17,466	2,158,590
Federal sources	-	406,591	-	-	406,591
TOTAL REVENUES	6,150,667	690,408	-	257,704	7,098,779
EXPENDITURES					
Current					
Regular instruction	1,802,367	46,994	-	-	1,849,361
Special education instruction	174,803	87,765	-	-	262,568
Other instruction	99,068	132,682	-	-	231,750
Support services and undistributed costs					
Instruction	1,090,679	-	-	-	1,090,679
Student and instruction related services	398,051	372,170	-	-	770,221
School administrative services	158,459	23,269	-	-	181,728
General and business administrative services	221,966	-	-	-	221,966
Operation and maintenance of plant facilities	381,434	-	-	-	381,434
Pupil transportation	175,676	-	-	-	175,676
Employee benefits	611,058	27,528	-	-	638,586
Transfers to charter schools	30,820	-	-	-	30,820
On-behalf TPAF contributions	178,165	-	-	-	178,165
Reimbursement TPAF Social Security contributions	170,477	-	-	-	170,477
Debt service					
Principal	-	-	-	250,000	250,000
Interest and other charges	-	-	-	58,756	58,756
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	5,493,023	690,408	-	308,756	6,492,187
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	657,644	-	-	(51,052)	606,592
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	51,053	51,053
Transfers out	(51,052)	-	-	-	(51,052)
Withdrawal from reserve	-	-	-	(250)	(250)
TOTAL OTHER FINANCING SOURCES AND USES	(51,052)	-	-	50,803	(249)
NET CHANGES IN FUND BALANCES	606,592	-	-	(249)	606,343
FUND BALANCE, BEGINNING	695,012	-	-	-	695,012
FUND BALANCE, ENDING	\$ 1,301,604	\$ -	\$ -	\$ (249)	\$ 1,301,355

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, 2011

Exhibit B-3

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (from B-2) \$ 606,343

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

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

Depreciation expense	(101,444)	
Capital outlay	-	
	-	(101,444)

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

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

(40,580)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 714,319

The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
PROPRIETARY FUND - FOOD SERVICES FUND
STATEMENT OF NET ASSETS (DEFICIT)
JUNE 30, 2011**

Exhibit B-4

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	-
Accounts receivable		
State		91
Federal		3,497
Inventory		<u>1,497</u>

TOTAL CURRENT ASSETS 5,085

FIXED ASSETS

Equipment		19,952
Accumulated depreciation		<u>(15,482)</u>
		<u>4,470</u>
	\$	<u>9,555</u>

LIABILITIES

Accounts payable	\$	30,620
Interfund payable		<u>45,904</u>

TOTAL LIABILITIES 76,524

NET ASSETS (DEFICIT)

Unrestricted		<u>(66,969)</u>
	\$	<u>9,555</u>

The accompanying notes are an integral part of this statement.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
PROPRIETARY FUND - FOOD SERVICES FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT)
YEAR ENDED JUNE 30, 2011

Exhibit B-5

OPERATING REVENUE

Local sources

Daily sales - reimbursable programs

School lunch program

\$ -

Daily sales - non-reimbursable programs

31,615

TOTAL OPERATING REVENUE

31,615

OPERATING EXPENSES

Salaries

65,852

Depreciation

1,462

Cost of sales

52,933

TOTAL OPERATING EXPENSES

120,247

OPERATING LOSS

(88,632)

NON-OPERATING REVENUES

State sources

State school lunch program

1,057

State school breakfast program

-

Federal sources

National school lunch program

38,916

National school breakfast program

3,311

Food distribution program

6,818

Management fee refund

13,044

TOTAL NON-OPERATING REVENUES

63,146

LOSS BEFORE OPERATING TRANSFERS IN (OUT)

(25,486)

OPERATING TRANSFERS IN (OUT)

-

CHANGE IN NET ASSETS

(25,486)

DEFICIT, BEGINNING

(41,483)

DEFICIT, ENDING

\$ (66,969)

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, 2011**

Exhibit B-6

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 31,615
Payments to employees	(65,852)
Payments to suppliers	(47,557)
NET CASH USED BY OPERATING ACTIVITIES	<u>(81,794)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	1,057
Federal sources	42,227
Interfund	25,466
Other	13,044
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>81,794</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, BEGINNING	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ -</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating loss	\$ (88,632)
Depreciation	1,462
Donated commodities received during the year	6,818
Decrease in accounts receivable	721
Decrease in inventory	115
Decrease in accounts payable	(2,278)
Total adjustments	<u>6,838</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (81,794)</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2011**

Exhibit B-7

	<u>Expendable Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 3,367	\$ 36,892
Prepaid payroll deductions and withholding	<u>-</u>	<u>7,238</u>
TOTAL ASSETS	<u>\$ 3,367</u>	<u>\$ 44,130</u>
LIABILITIES		
Payroll deductions and withholding	\$ -	\$ 26,146
Interfund payable	-	-
Due to student groups	<u>-</u>	<u>17,984</u>
TOTAL LIABILITIES	<u>-</u>	<u>44,130</u>
NET ASSETS		
Reserved for unemployment claims	2,318	-
Principal portion - expendable trust	<u>1,049</u>	<u>-</u>
TOTAL NET ASSETS	<u>3,367</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,367</u>	<u>\$ 44,130</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 YEAR ENDED JUNE 30, 2011**

Exhibit B-8

	<u>Expendable Trust Funds</u>	<u>Agency Funds</u>
ADDITIONS		
Local sources		
Interest	\$ 11	\$ -
Withholdings	<u>4,966</u>	<u>-</u>
TOTAL ADDITIONS	<u>4,977</u>	<u>-</u>
DEDUCTIONS		
Undistributed expenditures - unemployment benefits	8,614	-
Bank fees	<u>-</u>	<u>-</u>
TOTAL DEDUCTIONS	8,614	-
CHANGE IN NET ASSETS	(3,637)	-
NET ASSETS, BEGINNING	<u>7,004</u>	<u>-</u>
NET ASSETS, ENDING	<u>\$ 3,367</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, 2011

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, 2011 of 323 students.

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

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

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

Basis of Presentation

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

District-Wide Financial Statements

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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

Fund Financial Statements

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

Fund Accounting

GOVERNMENTAL FUNDS

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

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Continued)

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

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

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

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

PROPRIETARY FUNDS

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

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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

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

Budgets/Budgetary Control

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

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

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

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

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

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

	2011		2010	
	General Fund	Special Revenue Fund	General Fund	Special Revenue Fund
Sources/inflows of resources:				
Actual amounts (budgetary) revenues from the budgetary comparison schedules	\$ 6,175,565	\$ 690,408	\$ 5,855,223	\$ 808,022
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	79,402	-	190,996	-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting purposes</i> .	-	-	-	-
State aid payment recognized for budgetary purposes, not recognized for GAAP purposes until the subsequent year.	(104,300)	-	(79,402)	-
Total revenues (GAAP Basis)	<u>\$ 6,150,667</u>	<u>\$ 690,408</u>	<u>\$ 5,966,817</u>	<u>\$ 808,022</u>
Uses/outflows of resources:				
Actual amounts (budgetary) total outflows	\$ 5,493,022	\$ 690,408	\$ 6,223,528	\$ 808,022
Adjustments:				
Current year encumbrances	-	-	-	-
Total expenditures (GAAP Basis)	<u>\$ 5,493,022</u>	<u>\$ 690,408</u>	<u>\$ 6,223,528</u>	<u>\$ 808,022</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011**

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, 2011, 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, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

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

Compensated Absences

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

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

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

Long-Term Obligations

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

Fund Equity

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

Equity Classification

Government-Wide Statements

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

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classification (continued)

Fund Statements

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

- a. Nonspendable – Amounts that cannot be spent because they are either (1) non-spendable form (e.g. inventories, prepaid amounts, long-term loans and notes receivables, property held for resale) or (2) legally or contractually required to be maintained intact (e.g. the corpus or principal of a permanent fund).
- b. Restricted – Amounts that are constrained for a specific purpose through restrictions of external parties (e.g. creditors, grantors, contributors, or laws or regulations of other governments) or by constitutional provision or enabling legislation.
- c. Committed – Committed fund balance is amounts that are constrained for specific purposes imposed by formal action of the government's highest level of decision-making authority (i.e. amounts that have been committed by a governing body's legislation, ordinance, or resolution for a specific purpose, such as an amount from specific park and recreation revenues committed by a governing body's resolution to be used only for park maintenance).
- d. Assigned – Assigned fund balance is amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. Intent should be expressed by (1) the governing body itself or (2) a body (e.g. a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- e. Unassigned - Unassigned fund balance is the residual classification for a government's general fund and includes all amounts that are not constrained as reported in the other classifications.

Operating Revenues and Expenses

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

Subsequent Events

The District evaluated all events and transactions that occurred after June 30, 2011, through the date of this report, which represents the date the financial statements were available to be issued. During this period, the District had no material recognizable subsequent events.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, the carrying amount of the District's deposits was \$1,181,523 and the bank balance was \$1,235,199.

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

Investments

New Jersey Cash Management Fund (Fund) - All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to ensure the quality of investments and to minimize the risks related to the investments. In all the years of the Division of Investment's (Division) existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of June 30, 2011, the District had \$732 on deposit with the New Jersey Cash Management Fund.

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

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal investment policy that addresses credit risk, however, there were no investments that were subjected to credit risk as of June 30, 2011.

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, 2011.

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, 2011.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011:

	Balance June 30, 2010	Additions	Transfers or Retirements	Balance June 30, 2011
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 153,671	\$ -	\$ -	\$ 153,671
Total capital assets not being depreciated	<u>153,671</u>	<u>-</u>	<u>-</u>	<u>153,671</u>
<i>Capital assets being depreciated:</i>				
Site improvements	6,022	-	-	6,022
Building and improvements	4,593,383	-	-	4,593,383
Machinery and equipment	527,393	-	-	527,393
Total capital assets being depreciated	<u>5,126,798</u>	<u>-</u>	<u>-</u>	<u>5,126,798</u>
 Total capital assets at historical cost	 5,280,469	 -	 -	 5,280,469
 Less accumulated depreciation for				
Building and improvements	(3,191,386)	(101,444)	-	(3,292,830)
Machinery and equipment	(529,000)	-	-	(529,000)
Total accumulated depreciation	<u>(3,720,386)</u>	<u>(101,444)</u>	<u>-</u>	<u>(3,821,830)</u>
 Governmental capital assets, net	 <u>\$ 1,560,083</u>	 <u>\$ (101,444)</u>	 <u>\$ -</u>	 <u>\$ 1,458,639</u>
 Business-type activities:				
<i>Capital assets being depreciated</i>				
Equipment	\$ 19,952	\$ -	\$ -	\$ 19,952
Less accumulated depreciation	<u>(14,020)</u>	<u>(1,462)</u>	<u>-</u>	<u>(15,482)</u>
 Enterprise fund capital assets, net	 <u>\$ 5,932</u>	 <u>\$ (1,462)</u>	 <u>\$ -</u>	 <u>\$ 4,470</u>

Depreciation expense for governmental activities was \$101,444 as of June 30, 2011 and was not charged to any specific governmental programs, but is reported as a direct expense on the Statement of Activities.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011 is \$0.

