

SCHOOL DISTRICT
OF
CITY OF MARGATE

Margate City Board of Education
Margate, New Jersey

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

Comprehensive Annual Financial Report

of the

Margate City Board of Education

Margate, New Jersey

For the Fiscal Year Ended June 30, 2012

Prepared by

Margate City Board of Education

Finance Department

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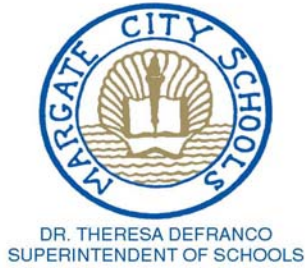
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Introductory Section

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Margate City School District

8103 WINCHESTER AVENUE
MARGATE CITY, NEW JERSEY 08402
PHONE: (609) 822-1686
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"Riding the Wave of Excellence"

December 3, 2012

Citizens, Honorable President and
Members of the Board of Education
City of Margate School District
Atlantic County, New Jersey

Dear Board Members:

The comprehensive annual financial report of the City of Margate School District (District) for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). 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 financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Management's Discussion and Analysis, basic financial statements and schedules, as well as the auditor's report thereon. The statistical tables include selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Amendments of 1984 and State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The City of Margate School District is a component unit of the City of Margate within the criteria set forth in Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*. All funds and account groups of the District are included in this report. The City of Margate Board of Education and all its schools constitute the District's reporting entity. The School District is a

Type I District and, as such, meets the criteria to be considered a component unit of the City of Margate. However, the City reports on a regulatory basis of accounting which does not recognize component units.

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 youngsters. The District completed the 2011-2012 fiscal year with an enrollment of 491 students, which is 26 students lower than the previous year's enrollment. The following details the changes in the average daily enrollment of the District over the last five years.

Fiscal	Average Daily	Percent
<u>Year</u>	<u>Enrollment</u>	<u>Change</u>
2011-2012	491	(5.03%)
2010-2011	517	(10.09%)
2009-2010	575	(2.21%)
2008-2009	588	8.75%
2007-2008	541	(5.31%)

2) ECONOMIC CONDITION AND OUTLOOK: Margate City and Longport are New Jersey seashore communities whose children, in grades K through eight, constitute the student population of the Margate City School District. Margate City is located approximately two miles south of Atlantic City, and approximately 50 miles east of Philadelphia. The City of Margate, which measures approximately a mile and three-quarters in length by three quarters of a mile in width, is located on Absecon Island and has a year-round population of about 8,000 middle to upper middle-class residents. More specifically, Margate City is bounded on the northeast by Ventnor City, on the southwest by the Borough of Longport, on the southeast by the Atlantic Ocean, and on the northwest by the center line of the main channel in Beach Thorofare. The major employer in this area is the casino industry.

The City of Margate is governed by a three-person Board of Commissioners, elected at large every four years. They govern a City that is almost entirely residential, whose year-round population of 8,000 swells to approximately 40,000 during the summer months. The year-round residents have established six houses of worship that rather accurately reflect the ethnic/religious composition of the community. Of the six houses of worship, three are Jewish, two are Protestant, and one is Catholic.

The Public School System of Margate City is composed of K-8 grade children, who reside in the City of Margate and the Borough of Longport. As of October 15, 2012 there was a total of 472 pupils enrolled in the school district. Upon completion of eighth grade, the students attend nearby Atlantic City High School, which currently enrolls approximately 120 Margate pupils in grades 9 through 12. This is a sending-receiving relationship between the school districts in which Margate is responsible for paying student tuition and providing student transportation. As of October 15, 2012, Margate pupils were enrolled in other public schools as follows: 3 students at the CharterTech High School, 18 students at the Ocean City High School and 1 student at the

Ocean City Intermediate School. There are approximately 75 Margate students attending various non-public schools grades K-12.

The overall responsibility for the education of the K-8 children lies with the district's board of education composed of seven members, appointed by the mayor for a term of three years. The district's budget is approved annually by a Board of School Estimates which works closely with both City and school officials. For the 2012-13 school year, the District will operate on a budget of \$13,114,805 for current expenses.

The basic responsibility for the operation of the schools lies with the Superintendent of Schools. She was assisted by two directors/building principals, a school business administrator, and a staff of 86 full time personnel during the 2011-2012 school year.

During the 2011-12 school year Margate City District pupils were housed in two separate facilities: the Eugene A. Tighe Middle School constructed in 1956, and the William H. Ross III Intermediate School constructed in 2000. Due to a loss in State Aid of \$932,183, and the need to decrease operating costs, the Union Avenue School was closed as of June 30, 2010. Since the 2010-2011 school year, the William H. Ross III site has housed the district administrative offices and grades Pre-K-4 and the Eugene A. Tighe School has housed grades 5-8. Each building is serviced by special area teachers for performing arts, health, art, physical education, computer/technology, and a media center. In addition, a Child Study Team is available for children with special needs. The team consists of a school psychologist, social worker, and speech therapists. Learning Disabilities services are provided by the Atlantic County Special Services School District.

Longport, the only sending district for the Margate City School, is the smallest municipality in Atlantic County, about four-tenths of a square mile. Longport is bounded on the northeast by Margate City, on the southwest by Great Egg Inlet/Ocean City, on the southeast by the Atlantic Ocean, on the northwest by Risley's Channel and the Inlet.

The Margate City Board of Education provides its student population with an extensive range of educational services that include but are not limited to the following:

1. Pre-school program for disabled 3 and 4 year old students.
2. Full day kindergarten program for all children.
3. World language instruction for all children.
4. Computer assisted instruction for all children.
5. Title 1 services for mathematics and reading in grades K-4.
6. Social services that include the DARE program and REBEL II.
7. Computer assisted research services in the Media Centers.
8. Differentiated instruction that is part of the curriculum for all students.
9. A full range of Child Study Team services.
10. Visual and performing arts program for all students
11. STEM education for students K-8.
12. Compass Learning (a computerized instruction program for language arts and math linked to the MAPS test.)

The Margate Board of Education, administration, faculty, and support staff are dedicated to provide each child with a challenging and rewarding educational program that will meet each individual's needs.

3) MAJOR INITIATIVES: The district is continuing several major initiatives for the 2012-2013 school year. These initiatives include:

1. Monitoring year 4 of the comprehensive 5-year strategic plan
2. Monitoring the data results from benchmark assessment for 6 disciplines
3. Continued professional development training in Balanced Literacy, STEM, On-Course, and Data Analysis.
4. Continued partnership programs
5. Continued curriculum development efforts
6. Continued enrichment effort for all students
7. Implement new teacher and principal evaluation systems.
8. Continued use of blended learning programs

The district has maximized instructional time for students with the implementation of extended learning blocks in literacy, mathematics and enrichment. Push-in support (inclusion) and co-teaching provide differentiated learning opportunities for all students and ensure academic rigor in all classrooms. The literacy program is supported through a literacy coach trained in balanced literacy. Professional Development for teachers was also provided through in-district workshops and Professional Learning Communities (PLC) meetings.

The district's STEM (Science Technology, Engineering & Mathematics) initiative provides students the opportunity to participate in an inquiry-based, exploratory learning collaborative project. The year long projects culminate with a STEM exhibit of students' work.

The district has infused technology into our instructional program with the addition of classroom Smart boards, the implementation of On-Course electronic lesson planning linked to the NJCC Standards and an improved student information system with electronic grade reporting, web pages and attendance procedures. Technology coaches support electronic documentation, class web pages and technology integration. The media centers are networked with the Margate Public Library, which in turn can network with local colleges and other libraries to allow the students of our district a wide range of options for gathering research data. As of July 2012, the district has full wireless internet access with multiple mobile labs.

For the 2012-2013 school year the district will focus on continuing to update curriculum to meet the Core Standards.

On the NJ ASK State Assessment tests from grades 3 to 8, Margate had a higher percentage of students scoring in the combined advanced and proficiency levels as compared to the District Factor Group and State average in every grade level in both language arts literacy, mathematics, and science. With the extended time in Literacy and Mathematics, and updated curriculum, we hope to continue raising the bar for our students.

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

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

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the board of school estimates of the municipality. Annual appropriated budgets are adopted for the general and special revenue funds. 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 June 30, 2012.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect 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.

7) DEBT ADMINISTRATION: At June 30, 2012, the District had no outstanding debt issues. As a Type I School District, all school debt is borne by the City rather than the School District.

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 that indicates the GUDPA approved depository banks, any brokers/dealers, and the approved investment instruments selected by the Board of Education. GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. School Districts are permitted to invest public funds in bonds or other obligations of the United States, bonds or other obligations of the local unit, government money market mutual funds, New Jersey State Cash Management Fund, and repurchase agreements.

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) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ford Scott & Associates, LLC, CPAs was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Amendments of 1984 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11) ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Margate City Board for their concern in providing fiscal accountability to the citizens and taxpayers of the 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,



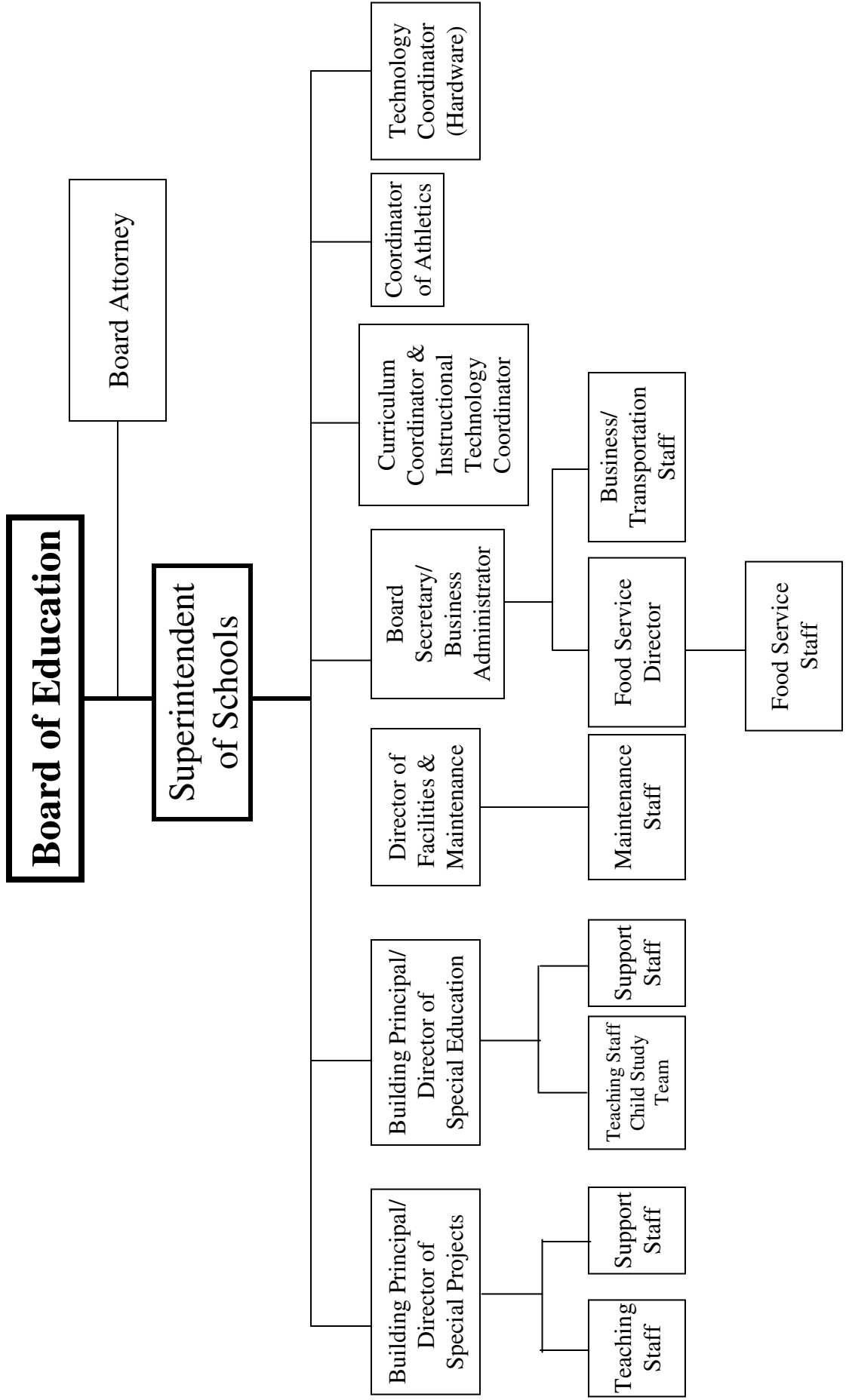
Dr. Theresa DeFranco
Superintendent



Susan E. Palaia, CPA
Board Secretary/Business Administrator

City of Margate Board of Education Organization Chart

Current Organization 5/16/2011



CITY OF MARGATE BOARD OF EDUCATION

MARGATE, NEW JERSEY

ROSTER OF OFFICIALS

June 30, 2012

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Jacob B. Sless, Esq., President	2015
Linda Levitt Doyle, Vice-President	2013
Renee Bell	2014
Kirsten Canuso	2015
Christopher Koch, Sr.	2014
Joanne Kulzer	2013
Jim Olivo	2015
Carl Tripician, Esq., representing Borough of Longport Board of Education	

Other Officials

Dr. Theresa DeFranco, Superintendent

Susan E. Palaia, CPA, Board Secretary/School Business Administrator

Robert A. Muccilli Esq., Solicitor

**CITY OF MARGATE BOARD OF EDUCATION
Consultants and Advisors**

Audit Firm

Ford Scott & Associates, LLC, CPAs
1535 Haven Avenue
PO Box 538
Ocean City, NJ 08226

Attorney

Robert A. Muccilli, Esq.
Capehart & Scatchard, PA
Laurel Corporate Center
8000 Midlantic Drive, Suite 300 South
Mount Laurel, NJ 08054

Official Depository

Ocean City Home Bank
1777 New Road
Linwood, New Jersey 08221

Cape Savings Bank
225 N. Main Street
Cape May Court House, New Jersey 08210

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Financial Section

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Independent Auditor's Report

Honorable President and
Members of the Board of Education
City of Margate School District
County of Atlantic, 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 of the City of Margate School District (a component unit of the City of Margate, NJ) in the County of Atlantic, State of New Jersey, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Margate 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 in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 City of Margate Board of Education, in the County of Atlantic, State of New Jersey, as of June 30, 2012 and the respective changes in financial position and cash flows, 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 December 3, 2012 on our consideration of the City of Margate School District 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 an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying introductory section, combining statements, and related major fund supporting statements and schedules, and statistical information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey Office of Management and Budget Circular 04-04 and is also not a required part of the basic financial statements. The introductory section, combining statements, and related major fund supporting statements and schedules, and statistical information listed in the table of contents and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The combining statements and major fund supporting statements and schedules have 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 financial statements and, accordingly, we express no opinion on them.

A handwritten signature in blue ink, appearing to read 'R. Swartz', is written over the printed name.

Robert E. Swartz, CPA
Licensed Public School Accountant
No. CS00667

Ford Scott & Associates
Ford Scott & Associates, LLC

December 3, 2012

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Required Supplemental Information
Part I

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Margate City School District's ("District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statement.

FINANCIAL HIGHLIGHTS

- The net assets of the District decreased \$523,874 as a result of a depreciation taken on the various fixed assets of the district.
- The State of New Jersey reimbursed the District \$416,875 during the fiscal year ended June 30, 2012 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. Also, the State of New Jersey paid \$472,066 on behalf of the District for TPAF Pension Contributions. These amounts, which are not budgeted, are included as both a revenue and appropriation in the financial statements.
- As required by New Jersey State Statutes, the unreserved fund balance of the general fund is limited to 2% of the total general fund expenditures. Any excess is required to be designated as Reserved Fund Balance – Excess Surplus and included in the next year's budget as budgeted fund balance. As of June 30, 2012 the District had \$1,792,708 in excess surplus, of which \$1,088,354 has been appropriated and included as anticipated revenue in the 2013 fiscal year budget. This is compared to the prior year excess surplus of \$1,635,446, of which \$547,092 was budgeted in the 2012 fiscal year.
- During the fiscal year ended June 30, 2012, the District's revenues were \$17,234 lower than total expenditures. During the prior fiscal year, revenue was higher than total expenditures by \$578,897.
- In the District's business-type activities, net assets increased \$8,774 during the 2012 fiscal year compared to a \$1,228 decrease in fiscal year 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis* (this section), the basic *financial statements, required supplementary information*, and an optional section that presents *combining statements for special revenue, capital projects, proprietary, and fiduciary funds*. The basic financial statements include two kinds of statements that present different views of the District.

