

School District  
of  
SPOTSWOOD  
BOROUGH

Spotswood Borough  
Board of Education  
County of Middlesex  
New Jersey

*Comprehensive Annual Financial Report  
Year Ended June 30, 2011*







**School District of  
Spotswood Borough**

**Spotswood Borough Board of Education  
Spotswood, New Jersey**

**Comprehensive Annual Financial Report  
Year Ended June 30, 2011**

**Prepared by**

**Spotswood Borough School District  
Business Division**



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# SPOTSWOOD BOARD OF EDUCATION



DR. WALTER USZENSKI  
SUPERINTENDENT OF SCHOOLS

## ADMINISTRATIVE OFFICES

105 SUMMERHILL ROAD • SPOTSWOOD, NEW JERSEY 08884

732-723-2240 • FAX: 732-251-7666

WEB SITE: WWW.SPOTSWOOD.K12.NJ.US

ROBERT GREEN  
BUSINESS ADMINISTRATOR/  
BOARD SECRETARY

November 7, 2011

Honorable President and Members of the  
Spotswood Borough Board of Education  
105 Summerhill Road  
Spotswood Borough  
County of Middlesex, New Jersey

Dear Board Members and Constituents:

The comprehensive annual financial report of the Spotswood Borough School District (the "District") as of and for the year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the District. 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 of, the governmental activities, business-type activities, each major fund and the aggregate remaining fund information at June 30, 2011 and the respective changes in financial position, and where applicable, cash flows for the year then ended. 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 (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's organizational chart, a listing of consultants, independent auditor and advisors, and roster of officials. The financial section includes Management's Discussion and Analysis, basic financial statements, required supplementary information and other supplementary information, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis and is unaudited. The District is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and the New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this Single Audit, including the auditors' report on internal control over compliance and on compliance with applicable laws and regulations, if applicable, are included in the Single Audit section of this report.



### **1. Reporting Entity and its Services**

The District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (“GASB”) as established by GASB Statement No. 14. All funds and the government-wide financial statements of the District are included in this report. The Board and all its schools constitute the District’s reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational, as well as special education for handicapped youngsters. The District completed the 2010-2011 fiscal year with an average daily enrollment of 1,815 students, which is approximately a 0.39% increase from the prior year’s average daily enrollment. The following details the changes in the average daily enrollment of the District over the last five years.

#### **Average Daily Enrollment**

<b>Fiscal Year</b>	<b>Student Enrollment</b>	<b>Percent Change</b>
2011	1,815	0.39%
2010	1,808	2.73
2009	1,760	(0.40)
2008	1,767	(0.56)
2007	1,777	1.43

### **2. Economic Condition and Outlook**

The Spotswood School District has met many financial obstacles this past year head on and has adjusted its day to day operations significantly to meet these challenges.

The merge with the Helmetta School District in the 2009-2010 school year forced an adjustment to a projected loss in tuition revenue which is replaced with an equalized valuation tax levy calculation. This, compounded with only a small increase in State Aid, necessitated a very strict spending freeze, adjustment in staffing and new and innovative revenue streams.

### **3. Initiatives**

The Spotswood School District’s initiatives for the 2011/2012 school year will be as follows:

- **Accountability**

Curriculum guides in the areas of Social Studies and Language Arts will be refined through curriculum mapping and with the newly revised State Core Curriculum Standards as a part of the Curriculum Review Cycle.

Follow up of a review/evaluation of Language Arts Literacy for 2011/12 school year.

By Fall 2011, the District will have in place common, formative and summative assessments F-12.

- **Curriculum Renewal**

The Advanced Placement program at the high school for 2011/12 will include the AP Spanish IV course.

New programs at the high school for 2011/2012 will include a Forensic Science course.

An elective course, 21<sup>st</sup> Century, will be included in the middle school's course electives for the 2011/2012 school year.

- **Staff Development**

The District continues an Induction Program focusing on the Hunter Model of lesson design companion with motivational, retention and transfer theory. As staff master these essential components of effective teaching, the TESA program (Teacher Expectations Student Achievement) is implemented and offered to all staff in the District.

As administrative staff members have changed roles for 2011/12, training of Carolyn J. Downey's Three-Minute Classroom Walk-Through is being provided to all administrators.

Staff is being provided training on data-driven assessments, curriculum mapping; and student performance tracker.

- **Operational Improvement**

PLC (Professional Learning Communities) teams will be trained and fully operational during the 2011/2012 school year, providing for groups of teachers who form a support group to work on a plan strategically around particular topics, and challenge their teaching in a nurturing environment.

School Improvement Teams will continue to review results of Effective Schools Correlate surveys – defining direction for future growth.