NOTE 5 LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2011, the following changes occurred in liabilities reported in the Statement of Net Assets.

	Balance June 30, 2010	Issued	Retired/ Adjustments	Balance June 30, 2011	Amounts Due Within One Year
Bonds payable	\$ 1,770,000	\$ -	\$ (250,000)	\$ 1,520,000	\$ 255,000
Compensated absences payable	339,288	-	40,580	379,868	-
	<u>\$ 2,109,288</u>	<u>\$ -</u>	<u>\$ (209,420)</u>	<u>\$ 1,899,868</u>	<u>\$ 255,000</u>

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Bonds Payable

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

Principal and interest due on bonds outstanding is as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 255,000	\$ 51,881	\$ 306,881
2013	260,000	44,550	304,550
2014	255,000	36,425	291,425
2015	250,000	27,500	277,500
2016	250,000	18,750	268,750
2017	250,000	9,375	259,375
	<u>\$ 1,520,000</u>	<u>\$ 188,481</u>	<u>\$ 1,708,481</u>

Bonds Authorized But Not Issued

As of June 30, 2011, the District had no bonds authorized but not issued.

Capital Leases

The District does not currently have any open capital lease payments as of June 30, 2011.

NOTE 6 OPERATING LEASES – NEW LEASES

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

<u>Years ending June 30,</u>	<u>Amount</u>
2012	\$ 43,501
2013	43,501
2014	27,742
2015	22,489
2016	3,749
Total future minimum lease payments	<u>\$ 140,982</u>

Rental payments for the year ended June 30, 2011 were \$39,753.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 PENSION PLANS

Description of Plans

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

Teachers' Pension and Annuity Fund (TPAF)

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

Public Employees' Retirement System (PERS)

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

Vesting and Benefit Provisions

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011**

NOTE 7 PENSION PLANS (CONTINUED)

Significant Legislation

During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes, or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method for market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employees' rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the District's normal contributions to the fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapter 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits, accordingly, the pension costs for TPAF and PERS were reduced.

Contribution Requirements

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

Three-Year Trend Information for PERS

Year	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
6/30/11	\$ -	100%	\$ -
6/30/10	\$ -	100%	\$ -
6/30/09	\$ -	100%	\$ -

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

Year	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
6/30/11	\$348,642	100%	\$ -
6/30/10	\$347,309	100%	\$ -
6/30/09	\$154,342	100%	\$ -

During the fiscal year ended June 30, 2011, the State of New Jersey contributed \$178,165 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 \$170,477 during the fiscal year ended June 30, 2011 for the employer's share of the social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund and district-wide statements and schedules as a revenue and expenditure in accordance with GASB 27.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post retirement medical benefits through the TPAF and PERS. It created separate funds outside the pension plans for the funding and payment of post retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

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

NOTE 9 COMPENSATED ABSENCES

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

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

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

The liability for vested compensated absences of the Enterprise Fund is recorded within those funds as the benefits accrue to employees. As of June 30, 2011, no liability existed for compensated absences in the Food Service Fund.

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011**

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, 2011, were Seeley Agency, Lincoln Investment Planning, Vanguard Funds and Equitable.

NOTE 11 RISK MANAGEMENT

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

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$ -	\$ 4,966	\$ 8,614	\$ 2,318
2009-2010	\$ -	\$ 2,994	\$ 563	\$ 5,955
2008-2009	\$ -	\$ 4,118	\$ 6,083	\$ 3,717

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011**

NOTE 12 INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet as of June 30, 2010:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 185,639	\$ -
Special Revenue Fund	-	139,486 (a)
Food Service Fund	-	45,904 (b)
Debt Service Fund	-	249 (c)
	<u>\$ 185,639</u>	<u>\$ 185,639</u>

- (a) Transfer from General Fund to cover operating deficit due to decrease in state funding.
- (b) Transfer from General Fund to cover operating deficit.
- (c) Transfer from General Fund to cover debt service payments.

NOTE 13 INVENTORY

Inventory in the Food Service Fund as of June 30, 2011 is valued at \$1,497 and consists of various food products and supplies.

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

NOTE 14 FUND BALANCE APPROPRIATED

- General Fund – of the \$1,301,604 General Fund balance as of June 30, 2011, \$80,000 is reserved for maintenance, \$350,719 for Excess Surplus, \$588,785 is assigned for other purposes which is primarily encumbrances and \$282,100 is unassigned.
- Special Revenue Fund – The Special Revenue Fund balance as of June 30, 2011 is \$0.
- Capital Projects Fund – The Capital Projects Fund balance as of June 30, 2011 is \$0.
- Debt Service Fund – The Debt Service Fund balance as of June 30, 2011 is a deficit of (\$249).

NOTE 15 CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to N.J.S.A 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance as of June 30, 2011 is \$350,719. The excess fund balance at June 30, 2010 was \$347,963. 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 2010-2011 withholding of state aid.

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 16 LITIGATION

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

NOTE 17 NET ASSETS

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

Land	\$ 153,671
Other capital assets net of accumulated depreciation	1,304,968
Less: related long-term debt outstanding, less unspent portion	<u>(1,520,000)</u>
	<u>\$ (61,361)</u>

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

NOTE 18 FUND BALANCE

Generally Accepted Accounting Principles (GAAP) requires disclosure of individual funds that have deficit balances at year-end. As of June 30, 2011, there was a deficit balance of (\$249) in the Debt Service Fund.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

Exhibit C-1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
LOCAL SOURCES					
Local tax levy	\$ 4,249,096	\$ -	\$ 4,249,096	\$ 4,249,096	\$ -
Other local government units	11,500	-	11,500	11,500	-
Tuition	10,500	-	10,500	17,729	7,229
Interest on investments	-	-	-	-	-
Miscellaneous	-	-	-	15,035	15,035
TOTAL LOCAL SOURCES	<u>4,271,096</u>	<u>-</u>	<u>4,271,096</u>	<u>4,293,360</u>	<u>22,264</u>
STATE SOURCES					
Core curriculum standards aid	-	-	-	-	-
Transportation aid	-	-	-	-	-
Extraordinary aid	-	-	-	25,838	25,838
Special education aid	213,145	-	213,145	213,145	-
Equalization aid	1,294,580	-	1,294,580	1,294,580	-
Security aid	-	-	-	-	-
Other unrestricted aid	-	-	-	-	-
On-behalf TPAF pension contributions (non-budgeted)	-	-	-	178,165	178,165
Reimbursement TPAF Social	-	-	-	-	-
Security contributions (non-budgeted)	-	-	-	170,477	170,477
TOTAL STATE SOURCES	<u>1,507,725</u>	<u>-</u>	<u>1,507,725</u>	<u>1,882,205</u>	<u>374,480</u>
FEDERAL SOURCES					
ARRA- Education stabilization aid	-	-	-	-	-
TOTAL FEDERAL SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>5,778,821</u>	<u>-</u>	<u>5,778,821</u>	<u>6,175,565</u>	<u>396,744</u>
EXPENDITURES					
CURRENT EXPENSES					
Instruction - regular programs					
Salaries of teachers					
Preschool/kindergarten	192,951	(4,049)	188,902	188,612	290
Grades 1-5	869,908	47,660	917,568	915,145	2,423
Grades 6-8	563,280	20,120	583,400	582,561	839
ARRA- ESF & GSF	-	-	-	-	-
Home instruction					
Purchased professional - educational services	-	2,720	2,720	2,458	262
Other purchased services	641	(520)	121	-	121
General supplies	-	-	-	-	-
Regular programs - undistributed instruction					
Other salaries for instruction	25,134	18,326	43,460	42,889	571
Purchased professional - educational services	5,000	(2,400)	2,600	2,524	76
Purchased technical services	11,640	-	11,640	2,392	9,248
Other purchased services	51,000	(5,200)	45,800	32,726	13,074
General supplies	38,779	5,130	43,909	31,250	12,659
Textbooks	3,825	-	3,825	1,810	2,015
TOTAL REGULAR PROGRAMS	<u>1,762,158</u>	<u>81,787</u>	<u>1,843,945</u>	<u>1,802,367</u>	<u>41,578</u>
Perceptually impaired					
Salaries of teachers	90,502	(90,502)	-	-	-
Other salaries for instruction	-	-	-	-	-
Purchased professional - educational services	-	-	-	-	-
General supplies	500	-	500	-	500
Textbooks	1,028	-	1,028	-	1,028
TOTAL PERCEPTUALLY IMPAIRED	<u>92,030</u>	<u>(90,502)</u>	<u>1,528</u>	<u>-</u>	<u>1,528</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

**Exhibit C-1
(Continued)**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Continued)					
CURRENT EXPENSES (Continued)					
Resource room					
Salaries of teachers	204,510	(20,018)	184,492	174,282	10,210
Other salaries for instruction	-	500	500	121	379
General supplies	650	-	650	400	250
Textbooks	1,260	-	1,260	-	1,260
TOTAL RESOURCE ROOM	206,420	(19,518)	186,902	174,803	12,099
Home instruction					
Purchased professional - educational services	624	-	624	-	624
General supplies	-	-	-	-	-
TOTAL HOME INSTRUCTION	624	-	624	-	624
TOTAL SPECIAL EDUCATION	299,074	(110,020)	189,054	174,803	14,251
Basic skills/remedial					
Salaries of teachers	23,516	30,713	54,229	54,229	-
Other salaries for instruction	5,893	(2,592)	3,301	-	3,301
General supplies	350	-	350	200	150
	29,759	28,121	57,880	54,429	3,451
Bilingual education					
Salaries of teachers	5,950	-	5,950	5,950	-
Purchased professional - educational services	300	820	1,120	1,011	109
General supplies	350	(120)	230	-	230
	6,600	700	7,300	6,961	339
School sponsored co-curricular activities					
Salaries	30,709	1,659	32,368	29,060	3,308
Purchased services	810	-	810	798	12
Supplies and materials	2,705	-	2,705	2,072	633
Other objects	2,958	-	2,958	2,741	217
TOTAL SCHOOL SPONSORED CO-CURRICULAR ACTIVITIES	37,182	1,659	38,841	34,671	4,170
Summer School					
Salaries	4,170	(1,000)	3,170	2,220	950
Other salaries for instruction	1,514	-	1,514	787	727
TOTAL SUMMER SCHOOL	5,684	(1,000)	4,684	3,007	1,677
TOTAL INSTRUCTION	2,140,457	1,247	2,141,704	2,076,238	65,466
Undistributed expenses instruction					
Tuition					
Regular - LEAs-in state	607,796	166,494	774,290	657,849	116,441
Co. special services and regional day school	208,658	(141,625)	67,033	67,033	-
To other LEAs within state special	68,367	(48,465)	19,902	(98)	20,000
County vocational school districts regular	31,350	-	31,350	31,350	-
County vocational school districts special	34,200	2,850	37,050	37,050	-
Private schools/handicapped within state	205,250	(8,214)	197,036	179,953	17,083
Private schools/handicapped out of state	37,044	(144)	36,900	36,900	-
State Facilities	30,750	22,860	53,610	3,075	50,535
Other	77,324	243	77,567	77,567	-
TOTAL UNDISTRIBUTED EXPENSES - INSTRUCTION	1,300,739	(6,001)	1,294,738	1,090,679	204,059
Attendance and social work					
Purchased professional and technical services	-	-	-	-	-