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

- The *governmental funds* statements tell how *general government* services like instruction were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the District operates like businesses, such as the food service and community service programs.
- *Fiduciary fund* statements provide information about the financial relationships – like the unemployment trust fund – in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The following table shows how the required parts of this annual report are arranged and relate to one another.

The following table also summarizes the major features of the District’s financial statements, including the portion of the District’s government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Major Features of Margate City School District’s
Government-wide and Fund Financial Statements**

	Government wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as food service and student activities	Activities the District operates similar to private businesses; food service, Performing Arts and Latchkey	Instances in which the District is the trustee or agent for someone else’s resources, such as payroll agency and student activities.
Required financial statements	Statement of net assets	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of	Statement of fiduciary net assets Statement of changes in fiduciary net assets

			cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

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

The two government-wide statements report the District’s *net assets* and how they have changed. Net assets – the difference between the District’s assets and liabilities – is one way to measure the District’s financial health, or *position*.

- Over time, increases or decreases in the District’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of the District's facilities.

The government-wide financial statements of the District are divided into two categories:

- *Governmental activities* – most of the District's basic services are included here, such as instruction, administration, and plant operations. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* – the District charges fees to customers to help it cover the costs of certain services it provides. The District's food service, performing arts, and latchkey are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for its employees' unemployment compensation plan. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-

wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's governmental activities net assets decreased between fiscal years 2012 and 2011 as a result of an overall increase in expenditures, which also includes depreciation on fixed assets. The business-type activities net assets increased slightly due to in the performing arts and latchkey programs.. The financial condition of the District, excluding depreciation expense, improved during the 2012 fiscal year.

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total June 30, 2012</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total June 30, 2011</u>
Current and other assets	\$2,268,047	31,485	2,299,532	2,629,901	30,582	2,660,483
Impaired assets	2,801,584		2,801,584	2,929,718		2,929,718
Capital assets	16,937,030	8,211	16,945,241	17,349,111	10,557	17,359,668
Total assets	22,006,661	39,696	22,046,357	22,908,730	41,139	22,949,869
Long-term liab.	534,995	11,549	546,544	340,292	11,154	351,446
Other liabilities	14,423		14,423	587,321	10,612	597,933
Total Liabilities	549,418	11,549	560,967	927,613	21,766	949,379
Net assets						
Invested in Capital assets	19,738,614		19,738,614	20,278,829		20,278,829
Restricted	2,022,375		2,022,375	2,039,609		2,039,609
Unrestricted	(303,746)	28,147	(275,599)	(327,321)	19,373	(317,948)
Total net assets	\$21,457,243	28,147	21,485,390	21,981,117	19,3763	22,000,490

Net assets of the district decreased due to continued depreciation taken on the district's property and equipment.

As required by New Jersey Statutes, the unrestricted net assets of the District are not permitted to exceed 2% of total general fund expenditures, after reductions for On-behalf TPAF pension and social security and assets acquired under capital leases. Any excess must be appropriated as budgeted fund balance in the subsequent years' budget. As of June 30, 2012, the District did have \$1,792,708 in excess fund balance, of which \$1,088,354 has been appropriated and included as anticipated revenue in the 2013 fiscal year budget.

Changes in net assets. The total revenue of the District increased \$89,005 due to an increase in state aid awarded the district. This increase was offset by an decrease in

tuition revenue from other local districts. Also, miscellaneous revenue decreased due to reductions interest earned on bank accounts.

Approximately 4.70% of the District’s revenue comes from the State of New Jersey in the form of unrestricted state aid. The City of Margate levies property taxes on properties located in the city. This tax is remitted to the District on a monthly basis. The District expenses are primarily related to instruction, administration, and plant operations.

	<u>6/30/12</u>	<u>Percentage</u>	<u>6/30/11</u>	<u>Percentage</u>
Property taxes	\$10,536,409	80.27%	10,536,409	80.82%
Unrestricted State aid	616,682	4.70%	409,840	3.14%
Tuition	713,642	5.44%	859,799	6.60%
Operating grants and Contributions	1,143,405	8.71%	1,064,459	8.17%
Other	115,306	0.88%	165,932	1.27%
Totals	13,125,444	100.00%	13,036,439	100.00%

Governmental & Business-Type Activities

The following schedule summarizes the governmental and business-type activities of the District during the 2012 and 2011 fiscal years.

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	<u>Gov- Mental Activities</u>	<u>Business- Type Activities</u>	<u>Total 6/30/12</u>	<u>Gov- mental Activities</u>	<u>Business- type Activities</u>	<u>Total 6/30/11</u>
Revenues						
Program revenue						
Charges for srvs	713,642	96,827	810,469	859,799	86,244	946,043
Grants & entitle.						
Federal	\$223,758	24,119	247,877	314,876	23,065	337,941
State	888,941	677	889,618	721,774	769	722,543
Local	30,707		30,707	27,809		27,809
General revenues						
Property taxes	10,536,409		10,536,409	10,536,409		10,536,409
State aid entitle.	616,682		616,682	409,840		409,840
Other	115,306	131	115,437	165,688	244	165,932
Total revenues	13,125,445	121,754	13,247,199	13,036,195	110,322	13,146,517
Expenses						
Instruction:						
Regular	4,239,641		4,239,641	4,578,613		4,578,613
Special education	863,585		863,585	751,511		751,511
Other special inst.	283,833		283,833	260,085		260,085
Other instruction	85,122		85,122	67,329		67,329
Support services:						
Tuition	3,090,584		3,090,584	3,036,637		3,036,637
Student & instr related services	1,725,851		1,725,851	1,537,402		1,537,402
School admin srvcs	206,861		206,861	210,823		210,823
General and bus admin srvcs	782,796		782,796	836,820		836,820
Plant operations & maintenance	1,718,676		1,718,676	1,352,178		1,352,178
Pupil transportation	553,188		553,188	483,293		483,293
Business-type act		168,569	168,569		169,535	169,535
Total expenses	13,550,137	168,569	13,718,706	13,114,691	169,535	13,284,226
(Deficiency before Special items & Transfers)	(424,692)	(46,815)	(451,507)	(78,496)	(59,213)	(137,709)
Special items	(43,593)		(43,593)	(75,050)		(75,050)
Transfers	(55,589)	55,589	0	(57,985)	57,985	0
Increase/(decrease) in net assets	\$(523,874)	8,774	(515,100)	(211,531)	(1,228)	(212,759)

Business-type Activities

Revenues of the District's business-type activities increased 10.4% to \$121,754 as a result of an increase in participation in the performing arts and latchkey programs.. Expenses remained consistent between the 2012 and 2011 fiscal years..

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As of the year end, the governmental funds reported a combined fund balance of \$2,253,624 which is \$35,985 lower than the beginning of the year. This decrease is due to the increase in maintenance costs. Also, the District continues to monitor spending on an ongoing basis to ensure actual expenditures stay within the budget.

The District did not enter into any debt obligations during the fiscal year. Any projects or debt are approved by the City of Margate and would be a direct obligation of the City.

General Fund Budgetary Highlights

As further explained in the Notes to the Financial Statements, annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County office and, as a Type I School District, are approved by the Board of School Estimate. Transfers of appropriations may be made by Board resolution at any time during the fiscal year and are subject to two-thirds majority vote by the board and under certain circumstances require approval by the County Superintendent of Schools. The District is permitted to encumber funds throughout the year for purchases ordered but not yet received. Any open encumbrances as of June 30th carry over to the next fiscal year and are added to the appropriation reflected in the certified budget.

After adjusting total revenue reported on Exhibit C-1 for the Reimbursed TPAF Social Security Contribution and On-behalf TPAF Contribution, which are not budgeted, the District's actual revenue was over the budget by \$124,249. This is a result of realizing additional revenue allocated by the State of New Jersey for Special Education Extraordinary Aid and Nonpublic School Transportation Costs. Again, after adjusting for the Reimbursed TPAF Social Security Contribution and On-behalf TPAF Contribution, actual expenditures were below the budgeted appropriations by \$1,058,219. This is the result of good controls over spending throughout the year. Audit exhibit C-1 does not include current year depreciation expense.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During the 2012 fiscal year, the District did not invest in any significant capital assets or projects. The 2.40% decrease is mainly due to the acquisition of various items of equipment offset by depreciation on the various property and equipment owned by the District. As of June 30, 2010, the District closed the Union Avenue Elementary School which is now classified as an impaired asset, as defined by Governmental Accounting Standards Board Statement 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", on the District's Statement of Net Assets, in addition to depreciation on the various property and equipment owned by the district.

	<u>Govern- mental Activities</u>	<u>Business- type Activities</u>	<u>Total 6/30/12</u>	<u>Govern- Mental Activities</u>	<u>Business- type Activities</u>	<u>Total 6/30/11</u>
Land	\$1,444,429		1,444,429	1,444,429		1,444,429
Buildings& Building Improve.	14,847,865		14,847,865	15,533,171		15,533,171
Mach. & equipment	644,736	8,211	652,947	371,511	10,557	382,068
Total	\$16,937,030	8,211	16,945,241	17,349,111	10,557	17,359,668

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Long-term Debt

New Jersey State Statutes governing Type I School Districts require the bonded debt be assumed by the City and provision for amortization of principal and interest on the outstanding debt is included in the City budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District budget for the 2013 fiscal year includes very little expansion for equipment acquisitions. Also, appropriations budgeted are increased 0.80% due to the District's attempt at maintaining a stable tax rate.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to present users (residents, receiving districts, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, contact the District's business administrator at 8103 Winchester Avenue, Margate City, New Jersey 08402.

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DISTRICT - WIDE FINANCIAL STATEMENTS

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City of Margate School District
(A Component Unit of the City of Margate)
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$2,115,054	23,379	2,138,433
Other accounts receivable	24,191		24,191
Receivables from other governments	128,802	7,086	135,888
Inventory		1,020	1,020
Impaired assets, lower of cost or market:			
Land	312,112		312,112
Building, net of accumulated depreciation	2,489,472		2,489,472
Capital assets not being depreciated			
Land	1,444,429		1,444,429
Capital assets, net of accumulated depreciation	<u>15,492,601</u>	<u>8,211</u>	<u>15,500,812</u>
Total Assets	<u>22,006,661</u>	<u>39,696</u>	<u>22,046,357</u>
LIABILITIES			
Accounts payable	9,990		9,990
Deferred revenue	4,433		4,433
Noncurrent liabilities:			
Due within one year	20,874		20,874
Due beyond one year	<u>514,121</u>	<u>11,549</u>	<u>525,670</u>
Total liabilities	<u>549,418</u>	<u>11,549</u>	<u>560,967</u>
NET ASSETS			
Invested in capital assets, net of related debt	19,738,614		19,738,614
Restricted for:			
Other purposes	2,022,375		2,022,375
Unrestricted	<u>(303,746)</u>	<u>28,147</u>	<u>(275,599)</u>
Total net assets	<u>\$21,457,243</u>	<u>28,147</u>	<u>21,485,390</u>

**City of Margate School District
(A Component Unit of the City of Margate)
Statement of Activities
For the Year Ended June 30, 2012**

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	3,236,571	1,003,069	713,642	471,539	(3,054,459)		(3,054,459)
Special education	652,140	211,444		55,552	(808,032)		(808,032)
Other special instruction	214,348	69,485		18,256	(265,577)		(265,577)
Other instruction	63,980	21,142		5,554	(79,568)		(79,568)
Support services:							
Tuition	2,303,726	786,858		206,730	(2,883,854)		(2,883,854)
Student & instruction related services	1,309,101	416,750		155,952	(1,569,899)		(1,569,899)
School administrative services	151,645	55,216		14,507	(192,354)		(192,354)
General and business administrative service	544,363	217,771		57,215	(704,919)		(704,919)
Administrative Information Technology	15,698	4,964		1,304	(19,358)		(19,358)
Plant operations and maintenance	1,260,992	457,684		120,247	(1,598,429)		(1,598,429)
Pupil transportation	414,075	139,113		36,549	(516,639)		(516,639)
Unallocated benefits	2,501,457	(2,501,457)					
Unallocated depreciation	882,040	(882,040)					
Total governmental activities	13,550,136	0	713,642	1,143,405	(11,693,089)	0	(11,693,089)
Business-type activities:							
Food Service	116,099		35,382	24,796	(55,921)		(55,921)
Community Service Programs	52,470		61,445		8,975		8,975
Total business-type activities	168,569	0	96,827	24,796	(46,946)		(46,946)
Total government	13,718,705	0	810,469	1,168,201	(11,693,089)	(46,946)	(11,740,035)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net					10,536,409		10,536,409
Federal and State aid not restricted					616,682		616,682
Investment Earnings					13,833	131	13,964
Miscellaneous Income					101,473		101,473
Special item:							
Transfers					(55,589)	55,589	0
Cancellation of prior year purchase orders					52		52
Debt service assessment					(43,645)		(43,645)
Total general revenues and transfers					11,169,215	55,720	11,224,935
Change in Net Assets					(523,874)	8,774	(515,100)
Net Assets—beginning					21,981,117	19,373	22,000,490
Net Assets—ending					\$21,457,243	28,147	21,485,390

FUND FINANCIAL STATEMENTS

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City of Margate School District
(A Component Unit of the City of Margate)
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$2,115,054		2,115,054
Other accounts receivable	13,349	10,842	24,191
Interfund accounts receivable	38,909		38,909
Receivables from other governments	95,877	32,925	128,802
Total assets	2,263,189	43,767	2,306,956
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	9,565	425	9,990
Interfund accounts payable		38,909	38,909
Deferred revenue		4,433	4,433
Total liabilities	9,565	43,767	53,332
Fund Balances:			
Restricted for:			
Excess surplus	704,354		704,354
Excess surplus -- designated for Subsequent year's expenditures	1,088,354		1,088,354
Committed to:			
Designated for subsequent year's expenditures:			
Unreserved fund balance	50,000		50,000
Assigned to:			
Encumbrances	179,667		179,667
Unreserved, reported in:			
General fund	231,249		231,249
Total Fund balances	2,253,624	0	2,253,624
Total liabilities and fund balances	\$2,263,189	43,767	
Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			19,738,614
Some liabilities, such as compensated absences and capital leases, are not due and payable in the current period and therefore are not reported in the funds.			
Capital Leases			(75,668)
Compensated Absences			(459,327)
Net assets of governmental activities			\$21,457,243

City of Margate School District
(A Component Unit of the City of Margate)
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local tax levy	\$10,536,409		10,536,409
Tuition charges	713,642		713,642
Interest	13,833		13,833
Miscellaneous	101,473		101,473
State sources	1,473,639		1,473,639
Federal sources	31,984	223,758	255,742
Local sources		30,707	30,707
Total revenues	<u>12,870,980</u>	<u>254,465</u>	<u>13,125,445</u>
EXPENDITURES			
Current:			
Regular instruction	3,049,965	208,004	3,257,969
Special education instruction	652,140		652,140
Other special instruction	214,348		214,348
Other instruction	63,980		63,980
Support services and undistributed costs:			
Tuition	2,175,007		2,175,007
Student & instruction related services	1,262,640	46,461	1,309,101
School administrative services	151,645		151,645
Other administrative services	544,363		544,363
Administration Information Technology	15,698		15,698
Plant operations and maintenance	1,260,992		1,260,992
Pupil transportation	414,075		414,075
Unallocated Benefits	2,532,386		2,532,386
Capital outlay	341,825		341,825
Transfer to Charter Schools	128,719		128,719
Total expenditures	<u>12,807,783</u>	<u>254,465</u>	<u>13,062,248</u>
Excess (Deficiency) of revenues over expenditures	<u>63,197</u>	<u>0</u>	<u>63,197</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(55,589)		(55,589)
Cancellation of prior year purchase orders	52		52
Debt service assessment	(43,645)		(43,645)
Total other financing sources and uses	<u>(99,182)</u>	<u>0</u>	<u>(99,182)</u>
Net change in fund balances	(35,985)	0	(35,985)
Fund balance—July 1	<u>2,289,609</u>	<u>0</u>	<u>2,289,609</u>
Fund balance—June 30	<u>\$2,253,624</u>	<u>0</u>	<u>2,253,624</u>

City of Margate School District
(A Component Unit of the City of Margate)
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2012

Total net change in fund balances - governmental funds (from B-2) (\$35,985)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlays in the period.