#### **4. Service Efforts and Accomplishments**

The District's achievement continues to be highly competitive with the District Factor Group as well as state results. The District, according to New Jersey Monthly Magazine, came in 6<sup>th</sup> out of 22 schools in Middlesex County for the DFG. Our high school is 105 of 322 in the State.

#### **5. Major Operational or Financial Concerns**

While Spotswood did meet the financial challenges put before it this year, there continues to be a growing concern with a future of lessening anticipated revenue. Facility repairs and structural and systems up keep are one of the primary focuses of the District. The Maintenance Reserve Account that has been established will assist in this goal.

The reduction of programs, personnel and re-assignment of personnel has eased the financial impact from the declining revenues. The Board struggles to continue to maintain the class sizes as they are today that benefit the learning experience for all children.

#### **6. Significant Budget Variances or Budget Modifications**

Having received a significant increase in ARRA Special Funding over the past two years, the District capitalized on this and used this funding to save teaching positions and allowed the excess to be allocated toward minimizing the financial impact on the tax payers of the District.

#### **7. Internal Control**

Management of the District is responsible for establishing and maintaining internal control 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 accounting principles generally accepted in the United States (GAAP). Internal control 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) evaluation of costs and benefits requires estimates and judgments by management.

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

As part of the District's Single Audit described earlier, tests are made to evaluate the adequacy of internal control over compliance, including that portion related to federal awards and state financial assistance programs, as well as to evaluate the District's compliance with applicable laws and regulations relating to its major programs.

#### **8. Budgetary Controls**

In addition to internal control, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2011.

#### **9. Accounting Systems and Reports**

The District's financial statements are presented in conformity with accounting principles generally accepted in the United States, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements," Note 1.

#### **10. Debt Administration**

At June 30, 2011, the District's outstanding debt issues included \$8,850,000 of bonds. During the 2011 fiscal year, the District was notified that its bond rating was AA-, but enhanced by the School Bond Reserve Act with an underlying rating for the District of A+. The legal debt margin and the debt per capita can be found in the Statistical section, schedules J-13 and J-11, respectively.

#### **11. Cash Management**

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements," Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1980 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

## **12. 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.

## **13. Other Information**

*Independent Audit:* State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The independent accounting firm of Wiss and Company, LLP was selected by the Board to perform the audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and New Jersey OMB Circular 04-04. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the Single Audit are included in the Single Audit section of this report.

## **14. Acknowledgments**

We would like to express our appreciation to the members of the Spotswood Borough Board of Education 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. Additionally, we wish to acknowledge the assistance given by the members of the central office staff.