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - (CONTINUED)
 GENERAL FUND
 YEAR ENDED JUNE 30, 2011**

**Exhibit C-1
 (Continued)**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Continued)					
CURRENT EXPENSES (Continued)					
Undistributed expenses (Continued)					
Health services					
Salaries	57,176	4,089	61,265	61,265	-
Purchased professional and technical services	3,000	-	3,000	3,000	-
Other purchased services	3,455	(1,040)	2,415	878	1,537
Supplies and materials	1,200	40	1,240	1,236	4
TOTAL HEALTH SERVICES	64,831	3,089	67,920	66,379	1,541
Other support services - students - related services - extraordinary services					
Salaries	90,461	(4,626)	85,835	85,627	208
Purchased professional - educational services	60,068	(6,147)	53,921	22,742	31,179
Supplies and materials	1,070	-	1,070	1,070	-
Other objects	50	-	50	-	50
TOTAL OTHER SUPPORT SERVICES - STUDENTS - RELATED SERVICES - EXTRAORDINARY SERVICES	151,649	(10,773)	140,876	109,439	31,437
Special education - extraordinary services					
Salaries	1,983	(1,983)	-	-	-
Purchased professional - educational services	59,650	(4,400)	55,250	37,650	17,600
TOTAL SPECIAL EDUCATION - EXTRAORDINARY SERVICES	61,633	(6,383)	55,250	37,650	17,600
Other support services - students - regular					
Salaries - other professionals	-	-	-	-	-
Other purchased professional and technical services	2,500	-	2,500	1,070	1,430
Travel	-	-	-	-	-
Supplies and materials	1,400	(350)	1,050	889	161
Other objects	83	-	83	81	2
TOTAL OTHER SUPPORT SERVICES-STUDENTS - REGULAR	3,983	(350)	3,633	2,040	1,593
Other support services - students - special services					
Salaries of other professional staff	143,531	493	144,024	141,465	2,559
Salaries of secretarial and clerical assistants	15,553	-	15,553	15,552	1
Purchased professional - educational services	21,000	(1,650)	19,350	14,282	5,068
Purchased professional and technical services	700	-	700	-	700
Purchased miscellaneous services	270	-	270	51	219
Supplies and materials	1,500	-	1,500	1,500	-
TOTAL OTHER SUPPORT SERVICES - STUDENTS - SPECIAL SERVICES	182,554	(1,157)	181,397	172,850	8,547
Improvement of instructional services/ other support services- instructional staff					
Salaries of other professional staff	6,600	-	6,600	6,331	269
Other purchased prof. and tech. services	-	-	-	-	-
Other purchased services	-	-	-	-	-
Supplies and materials	-	-	-	-	-
TOTAL IMPROVEMENT OF INSTRUCTIONAL SERVICES/OTHER SUPPORT SERVICES - INSTRUCTIONAL STAFF	6,600	-	6,600	6,331	269

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

**Exhibit C-1
(Continued)**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Continued)					
CURRENT EXPENSES (Continued)					
Undistributed expenses (Continued)					
Educational media services/school library					
Salaries	3,974	(500)	3,474	2,841	633
Supplies and materials	500	70	570	521	49
TOTAL EDUCATIONAL MEDIA SERVICES/ SCHOOL LIBRARY	4,474	(430)	4,044	3,362	682
Instructional staff training services					
Other purchased services	2,600	(2,600)	-	-	-
Support services general administration					
Salaries	128,177	739	128,916	128,916	-
Legal services	11,000	20,000	31,000	26,794	4,206
Audit fees	18,437	763	19,200	19,200	-
Other purchased professional services	26,967	36,946	63,913	14,449	49,464
Purchased technical services	2,400	215	2,615	2,615	-
Communication/telephone	18,600	(7,116)	11,484	7,727	3,757
BOE other purchased services	2,450	(258)	2,192	1,461	731
Miscellaneous purchased services	10,630	5,341	15,971	15,927	44
Supplies and materials	650	70	720	650	70
BOE in-house training/meeting supplies	-	-	-	-	-
Miscellaneous expenditures	523	-	523	504	19
Membership dues and fees	3,938	-	3,938	3,723	215
TOTAL SUPPORT SERVICES GENERAL ADMINISTRATION	223,772	56,700	280,472	221,966	58,506
Support services school administration					
Salaries of principals/assistant principals	-	-	-	-	-
Salaries of secretarial and clerical assistants	44,303	3,421	47,724	47,724	-
Purchased professional and technical services	10,000	(8,212)	1,788	800	988
Other purchased services	10	-	10	-	10
Supplies and materials	650	150	800	600	200
Miscellaneous expenditures	-	49	49	-	49
TOTAL SUPPORT SERVICES CENTRAL SERVICES	54,963	(4,592)	50,371	49,124	1,247
Undistributed expenses					
Central services					
Salaries	106,392	(5,747)	100,645	100,645	-
Purchased professional services	-	-	-	-	-
Purchased technical services	8,068	589	8,657	7,924	733
Miscellaneous purchased services	25	-	25	-	25
Supplies and materials	650	-	650	359	291
Miscellaneous expenditures	-	-	-	-	-
TOTAL SUPPORT SERVICES SCHOOL ADMINISTRATION	115,135	(5,158)	109,977	108,928	1,049
Administrative informational technology					
Salaries	-	-	-	-	-
Supplies and materials	2,500	-	2,500	407	2,093
TOTAL ADMINISTRATIVE INFORMATIONAL TECHNOLOGY	2,500	-	2,500	407	2,093
Allowable maintenance for school facilities					
Cleaning, repair and maintenance services	33,903	12,250	46,153	34,038	12,115
Supplies and materials	18,000	1,170	19,170	8,770	10,400
Other objects	-	-	-	-	-
TOTAL ALLOWABLE MAINTENANCE FOR SCHOOL FACILITIES	51,903	13,420	65,323	42,808	22,515

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - (CONTINUED)
 GENERAL FUND
 YEAR ENDED JUNE 30, 2011**

**Exhibit C-1
 (Continued)**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Continued)					
CURRENT EXPENSES (Continued)					
Undistributed expenses (Continued)					
Operation and maintenance of plant services					
Salaries	9,575	1,140	10,715	7,035	3,680
Purchased professional and technical services	1,839	-	1,839	-	1,839
Cleaning, repair and maintenance services	196,087	(1,600)	194,487	172,623	21,864
Rental of land and buildings	-	-	-	-	-
Other purchased property services	5,200	-	5,200	5,040	160
Insurance	35,270	(3,508)	31,762	31,756	6
Miscellaneous purchased services	-	100	100	100	-
General supplies	12,000	4,064	16,064	5,981	10,083
Energy (heat and electricity)	135,110	(7,325)	127,785	92,626	35,159
Other objects	-	-	-	-	-
Care and upkeep of grounds					
Salaries	2,394	6,750	9,144	9,131	13
Security					
Salaries	20,553	(1,550)	19,003	14,334	4,669
TOTAL OPERATION AND MAINTENANCE OF PLANT SERVICES	418,028	(1,929)	416,099	338,626	77,473
Student transportation services					
Salaries between home and school	1,945	-	1,945	1,863	82
Management fee - ESC transportation programs	5,865	-	5,865	3,637	2,228
Aid in lieu of payments	38,896	-	38,896	30,744	8,152
Contracted services					
Between home and school - vendors	42,016	-	42,016	40,480	1,536
Other than between home and school - vendors	6,240	-	6,240	4,140	2,100
Home/school - joint	-	-	-	-	-
Special education - vendors	-	-	-	-	-
Special education - joint agreements	-	4,400	4,400	4,325	75
Regular students - ESCs	6,611	-	6,611	6,611	-
Special education - ESCs	101,114	-	101,114	83,876	17,238
TOTAL STUDENT TRANSPORTATION SERVICES	202,687	4,400	207,087	175,676	31,411
Unallocated benefits					
Social security benefits	31,571	-	31,571	31,067	504
Other retirement contributions	63,989	-	63,989	33,535	30,454
Unemployment compensation	166,300	-	166,300	39,046	127,254
Health benefits	490,500	-	490,500	462,552	27,948
Workers' compensation	26,080	-	26,080	22,962	3,118
Tuition reimbursement	15,000	-	15,000	9,285	5,715
Other employee benefits	27,413	-	27,413	12,611	14,802
TOTAL UNALLOCATED BENEFITS	820,853	-	820,853	611,058	209,795
On-behalf of TPAF pension contributions (non-budgeted)					
Reimbursement TPAF Social Security contributions (non-budgeted)	-	-	-	178,165	(178,165)
Transfers to charter schools	-	39,146	39,146	170,477	(170,477)
TOTAL UNDISTRIBUTED EXPENDITURES	3,668,904	77,382	3,746,286	3,416,785	329,501
TOTAL EXPENDITURES - CURRENT EXPENSE	5,809,361	78,629	5,887,990	5,493,023	394,967

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - (CONTINUED)
 GENERAL FUND
 YEAR ENDED JUNE 30, 2011**

**Exhibit C-1
 (Continued)**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Undistributed expenditures					
Non-instructional services	-	-	-	-	-
TOTAL CAPITAL OUTLAY	-	-	-	-	-
TOTAL EXPENDITURES	<u>5,809,361</u>	<u>78,629</u>	<u>5,887,990</u>	<u>5,493,023</u>	<u>394,967</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>(30,540)</u>	<u>(78,629)</u>	<u>(109,169)</u>	<u>682,542</u>	<u>(791,711)</u>
Other financing sources (uses)					
Operating transfers in (out)	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>(51,052)</u>	<u>(56,052)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>(51,052)</u>	<u>(56,052)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(30,540)</u>	<u>(78,629)</u>	<u>(104,169)</u>	<u>631,490</u>	<u>735,659</u>
FUND BALANCES, BEGINNING	<u>(674,756)</u>	<u>(758,198)</u>	<u>(1,486,751)</u>	<u>774,414</u>	<u>2,261,165</u>
FUND BALANCES, ENDING	<u>\$ (705,296)</u>	<u>\$ (836,827)</u>	<u>\$ (1,590,920)</u>	<u>\$ 1,405,904</u>	<u>\$ 2,996,824</u>

RECAPITULATION OF FUND BALANCES

Nonspendable fund balance	\$ -
Restricted fund balance	
Reserve for excess surplus	350,719
Maintenance reserve	80,000
Committed fund balance	-
Assigned fund balance	
Year end encumbrances	559,076
Other purposes	29,709
Unassigned	<u>386,400</u>
Total	1,405,904
Last State aid payment not recognized on GAAP basis	<u>104,300</u>
	<u>\$ 1,301,604</u>