	(882,040)	
Depreciation expense		
Capital outlays	341,825	(540,215)

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

21,398

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

30,928

Change in net assets of governmental activities

(\$523,874)

City of Margate School District
(A Component Unit of the City of Margate)
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Non-Major Funds	Totals
ASSETS		
Current assets:		
Cash and cash equivalents	\$23,379	23,379
Accounts receivable	7,086	7,086
Inventories	1,020	1,020
Total current assets	31,485	31,485
Noncurrent assets:		
Furniture, machinery & equipment	34,413	34,413
Less accumulated depreciation	(26,202)	(26,202)
Total noncurrent assets	8,211	8,211
Total assets	39,696	39,696
LIABILITIES		
Current liabilities:		
Accounts payable	0	0
Deferred revenue	0	0
Total current liabilities	0	0
Non-current liabilities:		
Compensated absences payable	11,549	11,549
Total current liabilities	11,549	11,549
Total liabilities	11,549	11,549
NET ASSETS		
Invested in capital assets, net of related debt	8,211	8,211
Unrestricted	19,936	19,936
Total net assets	\$28,147	28,147

City of Margate School District
(A Component Unit of the City of Margate)
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Non-Major Funds	Total
Operating revenues:		
Charges for services:		
Daily sales - reimbursable programs	\$26,319	26,319
Daily sales - non-reimbursable programs	9,063	9,063
Community service activities	26,793	26,793
Latchkey	34,652	34,652
Total operating revenues	96,827	96,827
 Operating expenses:		
Cost of sales	51,862	51,862
Salaries	100,827	100,827
Employee benefits	3,214	3,214
Cleaning, repair and maintenance services	858	858
General supplies	5,891	5,891
Other objects	5,917	5,917
Total Operating Expenses	168,569	168,569
Operating (loss)	(71,742)	(71,742)
 Nonoperating revenues (expenses):		
State sources:		
State school lunch program	677	677
Federal sources:		
National school lunch program	21,588	21,588
Food distribution program	2,531	2,531
Interest and investment revenue	131	131
Total nonoperating revenues	24,927	24,927
(Loss) before contributions & transfers	(46,815)	(46,815)
 Transfers in	55,589	55,589
Change in net assets	8,774	8,774
Total net assets—beginning	19,373	19,373
Total net assets—ending	\$28,147	28,147

See accompanying notes to the financial statements

City of Margate School District
(A Component Unit of the City of Margate)
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	<u>Non-Major Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$91,769	91,769
Payments to employees	(103,104)	(103,104)
Payments to suppliers	<u>(69,375)</u>	<u>(69,375)</u>
Net cash (used for) operating activities	<u>(80,710)</u>	<u>(80,710)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	719	719
Federal Sources	22,346	22,346
Operating subsidies and transfers from other funds	<u>55,589</u>	<u>55,589</u>
Net cash provided by non-capital financing activities	<u>78,654</u>	<u>78,654</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	<u>131</u>	<u>131</u>
Net cash provided by investing activities	<u>131</u>	<u>131</u>
Net (decrease) in cash and cash equivalents	<u>(1,925)</u>	<u>(1,925)</u>
Balances—beginning of year	<u>25,304</u>	<u>25,304</u>
Balances—end of year	<u>\$23,379</u>	<u>23,379</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income/(loss)	<u>(71,742)</u>	<u>(71,742)</u>
Adjustments to reconcile operating (loss) to net cash provided by/ (used for) operating activities		
Depreciation expense	2,346	2,346
Federal commodities	2,531	2,531
(Increase) in accounts receivable	(3,458)	(3,458)
(Increase) in inventories	(170)	(170)
(Decrease) in deferred revenue	(1,600)	(1,600)
(Decrease) in accounts payable	(9,554)	(9,554)
Increase in compensated absences payable	937	937
Total adjustments	<u>(8,968)</u>	<u>(8,968)</u>
Net cash (used for) operating activities	<u>(\$80,710)</u>	<u>(80,710)</u>

See accompanying notes to the financial statements

City of Margate School District
(A Component Unit of the City of Margate)
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Expendable Trusts	Agency Fund
ASSETS		
Cash and cash equivalents	\$91,190	12,286
Total assets	91,190	12,286
LIABILITIES		
Payable to student groups		8,177
Payroll deductions and withholdings		4,109
Total liabilities	0	12,286
NET ASSETS		
Held in trust for unemployment claims and other purposes	\$91,190	

City of Margate School District
(A Component Unit of the City of Margate)
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

	Expendable Trusts
ADDITIONS	
Contributions:	
Deductions from Employee's Salaries	\$9,104
Transfer from General Fund	30,000
Total Contributions	39,104
Investment earnings:	
Interest	304
Net investment earnings	304
Total additions	39,408
DEDUCTIONS	
Unemployment claims	39,534
Scholarships awarded	0
Total deductions	39,534
Change in net assets	(126)
Net assets—beginning of the year	91,316
Net assets—end of the year	\$91,190

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to Financial Statements
June 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Margate School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of appointed officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

The financial statements of the Board of Education (Board) of the City of Margate School District (District) have been prepared in conformity with generally accepted accounting principles (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. In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. REPORTING ENTITY:

The City of Margate School District is a Type I district located in the County of Atlantic, State of New Jersey. As a Type I district, the Board of Education members are appointed by the Mayor. The Board is comprised of seven members appointed to three-year terms. The purpose of the district is to educate students in grades K-8. The City of Margate School District had an approximate enrollment at June 30, 2012 of 491 students.

The primary criterion 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 has no component units but, as a Type I School District, would be considered a component unit of the City of Margate. The City however reports on a regulatory basis of accounting which does not recognize component units. If the City followed generally accepted accounting principles (GAAP) reporting, the Board of Education would be a component unit of the City of Margate.

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to Financial Statements
June 30, 2012**

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS:

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's general and special revenue activities are classified as governmental activities. The District's food service, summer center stage/recreation, performing arts, and latchkey program are classified as business-type activities.

In the governmental-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities (food service, community services, and latchkey). The functions are also supported by general government revenues (property taxes, tuition, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (regular instruction, vocational programs, student & instruction related services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, tuition, interest income, etc.).

- a. The District does allocate indirect costs such as depreciation expense, compensated absences, On-behalf TPAF Pension Contributions, and Reimbursed TPAF Social Security Contributions.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to Financial Statements
June 30, 2012**

The following fund types are used by the District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District.

- a. **General fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special revenue** funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, 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:

- a. **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designated to recover similar costs. The District's enterprise fund consists of the following:

Food Service Fund – provides for the operation of food services in all schools within the district.

Community Service Programs – provides latchkey and performing arts programs to the district residents on a fee basis.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to Financial Statements
June 30, 2012**

party (other local governments), private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

E. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents:

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

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. 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.

NJSA 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

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to Financial Statements
June 30, 2012**

other public depositories, is available to pay the full amount of their deposits to the Governmental units.

2. Investments:

Investments, including deferred compensation and pension funds, are stated at fair value, (quoted market price or the best available estimate).

3. Inventories:

Inventories in the general fund consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method. Inventories in the enterprise fund are valued at cost, which approximates market, using the first-in, first –out method. As of June 30, 2012, the District did not have inventory in the general fund and had the following inventory in the enterprise fund:

Supplies	1,020
	<u>1,020</u>
	<u>\$ 1,020</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

4. Capital Assets:

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and equipment	5-10 years
Improvements	10-20 years

5. Fund Balances – Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance.

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to Financial Statements
June 30, 2012**

highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

- Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

6. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are susceptible to accrual and under New Jersey State Statutes 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. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non operating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and recipient recognizes receivables and revenue when the applicable eligibility requirements, including requirements are met are reported as advances by the provider and deferred revenue by the recipient.

7. Expenditures:

Expenses are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

8. 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 an 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 District-wide Financial Statements as a Governmental Activity.

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to Financial Statements
June 30, 2012**

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

9. Interfund Activity:

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

10. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office for approval and are approved by the board of school estimates. 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. 6:23-2.2(g). Transfers of appropriations may be made by School Board resolution at any time during the fiscal year and are subject to two-thirds majority vote by the School Board and under certain circumstances require approval by the Executive County Superintendent of Schools. No material budgetary appropriation transfers were presented to the Board of Education for approval during the 2012 fiscal year:

Formal budgetary integration into the accounting system 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 payment 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.

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to Financial Statements
June 30, 2012**

11. 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.

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

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

12. 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.

13. Tuition Payable

Tuition charges for the fiscal years 2011/12 and 2010/11 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

14. Use of Estimates

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

15. Allocation of Costs

In the government-wide statement of activities, the District has allocated unallocated benefits to various programs based on the amended budget by program.

F. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements" to improve financial reporting related to service concession arrangements (SCAs) which are a type of public-private or public-public partnership. This statement will become effective for fiscal periods beginning after December 15, 2011. This statement is not anticipated to have any effect on the District's financial reporting.

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The purpose of the statement is to amend the criteria for reporting and including component units

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to Financial Statements
June 30, 2012**

with the primary government. This statement, which is effective for fiscal periods beginning after June 15, 2012, is not anticipated to have any effect on the District's financial reporting.

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". The statement, which is effective for periods beginning after December 15, 2011, amends and supersedes several previously issued GASB statements to incorporate guidance that had been included in AICPA and FASB guidance. The statement will have a minimum, but undetermined impact on the proprietary fund financial statements of the District.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". The statement, which is effective for periods beginning after December 15, 2011, amends several previously issued GASB statements to standardize reporting of deferred inflows and outflows of financial resources. This statement is not anticipated to have any effect on the District's financial reporting.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 64 "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53". This statement, which is effective for fiscal periods beginning after June 15, 2011, is not anticipated to have any effect on the District's financial reporting.

In August 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 65 "Items Previously Reported as Assets and Liabilities". This statement, which is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the District's financial reporting.

In October 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 66 "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62". The statement, which is effective for periods beginning after December 15, 2012, amends and supersedes previously issued GASB statements to incorporate guidance that had been included in AICPA and FASB guidance. The statement will have a minimum, but undetermined impact on the proprietary fund financial statements of the District.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement 25". This statement, which is effective for fiscal periods beginning after June 15, 2013, is not anticipated to have any impact on the District's financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014, is not anticipated to have any impact on the District's financial reporting.

NOTE 2. INVESTMENTS

As of June 30, 2012, the District had no investments.

Interest Rate Risk. 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

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to Financial Statements
June 30, 2012**

rates. However, New Jersey Statutes 18A:20-37 limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 18A:20-37 limits District investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the District or the local units in which the District is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer.

NOTE 3. CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the new Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2011, \$106,163 of the District's bank balance of \$2,337,660 was exposed to custodial credit risk.

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**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to Financial Statements
June 30, 2012**

NOTE 4. FIXED ASSETS

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

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Balance June 30, 2012</u>
Governmental Activities:				
Impaired Assets:				
Land	\$ 312,112			312,112
Building and Improv	5,243,522			5,243,522
Total impaired assets at lower of cost or market	5,555,634			5,555,634
Less accum depr	(2,625,916)	(128,134)		(2,754,050)
Total impaired assets, net of accum depr	<u>2,929,718</u>	<u>(128,134)</u>		<u>2,801,584</u>
Capital assets that are not being depreciated:				
Land	1,444,429			1,444,429
Total capital assets not being depreciated	<u>1,444,429</u>			<u>1,444,429</u>
Bldg and bldg improve	24,023,074			24,023,074
Machinery & equipment	1,176,328	341,825		1,518,153
Total at historical cost	25,199,402	341,825		25,541,227
Less accum depr for:				
Bldg and improve	(8,489,903)	(685,306)		(9,175,209)
Equipment	(804,817)	(68,600)		(873,417)
Total accum deprec	(9,294,720)	(753,906)		(10,048,626)
Total capital assets being depr, net of accum depr	<u>15,904,682</u>	<u>(412,081)</u>		<u>15,492,601</u>
Governmental activities capital assets, net	<u>17,349,111</u>	<u>(412,081)</u>		<u>16,937,030</u>
Business-type activities:				
Equipment	39,939		(5,526)	34,413
Less accum depr for:				
Equipment	(29,382)	(2,346)	5,526	(26,202)
Business-type activities capital assets, net	<u>\$ 10,557</u>	<u>(2,346)</u>	<u>0</u>	<u>8,211</u>

During the 2010 fiscal year, the Board of Education approved the closing of the Union Avenue Elementary School upon completion of the 2009/10 school year. The closing was primarily due to a decrease in State Aid in the amount of \$931,183. In addition, there has been a decline in student enrollment over the past several years. At the current time, it is the intent of the District to re-purpose

**City of Margate Board of Education
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Notes to Financial Statements
June 30, 2012**

the building and rent it to outside organizations. It is possible that the building could be sold in the future if it is determined to be economically feasible. The closing of this building has been approved by the State of New Jersey, Department of Education. It has been determined that the closing of this building is consistent with the District's long-range facility plan and there is sufficient capacity in the remaining two schools to house all students within the District.

Depreciation expense charged to governmental functions is as follows:

Regular instruction	\$	275,862
Special education		55,121
Other special instruction		18,114
Other instruction		5,512
Student & instruction related services		299,395
School administrative expenses		14,394
General administration		41,387
Central services		15,383
Administration Info Technology		1,294
Transportation		36,265
Plant operations and maintenance		119,313
	\$	<u>882,040</u>

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**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to Financial Statements
June 30, 2012**

NOTE 5. GENERAL LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Dues within One Year</u>
Governmental Activities:					
Other Liabilities:					
Obligations under Capital Leases	\$97,066		(21,398)	75,668	20,874
Comp Absences Payable	490,255		(30,928)	459,327	0
Total Governmental Activities	587,321		(52,326)	534,995	20,874
Business-type Activities:					
Other Liabilities					
Comp Absences Payable	10,612	1,050	(113)	11,549	0
Total Business-Type Activities	10,612	1,050	(113)	11,549	0

Bonds Payable – The City of Margate School District is a Type I School District. In the State of New Jersey, all Type I school debt is borne by the municipality rather than the school district.

Capital Leases Payable – The District is leasing the following equipment and vehicles under capital leases:

Commencing June 1, 2011 the District is leasing four (4) Lanier Digital Imaging Copy Machines totaling \$44,195. The lease is for a term of four years and payments in the amount of \$1,022 are made monthly. Payments include interest at a rate of 5.21% per annum.

Commencing May 20, 2011, the District is leasing a Thomas Type B – 24 Passenger Wheelchair Gasoline Bus totaling \$53,700. The lease is for a term of five years and payments in the amount of \$11,612 are made annually. Payments include interest at a rate of 3.60% per annum.

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**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to Financial Statements
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The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2012.

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 20,874	3,002	23,876
2014	21,813	2,063	23,876
2015	21,774	1,080	22,854
2016	11,207	403	11,610
2017	0	0	0
Totals	<u>\$ 75,668</u>	<u>6,548</u>	<u>82,216</u>

The following schedule lists the equipment, along with the accumulated depreciation, that has been obtained through capital leases:

<u>Description</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Remaining Value</u>
Office Equipment	\$ 44,195	13,811	30,384
Vehicles	53,700	4,819	48,881
	<u>\$ 97,895</u>	<u>18,630</u>	<u>79,265</u>

NOTE 6. PENSION PLANS

Description of Plans

All required employees of the District are covered by either the Public Employees' Retirement System or the Teacher's Pension and Annuity Fund cost-sharing multiple-employer defined benefit pension plans 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 System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the reports can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January, 1955 under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, 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 non-contributing 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.

**City of Margate Board of Education
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Notes to Financial Statements
June 30, 2012**

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 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 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 or other state or local jurisdiction.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15C-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

Funding Policy

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 State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll. The School District's contributions to TPAF for the years ending June 30, 2012, 2011, and 2010 were \$ 472,066, 353,171, and \$307,471, respectively, and paid by the State of New Jersey on behalf of the board, equal to the required contributions for each year. The School District's contributions to PERS for the years ending June 30, 2012, 2011, and 2010 were \$79,418, \$78,318, and \$83,934, respectively, equal to the required contributions for each year.