Respectfully Submitted,

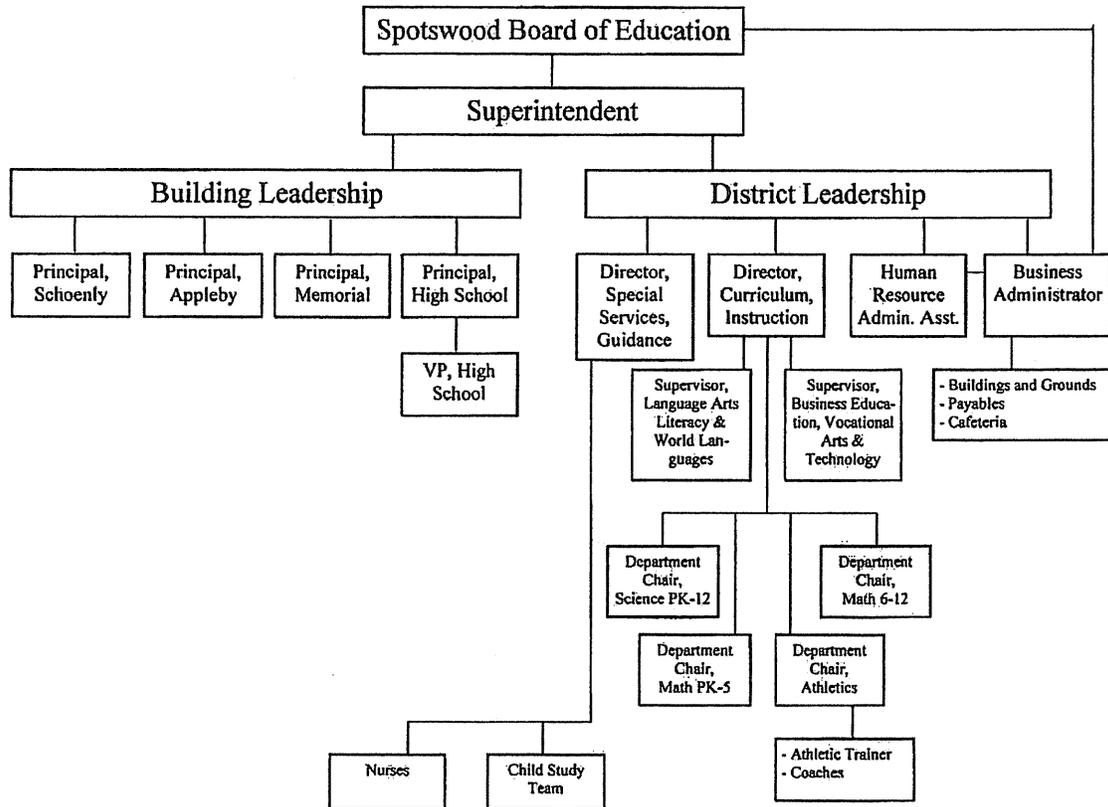


Dr. Walter Uszenski, Ed.D  
Superintendent of Schools



Mr. Robert A. Green, Jr.  
School Business Administrator  
Board Secretary

Spotswood Borough School District  
 Spotswood, New Jersey  
 Organizational Chart  
 June 30, 2011



Spotswood Borough School District  
Spotswood, New Jersey

Roster of Officials

June 30, 2011

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Donna Faulkenberry, President	2014
Dulce Branco-Rivera, Vice President	2012
John Lavelle	2013
William J. Loschiavo	2013
William Smith	2012
Linda Harold (Milltown Representative)	

**Other Officials**

Dr. Walter Uszenski, Superintendent of Schools  
Letitia Spinillo, School Business Administrator/Board Secretary  
(Through 9/30/11)  
Robert A. Green, Jr., School Business Administrator/Board  
Secretary (Effective 10/1/11)  
Barbara Petren, Treasurer of School Moneys

Spotswood Borough School District  
Spotswood, New Jersey

Independent Auditor and Advisors

**Attorney**  
David Rubin, PC  
44 Bridge Street  
Metuchen, New Jersey 08840

**Bond Attorney**  
McManimon & Scotland, LLC  
One Riverfront Plaza, Fourth Floor  
Newark, New Jersey 07102

**Independent Auditor**  
Wiss and Company, LLP  
485C Route 1 South, Suite 250  
Iselin, New Jersey 08830

**Official Depository**  
TD Bank  
Route 18 South  
East Brunswick, New Jersey 07753

**Official Newspapers**  
Home News/Tribune  
3601 State Highway 66  
Spotswood, New Jersey 07753

The Newark Star Ledger  
One Star Ledger Plaza  
Newark, New Jersey 07102

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## Independent Auditors' Report

Honorable President and Members  
of the Board of Education  
Spotswood Borough School District  
Spotswood, New Jersey  
County of Middlesex

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 Spotswood Borough School District, County of Middlesex, New Jersey (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 District as of June 30, 2011 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

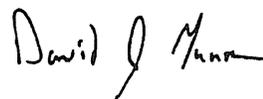
In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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.

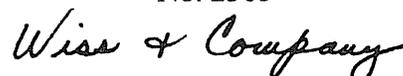
Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which consists of the introductory section, budgetary schedules, combining and individual fund financial statements, long-term debt schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary schedules, combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



David J. Gannon  
Licensed Public School Accountant  
No. 2305



WISS & COMPANY, LLP

November 7, 2011  
Iselin, New Jersey

Required Supplementary Information  
Part I



## Management's Discussion and Analysis



Spotswood Borough School District  
Management's Discussion and Analysis  
Year ended June 30, 2011  
(Unaudited)

As management of the Spotswood Borough School District (the "District"), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District as of and for the year ended June 30, 2011. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year and the prior year is presented in the MD&A as required by GASB Statement No. 34.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and sick leave).

The government-wide financial statements can be found on pages 21-22 of this report.

**Fund financial statements.** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, special revenue fund, capital projects fund and debt service fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund, special revenue fund and debt service fund. Budgetary comparison statements have been provided as required supplementary information for the general fund and special revenue fund and as other supplementary information for the debt service fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 23-25 of this report.

**Proprietary funds.** The District maintains three enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for the operations of its food service, CARES and printing services programs.

The enterprise fund financial statements can be found on pages 26-28 of this report.

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

The District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The District also has an unemployment compensation trust fund. The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 31-55 of this report.

**Other information.** The combining statements referred to earlier in connection with governmental funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found on pages 55-73 of this report.