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2011

Exhibit C-2

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
State sources	\$ 302,573	\$ 13,410	\$ 315,983	\$ 283,817	\$ 32,166
Federal sources	233,523	207,370	440,893	406,591	34,302
TOTAL REVENUES	<u>536,096</u>	<u>220,780</u>	<u>756,876</u>	<u>690,408</u>	<u>66,468</u>
EXPENDITURES					
Instruction					
Salaries of teachers	114,812	52,113	166,925	134,759	32,166
Other salaries for instruction	6,366	2,562	8,928	8,928	-
Purchased professional - technical services	-	162,762	162,762	162,762	-
Purchased professional educational services	92,509	31,244	123,753	123,754	(1)
General supplies	13,554	(246)	13,308	6,217	7,091
Textbooks	-	17,052	17,052	17,052	-
Other objects	-	-	-	-	-
TOTAL INSTRUCTION	<u>227,241</u>	<u>265,487</u>	<u>492,728</u>	<u>453,472</u>	<u>39,256</u>
Support services					
Salaries of teachers	-	23,554	23,554	23,554	-
Salaries of secretarial and clerical assistants	21,000	(21,000)	-	-	-
Personal services - employee benefits	-	43,009	43,009	27,528	15,481
Purchased professional - technical services	23,640	66,048	89,688	87,969	1,719
Purchased professional - educational services	-	105,424	105,424	97,885	7,539
General supplies	-	2,473	2,473	-	2,473
TOTAL SUPPORT SERVICES	<u>44,640</u>	<u>219,508</u>	<u>264,148</u>	<u>236,936</u>	<u>27,212</u>
Facilities acquisition and construction services					
Instructional equipment	-	-	-	-	-
TOTAL FACILITIES ACQUISITION AND CONSTRUCTION SERVICES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>271,881</u>	<u>484,995</u>	<u>756,876</u>	<u>690,408</u>	<u>66,468</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)					
	<u>\$ 264,215</u>	<u>\$ (264,215)</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, 2011**

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	\$ 6,175,565	\$ 690,408
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes	79,402	-
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	-	-
The last state aid payment is recognized for budgetary purposes and differs from GAAP, which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33)	<u>(104,300)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 6,150,667</u>	<u>\$ 690,408</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 5,493,023	\$ 690,408
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 5,493,023</u>	<u>\$ 690,408</u>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

DETAIL STATEMENTS

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

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULES OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011

Exhibit E-1

	Nonpublic Basic Skills	Nonpublic Textbooks	Nonpublic Nursing	Nonpublic ESL	Nonpublic Exam & Class	Nonpublic Trans	Total Other Prog. (See E-1a)	Total Other Prog. (See E-1b)	Total
REVENUES									
State sources	\$ 117,470	\$ 17,052	\$ 20,003	\$ 3,159	\$ 22,324	\$ 6,262	\$ 97,547	\$ -	\$ 283,817
Federal sources	-	-	-	-	-	-	154,361	252,230	406,591
TOTAL REVENUES	<u>117,470</u>	<u>17,052</u>	<u>20,003</u>	<u>3,159</u>	<u>22,324</u>	<u>6,262</u>	<u>251,908</u>	<u>252,230</u>	<u>690,408</u>
EXPENDITURES									
Instruction									
Salaries of teachers	-	-	-	-	-	-	134,759	-	134,759
Other salaries for instruction	-	-	-	-	-	-	8,928	-	8,928
Purchased professional and technical services	117,470	-	20,003	3,159	-	-	-	22,130	162,762
General supplies	-	-	-	-	-	-	217	6,000	6,217
Textbooks	-	17,052	-	-	-	-	-	-	17,052
Purchased professional educational services	-	-	-	-	-	-	-	123,754	123,754
TOTAL INSTRUCTION	<u>117,470</u>	<u>17,052</u>	<u>20,003</u>	<u>3,159</u>	<u>-</u>	<u>-</u>	<u>143,904</u>	<u>151,884</u>	<u>453,472</u>
Support services									
Salaries of									
Teachers	-	-	-	-	-	-	-	23,554	23,554
Other professional staff	-	-	-	-	-	-	-	-	-
Secretarial and clerical assistants	-	-	-	-	-	-	-	-	-
Purchased technology services	-	-	-	-	-	-	14,625	73,344	87,969
Supplies and materials	-	-	-	-	-	-	-	-	-
Personal services - employee benefits	-	-	-	-	-	-	24,080	3,448	27,528
Purchased professional educational services	-	-	-	-	22,324	6,262	69,299	-	97,885
TOTAL SUPPORT SERVICES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,324</u>	<u>6,262</u>	<u>108,004</u>	<u>100,346</u>	<u>236,936</u>
Facilities acquisition and construction services									
instructional equipment	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 117,470</u>	<u>\$ 17,052</u>	<u>\$ 20,003</u>	<u>\$ 3,159</u>	<u>\$ 22,324</u>	<u>\$ 6,262</u>	<u>\$ 251,908</u>	<u>\$ 252,230</u>	<u>\$ 690,408</u>

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULES OF REVENUES AND EXPENDITURES - BUDGETARY BASIS (Continued)
YEAR ENDED JUNE 30, 2011

Exhibit E-1a

	Nonpublic Speech	Nonpublic Supp Instruct	Preschool Education Aid	Title I	Title I Prior	Title II-D Technology	Title II - A	Title II - A Prior	TOTAL
REVENUES									
State sources	\$ 30,511	\$ 11,812	\$ 55,224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,547
Federal sources	-	-	-	101,586	21,025	268	21,072	10,410	154,361
TOTAL REVENUES	<u>30,511</u>	<u>11,812</u>	<u>55,224</u>	<u>101,586</u>	<u>21,025</u>	<u>268</u>	<u>21,072</u>	<u>10,410</u>	<u>251,908</u>
EXPENDITURES									
Instruction									
Salaries of teachers	-	-	42,081	92,678	-	-	-	-	134,759
Other salaries for instruction	-	-	8,928	-	-	-	-	-	8,928
Purchased professional and technical services	-	-	-	-	-	-	-	-	-
Supplies and materials	-	-	-	-	-	217	-	-	217
TOTAL INSTRUCTION	<u>-</u>	<u>-</u>	<u>51,009</u>	<u>92,678</u>	<u>-</u>	<u>217</u>	<u>-</u>	<u>-</u>	<u>143,904</u>
Support services									
Personal services - employee benefits	-	-	-	3,055	21,025	-	-	-	24,080
Purchased professional educational services	30,511	11,812	-	5,853	-	51	21,072	-	69,299
Purchased professional and technical services	-	-	4,215	-	-	-	-	10,410	14,625
TOTAL SUPPORT SERVICES	<u>30,511</u>	<u>11,812</u>	<u>4,215</u>	<u>8,908</u>	<u>21,025</u>	<u>51</u>	<u>21,072</u>	<u>10,410</u>	<u>108,004</u>
TOTAL EXPENDITURES	<u>\$ 30,511</u>	<u>\$ 11,812</u>	<u>\$ 55,224</u>	<u>\$ 101,586</u>	<u>\$ 21,025</u>	<u>\$ 268</u>	<u>\$ 21,072</u>	<u>\$ 10,410</u>	<u>\$ 251,908</u>

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT

Exhibit E-1b

SPECIAL REVENUE FUND

COMBINING SCHEDULES OF REVENUES AND EXPENDITURES - BUDGETARY BASIS (Continued)

YEAR ENDED JUNE 30, 2011

	I.D.E.A. Part B Basic	I.D.E.A. Pre School	ARRA I.D.E.A. Basic	ARRA Title I PT A	TOTAL
REVENUES					
State sources	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	147,725	6,479	74,730	23,296	252,230
TOTAL REVENUES	<u>147,725</u>	<u>6,479</u>	<u>74,730</u>	<u>23,296</u>	<u>252,230</u>
EXPENDITURES					
Instruction					
Salaries of teachers	-	-	-	-	-
Other salaries for instruction	-	-	-	-	-
Purchased professional and technical service:	-	-	-	22,130	22,130
Purchased professional educational services	117,275	6,479	-	-	123,754
General supplies	-	-	6,000	-	6,000
Tuition	-	-	-	-	-
TOTAL INSTRUCTION	<u>117,275</u>	<u>6,479</u>	<u>6,000</u>	<u>22,130</u>	<u>151,884</u>
Support services					
Salaries of teachers	-	-	23,554	-	23,554
Salaries of other professional staff	-	-	-	-	-
Supplies and materials	-	-	-	-	-
Purchased professional and technical service:	30,450	-	41,728	1,166	73,344
Personal services - employee benefits	-	-	3,448	-	3,448
Purchased professional educational services	-	-	-	-	-
TOTAL SUPPORT SERVICES	<u>30,450</u>	<u>-</u>	<u>68,730</u>	<u>1,166</u>	<u>100,346</u>
Facilities acquisition and construction services					
instructional equipment	-	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 147,725</u>	<u>\$ 6,479</u>	<u>\$ 74,730</u>	<u>\$ 23,296</u>	<u>\$ 252,230</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

Exhibit E-2

	2011		
	Budgeted	Actual	Variance
EXPENDITURES			
Instruction			
Salaries of teachers	\$ 74,247	\$ 42,081	\$ 32,166
Other salaries for instruction	8,928	8,928	-
Purchased professional and technical services	-	-	-
General supplies	-	-	-
TOTAL INSTRUCTION	<u>83,175</u>	<u>51,009</u>	<u>32,166</u>
Support services			
Salaries - other professionals	-	-	-
Personal services - employee benefits	-	-	-
Supplies and materials	-	-	-
Purchased professional education services	4,215	4,215	-
TOTAL SUPPORT SERVICES	<u>4,215</u>	<u>4,215</u>	<u>-</u>
 TOTAL EXPENDITURES	 <u>\$ 87,390</u>	 <u>\$ 55,224</u>	 <u>\$ 32,166</u>

<u>Calculation of Budget and Carryover</u>	
Total 2010-11 Preschool Education Aid allocation	\$ 87,390
Add: actual ECPA carryover (June 30, 2010)	-
Add: budgeted transfer from General Fund	-
Total Preschool Education Aid funds available for 2010-11 budget	<u>87,390</u>
Less: 2010-11 budgeted Preschool Education Aid (including prior year budgeted carryover)	<u>55,224</u>
Available and unbudgeted Preschool Education Aid funds as of June 30, 2011	32,166
Add: 2010-11 unexpended Preschool Education Aid	<u>-</u>
2010-11 actual carryover - Preschool Education Aid	<u>\$ 32,166</u>
2010-11 Preschool Education Aid carryover budgeted in 2011-12	<u>\$ 32,166</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, 2011**

Exhibit F-1

Project Title/Issue	Date	Original Appropriations	Expenditures to Date		Transfer to General Fund	Unexpended Balance June 30, 2011
			Prior Years	Current Year		
N/A	N/A	\$ -	\$ -	\$ -	\$ -	\$ -
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FIDUCIARY FUNDS