The Board's total payroll for the year ended June 30, 2012, 2011, and 2010 was \$5,998,068, \$5,874,677, and \$6,167,064; covered payroll was \$4,553,120, \$4,727,514, and \$4,835,965 for TPAF; and \$973,092, \$812,083, and \$701,647 for PERS.

NOTE 7. LABOR CONTRACTS

As of June 30, 2012, the District's employees are organized in two collective bargaining units. The contracts with the Education Association and the Administrators Association expired June 30, 2011 and were re-negotiated for a three year period in July 2012. In addition, the District has a separate contract with the Business Administrator that is renewed annually. The contract with the Superintendent will expire June 30, 2017.

**City of Margate Board of Education
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Notes to Financial Statements
June 30, 2012**

NOTE 8. POST-RETIREMENT BENEFITS

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

The State is also responsible for the cost attributable to P.L. 192, Chapter 126, which provides for free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

NOTE 9. COMPENSATED ABSENCES

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policies. Upon termination, employees are paid for accrued vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after fifteen years of service.

In the district-wide *Statement of Net Assets*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees.

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**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to Financial Statements
June 30, 2012**

NOTE 10. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue 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 are as follows:

Lincoln Investment Planning, Inc.
Equitable
Met Life
Aspire Financial Services

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 and surety bonds. During the fiscal year ended June 30, 2012 the District did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

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. This District is billed quarterly for amounts due to the State. The following table is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Interest Earned</u>	<u>Employee & Board Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$ 286	39,104	39,534	88,362
2010-2011	734	58,575	60,729	88,506
2009-2010	1,439	9,246	19,669	89,926

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds:		
General	\$ 38,909	
Special Revenue		38,909
Totals	\$ <u>38,909</u>	<u>38,909</u>

**City of Margate Board of Education
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Notes to Financial Statements
June 30, 2012**

Interfunds are created as a result of timing differences between cash requirements in various funds and the receipt of cash from funding agencies. It is anticipated that all interfunds will be liquidated during the fiscal year.

NOTE 13. ECONOMIC DEPENDENCY

The District is heavily reliant on local property taxation through the City of Margate and State Aid to fund the District's operations. Property taxes and state aid funded 91% of the District 2011-2012 governmental operations.

NOTE 14. CAPITAL RESERVE FUND

A capital reserve account was established by the School District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The District has not funded their capital reserve fund. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the department, a district may deposit funds into the capital reserve at any time upon board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

NOTE 15. FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$2,253,624 General Fund fund balance at June 30, 2012, \$179,667 is reserved for encumbrances; \$1,792,708 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7 (\$1,088,354 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2013); \$50,000 has been appropriated and also included as anticipated revenue for the year ending June 30, 2013; and \$250,000 is unreserved and undesignated.

NOTE 16. 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 at June 30, 2012 is \$1,792,708, of which \$1,088,354 has been included in the 2012-13 budget. The excess fund balance at June 30, 2011 was \$1,635,446.

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to Financial Statements
June 30, 2012**

NOTE 17. LITIGATION

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. In the best judgment of the District's management, the outcome of any legal proceedings will not have any adverse affect on the accompanying financial statements.

In December 2009, the District was notified by the Atlantic City Board of Education of its intent to bill the District \$175,000 as a reimbursement for the cost of a settlement against Atlantic City concerning the evaluation and development of a program for a special education student. The student is a resident of the City of Margate. The District has filed a petition of appeal with the Commissioner of Education and intends to vigorously defend the counterclaim.

NOTE 18. SOLAR PHOTOVOLTAIC PANEL PROJECT

During the 2012 fiscal year, the District authorized the sale of approximately 650 solar renewal energy credits (SREC) that were earned through the use of the solar photovoltaic panels. As a result of the sale, the District earned \$93,000 of which \$65,850 was received prior to June 30, 2012. The remaining balance of \$27,150 has been realized as revenue, and a receivable established, as of June 30, 2012. Credits are earned during the fiscal year that operates from June 1 to May 31. During the month of June 2012, credits may have been earned that would be available for sale during the 2012 fiscal year. Due to market fluctuations and the possibility these credits will no longer be available for sale during the next fiscal year, a receivable has not been established as of June 30, 2012.

NOTE 19. SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 3, 2012, the date which the financial statements were available to be issued and no items were noted for disclosure.

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Required Supplemental Information
Part II

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BUDGETARY COMPARISON SCHEDULES

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**City of Margate Board of Education
(A Component Unit of the City of Margate)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Under/(Over) Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	10,536,409		10,536,409	10,536,409	0
Tuition - From Individuals	63,825		63,825	62,856	(969)
Tuition - From other LEAs within State	666,498		666,498	650,786	(15,712)
Interest			0	13,833	13,833
Miscellaneous	300,000		300,000	101,473	(198,527)
Total - Local Sources	11,566,732	0	11,566,732	11,365,357	(201,375)
State Sources:					
Special Education Categorical Aid	294,507		294,507	294,507	0
Security Aid	44,092		44,092	44,092	0
Adjustment Aid		56,829	56,829	56,829	0
Transportation Aid	50,975	79,920	130,895	130,895	0
Special Education Extraordinary Aid		0		57,192	57,192
Nonpublic School Transportation Costs		0		19,934	19,934
On-Behalf TPAF Pension Contributions (non-budgeted)			0	472,066	472,066
Reimbursed TPAF Social Security Contributions (non-budgeted)				416,875	416,875
Total - State Sources	389,574	136,749	526,323	1,492,390	966,067
Federal Sources:					
Education Jobs Fund	31,012	972	31,984	31,984	0
Total - Federal Sources	31,012	972	31,984	31,984	0
Total Revenues	11,987,318	137,721	12,125,039	12,889,731	764,692

(continued)

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Under/(Over) Final to Actual
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Kindergarten	165,367	0	165,367	161,640	3,727
Grades 1-5	1,588,488	(45,900)	1,542,588	1,495,692	46,896
Grades 6-8	1,310,305	(93,353)	1,216,952	1,174,929	42,023
Regular Programs - Home Instruction:					
Salaries of Teachers	2,000	0	2,000	1,301	699
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	0	0	0	0	0
Other Purchased Services	980	12,244	13,224	12,697	527
General Supplies	159,288	4,160	163,448	147,809	15,639
Textbooks	71,371	(2,934)	68,437	55,897	12,540
Total Regular Programs	3,297,799	(125,783)	3,172,016	3,049,965	122,051
Resource Room/Resource Center:					
Salaries of Teachers	500,544	54,293	554,837	543,435	11,402
Other Salaries for Instruction	86,359	(983)	85,376	82,376	3,000
General Supplies	500	0	500	0	500
Total Resource Room/Resource Center	587,403	53,310	640,713	625,811	14,902
Preschool Disabilities - Full Time:					
Salaries of Teachers		27,940	27,940	26,329	1,611
Other Salaries for Instruction		0	0	0	0
General Supplies		0	0	0	0
Total Preschool Disabilities - Full Time	0	27,940	27,940	26,329	1,611
Total Special Education - Instruction	587,403	81,250	668,653	652,140	16,513

(continued)

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Under/(Over) Final to Actual
Basic Skills/Remedial- Instruction					
Salaries of Teachers	85,077	15,000	100,077	98,703	1,374
Other Salaries for Instruction	79,891	0	79,891	78,920	971
General Supplies	500	0	500	0	500
Total Basic Skills/Remedial - Instruction	165,468	15,000	180,468	177,623	2,845
Bilingual Education - Instruction:					
Salaries of Teachers	36,971	2,000	38,971	36,425	2,546
General Supplies	300	0	300	300	0
Total Bilingual Education - Instruction	37,271	2,000	39,271	36,725	2,546
School Sponsored Cocurricular Activities - Instruction:					
Salaries	27,725	1,385	29,110	29,080	30
Supplies and Materials	900	2,048	2,948	2,579	369
Other Objects		3,667	3,667	3,103	564
Total School Sponsored Cocurricular Activities - Instruction	28,625	7,100	35,725	34,762	963
School Sponsored Athletics - Instruction					
Salaries	14,500	(26)	14,474	13,529	945
Purchased Services	3,725	26	3,751	3,751	0
Supplies and Materials	3,200	0	3,200	3,138	62
Other Objects	750	0	750	746	4
Total School Sponsored Athletics - Instruction	22,175	0	22,175	21,164	1,011

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Under/(Over) Final to Actual
Summer School - Instruction					
Salaries of Teachers	4,485	0	4,485	3,910	575
Other Salaries of Instruction	1,040	0	1,040	708	332
Other Purchased Services		3,436	3,436	3,436	0
Total Summer School - Instruction	5,525	3,436	8,961	8,054	907
Total Instruction	4,144,266	(16,997)	4,127,269	3,980,433	146,836
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs within the State - Regular	1,749,589	0	1,749,589	1,749,589	0
Tuition to Other LEAs within the State - Special	96,671	0	96,671	48,336	48,335
Tuition to County Voc. School District - Regular	33,219	155	33,374	33,374	0
Tuition to CSSD & Regional Day Schools	297,294	(37,068)	260,226	255,539	4,687
Tuition to Private Schools for the Disabled- Within State	136,537	(23,944)	112,593	26,669	85,924
Tuition - State Facilities	61,500	0	61,500	61,500	0
Total Undistributed Expenditures - Instruction	2,374,810	(60,857)	2,313,953	2,175,007	138,946
Undistributed Expenditures - Attendance and Social Work:					
Salaries	42,914	0	42,914	41,910	1,004
Total Undistributed Expenditures - Attendance and Social Work	42,914	0	42,914	41,910	1,004
Undistributed Expenditures - Health Services:					
Salaries	179,405	(17,220)	162,185	155,570	6,615
Supplies and Materials	5,400	0	5,400	3,740	1,660
Total Undistributed Expenditures - Health Services	184,805	(17,220)	167,585	159,310	8,275
Undistributed Expenditures - Other Support Services - Students - Related Services:					
Salaries	170,155	5,142	175,297	172,995	2,302
Purchased Professional Educational Services	500	(10)	490	0	490
Supplies and Materials	2,000	10	2,010	1,965	45

(continued)

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Under/(Over) Final to Actual
Total Undistributed Expenditures - Other Support Services - Students - Regular	172,655	5,142	177,797	174,960	2,837
Undistributed Expenditures - Other Support Services - Extra. Serv. Salaries	31,984	0	31,984	31,984	0
Salaries - Aides	135,841	(11,453)	124,388	117,210	7,178
Purchased Professional - Educational Services	46,869	25,900	72,769	67,007	5,762
Total Undistributed Services - Other Support Services - Extra. Serv.	182,710	46,431	229,141	216,201	12,940
Undistributed Expenditures - Child Study Teams	186,329	43,653	229,982	224,331	5,651
Salaries of Other Professional Staff	22,013	6,525	28,538	28,538	0
Salaries of Secretarial and Clerical Assistants	500	500	1,000	856	144
Purchased Professional Educational Services	0	0	0	0	0
Other Purchased Services	38,560	(13,525)	25,035	21,927	3,108
Supplies and Materials	247,402	37,153	284,555	275,652	8,903
Total Undistributed Expenditures - Child Study Teams	88,122	0	88,122	86,820	1,302
Undistributed Expenditures - Improvement of Instruction Services:	2,100	4,170	6,270	6,257	13
Salaries of Other Professional Staff	4,500	0	4,500	0	4,500
Other Purchased Services	94,722	4,170	98,892	93,077	5,815
Supplies and Materials	109,620	3,380	113,000	110,000	3,000
Total Undistributed Expenditures - Improv. of Instr. Services	58,929	0	58,929	58,058	871
Undistributed Expenditures - Educational Media Services - School Library	2,400	0	2,400	422	1,978
Salaries	142,378	200	142,578	133,000	9,578
Salaries of Technology Coordinators	100	0	100	50	50
Purchased Professional and Technical Services	313,427	3,580	317,007	301,530	15,477
Supplies and Materials					
Other Objects					
Total Undistributed Expenditures - Educational Media Services - School Library					

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Under/(Over) Final to Actual
Undistributed Expenditures - Support Services - Gen. Admin.:					
Salaries	183,839	0	183,839	183,595	244
Salaries of Attorneys	0	0	0	0	0
Legal Services	58,047	44,376	102,423	95,108	7,315
Audit Fees	17,000	0	17,000	15,500	1,500
Architect/Engineering Services	3,750	(376)	3,374	0	3,374
Other Purchased Professional Services	0	0	0	0	0
Communications/Telephone	41,291	10,000	51,291	47,333	3,958
Other Purchased Services	5,000	(268)	4,732	1,674	3,058
General Supplies	8,000	300	8,300	8,286	14
BOE In-House Training/Meeting Supplies	600	0	600	0	600
Judgments Against the School District	127,000	(7,200)	119,800	0	119,800
Miscellaneous Expenditures	10,690	0	10,690	9,280	1,410
Total Undistributed Expenditures - Support Services - Gen. Admin.	455,217	46,832	502,049	360,776	141,273
Undistributed Expenditures - Support Serv. - School Admin.:					
Salaries of Principals/Assistant Principals	115,444	0	115,444	103,737	11,707
Salaries of Secretarial and Clerical Assistants	45,467	0	45,467	42,453	3,014
Other Purchased Services	500	0	500	0	500
Supplies and Materials	13,500	(2,100)	11,400	3,755	7,645
Other Objects	1,800	0	1,800	1,700	100
Total Undistributed Expenditures - Support Serv. - School Admin.	176,711	(2,100)	174,611	151,645	22,966
Undistributed Expenditures - Central Services					
Salaries	171,419	0	171,419	168,553	2,866
Purchased Professional Services	0	0	0	0	0
Purchased Technical Services	400	220	620	620	0
Misc. Purchased Services	2,500	(1,091)	1,409	1,258	151
Supplies and Materials	10,000	1,939	11,939	11,939	0
Miscellaneous Expenditures	1,220	0	1,220	1,217	3
Total Undistributed Expenditures - Central Services	185,539	1,068	186,607	183,587	3,020

(continued)

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Under/(Over) Final to Actual
Undistributed Expenditures - Administration Information Technology					
Other Purchased Services	15,698	0	15,698	15,698	0
Total Undistributed Expenditures - Administration Info Technology	15,698	0	15,698	15,698	0
Undistributed Expenditures - Allowable Maintenance for School Facilities					
Salaries	138,639	32,772	171,411	171,241	170
Cleaning Repairs and Maintenance Services	90,577	26,860	117,437	106,783	10,654
Supplies and Materials	136,550	(77,534)	59,016	51,650	7,366
Total Undistributed Expenditures - Allowable Maintenance for School Facilities	365,766	(17,902)	347,864	329,674	18,190
Undistributed Expenditures - Custodial Services					
Salaries	276,311	(3,472)	272,839	266,199	6,640
Salaries of Non-Instructional Aides	13,623	(1,360)	12,263	5,513	6,750
Cleaning, Repair and Maintenance Services	307,346	(90,351)	216,995	190,456	26,539
Insurance	75,583	0	75,583	62,392	13,191
General Supplies	67,165	21,102	88,267	87,728	539
Energy (Natural Gas)	151,500	(53,360)	98,140	52,611	45,529
Energy (Electricity)	324,187	(14,821)	309,366	256,917	52,449
Other Objects		225	225	225	0
Total Undistributed Expenditures - Custodial Services	1,215,715	(142,037)	1,073,678	922,041	151,637
Undistributed Expenditures - Care and Upkeep of Grounds					
Cleaning, Repair, and Maintenance Services	5,200	0	5,200	0	5,200
Total Undistributed Expenditures - Care and Upkeep of Grounds	5,200	0	5,200	0	5,200
Undistributed Expenditures - Security					
Purchased Professional and Technical Services	5,500	0	5,500	4,489	1,011
Cleaning, Repair, and Maintenance Services	15,100	0	15,100	4,788	10,312
Total Undistributed Expenditures - Security	20,600	0	20,600	9,277	11,323
Total Undistributed Expenditures - Oper & Main of Plant Serv	1,607,281	(159,939)	1,447,342	1,260,992	186,350

(continued)

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Under/(Over) Final to Actual
Undistributed Expenditures - Student Transportation Services:					
Salaries for Pupil Transp. (Between Home and School)-Spec Ed	35,107	11,000	46,107	38,179	7,928
Cleaning, Repair and Maintenance Service		4,228	4,228	4,157	71
Rental Payments - School Buses	1,121	0	1,121	1,121	0
Lease Purchase Payments - School Buses	11,719	0	11,719	11,612	107
Contracted Services - (Other than Between Home and School) - Vendors	14,150	1,412	15,562	6,909	8,653
Contracted Services - (Between Home and School) - Joint Agmnts	226,316	(17,312)	209,004	209,004	0
Contracted Services (Special Ed Students) - Joint Agreements	67,880	39,837	107,717	104,620	3,097
Contracted Services - Aid in Lieu of Payments Non Public	43,316	(6,878)	36,438	31,382	5,056
Supplies and Materials	1,500	(809)	691	248	443
Transportation Supplies	1,849	5,484	7,333	6,843	490
Total Undistributed Expenditures - Student Transportation Serv.	402,958	36,962	439,920	414,075	25,845
Unallocated Benefits:					
Social Security Contributions	120,000	(2,642)	117,358	109,101	8,257
Other Retirement Contributions - PERS	133,632	(53,412)	80,220	79,418	802
Other Retirement Contributions - Regular	2,100	0	2,100	1,889	211
Unemployment Compensation	100,000	(23,900)	76,100	30,000	46,100
Workmen's Compensation	86,904	5,787	92,691	92,691	0
Health Benefits	1,347,472	(3,973)	1,343,499	1,190,376	153,123
Tuition Reimbursements	12,000	(5,100)	6,900	4,145	2,755
Other Employee Benefits	110,600	25,275	135,875	135,825	50
Total Unallocated Benefits	1,912,708	(57,965)	1,854,743	1,643,445	211,298
On-behalf TPAF Pension Contributions (non-budgeted)				472,066	(472,066)
Reimbursed TPAF Social Security Contributions (non-budgeted)				416,875	(416,875)
Total On-behalf Contributions	0	0	0	888,941	(888,941)
Total Undistributed Expenditures	8,369,557	(116,743)	8,252,814	8,356,806	(103,992)
Total Current Expense	12,513,823	(133,740)	12,380,083	12,337,239	42,844

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Under/(Over) Final to Actual
Capital Outlay:					
Equipment:					
Kindergarten	8,322	0	8,322	0	8,322
Grades 1-5	41,611	0	41,611	0	41,611
Grades 6-8	24,967	0	24,967	17,424	7,543
Undistributed Expenditures:					
Operation & Maint of Plant Services		32,136	32,136	32,136	0
Required Maintenance for School Facilities	25,000	(25,000)	0	0	0
Care and Upkeep of Grounds	5,000	(5,000)	0	0	0
Total Equipment	104,900	2,136	107,036	49,560	57,476
Facilities Acquisition and Construction Services					
Construction Services	16,350	275,915	292,265	292,265	0
Total Facilities Acquisition and Construction Services	16,350	275,915	292,265	292,265	0
Total Capital Outlay	121,250	278,051	399,301	341,825	57,476
Transfers to Charter Schools	180,928	(6,590)	174,338	128,719	45,619
Total Expenditures	12,816,001	137,721	12,953,722	12,807,783	145,939
Excess (Deficiency) of Revenues Over (Under) Expenditures	(828,683)	0	(828,683)	81,948	910,631
Other Financing Sources (Uses):					
Operating Transfers Out:					
Transfer to Food Service Fund - Board Contribution	(78,928)	0	(78,928)	(55,589)	23,339
Cancellation of prior year purchase orders				52	52
Debt service assessment	(43,645)	0	(43,645)	(43,645)	0

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Under/(Over) Final to Actual
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(951,256)	0	(951,256)	(17,234)	934,022
Fund Balances, July 1	2,289,609	0	2,289,609	2,289,609	0
Fund Balances, June 30	1,338,353	0	1,338,353	2,272,375	934,022

Recapitulation of Fund Balance:

Restricted Fund Balance:
 Reserve for Excess Surplus 704,354
 Excess Surplus-Designated for Subsequent Year's Expenditures 1,088,354

Committed Fund Balance:

Designated for Subsequent Year's Expenditures 50,000

Assigned Fund Balance:

Reserve for Encumbrances 179,667

Unassigned Fund Balance

250,000

2,272,375

Reconciliation to Governmental Funds Statements (GAAP)

Last State Aid Payment Not Recognized on GAAP Basis

(18,751)

Fund Balance per Governmental Funds (GAAP)

\$2,253,624

City of Margate Board of Education
 (A Component Unit of the City of Margate)
 Education Jobs Fund - Budget and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Under/(Over) Final to Actual
REVENUES:					
Federal Sources:					
Education Jobs Fund	\$31,012	972	31,984	31,984	0
Total Revenue	<u>31,012</u>	<u>972</u>	<u>31,984</u>	<u>31,984</u>	<u>0</u>
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures - Other Support Services - Extra Svcs.	31,012	972	31,984	31,984	0
Salaries of Teachers					
Total Undistributed Expenditures - Other Support Svcs - Extra Svcs.	<u>31,012</u>	<u>972</u>	<u>31,984</u>	<u>31,984</u>	<u>0</u>
Total Current Expense	<u>31,012</u>	<u>972</u>	<u>31,984</u>	<u>31,984</u>	<u>0</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	0	0	0	0	0
Other Financing Sources/(Uses):					
None	0	0	0	0	0
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	0	0	0	0	0
Fund Balance, July 1	0	0	0	0	0
Fund Balance, June 30	<u>\$0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

City of Margate School District
(A Component Unit of the City of Margate)
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers/Adjustments	Final Budget	Actual	Variance Under/(Over) Final to Actual
REVENUES:					
Local Sources:					
Revenue from Local Sources		47,781	47,781	30,216	(17,565)
Total - Local Sources	0	47,781	47,781	30,216	(17,565)
Federal Sources:					
Title I	27,880	26,546	54,426	30,012	(24,414)
I.D.E.A., Part B	142,695	36,309	179,004	166,363	(12,641)
Other	23,425	1,988	25,413	21,811	(3,602)
Total - Federal Sources	194,000	64,843	258,843	218,186	(40,657)
Total Revenues	194,000	112,624	306,624	248,402	(58,222)
EXPENDITURES:					
Instruction					
Salaries of Teachers	27,880	17,247	45,127	21,072	24,055
Other Salaries for Instruction		5,400	5,400	4,126	1,274
Purchased Professional and Technical Services		16,342	16,342	9,852	6,490
Other Purchased Services (400-500 series)	135,950	26,867	162,817	154,764	8,053
General Supplies		26,976	26,976	13,851	13,125
Total instruction	163,830	92,832	256,662	203,665	52,997

City of Margate School District
(A Component Unit of the City of Margate)
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers/Adjustments	Final Budget	Actual	Variance Under/(Over) Final to Actual
EXPENDITURES (CONT'D):					
Support Services					
Salaries of Teachers		0		0	0
Salaries of Other Professional Staff		10,000	10,000	10,000	0
Personal Services - Employee Benefits		1,996	1,996	1,509	487
Purchased Professional and Technical Services	30,170	(2,671)	27,499	23,410	4,089
Other Purchased Services		103	103	103	0
Supplies and Materials	30,170	10,364	10,364	9,715	649
Total support services		19,792	49,962	44,737	5,225
Total expenditures	194,000	112,624	306,624	248,402	58,222
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$0	0	0	0	0

City of Margate School District
(A Component Unit of the City of Margate)
Required Supplementary Information
Budgetary Comparison Schedule
Note to Required Supplementary Information
For the Fiscal Year Ended June 30, 2012

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

		General Fund	Special Revenue
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	C-1; C-2	\$12,889,731	248,402
Difference - budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized			
Prior Year			7,279
Current Year			(1,216)
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.			
		0	
State aid payments recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.			
		(18,751)	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	B-2	12,870,980	254,465
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	C-1; C-2	12,807,783	248,402
Differences - budget to GAAP			
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			
Prior Year			7,279
Current Year			(1,216)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	B-2	\$12,807,783	254,465

SPECIAL REVENUE FUND

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CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Special Revenue Fund
Combining Schedule of Revenue and Expenditures
Budgetary Basis
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	No Child Left Behind									
	Title I Part A	Carryover Title I Part A	Title I Part A ARRA	Teacher & Principals Training Title II - Part A	Carryover Teacher & Principals Training Title II - Part A	I.D.E.A. Part - B Basic	I.D.E.A. Part - B Preschool	Carryover I.D.E.A. Part - B Preschool	Total Federal Projects	
REVENUES:										
Federal Sources	\$13,875	16,034	103	19,518	2,293	154,764	7,381	4,218	218,186	
State Sources									0	
Local Sources									0	
Total revenues	13,875	16,034	103	19,518	2,293	154,764	7,381	4,218	218,186	
EXPENDITURES										
Instruction:										
Salaries of teachers		15,604							15,604	
Other salaries for instruction							4,126		4,126	
Purchased prof. and technical services							2,939	4,218	7,157	
Other purchased services	1,270	2				154,764			154,764	
General supplies									1,272	
Total instruction	1,270	15,606	0	0	0	154,764	7,065	4,218	182,923	
Support services:										
Salaries of teachers									0	
Salaries of other professional staff	10,000								10,000	
Personal services- employee benefits	765	428					316		1,509	
Purchased professional & technical services	1,599			19,518	2,293				23,410	
Other purchased services			103						103	
Supplies and materials	241								241	
Total support services	12,605	428	103	19,518	2,293	0	316	0	35,263	
Facilities acquisition and const. serv.:										
Instructional equipment	0	0	0	0	0	0	0	0	0	
Total facilities acquisition and construction services	0	0	0	0	0	0	0	0	0	
Transfer to Charter Schools									0	
Total expenditures	\$13,875	16,034	103	19,518	2,293	154,764	7,381	4,218	218,186	
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0	0	0	0	0	0	

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Special Revenue Fund
Combining Schedule of Revenue and Expenditures
Budgetary Basis
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	NJ Agricultural Society Learning Through Gardening	Verizon/ NJ Shares Library Grant	NJ School Boards Assn Insurance Group	Municipal Alliance	Total Local Projects	Total
REVENUES:						
Federal Sources					0	218,186
State Sources	\$2,097	4,557	4,917	18,645	30,216	0
Local Sources						30,216
Total revenues	<u>2,097</u>	<u>4,557</u>	<u>4,917</u>	<u>18,645</u>	<u>30,216</u>	<u>248,402</u>
EXPENDITURES						
Instruction:						
Salaries of teachers				5,468	5,468	21,072
Other salaries for instruction				0	0	4,126
Purchased prof. and technical services				2,695	2,695	9,852
Other purchased services				0	0	154,764
General supplies	2,097			10,482	12,579	13,851
Total instruction	<u>2,097</u>	<u>0</u>	<u>0</u>	<u>18,645</u>	<u>20,742</u>	<u>203,665</u>
Support services:						
Salaries of teachers					0	0
Salaries of other professional staff					0	10,000
Personal services- employee benefits					0	1,509
Purchased professional & technical services					0	23,410
Other purchased services		4,557	4,917		0	103
Supplies and materials					9,474	9,715
Total support services	<u>0</u>	<u>4,557</u>	<u>4,917</u>	<u>0</u>	<u>9,474</u>	<u>44,737</u>
Facilities acquisition and const. serv.:						
Instructional equipment					0	0
Total facilities acquisition and construction services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Transfer to Charter Schools						0
Total expenditures	<u>2,097</u>	<u>4,557</u>	<u>4,917</u>	<u>18,645</u>	<u>30,216</u>	<u>248,402</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

PROPRIETARY FUNDS

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CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Enterprise Funds
Combining Statement of Net Assets
June 30, 2012

G-1

	Food Service	Community Service Programs	2012
ASSETS:			
Current assets:			
Cash and cash equivalents	\$16,446	6,933	23,379
Interfund Accounts Receivable			0
Accounts Receivable:			
State	110	1,059	1,169
Federal	3,518		3,518
Other		2,399	2,399
Inventories	1,020		1,020
Total Current Assets	21,094	10,391	31,485
Fixed Assets:			
Equipment	34,413		34,413
Accumulated depreciation	(26,202)		(26,202)
Total Fixed Assets	8,211	0	8,211
Total assets	29,305	10,391	39,696
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable			0
Deferred revenue			0
Total current liabilities	0	0	0
Non-current liabilities:			
Compensated absences	11,549		11,549
Total non-current liabilities	11,549	0	11,549
Total liabilities	11,549	0	11,549
Net Assets			
Invested in capital assets, net of related debt	8,211		8,211
Unrestricted net assets	9,545	10,391	19,936
Total net assets	17,756	10,391	28,147
Total liabilities and net assets	\$29,305	10,391	39,696

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Enterprise Funds
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
For the Fiscal Year ended June 30, 2012

G-2

	Community Service Programs					2012
	Food Service	School Plays	Summer Center Stage/ Recreation	Performing Arts	Latchkey	
OPERATING REVENUES:						
Local Sources:						
Daily Sales - Reimbursable Programs	\$26,319					26,319
Daily Sales - Non-Reimbursable Programs	9,063					9,063
Latchkey					34,652	34,652
School Store						0
Community Recreation		7,004		19,789		26,793
Total Operating Revenues	35,382	7,004	0	19,789	34,652	96,827
OPERATING EXPENSES:						
Salaries	56,526			15,296	29,005	100,827
Employee benefits				995	2,219	3,214
Supplies and materials	3,596			1,250	1,045	5,891
Cost of sales	51,862					51,862
Vehicle expense	858					858
Community Service Trips						0
Other Objects	911	2,610		50		3,571
Depreciation	2,346					2,346
Total operating expenses	116,099	2,610	0	17,591	32,269	168,569
Operating income (loss)	(80,717)	4,394	0	2,198	2,383	(71,742)
Nonoperating revenues:						
State sources						
State school lunch program	677					677
Federal sources						
Nutrition reimbursements	21,588					21,588
USDA commodities	2,531					2,531
Interest Revenues	131					131
Total nonoperating revenues	24,927	0	0	0	0	24,927
Net income (loss) before operating transfers	(55,790)	4,394	0	2,198	2,383	(46,815)
Operating transfers:						
transfer in from general fund	55,589					55,589
transfer						0
Net Income (Loss)	(201)	4,394	0	2,198	2,383	8,774
Unrestricted net assets, July 1	17,957	5,464	0	43,970	(48,018)	19,373
Unrestricted net assets/(deficit) June 30	\$17,756	9,858	0	46,168	(45,635)	28,147

City of Margate School District
(A Component Unit of the City of Margate)
Combining Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2012

	<u>Food Service</u>	<u>Community Service Programs</u>	<u>Total Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$35,382	56,387	91,769
Payments to employees	(55,589)	(47,515)	(103,104)
Payments to suppliers	(63,803)	(5,572)	(69,375)
Net cash provided by/(used for) operating activities	<u>(84,010)</u>	<u>3,300</u>	<u>(80,710)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	719		719
Federal Sources	22,346		22,346
Operating subsidies and transfers from other funds	55,589		55,589
Net cash provided by non-capital financing activities	<u>78,654</u>	<u>0</u>	<u>78,654</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	0		0
Net cash (used) by capital & related financing activities	<u>0</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	131		131
Net cash provided by investing activities	<u>131</u>	<u>0</u>	<u>131</u>
Net increase (decrease) in cash and cash equivalents	(5,225)	3,300	(1,925)
Balances—beginning of year	21,671	3,633	25,304
Balances—end of year	<u>\$16,446</u>	<u>6,933</u>	<u>23,379</u>
Reconciliation of operating income (loss) to net cash provided			
(used) by operating activities:			
Operating income/(loss)	<u>(80,717)</u>	<u>8,975</u>	<u>(71,742)</u>
Adjustments to reconcile operating (loss) to net cash provided by/(used for) operating activities			
Depreciation expense	2,346		2,346
Federal commodities	2,531		2,531
(Increase) in accounts receivable		(3,458)	(3,458)
(Increase) in inventories	(170)		(170)
(Decrease) in deferred revenue		(1,600)	(1,600)
(Decrease) in accounts payable	(8,937)	(617)	(9,554)
Increase in compensated absences payable	937		937
Total adjustments	<u>(3,293)</u>	<u>(5,675)</u>	<u>(8,968)</u>
Net cash provided by/(used for) operating activities	<u>(84,010)</u>	<u>3,300</u>	<u>(80,710)</u>