DETAIL STATEMENTS

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

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

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

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

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

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

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 COMBINING STATEMENTS OF FIDUCIARY NET ASSETS
 JUNE 30, 2011**

Exhibit H-1

	Expendable Trust		Agency		Total
	Scholarship	Unemployment Compensation	Student Activity	Payroll	
ASSETS					
Cash and cash equivalents	\$ 1,049	\$ 2,318	\$ 17,984	\$ 18,908	\$ 40,259
Prepaid payroll deductions and withholding	-	-	-	7,238	7,238
TOTAL ASSETS	<u>\$ 1,049</u>	<u>\$ 2,318</u>	<u>\$ 17,984</u>	<u>\$ 26,146</u>	<u>\$ 47,497</u>
LIABILITIES					
Payroll deductions and withholding	\$ -	\$ -	\$ -	\$ 26,146	\$ 26,146
Interfund payable	-	-	-	-	-
Due to student groups	-	-	17,984	-	17,984
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>17,984</u>	<u>26,146</u>	<u>44,130</u>
NET ASSETS					
Reserved for unemployment claims	-	2,318	-	-	2,318
Principal portion - expendable trust	1,049	-	-	-	1,049
TOTAL NET ASSETS	<u>1,049</u>	<u>2,318</u>	<u>-</u>	<u>-</u>	<u>3,367</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,049</u>	<u>\$ 2,318</u>	<u>\$ 17,984</u>	<u>\$ 26,146</u>	<u>\$ 47,497</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 YEAR ENDED JUNE 30, 2011**

Exhibit H-2

	Expendable Trust		Agency		Total
	Scholarship	Unemployment Compensation	Student Activity	Payroll	
ADDITIONS					
Local sources					
Interest	\$ -	\$ 11	\$ -	\$ -	\$ 11
Withholdings	-	4,966	-	-	4,966
TOTAL ADDITIONS	-	4,977	-	-	4,977
DEDUCTIONS					
Undistributed expenditures - unemployment benefits	-	8,614	-	-	8,614
Bank fees	-	-	-	-	-
TOTAL DEDUCTIONS	-	8,614	-	-	8,614
CHANGE IN NET ASSETS	-	(3,637)	-	-	(3,637)
NET ASSETS, BEGINNING	1,049	5,955	-	-	7,004
NET ASSETS, ENDING	<u>\$ 1,049</u>	<u>\$ 2,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,367</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
 STUDENT ACTIVITY AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 YEAR ENDED JUNE 30, 2011**

Exhibit H-3

	Balance, July 1, 2010	Receipts	Disbursements	Balance, June 30, 2011
ELEMENTARY SCHOOLS				
Yearbook	\$ 5,788	\$ 22	\$ 1,731	\$ 4,079
Principal's projects	8,073	906	430	8,549
Alumni	(145)	-	-	(145)
Music	1,182	-	65	1,117
Student council	1,339	3,228	3,023	1,544
Naturalist club	38	1,355	779	614
Computer account	168	-	-	168
Junior honor society	74	1,849	1,129	794
Interest	1,264	-	-	1,264
Carroll Will fund	-	52	52	-
TOTAL	<u>\$ 17,781</u>	<u>\$ 7,412</u>	<u>\$ 7,209</u>	<u>\$ 17,984</u>

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2011**

Exhibit H-4

	<u>Balance, July 1, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2011</u>
ASSETS				
Cash and cash equivalents	\$ 33,586	\$ 1,193,265	\$ 1,207,943	\$ 18,908
Prepaid payroll deductions and withholding	<u>1,481</u>	<u>75,187</u>	<u>69,430</u>	<u>7,238</u>
TOTAL ASSETS	<u>\$ 35,067</u>	<u>\$ 1,268,452</u>	<u>\$ 1,277,373</u>	<u>\$ 26,146</u>
LIABILITIES				
Payroll deductions and withholdings	\$ 35,067	\$ 1,268,452	\$ 1,277,373	\$ 26,146
Interfund payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 35,067</u>	<u>\$ 1,268,452</u>	<u>\$ 1,277,373</u>	<u>\$ 26,146</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, 2011**

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, 2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2011</u>
School renovations	March 3, 2004	\$ 2,750,000							
			1/15/12	\$ 255,000	2.875%				
			1/15/13	260,000	3.125%				
			1/15/14	255,000	3.500%				
			1/15/15	250,000	3.500%				
			1/15/16	250,000	3.500%				
			1/15/17	250,000	3.500%	<u>1,770,000</u>	<u>-</u>	<u>250,000</u>	<u>1,520,000</u>
			TOTAL			<u>\$ 1,770,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 1,520,000</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, 2011

Exhibit I-3

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 240,238	\$ -	\$ 240,238	\$ 240,238	\$ -
State sources					
Debt service aid	<u>17,466</u>	<u>-</u>	<u>17,466</u>	<u>17,466</u>	<u>-</u>
TOTAL REVENUES	<u>257,704</u>	<u>-</u>	<u>257,704</u>	<u>257,704</u>	<u>-</u>
EXPENDITURES					
Regular debt service					
Interest	58,756	-	58,756	58,756	-
Redemption of principal	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total regular debt service	<u>308,756</u>	<u>-</u>	<u>308,756</u>	<u>308,756</u>	<u>-</u>
TOTAL EXPENDITURES	<u>308,756</u>	<u>-</u>	<u>308,756</u>	<u>308,756</u>	<u>-</u>
Excess of revenues over expenditures	<u>(51,052)</u>	<u>-</u>	<u>(51,052)</u>	<u>(51,052)</u>	<u>-</u>
Other financing sources (uses)					
Operating transfers in	-	-	-	-	-
Withdrawal from reserve	(250)	-	(250)	(249)	(1)
Transfer from general fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,052</u>	<u>(51,052)</u>
Total other financing sources (uses)	<u>(250)</u>	<u>-</u>	<u>(250)</u>	<u>50,803</u>	<u>(51,053)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>(51,302)</u>	<u>-</u>	<u>(51,302)</u>	<u>(249)</u>	<u>(51,053)</u>
Fund balance, beginning	<u>(250)</u>	<u>-</u>	<u>(250)</u>	<u>-</u>	<u>(250)</u>
Fund balance, ending	<u>(51,552)</u>	<u>-</u>	<u>(51,552)</u>	<u>(249)</u>	<u>(51,303)</u>
Recapitulation of excess of revenues over expenditures	<u>(51,052)</u>	<u>-</u>	<u>(51,052)</u>	<u>(51,052)</u>	<u>-</u>
Budgeted fund balance	<u>\$ (51,552)</u>	<u>\$ -</u>	<u>\$ (51,552)</u>	<u>\$ (249)</u>	<u>\$ (51,303)</u>

STATISTICAL SECTION

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

Exhibit J-1

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ (61,361)	\$ (209,917)	\$ (345,970)
Restricted for encumbrances	-	-	90,801
Restricted for other purposes	430,719	427,963	799,906
Unrestricted			
Designated for subsequent year's expenditures	-	-	-
Designated for capital projects	-	-	-
Unreserved, undesignated	<u>490,768</u>	<u>(72,239)</u>	<u>(220,093)</u>
TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS	<u>\$ 860,126</u>	<u>\$ 145,807</u>	<u>\$ 324,644</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -
Restricted for encumbrances	-	-	-
Restricted for other purposes	-	-	-
Unrestricted			
Designated for subsequent year's expenditures	-	-	-
Designated for capital projects	-	-	-
Unreserved, unrestricted	<u>(66,969)</u>	<u>(41,483)</u>	<u>(22,456)</u>
TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS	<u>\$ (66,969)</u>	<u>\$ (41,483)</u>	<u>\$ (22,456)</u>
District-wide			
Invested in capital assets, net of related debt	\$ (61,361)	\$ (209,917)	\$ (345,970)
Restricted for encumbrances	-	-	90,801
Restricted for other purposes	430,719	427,963	799,906
Unrestricted			
Designated for subsequent year's expenditures	-	-	-
Designated for capital projects	-	-	-
Unreserved, undesignated	<u>423,799</u>	<u>(113,722)</u>	<u>(242,549)</u>
TOTAL DISTRICT NET ASSETS	<u>\$ 793,157</u>	<u>\$ 104,324</u>	<u>\$ 302,188</u>

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

Exhibit J-2

	2011	2010	2009
EXPENSES			
Governmental activities			
Instruction			
Regular	\$ 1,849,361	\$ 1,987,059	\$ 1,918,502
Special education	262,568	381,656	347,417
Other special education	231,750	284,234	112,932
Support services			
Instruction	1,090,679	1,164,186	1,096,131
Student and instruction related services	770,221	1,017,386	904,273
School administrative services	181,728	194,392	183,497
General and business administrative services	221,966	217,166	198,667
Operation and maintenance of plant facilities	381,434	485,971	447,838
Pupil transportation	175,676	198,083	213,625
Employee benefits	638,586	732,019	629,060
Transfer to charter schools	30,820	22,089	-
On-behalf TPAF pension contributions	178,165	171,229	154,342
Reimbursement of TPAF contributions	170,477	176,080	177,752
Interest on long-term debt	58,756	68,357	79,606
Compensated absences	40,580	9,138	10,850
Unallocated depreciation	101,444	103,947	106,446
TOTAL GOVERNMENTAL ACTIVITIES	<u>6,384,211</u>	<u>7,212,992</u>	<u>6,580,938</u>
Business-type activities			
Food service	120,247	116,768	117,644
TOTAL BUSINESS-TYPE ACTIVITIES	<u>120,247</u>	<u>116,768</u>	<u>117,644</u>
TOTAL EXPENSES	<u>6,504,458</u>	<u>7,329,760</u>	<u>6,698,582</u>
PROGRAM REVENUES			
Governmental activities			
Operating grants and contributions	2,565,181	2,649,090	2,621,108
Capital grants and contributions	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>2,565,181</u>	<u>2,649,090</u>	<u>2,621,108</u>

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

**Exhibit J-2
(Continued)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
PROGRAM REVENUES (Continued)			
Business-type activities			
Food service			
Charges for services	31,615	38,699	43,920
Operating grants and contributions	63,146	61,054	61,364
Capital grants and contributions	-	-	-
TOTAL BUSINESS TYPE ACTIVITIES	<u>94,761</u>	<u>99,753</u>	<u>105,284</u>
TOTAL PROGRAM REVENUES	<u>2,659,942</u>	<u>2,748,843</u>	<u>2,726,392</u>
NET (EXPENSE)/REVENUE			
Governmental activities	(3,819,030)	(4,563,902)	(3,959,829)
Business-type activities	<u>(25,486)</u>	<u>(17,015)</u>	<u>(12,360)</u>
TOTAL NET (EXPENSE)/REVENUE	<u>(3,844,516)</u>	<u>(4,580,917)</u>	<u>(3,972,189)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
Governmental activities			
Property taxes levied for general purposes	4,249,096	4,085,669	4,056,997
Taxes levied for debt service	240,238	287,836	335,137
Tuition received	17,729	13,225	30,400
Other local government	11,500	11,500	11,500
Miscellaneous income	15,035	35,876	38,629
Transfers	-	2,012	2,059
Other	(249)	(51,053)	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>4,533,349</u>	<u>4,385,065</u>	<u>4,474,722</u>
Business-type activities			
Transfers	<u>-</u>	<u>(2,012)</u>	<u>(2,059)</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>-</u>	<u>(2,012)</u>	<u>(2,059)</u>
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS	<u>4,533,349</u>	<u>4,383,053</u>	<u>4,472,663</u>
CHANGE IN NET ASSETS			
Governmental activities	714,319	(178,837)	514,893
Business-type activities	<u>(25,486)</u>	<u>(19,027)</u>	<u>(14,419)</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ 688,833</u>	<u>\$ (197,864)</u>	<u>\$ 500,474</u>

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

Exhibit J-3

	<u>2011</u>	<u>2010</u>	<u>2009</u>
GENERAL FUND			
Nonspendable	\$ -	\$ -	\$ -
Restricted for:			
Maintenance reserve	80,000	80,000	80,000
Excess surplus	350,719	347,963	719,906
Committed			
Assigned	588,785	-	90,801
Unassigned	<u>282,100</u>	<u>267,049</u>	<u>59,004</u>
TOTAL GENERAL FUND	<u>\$ 1,301,604</u>	<u>\$ 695,012</u>	<u>\$ 949,711</u>
ALL OTHER GOVERNMENTAL FUNDS			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	-
Committed	-	-	-
Assigned			
Debt service fund	(249)	-	51,053
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ALL OTHER GOVERNMENTAL FUNDS	<u>\$ (249)</u>	<u>\$ -</u>	<u>\$ 51,053</u>

Note: The presentation has been revised to reflect the implementation of GASB Statement No. 54 for the fiscal year ended June 30, 2011. Prior years amounts have been reclassified to conform to the presentation, however, now there was no effect on total fund balances.

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

Exhibit J-4

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
REVENUES										
Local tax levy	\$ 4,489,334	\$ 4,373,505	\$ 4,392,134	\$ 4,318,420	\$ 4,160,301	\$ 4,173,149	\$ 3,895,123	\$ 3,880,359	\$ 3,714,648	\$ 3,481,119
Other local government units	11,500	11,500	11,500	11,500	11,500	11,500	11,500	-	-	-
Tuition charges	17,729	13,225	30,400	31,260	25,005	22,960	21,006	21,504	20,335	9,894
Interest earned on investments	-	63	4,133	20,509	30,543	22,159	13,031	2,971	4,015	7,408
Miscellaneous	15,035	35,813	34,496	26,565	10,650	11,175	7,694	1,021	16,126	30,615
State sources	2,158,590	1,934,303	2,424,878	2,576,283	2,444,665	2,258,858	2,169,673	2,099,758	2,049,196	1,926,783
Federal sources	406,591	714,787	196,230	266,703	203,923	232,319	223,755	263,101	175,492	219,824
TOTAL REVENUES	7,098,779	7,083,196	7,093,771	7,251,240	6,886,587	6,732,120	6,341,782	6,268,714	5,979,812	5,675,643
EXPENDITURES										
Instruction										
Regular	1,849,361	1,987,059	1,918,502	1,909,818	1,713,709	1,667,598	1,515,399	1,437,030	1,725,765	1,731,959
Special	262,568	381,656	347,417	391,960	419,904	425,893	398,192	352,125	239,869	255,506
Other	231,750	284,234	112,932	115,729	105,295	116,625	127,499	51,592	81,003	64,148
Support services and undistributed costs										
Instruction	1,090,679	1,164,186	1,096,131	1,177,082	947,992	1,176,123	1,298,264	1,500,135	1,560,051	1,428,841
Student and instruction related services	770,221	1,017,386	904,273	1,031,546	952,488	798,699	618,172	571,632	197,075	219,317
General administration	221,966	217,166	198,667	210,057	195,555	158,046	164,469	266,406	215,558	209,616
School administration	181,728	194,392	183,497	206,449	175,778	402,376	382,085	276,845	143,179	155,306
Operations and maintenance	381,434	485,971	447,838	577,093	409,053	388,698	366,998	359,496	277,631	375,596
Pupil transportation	175,676	198,083	213,625	250,323	304,483	315,366	308,385	235,541	236,147	175,478
Business and other support services										
Employee benefits	638,586	732,019	629,060	605,194	623,115	575,252	520,443	454,577	494,309	408,382
Other	30,820	22,089	-	-	-	-	-	-	94,041	94,477
On-behalf TPAF pension contributions	178,165	171,229	154,342	314,989	295,378	149,710	122,897	124,746	87,631	-
Reimbursed TPAF Social Security contributions	170,477	176,080	177,752	172,178	162,788	158,163	158,127	149,858	146,241	142,107
Capital outlay	-	-	-	11,910	14,812	51,975	31,037	-	-	6,200
Debt service										
Principal	250,000	240,000	225,000	225,000	225,000	205,000	215,000	245,000	230,000	230,000
Interest and other charges	58,756	68,357	79,606	90,856	102,106	112,957	110,668	182,555	197,020	211,474
TOTAL EXPENDITURES	6,492,187	7,339,907	6,688,642	7,290,184	6,647,456	6,702,481	6,337,635	6,207,538	5,925,520	5,708,407
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES										
	606,592	(256,711)	405,129	(38,944)	239,131	29,639	4,147	61,176	54,292	(32,764)
OTHER FINANCING SOURCES (USES)										
Transfers in	51,053	2,012	5,528	-	-	-	45,671	-	-	-
Transfers out	(51,052)	-	(3,469)	(12,544)	-	(13,500)	(45,671)	(22,394)	-	(3,100)
Withdrawal from reserve	(250)	(51,053)	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(249)	(49,041)	2,059	(12,544)	-	(13,500)	-	(22,394)	-	(3,100)
NET CHANGE IN FUND BALANCES	\$ 606,343	\$ (305,752)	\$ 407,188	\$ (51,488)	\$ 239,131	\$ 16,139	\$ 4,147	\$ 38,782	\$ 54,292	\$ (35,864)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES										
	4.99%	4.39%	4.77%	4.53%	5.18%	4.98%	5.42%	7.40%	7.77%	8.38%

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>
2011	\$ 17,729	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,500	\$ 15,035	\$ 44,264
2010	13,225	63	3,326	-	22,068	-	11,500	10,419	60,601
2009	30,400	4,133	8,505	766	21,919	2,654	11,500	652	80,529
2008	31,260	20,509	10,335	2,997	6,903	-	11,500	6,330	89,834
2007	25,005	30,543	-	-	-	-	11,500	10,650	77,698
2006	22,960	22,159	-	-	-	-	4,133	11,175	60,427
2005	21,006	13,031	-	-	-	-	11,500	7,694	53,231
2004	21,504	2,971	-	-	-	-	-	1,021	25,496
2003	20,335	4,015	-	-	-	-	-	16,126	40,476
2002	9,894	7,408	-	-	-	-	-	30,615	47,917

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>
2010	\$ 160,877,095	\$ 157,657,300	102.04%	272,397,360	2.706
2009	160,989,391	157,814,400	102.01%	287,443,223	2.638
2008	161,241,144	157,894,000	102.12%	290,062,234	2.657
2007	160,977,463	157,894,000	101.95%	293,539,312	2.531
2006	161,044,521	157,475,000	102.27%	229,859,526	2.484
2005	163,279,412	156,852,100	104.10%	204,880,271	2.384
2004	163,230,247	157,580,500	103.59%	180,923,728	2.295
2003	163,571,570	157,565,350	103.81%	203,818,571	2.236
2002	163,012,426	157,274,650	103.65%	155,684,227	2.125
2001	163,052,866	157,538,350	103.50%	152,210,966	1.938

* 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>
2010	2.567	8,254,097	2.706	1.335	1.232	5.273
2009	2.411	8,694,737	2.638	1.279	1.132	5.049
2008	2.389	8,064,639	2.657	1.228	1.161	5.046
2007	2.62 (B)	6,662,962	2.531	1.045	1.208	4.784
2006	2.62	6,768,182	2.484	1.013	1.153	4.65
2005	2.75	6,287,934	2.384	0.983	1.041	4.408
2004	3.30	6,562,998	2.295	0.953	0.977	4.225
2003	(A)	6,954,193	2.236	0.939	0.995	4.17
2002	(A)	7,655,104	2.125	0.915	0.980	4.02
2001	(A)	8,239,625	1.938	0.886	0.916	3.74

(A) Amounts are not available for these years.

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

Source: Borough of Merchantville audited financial statements

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

Exhibit J-8

<u>Taxpayer</u>	<u>2011</u>		<u>2002</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	\$ 4,642,811	2.88%	\$ 7,956,876	4.88%
Merchantville Partners, LP	2,305,000	1.43%	2,459,900	1.51%
Malik & Son, LLC	1,075,000	0.67%	1,075,000	0.66%
42 W. Maple, LLC	845,400	0.52%	(A)	(A)
Prospect Norse	750,000	0.47%	750,000	0.46%
Three Brothers Real Estate, LLC	750,000	0.47%	(A)	(A)
26-28 S. Centre Street Associates, LLC	644,600	0.40%	644,600	0.40%
Kaurene Family Investments, LLC / CVS	615,200	0.38%	615,200	0.55%
Schultz, Erna & Ward Trustees, 17 E. Maple	611,800	0.38%	611,800	0.37%
Interstate Net Bank	605,000	0.38%	(A)	(A)
Richard Ounjian Et Al	576,400	0.36%	(A)	(A)
TOTAL	<u>\$ 13,421,211</u>	<u>8.34%</u>	<u>\$ 14,113,376</u>	<u>8.83%</u>

Source: Municipal Tax Assessor

(A) Amounts are not available for this year.

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

Exhibit J-9

<u>Years Ended December 31,</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Tax Levy Collected</u>
2010	\$ 8,512,891	\$ 7,964,657	93.56%
2009	8,142,974	7,704,703	94.62%
2008	8,152,217	7,695,433	94.40%
2007	7,707,506	7,521,454	97.59%
2006	7,496,348	7,220,036	96.31%
2005	7,201,771	6,991,869	97.09%
2004	6,929,195	6,743,020	97.31%
2003	6,824,011	6,609,326	96.84%
2002	6,558,994	6,388,854	97.40%
2001	6,102,116	5,934,194	97.25%

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				
2011	\$ 1,520,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,520,000	0.96%	398
2010	1,770,000	-	-	-	-	-	1,770,000	1.14%	470
2009	2,010,000	-	-	-	-	-	2,010,000	1.36%	534
2008	2,235,000	-	-	-	-	-	2,235,000	1.55%	594
2007	2,460,000	-	-	-	-	-	2,460,000	1.70%	646
2006	2,685,000	-	-	-	-	-	2,685,000	1.96%	703
2005	2,890,000	-	-	-	-	-	2,890,000	2.11%	757
2004	3,105,000	-	-	-	-	-	3,105,000	2.35%	814
2003	3,140,000	-	-	-	-	-	3,140,000	2.47%	823
2002	3,370,000	-	-	-	-	-	3,370,000	2.76%	862

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>
2011	1,520,000	0.94%	398
2010	1,770,000	1.10%	470
2009	2,010,000	1.25%	534
2008	2,235,000	1.39%	594
2007	2,460,000	1.53%	646
2006	2,685,000	1.64%	703
2005	2,890,000	1.77%	757
2004	3,105,000	1.90%	814
2003	3,140,000	1.92%	824
2002	3,370,000	2.07%	887

(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, 2011
UNAUDITED**

Exhibit J-12

Net direct debt of school district as of June 30, 2011	\$ 1,520,000
Net overlapping debt of school district	
Merchantville Borough (100%)	1,770,000 *
County of Camden - Borough's share	<u>1,026,020 (A)</u>
Total direct and overlapping debt as of June 30, 2011	<u>\$ 4,316,020</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.