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FIDUCIARY FUNDS

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CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Fiduciary Funds

H-1

Combining Statement of Fiduciary Net Assets
June 30, 2012

	Student Activity	Payroll Agency	Expendable Trusts		2012
			Unemployment Compensation	Scholarship	
ASSETS:					
Cash and cash equivalents	\$8,177	4,109	88,362	2,828	103,476
Total Assets	8,177	4,109	88,362	2,828	103,476
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Payroll deductions and withholdings Due to student groups	8,177	4,109			4,109 8,177
Total Liabilities	8,177	4,109	0	0	12,286
Fund Balances:					
Unreserved			88,362	2,828	91,190
Total liabilities and fund balances	\$8,177	4,109	88,362	2,828	103,476

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Combining Statement of Revenues, Expenditures
and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012

	Unemployment Trust	Scholarship Trust	Total 2012	Total 2011
OPERATING REVENUES:				
Local Sources:				
Deductions from Employees' Salaries	\$9,104		9,104	8,575
Transfer from General Fund	30,000		30,000	50,000
Interest on Investments	286	18	304	761
	39,390	18	39,408	59,336
Total Operating Revenues				
OPERATING EXPENDITURES:				
Unemployment Compensation Insurance Claims	39,534		39,534	60,729
	39,534	0	39,534	60,829
Total Operating Expenditures				
	(144)	18	(126)	(1,493)
Excess of Revenues over Expenditures				
Fund Balance, July 1	88,506	2,810	91,316	92,809
Fund Balance, June 30	\$88,362	2,828	91,190	91,316

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Student Activity Agency Fund
Schedule of Receipts and Disbursements

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
ASSETS:				
Cash and cash equivalents	\$8,184	17,338	17,345	8,177
Total assets	<u>8,184</u>	<u>17,338</u>	<u>17,345</u>	<u>8,177</u>
LIABILITIES:				
Due to Student groups	8,184	17,338	17,345	8,177
Total liabilities	<u>\$8,184</u>	<u>17,338</u>	<u>17,345</u>	<u>8,177</u>

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS:				
Cash and cash equivalents	\$2,771	6,506,937	6,505,599	4,109
Total assets	<u>2,771</u>	<u>6,506,937</u>	<u>6,505,599</u>	<u>4,109</u>
LIABILITIES:				
Payroll deductions and withholdings	2,771	6,506,937	6,505,599	4,109
Total liabilities	<u>\$2,771</u>	<u>6,506,937</u>	<u>6,505,599</u>	<u>4,109</u>

LONG-TERM DEBT

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CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Long-Term Debt
Statement of Obligations Under Capital Leases
June 30, 2012

Series	Date of Inception	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 6/30/11	Issued Current Year	Retired Current Year	Amount Outstanding 6/30/12
Thomas Bus Type B - 24 Passenger Wheelchair Gasoline	12/8/10	3.60%	\$53,700	53,700		11,612	42,088
Lanier LD Digital Imaging System Copy Machines (4)	4/13/11	5.21%	44,196	43,366		9,786	33,580
				<u>\$97,066</u>	<u>0</u>	<u>21,398</u>	<u>75,668</u>

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Statistical Section

Governmental Accounting Standards Board (GASB) requires 10 years of statistical information to be included in the CAFR. Effective with the fiscal year ended June 30, 2003, the District's financial statements are presented in accordance with GASB 34. As a result, 10 years of information may not be available to report.

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CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Net Assets by Component,
Last Ten Fiscal Years
Unaudited

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	22,791,304	22,102,389	21,466,166	24,067,654	22,873,625	22,034,346	22,140,761	20,958,527	20,278,829	19,738,614
Restricted	321,335	255,521	598,256	1,537,772	2,001,317	2,476,616	2,283,403	1,457,396	2,039,609	2,022,375
Unrestricted	142,476	274,465	(298,930)	(489,673)	(645,894)	(842,923)	(1,176,543)	(223,275)	(337,321)	(303,746)
Total governmental activities net assets	<u>23,255,115</u>	<u>22,632,375</u>	<u>21,765,492</u>	<u>25,115,753</u>	<u>24,229,048</u>	<u>23,668,039</u>	<u>23,247,621</u>	<u>22,192,648</u>	<u>21,981,117</u>	<u>21,457,243</u>
Business-type activities										
Invested in capital assets, net of related debt	7,557	6,372	2,325	1,631	1,056	480	-	-	-	-
Unrestricted	43,089	5,197	10,583	(8,309)	(71,336)	(65,799)	28,728	20,601	19,373	28,147
Total business-type activities net assets	<u>50,646</u>	<u>11,569</u>	<u>12,908</u>	<u>(6,678)</u>	<u>(70,280)</u>	<u>(65,319)</u>	<u>28,728</u>	<u>20,601</u>	<u>19,373</u>	<u>28,147</u>
District-wide										
Invested in capital assets, net of related debt	22,798,861	22,108,761	21,468,491	24,069,285	22,874,681	22,034,826	22,140,761	20,958,527	20,278,829	19,738,614
Restricted	321,335	255,521	598,256	1,537,772	2,001,317	2,476,616	2,283,403	1,457,396	2,039,609	2,022,375
Unrestricted	185,565	279,662	(288,347)	(497,982)	(717,230)	(908,722)	(1,147,815)	(202,674)	(317,948)	(275,599)
Total district net assets	<u>23,305,761</u>	<u>22,643,944</u>	<u>21,778,400</u>	<u>25,109,075</u>	<u>24,158,768</u>	<u>23,602,720</u>	<u>23,276,349</u>	<u>22,213,249</u>	<u>22,000,490</u>	<u>21,485,390</u>

Source: CAFR Schedule A-1

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Changes in Net Assets, Last Ten Fiscal Years
Unaudited

	Fiscal Year Ending June 30, 2012									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities										
Instruction										
Regular	4,023,638	4,236,387	4,176,253	4,478,263	4,720,511	4,643,439	4,874,372	4,560,458	4,578,612	4,239,640
Special education	533,384	403,974	397,287	416,426	447,222	458,167	488,094	507,067	751,511	863,584
Other special education	249,128	249,032	273,527	284,320	287,930	280,168	285,220	248,047	260,085	283,833
Other instruction	386,813	376,778	322,103	385,964	476,225	447,281	84,001	91,501	67,329	85,122
Nonpublic school programs	59,491	70,399	52,347	51,245	69,505	55,575	-	-	-	-
Support Services:										
Tuition	1,604,712	2,312,547	2,733,253	3,051,627	3,302,188	3,334,576	3,692,629	3,583,924	3,036,637	3,090,584
Student & instruction related services	1,334,284	1,018,476	1,156,149	1,146,553	1,444,039	1,506,205	1,684,932	1,645,461	1,537,402	1,725,851
General administrative services	634,961	687,659	630,256	589,327	702,743	306,158	784,398	290,416	210,823	206,861
School administrative services	377,319	370,897	301,835	271,242	319,616	681,137	308,039	788,359	816,721	762,134
Administrative information technology					13,704	17,806	18,188	17,935	20,099	20,662
Plant operations and maintenance	1,553,230	1,811,708	2,009,107	1,987,566	2,176,415	1,894,325	1,627,141	1,702,436	1,352,178	1,718,676
Pupil transportation	250,072	312,310	332,587	342,127	365,333	364,106	425,262	369,727	483,293	553,188
Capital outlay			16,423		21,951					
Total governmental activities expenses	11,007,032	11,850,167	12,401,127	13,004,660	14,347,382	13,988,943	14,272,276	13,805,331	13,114,690	13,550,136
Business-type activities:										
Food Service	135,054	142,821	139,539	141,646	149,185	155,445	167,474	103,335	118,379	116,099
Community Service Programs	150,970	137,165	187,773	239,481	281,618	247,365	602,470	296,101	51,156	52,470
Total business-type activities expense	286,024	279,986	327,312	381,127	430,803	402,810	769,944	399,436	169,535	168,569
Total district expenses	11,293,056	12,130,153	12,728,439	13,385,787	14,778,185	14,391,753	15,042,220	14,204,767	13,284,225	13,718,705
Program Revenues										
Governmental activities:										
Charges for service	507,944	547,913	674,366	756,441	791,419	822,310	921,101	902,276	859,799	713,642
Operating grants and contributions	920,703	1,019,384	1,027,192	1,095,929	1,447,204	1,470,246	962,558	1,019,045	1,064,459	1,143,405
Total governmental activities program revenues	1,428,647	1,567,297	1,701,558	1,852,370	2,238,623	2,292,556	1,883,659	1,921,321	1,924,258	1,857,047
Business-type activities:										
Charges for services										
Food Service	32,470	40,653	39,777	36,027	32,898	28,353	29,283	35,363	43,803	35,382
Community Service Programs	162,202	108,130	191,653	221,620	239,864	249,374	700,986	252,130	42,441	61,445
Operating grants and contributions	21,139	20,789	19,934	20,488	17,111	19,314	20,964	19,882	23,834	24,796
Total business-type activities program revenues	215,811	169,572	251,364	278,135	289,873	297,041	751,233	307,375	110,078	121,623
Total district program revenues	1,644,458	1,736,869	1,952,922	2,130,505	2,528,496	2,589,597	2,634,892	2,228,696	2,034,336	1,978,670

CITY OF MARGATE SCHOOL DISTRICT
Changes in Net Assets, Last Ten Fiscal Years
Unaudited

	Fiscal Year Ending June 30, 2012									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue										
Governmental activities	(9,578,385)	(10,282,870)	(10,699,569)	(11,152,290)	(12,108,759)	(11,696,387)	(12,388,617)	(11,884,008)	(11,190,433)	(11,693,089)
Business-type activities	(70,213)	(110,414)	(75,948)	(102,992)	(140,930)	(105,769)	(18,711)	(92,061)	(59,457)	(46,946)
Total district-wide net expense	<u>(9,648,598)</u>	<u>(10,393,284)</u>	<u>(10,775,517)</u>	<u>(11,255,282)</u>	<u>(12,249,689)</u>	<u>(11,802,156)</u>	<u>(12,407,328)</u>	<u>(11,976,069)</u>	<u>(11,249,890)</u>	<u>(11,740,035)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes levied for general purposes, net	8,295,369	8,695,369	8,814,543	10,065,488	10,173,118	10,173,118	10,173,118	9,987,118	10,536,409	10,536,409
Unrestricted grants and contributions	735,009	849,987	876,370	909,246	882,774	914,371	907,965	697,421	409,840	616,682
Investment earnings	22,041	22,041	33,873	70,284	107,930	73,291	40,293	33,818	18,419	13,833
Miscellaneous income	121,183	97,740	95,201	99,363	134,942	85,640	3,956	181,665	147,269	101,473
Funds received from the City of Margate		66,183	89,844	1,415,016						
Schools Construction Corporation				2,026,333						
State of New Jersey, Board of Public Utilities										
Debt service assessment										
Special items										
Transfers	(77,712)	(71,190)	(77,145)	(83,180)	(95,435)	(111,042)	3,832	12,730	(75,050)	(43,645)
Total governmental activities	<u>9,095,890</u>	<u>9,660,130</u>	<u>9,832,686</u>	<u>14,502,550</u>	<u>11,203,329</u>	<u>11,135,378</u>	<u>11,016,551</u>	<u>10,829,035</u>	<u>10,978,902</u>	<u>11,169,215</u>
Business-type activities:										
Investment earnings	168	147	142	226	618	198	145	217	244	131
Transfers	77,712	71,190	77,145	83,180	95,435	111,042	112,613	83,717	57,985	55,589
Total business-type activities	<u>77,880</u>	<u>71,337</u>	<u>77,287</u>	<u>83,406</u>	<u>96,053</u>	<u>111,240</u>	<u>112,758</u>	<u>83,934</u>	<u>58,229</u>	<u>55,720</u>
Total district-wide	<u>9,173,770</u>	<u>9,731,467</u>	<u>9,909,973</u>	<u>14,585,956</u>	<u>11,299,382</u>	<u>11,246,618</u>	<u>11,129,309</u>	<u>10,912,969</u>	<u>11,037,131</u>	<u>11,224,935</u>
Change in Net Assets										
Governmental activities	(482,495)	(622,740)	(866,883)	3,350,260	(905,430)	(561,009)	(1,372,066)	(1,054,973)	(211,531)	(523,874)
Business-type activities	7,667	(39,077)	1,339	(19,586)	(44,877)	5,471	94,047	(8,127)	(1,228)	8,774
Total district	<u>(474,828)</u>	<u>(661,817)</u>	<u>(865,544)</u>	<u>3,330,674</u>	<u>(950,307)</u>	<u>(555,538)</u>	<u>(1,278,019)</u>	<u>(1,063,100)</u>	<u>(212,759)</u>	<u>(515,100)</u>

Source: CAFR Schedule A-2

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
Unaudited

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Restricted									1,635,446	1,792,708
Committed									121,125	50,000
Assigned									283,038	179,667
Unassigned									250,000	231,249
Reserved	560,105	502,597	560,105	1,537,772	2,001,317	2,476,616	2,283,403	1,457,396		
Unreserved	821,310	806,060	821,310	200,960	222,614	225,220	207,721	182,933		
Total general fund	<u>1,381,415</u>	<u>1,308,657</u>	<u>1,381,415</u>	<u>1,738,732</u>	<u>2,223,931</u>	<u>2,701,836</u>	<u>2,491,124</u>	<u>1,640,329</u>	<u>2,289,609</u>	<u>2,253,624</u>
All Other Governmental Funds										
Reserved										
Unreserved, reported in:										
Special revenue fund	(2,676)	(1,109)	(2,676)	(1,109)	(1,109)	(1,109)	-	-	-	-
Total all other governmental funds	<u>(2,676)</u>	<u>(1,109)</u>	<u>(2,676)</u>	<u>(1,109)</u>	<u>(1,109)</u>	<u>(1,109)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Source: CAFR Schedule B-1

CITY OF MARGATE SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
Unaudited

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Tax levy	8,295,369	8,695,369	8,814,543	10,065,488	10,173,118	10,173,118	10,173,118	9,987,118	10,536,409	10,536,409
Tuition charges	507,944	547,913	674,366	756,441	791,419	822,310	921,101	902,276	859,799	713,642
Interest earnings	22,041	20,299	33,873	70,284	107,930	73,291	40,293	33,818	18,419	13,833
Miscellaneous	121,183	99,484	95,201	99,363	134,942	85,640	3,956	181,665	147,269	101,473
Local sources	17,376	18,928	23,589	19,290	55,745	98,823	70,685	27,669	1,131,614	1,473,639
State sources	1,381,289	1,566,577	1,601,117	1,740,001	1,992,247	2,010,726	1,561,634	1,378,151	314,876	255,742
Federal sources	257,047	283,866	278,856	255,363	281,985	275,066	238,203	310,646	27,809	30,707
Total revenue	10,602,249	11,232,436	11,521,545	13,006,230	13,537,386	13,538,974	13,008,990	12,821,343	13,036,195	13,125,445
Expenditures										
Instruction										
Regular instruction	3,336,259	3,501,315	3,326,526	3,724,600	3,524,097	3,535,494	3,852,547	3,757,746	3,533,259	3,257,969
Special education instruction	371,836	320,117	301,347	314,132	331,302	351,422	377,386	417,950	574,766	652,140
Other special instruction	211,764	194,971	209,357	228,481	212,028	216,183	221,675	203,766	199,068	214,348
Other instruction	295,373	289,185	299,637	306,876	345,391	340,432	61,018	70,678	51,274	63,980
Nonpublic school programs	59,491	70,399	52,347	51,245	69,505	55,575	-	-	-	-
Support Services:										
Tuition	1,344,778	1,785,900	1,976,926	2,294,753	2,309,581	2,448,833	2,777,429	2,892,861	2,165,111	2,175,007
Student & instruction related services	837,498	814,503	909,229	921,043	1,066,386	1,167,289	1,311,368	1,341,033	1,181,383	1,309,101
General administrative services	551,805	542,714	473,367	455,801	507,300	519,687	611,383	238,702	160,552	151,645
School Administrative services	289,306	295,102	232,409	216,516	233,993	232,374	240,961	648,050	613,366	544,363
Administrative Information Technology					10,174	13,680	14,228	14,798	15,390	15,698
Plant operations and maintenance	1,339,685	1,450,456	1,549,618	1,588,408	1,552,958	1,403,395	1,188,993	1,346,054	911,397	1,260,992
Pupil transportation	210,996	246,424	255,981	267,644	263,575	269,098	332,016	296,476	363,301	414,075
Unallocated employee benefits	1,392,676	1,603,374	1,712,861	1,902,251	2,292,621	2,286,656	1,939,389	2,246,083	2,249,507	2,532,386
Charter Schools	30,471	61,264	144,999	129,715	117,897	82,068	100,678	63,937	193,266	341,825
Capital outlay	264,386	122,896	135,769	3,486,730	119,944	27,841	80,741	63,017	140,136	128,719
Total expenditures	10,536,324	11,298,620	11,580,373	15,888,195	12,956,752	12,950,027	13,109,812	13,601,151	12,351,776	13,062,248
Excess (Deficiency) of revenues over (under) expenditures	65,925	(66,184)	(58,828)	(2,881,965)	580,634	588,947	(100,822)	(779,808)	684,419	63,197