(A): Amount unavailable for current year.

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

Exhibit J-13

	Equalized Value Basis																			
									2011	\$ 287,443,223										
									2010	287,443,223										
									2009	<u>281,417,696</u>										
									(A)	<u>\$ 856,304,142</u>										
									Average equalized valuation of taxable property											
									(A/3)	\$ 285,434,714										
									(B)	11,417,389 *										
									Total net debt applicable to limit											
									(C)	<u>1,520,000</u>										
									Legal debt margin											
									(B)-(C)	<u>\$ 9,897,389</u>										
									2011	2010	2009	2008	2007	2006	2005	2004	2003	2002		
Debt limit	\$	11,417,389	\$	11,062,308	\$	11,098,779	\$	11,013,841	\$	10,268,082	\$	8,811,352	\$	5,896,226	\$	5,431,769	\$	4,663,298	\$	4,624,159
Total net debt applicable to limit		<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>		<u>2,685,000</u>		<u>2,890,000</u>		<u>3,105,000</u>		<u>3,140,000</u>		<u>3,370,000</u>
Legal debt margin	\$	<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>	\$	<u>6,126,352</u>	\$	<u>3,006,226</u>	\$	<u>2,326,769</u>	\$	<u>1,523,298</u>	\$	<u>1,254,159</u>
Total net debt applicable to the limit as a percentage of debt limit		13.31%		16.00%		18.11%		20.29%		23.96%		30.47%		49.01%		57.16%		67.33%		72.88%

* 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 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>
2010	6.50%	41,234	3,821
2009	6.20%	41,282	3,765
2008	3.90%	39,266	3,764
2007	2.90%	38,209	3,763
2006	3.20%	37,910	3,806
2005	2.90%	35,895	3,820
2004	4.10%	34,580	3,816
2003	4.60%	33,264	3,815
2002	4.40%	32,015	3,811
2001	3.10%	31,225	3,801

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>2011</u>		<u>2002</u>	
	<u>Employees</u>	<u>% of Total Municipal Employment</u>	<u>Employees</u>	<u>% of Total Municipal Employment</u>
St. Clair CPA Solutions	29	N/A	N/A	N/A
Merchantville Pediatrics	35	N/A	N/A	N/A
The Blue Monkey	32	N/A	N/A	N/A
CVS	27	N/A	N/A	N/A
Rite Aid	10	N/A	N/A	N/A
PNC Bank	<u>13</u>	N/A	N/A	N/A
TOTAL	<u>146</u>	N/A	N/A	N/A

Source: Municipal Borough Office

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

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

Exhibit J-16

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
FUNCTION/PROGRAM										
Instruction										
Regular	27	27	25	25	25	24	24	28	24	29
Special education	4	4	4	4	4	4	4	4	5	4
Other special education	-	-	-	-	-	-	-	-	-	-
SUPPORT SERVICES										
Student and instruction related services	4	4	4	4	3	2	2	3	2	3
General administration	1	1	1	1	1	1	1	1	1	1
School administration	1	1	1	1	1	1	1	1	1	1
Operation and maintenance of plant facilities	-	-	-	-	-	-	-	-	-	4
TOTAL	<u>37</u>	<u>37</u>	<u>35</u>	<u>35</u>	<u>34</u>	<u>32</u>	<u>32</u>	<u>37</u>	<u>33</u>	<u>42</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

Years Ended June 30,	Enrollment	Operating Expenditures	Cost Per Pupil	% Change	Teaching Staff (a)	Pupil/Teacher Ratio (Elementary)	Average Daily Enrollment	Average Daily Attendance	% Change in Average Daily Enrollment	Attendance %
2011	323	6,183,431	19,144	-6.35%	31	11	328.3	313.5	-5.93%	95.49%
2010	344	7,031,550	20,441	13.35%	28	12	349.0	331	-1.41%	94.84%
2009	354	6,384,035	18,034	-10.90%	31	11	354.0	317.0	2.91%	89.55%
2008	344	6,384,036	18,558	17.16%	31	11	344.0	302.9	-5.75%	88.05%
2007	365	6,962,418	19,075	-3.43%	31	12	365.0	342.5	3.46%	93.84%
2006	354	6,305,538	17,812	8.58%	33	11	352.8	333.6	-4.67%	94.56%
2005	363	6,332,549	17,445	6.61%	30	12	370.1	349.8	1.93%	94.51%
2004	374	5,980,930	15,992	-22.00%	31	12	363.1	343.1	2.92%	94.50%
2003	355	5,779,983	16,282	3.34%	37	10	352.8	334.3	-0.34%	94.76%
2002	351	5,498,500	14,988	1.75%	37	9	354.0	337.2	3.33%	95.25%

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<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	323	344	354	344	368	353	363	374	355	351

Number of schools at June 30, 2011

Elementary = 1

Source: District Facilities Office

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

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

Exhibit J-19

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

11-000-261-420

11-000-261-610

11-000-261-800

		<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
School Facilities*	Project # (s)									
Merchantville Elementary	N/A	\$ 57,050	\$ 84,073	\$ 47,798	\$ 206,994	\$ 53,622	\$ 39,431	\$ 37,142	\$ 37,066	\$ 18,542
Total School Facilities		<u>\$ 57,050</u>	<u>\$ 84,073</u>	<u>\$ 47,798</u>	<u>\$ 206,994</u>	<u>\$ 53,622</u>	<u>\$ 39,431</u>	<u>\$ 37,142</u>	<u>\$ 37,066</u>	<u>\$ 18,542</u>

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

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

Source: District Records.

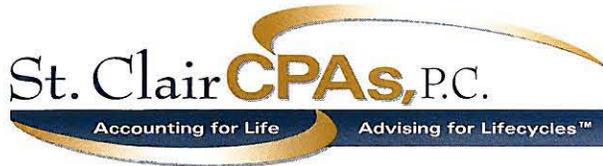
BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2011
UNAUDITED

Exhibit J-20

	<u>Coverage</u>	<u>Deductible</u>
Commercial package policy - Republic Franklin Insurance Company/ Utica National Insurance Group:		
Property - blanket building and contents	\$ 17,440,569	\$ 1,000
Comprehensive general liability (\$1,000,000 per claim)	3,000,000	-
Comprehensive automobile liability	1,000,000	500/1,000
Comprehensive crime theft coverage, per loss	200,000	-
Inland marine		
Hardware & software	170,000	250
Data processing	20,000	250
Employee benefits liability (\$1,000,000 per claim)	3,000,000	1,000
Commercial umbrella policy	6,000,000	-
Legal liability (\$1,000,000 each occurrence; \$3,000,000 aggregate)	3,000,000	-
Surety Bonds - Ohio Casualty		
Business administrator	159,000	-
Treasurer	159,000	-
Workers' compensation - New Jersey School Boards Association	2,000,000	-
Compulsory student accident coverage	1,000,000	-
Catastrophe student accident coverage		
Accidental medical expense benefit	2,500,000	25,000
Catastrophe cash benefit	500,000	25,000

Source: District Records

SINGLE AUDIT SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education Borough of Merchantville School District (District), in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Merchantville Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Merchantville Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Merchantville's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education of the Borough of Merchantville School District in a separate report entitled, Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance dated November 22, 2011. This report is intended solely for the information and use of the audit committee, management, the Borough of Merchantville Board of Education, the New Jersey State Department of Education (cognizant audit agency) and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

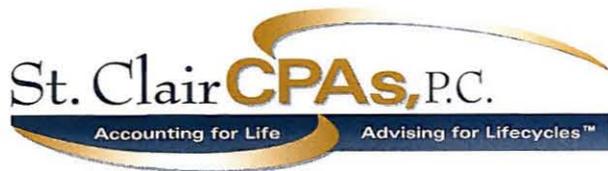


William P. St. Clair, CPA
Licensed Public School Accountant
License No. CS02343



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

Merchantville, New Jersey
November 22, 2011



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

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

Compliance

We have audited the compliance of the Board of Education Borough of Merchantville School District (District), in the County of Camden, State of New Jersey, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2011. The Borough of Merchantville Board of Education's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Borough of Merchantville Board of Education's management. Our responsibility is to express an opinion on the Borough of Merchantville Board of Education's compliance based on our audit.

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

In our opinion, the Board of Education Borough of Merchantville School District, in the County of Camden, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2011. The results of our auditing procedures did not disclose any instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Internal Control Over Compliance

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

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

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

The Borough of Merchantville School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit The Borough of Merchantville School District's responses and, accordingly, we express no opinion on the responses.

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



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



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

Merchantville, New Jersey
November 22, 2011

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - SCHEDULE A
YEAR ENDED JUNE 30, 2011**

Exhibit K-3

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA	State	Grant Period		Program	Balance	Carryover	Revenue/	Budgetary	Prior Years'	(Accounts	Deferred	Due to	Unused
	Number	Project	From	To	or Award	June 30,	Walkover	Cash		Balances	Receivable)	Revenue	Grantor at	Funds
					Amount	2010	Amount	Received	Expenditures	Returned	June 30, 2011		June 30,	2011
FEDERAL GRANTOR/PASS-THROUGH														
GRANTOR/PROGRAM TITLE														
U.S. Department of Agriculture														
Passed-through State Department of Education														
Enterprise Fund :														
Food Distribution Program	10.550	N/A	7/1/2010	6/30/2011	\$ 6,818	\$ -	\$ -	\$ 6,818	\$ 6,818	\$ -	\$ -	\$ -	\$ -	\$ -
National School Lunch Program	10.555	N/A	7/1/2009	6/30/2010	46,753	(3,770)	-	3,770	-	-	-	-	-	-
National School Lunch Program	10.555	N/A	7/1/2010	6/30/2011	38,916	-	-	35,787	38,916	-	(3,129)	-	-	-
National School Breakfast Program	10.553	N/A	7/1/2009	6/30/2010	3,649	(348)	-	348	-	-	-	-	-	-
National School Breakfast Program	10.553	N/A	7/1/2010	6/30/2011	3,311	-	-	2,943	3,311	-	(368)	-	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE					99,447	(4,118)	-	49,666	49,045	-	(3,497)	-	-	-
U.S. Department of Education														
Passed-through State Department of Education														
Special Revenue Fund:														
Title I Prior Year	84.010	IASA311009	9/1/2008	8/31/2009	90,479	(15,449)	-	15,449	-	-	-	-	-	-
Title I Prior Year	84.010	IASA311009	9/1/2008	8/31/2009	-	(6,623)	-	6,623	-	-	-	-	-	-
Title I Prior Year	84.010	IASA311010	9/1/2009	8/31/2010	91,156	(27,682)	21,026	27,682	21,026	-	(21,025)	-	-	-
Title I Current Year	84.010	IASA311011	9/1/2010	8/31/2011	117,067	-	-	-	101,586	-	(101,586)	-	-	15,481
I.D.E.A. Part B, basic Current year	84.027	FT-3110-11	9/1/2010	8/31/2011	148,388	-	-	128,306	147,724	-	(19,418)	-	-	664
I.D.E.A. Part B, basic Prior year	84.027	FT-3110-10	9/1/2009	8/31/2010	147,344	(115,549)	-	115,549	-	-	-	-	-	-
I.D.E.A. Part B, basic Prior year	84.027	FT-3110-09	9/1/2008	8/31/2009	112,691	(112,691)	-	112,691	-	-	-	-	-	-
I.D.E.A. Part B, preschool Current year	84.173	PS-3110-11	9/1/2010	8/31/2011	6,479	-	-	4,725	6,479	-	(1,754)	-	-	-
I.D.E.A. Part B, preschool Prior year	84.173	PS-3110-10	9/1/2009	8/31/2010	6,249	(6,249)	-	6,249	-	-	-	-	-	-
I.D.E.A. Basic Nonpublic Prior Year	84.027	FT-3110-10	9/1/2009	8/31/2010	36,656	(36,656)	-	36,656	-	-	-	-	-	-
I.D.E.A. Basic Nonpublic Prior Year	84.027	FT-3110-09	9/1/2008	8/31/2009	38,293	(1,637)	-	1,637	-	-	-	-	-	-
Title II - Eisenhower Carryover	84.281	IASA311008	9/1/2007	8/31/2008	26,762	1,379	-	-	-	1,379	-	-	-	-
Title II - Eisenhower Carryover	84.281	IASA311009	9/1/2008	8/31/2009	27,449	(5,962)	-	5,962	-	-	-	-	-	-
Title II - Eisenhower Carryover year	84.281	IASA311010	9/1/2009	8/31/2010	27,890	(8,448)	10,410	8,448	10,410	-	(10,410)	-	-	-
Title II - Eisenhower Current year	84.281	IASA311011	9/1/2010	8/31/2011	27,896	-	-	-	21,072	-	(21,072)	-	-	6,824
Title II - Eisenhower Carryover	84.281	IASA311009	9/1/2008	8/31/2009	7,703	(7,703)	-	7,703	-	-	-	-	-	-
Title II D Enhanced Ed. Through Tech Prior	84.318X	IASA311010	9/1/2009	8/31/2010	907	(907)	-	907	-	-	-	-	-	-
Title II D Enhanced Ed. Through Tech	84.318X	IASA311011	9/1/2010	8/31/2011	378	-	-	-	268	-	(268)	-	-	110
Title III	84.031A		9/1/2010	8/31/2011	2,473	-	-	-	-	-	-	-	-	2,473
Title IV - Drug free Prior year	84.186	IASA311010	9/1/2009	8/31/2010	2,027	(2,027)	-	2,027	-	-	-	-	-	-
Title IV - Drug free Current year	84.186	IASA311011	9/1/2010	8/31/2011	1,660	-	-	-	-	-	-	-	-	1,660
Title V - Innovative Programs Carryover	84.298	IASA311008	9/1/2007	8/31/2008	914	374	-	-	-	374	-	-	-	-
ARRA- IDEA Preschool	84.392	IASA311010	9/1/2009	8/31/2010	5,765	(5,765)	-	5,765	-	-	-	-	-	-
ARRA- IDEA Basic	84.391	IASA311010	9/1/2009	8/31/2010	159,654	(77,833)	-	77,833	-	-	-	-	-	-
ARRA-IDEA Basic	84.391	IASA311011	9/1/2010	8/31/2011	81,821	-	-	45,807	74,730	-	(28,923)	-	-	7,091
ARRA-Title I PT A	84.389A		9/1/2010	8/31/2011	23,296	-	-	18,150	23,296	-	(5,146)	-	-	-
					1,191,397	(429,428)	31,436	628,169	406,591	1,753	(209,602)	-	-	34,303
TOTAL U.S. DEPARTMENT OF EDUCATION						(429,802)	31,436	628,169	406,591	1,753	(209,602)	-	-	34,303
TOTAL FEDERAL FINANCIAL ASSISTANCE						\$ (433,920)	\$ 31,436	\$ 677,835	\$ 455,636	\$ 1,753	\$ (213,099)	\$ -	\$ -	\$ 34,303

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, 2011**

Exhibit K-4

State Grantor/Program Title	Grant or State Project Number	Grant Period From	To	Program or Award Amount	Balance at June 30, 2010	Carryover Walkover Amount	Revenue/ Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) June 30, 2011	Deferred Revenue June 30, 2011	Due to Grantor at June 30, 2011	Unused Funds June 30, 2011
STATE DEPARTMENT OF EDUCATION													
General Fund :													
Transportation Aid	10-495-034-5120-014	7/1/09	to 6/30/10	\$ 52,175	\$ (3,798)	\$ -	\$ 3,798	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Education Aid	10-495-034-5120-089	7/1/09	to 6/30/10	213,145	(15,514)	-	15,514	-	-	-	-	-	-
Extraordinary Aid	11-495-034-5120-044	7/1/10	to 6/30/11	25,838	-	-	25,838	25,838	-	-	-	-	-
Equalization Aid	10-495-034-5120-078	7/1/09	to 6/30/10	784,618	(57,110)	-	57,110	-	-	-	-	-	-
Equalization Aid	11-495-034-5120-078	7/1/10	to 6/30/11	1,294,580	-	-	1,205,885	1,294,580	-	(88,695)	-	-	-
Special Education Categorical Aid	11-495-034-5120-089	7/1/10	to 6/30/11	213,145	-	-	197,542	213,145	-	(15,603)	-	-	-
Security Aid	10-495-034-5120-084	7/1/09	to 6/30/10	40,936	(2,980)	-	2,980	-	-	-	-	-	-
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/10	to 6/30/11	170,477	-	-	170,477	170,477	-	-	-	-	-
On-behalf TPAF Pension Contribution	11-495-034-5095-001	7/1/10	to 6/30/11	178,165	-	-	178,165	178,165	-	-	-	-	-
Total State Department of Education				2,973,079	(79,402)	-	1,857,309	1,882,205	-	(104,298)	-	-	-
Special Revenue Fund:													
N.J. Nonpublic Aid													
Textbook Aid	11-100-034-5120-064	7/1/10	to 6/30/11	17,052	-	-	17,052	17,052	-	-	-	-	-
Nursing Aid	11-100-034-5120-070	7/1/10	to 6/30/11	20,003	-	-	20,205	20,003	-	-	-	202	-
Auxiliary Services													
Compensatory Education	11-100-034-5120-067	7/1/10	to 6/30/11	117,470	-	-	117,470	117,470	-	-	-	-	-
Transportation	11-100-034-5120-068	7/1/10	to 6/30/11	6,262	-	-	6,262	6,262	-	-	-	-	-
English as a Second Language	11-100-034-5120-067	7/1/10	to 6/30/11	3,159	-	-	3,159	3,159	-	-	-	-	-
Handicapped Services:													
Supplemental instruction	11-100-034-5120-066	7/1/10	to 6/30/11	11,812	-	-	11,812	11,812	-	-	-	-	-
Examination & Classification	11-100-034-5120-066	7/1/10	to 6/30/11	22,324	-	-	22,324	22,324	-	-	-	-	-
Corrective Speech	11-100-034-5120-066	7/1/10	to 6/30/11	30,511	-	-	30,511	30,511	-	-	-	-	-
Preschool Education Aid	10-100-034-5120-086	7/1/09	to 6/30/10	83,673	(6,090)	-	-	-	-	(6,090)	-	-	-
Preschool Education Aid	11-100-034-5120-086	7/1/10	to 6/30/11	87,390	-	-	48,826	55,224	-	(6,398)	-	-	32,166
					(6,090)	-	277,621	283,817	-	(12,488)	-	202	32,166
Capital Projects Fund:													
Educational facilities construction and financing													
					-	-	-	-	-	-	-	-	-
Debt Service Fund:													
Debt Service Aid Type II													
	11-495-034-5120-016	7/1/09	to 6/30/10	17,466	-	-	17,466	17,466	-	-	-	-	-
STATE DEPARTMENT OF AGRICULTURE													
Enterprise Fund:													
National School Lunch Program (State Share)	10-100-034-3360-067	7/1/09	to 6/30/10	2,494	(170)	-	170	-	-	-	-	-	-
National School Lunch Program (State Share)	11-100-034-3360-067	7/1/10	to 6/30/11	1,057	-	-	966	1,057	-	(91)	-	-	-
National School Breakfast Program (State Share)	10-100-010-3350-021	7/1/09	to 6/30/10	267	(22)	-	22	-	-	-	-	-	-
TOTAL STATE DEPARTMENT OF AGRICULTURE					(192)	-	1,158	1,057	-	(91)	-	-	-
TOTAL STATE FINANCIAL ASSISTANCE					\$ (85,684)	\$ -	\$ 2,153,554	\$ 2,184,545	\$ -	\$ (116,877)	\$ -	\$ 202	\$ 32,166

See accompanying notes to schedules of awards and financial assistance.

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

Exhibit K-5

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS AND
FINANCIAL ASSISTANCE (CONTINUED)
JUNE 30, 2011

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 (\$24,898) for the General Fund and \$0 for the Special Revenue Fund. See the notes to the basic financial statements for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds. Awards and financial assistance revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>
General Fund	\$ -	\$ 1,882,205
Special Revenue Fund	406,591	283,817
Debt Service Fund	-	17,466
Food Service Fund	49,045	1,057
Capital Projects Fund	<u>-</u>	<u>-</u>
 Total Awards and Financial Assistance	 <u>\$ 455,636</u>	 <u>\$ 2,184,545</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, 2011. 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, 2011.

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting

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

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

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

Federal Awards

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

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

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

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

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

CFDA Number(s)

Name of Federal Program or Cluster

N/A

N/A

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

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

Section I - Summary of Auditors' Results (continued)

State Awards

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

Auditee qualified as low-risk auditee? X yes no

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

Internal control over compliance:

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

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

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

Identification of major program:

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

Section II - Financial Statement Findings

Finding: NONE

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's Response:

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

FEDERAL AWARDS:

Finding: NONE

Information on the federal program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

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

STATE AWARDS:

Finding: NONE

Information on the state program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

**BOROUGH OF MERCHANTVILLE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

Exhibit K-7

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

STATUS OF PRIOR-YEAR FINDINGS

There were no prior year findings.