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
Unaudited

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other Financing sources (uses)										
City of Margate	218,012	66,183	89,844	1,415,016						
Schools Construction Corporation				2,026,333						
State of NJ, Board of Public Utilities							101	12,730	(75,050)	(43,645)
Cancellation of prior year purchase orders									97,896	
Debt service assessment									(57,985)	(55,589)
Capital leases (non-budgeted)									(35,139)	(99,182)
Transfers out	(67,189)	(71,190)	(77,145)	(83,180)	(93,435)	(111,042)	(112,613)	(83,717)		
Total other financing sources (uses)	150,823	(5,007)	12,699	3,358,169	(93,435)	(111,042)	(112,512)	(70,987)	(35,139)	(99,182)
Net change in fund balances	216,748	(71,191)	(46,129)	476,204	487,199	477,905	(213,334)	(850,795)	649,280	(35,985)
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: CAFR Schedule B-2

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
General Fund Other Local Revenue by Source
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Interest on Investments	Community Services	Rentals	Energy Credits (A)	Prior Year Refunds	Misc.	Total
2003	22,041	116,507	3,000			1,676	143,224
2004	20,299	94,540	3,000			16,528	134,367
2005	33,873	92,783	1,160			1,258	129,074
2006	70,284	91,183	685			189	162,341
2007	107,930	81,011			53,644	287	242,872
2008	73,291	84,340	175			1,125	158,931
2009	40,293		1,800			2,156	44,249
2010	33,818		3,350	145,878		32,437	215,483
2011	18,419			136,240	9,213	1,816	165,688
2012	13,833			93,000	3,371	5,102	115,306

(A) - effective with the June 2012 sale, the District is changing their method of treating the sale of the solar renewal energy credits. During the 2011 and prior fiscal years, it was the policy of the District to refund the budget appropriation line item for all or a portion of the amount of revenue received. It will now be the policy of the District to treat the full amount of funds received as revenue.

Source: District Records

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Claim	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2003	24,723,900	1,214,160,000			59,481,800		10,633,800	1,308,999,500	-	1,113,532	1,310,113,032	0.633	1,676,193,746
2004	22,181,800	1,243,330,400			57,211,100		6,152,100	1,328,875,400	-	870,704	1,329,746,104	0.654	2,116,419,074
2005	88,172,700	3,084,114,800			90,992,300		9,492,500	3,272,772,300	-	1,298,221	3,274,070,521	0.269	2,578,008,284
2006	66,234,400	3,146,143,700			87,519,500		7,984,300	3,307,881,900	-	1,188,239	3,309,070,139	0.304	3,226,472,444
2007	60,952,800	3,202,948,900			88,380,100		8,149,300	3,360,431,100	-	1,056,150	3,361,487,250	0.303	3,817,269,191
2008	50,002,800	3,258,966,500			90,548,900		7,269,200	3,406,787,400	-	1,059,306	3,407,846,706	0.299	4,036,298,361
2009	47,591,600	3,289,114,700			90,781,000		6,712,000	3,434,199,300	-	1,090,530	3,435,289,830	0.296	4,163,987,673
2010	47,714,300	3,311,966,600			89,331,100		6,712,000	3,455,724,000	-	1,082,629	3,456,806,629	0.289	4,101,574,073
2010	42,642,600	3,330,344,600			89,681,100		6,712,000	3,469,380,300	-	943,758	3,470,324,058	0.304	4,031,978,689
2012	46,406,100	3,342,473,600			89,389,500		6,712,000	3,484,981,200	-	943,653	3,485,924,853	0.302	4,050,104,395

Source: District records Tax list summary & Municipal Tax Assessor

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

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

b Tax rates are per \$100

c The City under went a complete revaluation of property values effective for the 2005 tax year.

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Direct and Overlapping Property Tax Rates
Rate per \$100 of Assessed Value
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	City of Margate Board of Education				Local Municipal Library c	Atlantic County	Total Direct and Overlapping Tax Rate
	Basic Rate a	General Obligation Debt Service b	Total Direct	City of Margate			
2003	0.648	0.113	0.762	0.994	0.578	2.334	
2004	0.658	0.111	0.769	1.067	0.670	2.506	
2005 *	0.288	0.045	0.333	0.496	0.295	1.124	
2006	0.306	0.045	0.351	0.530	0.323	1.204	
2007	0.303	0.044	0.347	0.518	0.315	1.180	
2008	0.299	0.044	0.343	0.561	0.306	1.210	
2009	0.293	0.043	0.336	0.581	0.330	1.247	
2010	0.297	0.043	0.340	0.592	0.346	1.278	
2011	0.304	0.029	0.333	0.576	0.387	1.334	
2012	0.303	0.043	0.346	0.602	0.388	1.373	

* Revaluation of properties effective for the 2005 tax year

Source: District Records and Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy. The levy, when added to other components of the district's net budget, may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

- a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.
- b Rates for debt service are based on each year's requirements.

c Effective with the 2011 tax year the amount to be raised by taxation to fund municipal free libraries is displayed separately on the tax bill and the municipal tax levy and rate is reduced by this amount. Previously, the library tax was combined with the local tax levy on the tax bill.

**CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Principal Property Tax Payers,
Current Year and Nine Years Ago
Unaudited**

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Taxpayer #1	6,449,000	1	0.19%	2,022,900	4	0.15%
Taxpayer #2	4,609,000	2	0.13%	1,871,500	5	0.14%
Taxpayer #3	4,532,500	3	0.13%	1,585,500	7	0.12%
Taxpayer #4	4,445,700	4	0.13%	1,505,100	9	0.11%
Taxpayer #5	4,348,600	5	0.12%	1,478,700	10	0.11%
Margate Partners, LLC	4,111,200	6	0.12%			
Star Bright Star Light, LLC	3,740,900	7	0.11%			
Taxpayer #6	3,548,000	8	0.10%			
Taxpayer #7	3,511,400	9	0.10%			
Center Point Plaza @ Turchi	3,432,400	10	0.10%			
Margate Bridge Company				1,544,300	8	0.12%
Madison Avenue Oceanfront LLC				2,873,100	1	0.22%
Siganos Realty				2,378,900	2	0.18%
Seiden Family Foods LLC				2,273,200	3	0.17%
WAWA				1,638,300	6	0.13%
Total	42,728,700		1.23%	19,171,500		1.46%

Total Assessed Value 1,310,113,032

3,485,924,853

Source: District CAFR & Municipal Tax Assessor
District Total Taxable Value

**CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Property Tax Levies and Collections,
Last Ten Fiscal Years
*Unaudited***

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	8,295,369	8,295,369	100%	-
2004	8,695,369	8,695,369	100%	-
2005	8,814,543	8,814,543	100%	-
2006	10,065,488	10,065,488	100%	-
2007	10,173,118	10,173,118	100%	-
2008	10,173,118	10,173,118	100%	-
2009	10,173,118	10,173,118	100%	-
2010	9,987,118	9,987,118	100%	-
2011	10,536,409	10,536,409	100%	-
2012	10,536,409	10,536,409	100%	-

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

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

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2003	24,484,500	-	330,725	-	-	24,815,225	0.01%	2,991
2004	18,440,000	-	225,991	-	-	18,665,991	0.01%	2,187
2005	17,815,000	-	115,843	-	-	17,930,843	0.01%	2,092
2006	16,465,000	-	-	-	-	16,465,000	0.01%	1,931
2007	15,740,000	-	-	-	-	15,740,000	0.01%	1,850
2008	14,965,000	-	-	-	-	14,965,000	0.01%	1,762
2009	14,165,000	-	-	-	-	14,165,000	0.01%	1,662
2010	13,035,000	-	-	-	-	13,035,000	0.02%	2,050
2011	12,135,000	-	97,066	-	-	12,232,066	0.02%	1,927
2012	11,605,000	-	75,668	-	-	11,680,668	0.02%	1,840

Source: District CAFR Schedules I-1 and City's Annual Debt Statement

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

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2003	24,484,500	-	24,484,500	1.87%	2,951
2004	18,440,000	-	18,440,000	1.39%	2,161
2005	17,815,000	-	17,815,000	0.54%	2,078
2006	16,465,000	-	16,465,000	0.50%	1,931
2007	15,740,000	-	15,740,000	0.47%	1,846
2008	14,965,000	-	14,965,000	0.44%	1,759
2009	14,165,000	-	14,165,000	0.41%	1,668
2010	13,035,000	-	13,035,000	0.38%	1,529
2011	12,135,000	-	12,135,000	0.35%	1,909
2012	11,605,000	-	11,605,000	0.33%	1,826

Note: The City of Margate School District is a Type I District. As a result, debt related to the District is an obligation of the City of Margate.

a See Exhibit NJ J-6 for property tax data.

b Population data can be found in Exhibit NJ J-14.

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2012
Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
City of Margate	41,546,488	100.00%	41,546,488
Atlantic County	111,079,702	8.09%	8,982,060
Other debt			
None			
Subtotal, overlapping debt			50,528,548
City of Margate School District debt	11,605,000	100.00%	<u>11,605,000</u>
Total direct and overlapping debt			<u><u>\$62,133,548</u></u>

Sources: City of Margate Finance Officer and Atlantic County Finance Office

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Margate. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

The City of Margate School District is a Type I District. As a result, debt related to the District is an obligation of the City of Margate.

- a** For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

CITY OF MARGATE SCHOOL DISTRICT
 (A Component Unit of the City of Margate)
 Legal Debt Margin Information,
 Last Ten Fiscal Years
Unaudited

Legal Debt Margin Calculation for Fiscal Year 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	46,649,873	53,572,773	63,828,277	78,418,578	95,148,552	109,276,149	118,659,735	121,843,280	122,192,050	120,042,194
Total net debt applicable to limit	24,484,500	18,440,000	17,815,000	16,465,000	15,740,000	14,965,000	14,165,000	13,035,000	12,135,000	11,605,000
Legal debt margin	<u>22,165,373</u>	<u>35,132,773</u>	<u>46,013,277</u>	<u>61,953,578</u>	<u>79,408,552</u>	<u>94,311,149</u>	<u>104,494,735</u>	<u>108,808,280</u>	<u>110,057,050</u>	<u>108,437,194</u>
Total net debt applicable to the limit as a percentage of debt limit	52.49%	34.42%	27.91%	21.00%	16.54%	13.69%	11.94%	10.70%	9.93%	9.67%

Average equalized valuation of taxable property	4,001,406,456
Debt limit (3% of average)	120,042,194
Net bonded school debt	11,605,000
Legal debt margin	<u>108,437,194</u>

Equalized valuation basis	3,914,453,684
2011	4,015,015,685
2010	4,074,750,000
2009	<u>12,004,219,369</u>

Source: Abstract of Ratables and District Records CAFR Schedule J-10

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Year	Population ^a	Personal Income (thousands of dollars) ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2003	8,296	277,310	33,427	4.30%
2004	8,535	293,962	34,442	3.70%
2005	8,572	304,752	35,552	4.60%
2006	8,527	314,425	36,874	5.10%
2007	8,509	326,329	38,351	5.10%
2008	8,494	334,409	39,370	5.10%
2009	8,524	325,404	38,175	6.40%
2010	6,357	252,665	39,746	11.40%
2011	6,349	320,805	39,746	11.70%
2012	6,349	252,347	39,746	11.80%

Source:

a Population information provided by the NJ Dept of Labor and Workforce Development

b Personal income is calculated by multiplying per capita income by the population

c Per Capita Income US Department of Commerce, Bureau of Economic Analysis,
April 2010

d Unemployment data provided by the NJ Dept of Labor and Workforce Development

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Principal Employers,
Current Year and Nine Years Ago
Unaudited

Employer	2012		2003		Percentage of Total Employment
	Employees	Rank (Optional)	Employees	Rank (Optional)	
		1			0.00%
		2			0.00%
		3			0.00%
		4			0.00%
		5			0.00%
		6			0.00%
		7			0.00%
		8			0.00%
		9			0.00%
		10			0.00%
					0.00%
	-				-

Source: City of Margate Chief Financial Officer

The City does not maintain the above statistical data

GASB requires this table to present the principal taxpayers for the current year and nine years ago, however information from 2001 was not available.

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years
Unaudited

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction										
Regular	33.00	32.00	30.00	31.00	31.00	33.00	35.00	44.50	40.00	36.00
Special education	10.00	11.00	11.00	10.00	10.00	9.00	9.00	8.50	10.00	12.00
Other special education	15.00	15.00	18.00	18.00	14.00	11.00	11.00	5.50	4.50	4.50
Other instruction	3.00	3.00	3.00	3.00	4.00	5.00	5.00	3.50	0.00	0.00
Support Services:										
Student & instruction related services	22.00	21.00	21.00	21.00	21.00	21.00	21.00	23.50	19.00	19.50
General administrative services	7.00	7.00	7.00	8.00	8.00	10.00	9.00	6.50	5.00	5.00
School administrative services	9.00	7.00	7.00	7.00	7.00	6.00	5.00	3.50	2.50	2.50
Plant operations and maintenance	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.50	12.50	13.50
Food Service	12.00	9.00	10.00	10.00	11.00	11.00	11.00	4.00	4.00	3.00
Total	113.00	107.00	109.00	110.00	107.00	107.00	107.00	101.00	97.50	96.00

GASB requires this table to present the full-time equivalent district employees by function/program for the current year and the previous nine years, however only the last nine years information was available.

Source: District Personnel Records

CITY OF MARGATE SCHOOL DISTRICT
 (A Component Unit of the City of Margate)
 Operating Statistics
 Last Ten Fiscal Years
Unaudited

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Intermediate School	Middle School				
2003	584	10,352,280	17,727	11.36%	69	09.9:1	11.6:1	11.1:1	586	556	-2.33%	94.88%
2004	587	11,246,914	19,160	8.09%	70	10.0:1	10.9:1	09.4:1	587	552	0.17%	94.04%
2005	573	11,657,518	20,345	6.18%	69	09.3:1	10.0:1	10.7:1	572	543	-2.56%	94.93%
2006	585	15,971,375	27,301	34.19%	67	10.3:1	12.9:1	10.5:1	584	552	2.10%	94.52%
2007	593	12,863,317	21,692	-20.55%	67	10.7:1	9.1:1	9.3:1	571	546	-2.23%	95.62%
2008	548	12,838,985	23,429	8.01%	60	12.1:1	12.7:1	10.3:1	541	508	-5.31%	94.03%
2009	609	12,997,199	21,342	-8.91%	57	10.9:1	9.9:1	8.3:1	588	553	8.75%	94.05%
2010	576	13,517,434	23,468	9.96%	61	8.4:1	7.5:1	7.3:1	575	533	-2.21%	92.70%
2011	506	12,293,791	24,296	3.53%	56	9.3:1	6.9:1	7.1:1	512	482	-10.96%	94.14%
2012	490	13,006,659	26,544	13.11%	56	0	8.9:1	8.5:1	490	466	-14.78%	95.10%

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay, Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
School Building Information
Last Ten Fiscal Years
Unaudited

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>District Building</u>										
Union Avenue Elementary School (B)										
Square Feet	48,369	48,369	48,369	48,369	48,369	48,369	48,369	48,369	48,369	48,369
Capacity (students) (A)	227	227	227	227	227	227	227	227	-	-
Enrollment	178	184	186	225	225	204	231	203	-	-
William H. Ross School										
Square Feet	79,487	79,487	79,487	79,487	79,487	79,487	79,487	79,487	79,487	79,487
Capacity (students) (A)	232	232	232	232	232	232	232	232	273	273
Enrollment	202	199	190	184	184	175	189	175	268	249
Eugene A. Tighe School										
Square Feet	87,718	87,718	87,718	87,718	87,718	87,718	87,718	87,718	87,718	87,718
Capacity (students) (A)	237	237	237	237	237	237	237	237	257	257
Enrollment	209	214	198	195	184	169	189	198	249	242

Number of Schools at June 30, 2012
 Elementary Schools - 1
 Middle School - 1

Source: District records, ASSA

(A) - obtained from the District's Final Determination of Long Range Facilities Plan dated November 30, 2005.

(B) - school was closed effective June 30, 2010

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
General Fund
Schedule of Required Maintenance for School Facilities
Last Ten Years
Unaudited

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-XXX

School Facilities	Project #	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
School Facilities											
Union Avenue Elementary	00251.00	15,847	33,041	33,258	36,583	39,847	60,633	41,001	38,939	37,280	26,129
Eugene A. Tighe Middle	00251.00	70,973	58,163	60,180	61,208	72,085	72,191	74,357	71,616	78,155	112,882
William H. Ross III Intermediate	00251.00	51,341	52,718	62,957	60,011	65,314	60,634	67,380	66,799	130,004	190,663
Grand Total		<u>138,161</u>	<u>143,922</u>	<u>156,395</u>	<u>157,802</u>	<u>177,246</u>	<u>193,458</u>	<u>182,738</u>	<u>177,354</u>	<u>245,439</u>	<u>329,674</u>

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Insurance Schedule
June 30, 2012
Unaudited

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Property - Blanket Building & Contents	250,000,000	5,000
Extra Expense - Blanket	5,000,000	5,000
Property Extensions of Coverage		
Debris Removal	250,000	
Food Spoilage	50,000	
Miscellaneous Property	100,000	1,000
Outside Signs (\$2,500 maximum per item)	10,000	1,000
Newly Acquired Property (Buildings and Contents, each)		
Real Property	250,000	
Personal Property	100,000	
Outdoor Property		
Trees, Shrubs and Plants	10,000	
Max per item	500	
Accounts Receivable	100,000	
Pollution Clean-up	100,000	5,000
Valuable Papers and Records	5,000,000	500
School Music Extension		
Instruments	100,000	
Uniforms	25,000	
EDP Including Software	2,500,000	5,000
Miscellaneous School Property	250,000	
Camera & Audio Visual Equipment	10,000	1,000
Contractor's Equipment	250,000	10,000
Utility Services Direct Damage	250,000	5,000
Earthquake	5,000,000	250,000
Additional Flood Coverage	5,000,000	50,000
Flood Insurance Zone A or V		
Per Building	1,000,000	500,000
Per Contents	1,000,000	500,000
Flood Insurance Zone B		
Per Building	2,000,000	100,000
Per Contents	2,000,000	100,000
Boiler and Machinery		
Property Damage	100,000,000	1,000
Blanket Business Income/Extra Expense	1,000,000	5,000
Ammonia Contamination	100,000,000	
Consequential Damage	100,000,000	
Hazardous Substance	250,000	
Service Interruption (Direct Damage)	100,000	
Ordinance or Law	250,000	
School Board Legal Liability	5,000,000	10,000

CITY OF MARGATE SCHOOL DISTRICT
(A Component Unit of the City of Margate)
Insurance Schedule
June 30, 2012
Unaudited

	<u>Coverage</u>	<u>Deductible</u>
Crime Insurance		
Money and Securities	50,000	1,000
Computer Fraud	50,000	1,000
Forgery or Alteration	50,000	1,000
Commercial General Liability Coverage		
Each Occurrence	1,000,000	
General Aggregate	2,000,000	
Personal and Advertising Injury	1,000,000	
Damage to Premises	1,000,000	
Products and Completed Operations	2,000,000	
Medical Expense (any one person)	10,000	
Employee Benefits Liability	1,000,000	1,000
Title 18A	100,000	
Electronic Data	1,000,000	
Commercial Automotive Liability		
Combined Single Limit	1,000,000	
Medical Payments - each person	5,000	
Comprehensive and Collision	Statutory	1,000
Umbrella Policy		
Umbrella Policy, each occurrence/annual aggregate	5,000,000	10,000
Federal Flood		
Union Avenue School	500,000	5,000
Eugene A. Tighe School	500,000	500
William H. Ross School	500,000	5,000
Statutory Bonds		
Position Bond Board Secretary	100,000	
Position Bond Treasurer	200,000	
Student Accident Policy		
School Time Compulsory Student Accident - per injury	1,000,000	

Source: District Records.

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Single Audit Section

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**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
City of Margate School District
County of Atlantic
City of Margate, 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 of the City of Margate School District in the County of Atlantic, State of New Jersey as of and for the year ended June 30, 2012, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the City of Margate School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Margate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Margate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Margate School District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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



Robert E. Swartz, CPA
Licensed Public School Accountant
No. CS00667

Ford Scott & Associates

Ford Scott & Associates, LLC
Certified Public Accountants

December 3, 2012

**Report on Compliance With Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance with New Jersey Circular OMB 04-04**

Honorable President and
Members of the Board of Education
City of Margate School District
County of Atlantic, New Jersey

Compliance

We have audited the City of Margate School District Board of Education's compliance with the types of compliance requirements described in the *New Jersey State Grants Compliance Supplement* that could have a direct and material effect on each of the City of Margate School District Board of Education's major state programs for the year ended June 30, 2012. The City of Margate School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the City of Margate School District Board of Education's management. Our responsibility is to express an opinion on the City of Margate School District 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; and New Jersey OMB 04-04, *New Jersey State Grants Compliance Supplement*. Those standards, and New Jersey OMB 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 state program occurred. An audit includes examining, on a test basis, evidence about the City of Margate School District 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 City of Margate School District Board of Education's compliance with those requirements.

In our opinion, the City of Margate School District Board of Education complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2012.

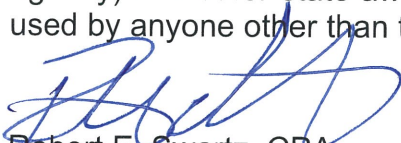
Internal Control Over Compliance

Management of the City of Margate School District Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the City of Margate School District Board of Education’s internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on compliance in accordance with NJ OMB 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 Board’s internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected, on a timely basis.

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

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



Robert E. Swartz, CPA
Licensed Public School Accountant
No. CS00667

Ford Scott & Associates
Ford Scott & Associates, LLC
Certified Public Accountants

December 3, 2012

CITY OF MARGATE SCHOOL DISTRICT
 (A Component Unit of the City of Margate)
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Program or Award Amount	Balance at June 30, 2011	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year's Balances	Adjustments	Balance at June 30, 2012				
											(Accounts Receivable)	Deferred Revenue	Due to Grantor		
U. S. Department of Agriculture															
Passed-through State Department of Education:															
Enterprise Fund:															
Food Distribution Program	10.550		7/1/11 - 6/30/12	2,531	(4,276)		2,531	(2,531)							
National School Lunch Program	10.555		7/1/10 - 6/30/11	22,948	(4,276)		4,276								
National School Lunch Program	10.555		7/1/11 - 6/30/12	21,588			18,070	(21,588)		(3,518)					
Total U.S. Department of Agriculture					(4,276)	0	24,877	(24,119)	0	0	0	0			
U.S. Department of Education															
Passed-through State Department of Education:															
General Fund:															
Education Jobs Fund	84.410A		7/1/11 - 6/30/12	31,984	0	0	31,984	(31,984)	0	0	0	0			
Total General Fund					0	0	31,984	(31,984)	0	0	0	0			
U.S. Department of Education															
Passed-through State Department of Education:															
Special Revenue Fund:															
No Child Left Behind															
Title 1, Part A Carryover	84.010	NCLB302009	9/1/08 - 8/31/09	36,400	(4,062)		4,062								
Title 1, Part A	84.010	NCLB302010	9/1/09 - 8/31/10	37,027	(34,955)		34,956								
Title 1, Part A	84.010	NCLB302011	9/1/10 - 8/31/11	32,801	(15,331)		27,811	(16,034)		(1)					
Title 1, Part A	84.010	NCLB302012	9/1/11 - 8/31/12	38,289			6,987	(13,675)		267					
ARRA - Title I, Part A	84.389	ARRA 2010	7/1/09 - 8/31/11	11,867	(245)		347	(103)		1					
Title II, Part A, Teachers & Principals Training, Carryover	84.367A	NCLB302009	9/1/08 - 8/31/09	25,162	(2,381)		2,381								
Title II, Part A, Teachers & Principals Training	84.367A	NCLB302010	9/1/09 - 8/31/10	25,984	(4,010)		4,010								
Title II, Part A, Teachers & Principals Training	84.367A	NCLB302011	9/1/10 - 8/31/11	27,483	(4,341)		6,634	(2,293)							
Title II, Part A, Teachers & Principals Training	84.318X	NCLB302012	9/1/11 - 8/31/12	23,120			19,805	(19,518)							
Title II, Part D, Enhancing Education Through Technology	84.318X	NCLB302011	9/1/10 - 8/31/11	370	(370)		370								
ID.E.A. Part B - Basic	84.027	IDEA302010	9/1/09 - 8/31/10	76	(76)		76								
ID.E.A. Part B - Basic	84.027	IDEA302011	9/1/10 - 8/31/11	162,749	(48,819)		48,819								
ID.E.A. Part B - Basic	84.027	IDEA302012	9/1/11 - 8/31/12	159,944	(7,294)		7,294								
ARRA - ID.E.A. Part B - Basic	84.391	ARRA - IDEA302010	7/1/09 - 8/31/11	162,317	(32,164)		137,607	(154,764)							
ID.E.A. Part B - Preschool	84.027	IDEA302009	9/1/08 - 8/31/09	141,287	(179)		32,164			(1)					
ID.E.A. Part B - Preschool	84.027	IDEA302010	9/1/09 - 8/31/10	7,563			180								
ID.E.A. Part B - Preschool	84.027	IDEA302011	9/1/10 - 8/31/11	7,788											
ID.E.A. Part B - Preschool	84.027	IDEA302012	9/1/11 - 8/31/12	6,153	(801)		981	(4,218)							
ARRA - ID.E.A. Part B - Preschool	84.027	ARRA - IDEA302012	7/1/10 - 8/31/11	16,687			5,815	(7,381)							
REBEL II	NA	NA	7/1/08 - 6/30/09	5,109	(5,109)		5,109								
Total Special Revenue Fund					(160,127)	0	345,418	(218,186)	0	266	297	0			
Total Federal Financial Awards					(\$164,403)	0	402,279	(274,289)	0	266	297	0			

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

CITY OF MARGATE SCHOOL DISTRICT
 (A Component Unit of the City of Margate)
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011		Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balances	Balance at June 30, 2012		MEMO	
				Deferred Revenue/ (Accounts Receivable)	Due to Grantor					(Accounts Receivable)	Deferred Revenue	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education													
General Fund:													
Special Education Categorical Aid	495-034-5120-089	7/1/11-6/30/12	294,507				294,507	(294,507)				10,492	294,507
Security Aid	495-034-5120-084	7/1/11-6/30/12	44,092				44,092	(44,092)				1,571	44,092
Adjustment Aid	495-034-5120-085	7/1/11-6/30/12	56,829				56,829	(56,829)				2,025	56,829
Transportation Aid	495-034-5120-014	7/1/11-6/30/12	130,895				130,895	(130,895)				4,663	130,895
Extraordinary Aid	N/A	7/1/11-6/30/12	57,192					(57,192)					57,192
Extraordinary Aid	N/A	7/1/10-6/30/11	47,060	(47,060)									47,060
Reimbursed Non Public Transportation Aid	N/A	7/1/11-6/30/12	19,934					(19,934)					19,934
Reimbursed Non Public Transportation Aid	N/A	7/1/10-6/30/11	11,310	(11,310)									11,310
Reimbursed TPAF Social Security Contributions	495-034-5095-006	7/1/11-6/30/12	416,875				416,875	(416,875)					416,875
Total General Fund				(58,370)	0	0	1,001,568	(1,020,324)	0	(77,126)	0	18,751	1,079,694
State Department of Agriculture													
Enterprise Fund:													
National School Lunch Program (State Share)	100-010-3350-023	7/1/10-6/30/11	769	(152)			152	(677)		(110)			769
National School Lunch Program (State Share)	100-010-3350-023	7/1/11-6/30/12	677					(677)					677
Total Enterprise Fund				(152)	0	0	719	(677)	0	(110)	0	0	769
Total State Financial Assistance				(\$58,522)	0	0	1,002,287	(1,021,001)	0	(77,236)	0	18,751	1,079,463

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

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to the Schedules of Financial Assistance
June 30, 2012**

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on 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 Board'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* and NJ OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. 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 GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from budgetary basis to GAAP basis is (\$18,751) for the general fund and \$6,063 for the special revenue fund. See the following schedule and Note 1(D) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general,

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to the Schedules of Financial Assistance
June 30, 2012**

special revenue and food service funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
State Assistance:			
Actual amounts (budgetary) “revenues” from the Schedule of Expenditures of State Financial Assistance	\$1,020,324	677	1,021,001
Difference – budget to “GAAP” On-behalf payments recognized for GAAP statements but not included in the Schedule of Financial Assistance	472,066		472,066
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	0		0
State aid payments recognized for budgetary purposes not recognized for GAAP statements until the subsequent year.	(18,751)		(18,751)
Total State revenue as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$1,473,639</u>	<u>677</u>	<u>1,474,316</u>

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to the Schedules of Financial Assistance
June 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Local Assistance:				
Actual amounts (budgetary) “revenues” from the Schedule of Expenditures of State Financial Assistance		30,216		30,216
Difference – budget to “GAAP” Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		491		491
<hr/>				
Total State revenue as reported on the statement of revenues, expenditures and changes in fund balances	0	30,707	0	30,707
<hr/>				
Federal Assistance:				
Actual amounts (budgetary) “revenues” from the Schedule of Expenditures of Federal Awards	31,984	218,186	24,119	274,289
Difference – budget to “GAAP” Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		5,572		5,572
<hr/>				
Total Federal revenue as reported on the statement of revenue, expenditures, and changes in fund balances	31,984	223,758	24,119	279,861
<hr/>				

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.

**City of Margate Board of Education
(A Component Unit of the City of Margate)
Notes to the Schedules of Financial Assistance
June 30, 2012**

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

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

Part I -- Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	<u>Unqualified</u>		
Internal control over financial reporting:			
1) Material weakness(es) identified?	_____	yes	_____ <u>X</u> _____ no
2) Significant deficiency(ies) identified	_____	yes	_____ <u>X</u> _____ no
Noncompliance material to financial statements noted?	_____	yes	_____ <u>X</u> _____ no

Federal Awards Section

Not Applicable

Internal Control over major programs:			
1) Material weakness(es) identified?	_____	yes	_____ no
2) Significant deficiency(ies) identified	_____	yes	_____ no
Type of auditor's report 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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs: _____

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

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

Part I -- Summary of Auditor's Results

State Awards Section

Internal Control over major programs:

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

2) Significant deficiency(ies) identified _____ yes X no

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

_____ Unqualified _____

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04?

_____ yes X no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
495-034-5120-089	Categorical Special Education Aid
495-034-5120-084	Categorical Security Aid
495-034-5120-085	Adjustment Aid

Dollar threshold used to distinguish between Type A and Type B programs:

_____ \$300,000 _____

Auditee qualified as low-risk auditee?

_____ X yes _____ no _____

**CITY OF MARGATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Part 2 -- Schedule of Financial Statement Findings

None

***Part 3 – Federal Awards and State Financial Assistance Findings and Questioned
Costs***

None

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

STATUS OF PRIOR YEAR FINDINGS

None