### Financial Highlights

#### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, the total Government-wide assets exceeded liabilities by \$10,987,406 (net assets) at the close of 2011. The following table provides a summary of net assets relating to the District's governmental and business-type activities as of June 30, 2011 and 2010:

Spotswood Borough School District  
Spotswood, New Jersey  
Net Assets  
June 30,

	2011			2010		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and other assets	\$ 3,223,573	\$ 471,472	\$ 3,695,045	\$ 2,345,280	\$ 350,899	\$ 2,696,179
Capital assets, net	17,537,860	9,252	17,547,112	17,945,875		17,945,875
Total assets	20,761,433	480,724	21,242,157	20,291,155	350,899	20,642,054
Current liabilities	1,747,163	114,443	1,861,606	1,613,086	84,283	1,697,369
Long-term liabilities outstanding	8,393,145		8,393,145	9,262,938		9,262,938
Total liabilities	10,140,308	114,443	10,254,751	10,876,024	84,283	10,960,307
Net assets						
Invested in capital assets, net of related debt	8,730,524	9,252	8,739,776	8,405,875		8,405,875
Restricted	2,050,004		2,050,004	1,464,885		1,464,885
Unrestricted (deficit)	(159,403)	357,029	197,626	(455,629)	266,616	(189,013)
Total net assets	\$ 10,621,125	\$ 366,281	\$ 10,987,406	\$ 9,415,131	\$ 266,616	\$ 9,681,747

The largest portion of the District's net assets is its investment in capital assets, net of related debt. Restricted net assets include those that are subject to external restrictions (e.g. for debt service, excess surplus, maintenance reserve, tuition reserve and capital reserve).

The remaining (deficit) balance of unrestricted net assets \$(159,403) of the governmental activities reflects the District's obligations such as compensated absences that are not invested in capital assets.

The decrease in capital assets, net of \$398,763 is attributable to current year depreciation expense exceeding the amounts capitalized on capital assets. The increase in invested in capital assets, net of related debt of \$333,901 is mainly attributable to the paying down of long-term debt.

The decrease in long-term liabilities of \$869,793 is mainly attributable to the paying down of long-term debt.

The increase in current and other assets and restricted net assets is a result of operations during the year that resulted in the District having excess surplus from current year operations in the amount of \$460,140, increases to the District's capital reserve account of \$100,000 and the District designating \$300,000 to be used as a tuition reserve. As a result, cash on hand at June 30, 2011 also increased.

**District activities.** The key elements of the District's changes in net assets for the year ended June 30, 2011 and 2010 are as follows:

Spotswood Borough School District  
Spotswood, New Jersey  
Changes in Net Assets

Years ended June 30,

	2011			2010		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,686,085	\$ 784,409	\$ 5,470,494	\$ 3,906,064	\$ 755,796	\$ 4,661,860
Operating grants and contributions	685,679	156,428	842,107	1,046,228	147,881	1,194,109
Capital grants and contributions				56,274		56,274
General revenues:						
Property taxes	14,723,349		14,723,349	14,359,797		14,359,797
State aid not restricted to specific purposes	7,023,008		7,023,008	6,742,727		6,742,727
Federal aid not restricted to specific purposes	70,455		70,455	964,809		964,809
Interest earnings	10,522	540	11,062	19,588	1,511	21,099
Miscellaneous	47,590		47,590	267,944		267,944
Transfers	(33,481)	33,481				
Cancellation of prior year accounts receivable				(175,954)		(175,954)
<b>Total revenues</b>	<b>27,213,207</b>	<b>974,858</b>	<b>28,188,065</b>	<b>27,187,477</b>	<b>905,188</b>	<b>28,092,665</b>
<b>Expenses:</b>						
Instructional services	16,170,747	314,546	16,485,293	16,411,805	279,217	16,691,022
Support services	9,572,770	560,647	10,133,417	10,074,766	581,619	10,656,385
Interest on long-term debt	263,696		263,696	412,248		412,248
<b>Total expenses</b>	<b>26,007,213</b>	<b>875,193</b>	<b>26,882,406</b>	<b>26,898,819</b>	<b>860,836</b>	<b>27,759,655</b>
<b>Change in net assets</b>	<b>1,205,994</b>	<b>99,665</b>	<b>1,305,659</b>	<b>288,658</b>	<b>44,352</b>	<b>333,010</b>
Net assets – beginning of year	9,415,131	266,616	9,681,747	9,126,473	222,264	9,348,737
<b>Net assets – end of year</b>	<b>\$ 10,621,125</b>	<b>\$ 366,281</b>	<b>\$ 10,987,406</b>	<b>\$ 9,415,131</b>	<b>\$ 266,616</b>	<b>\$ 9,681,747</b>

The increase in charges for services in the governmental activities (tuition) is the result of the additional tuition billed and collected from Milltown and an increase in enrollment for tuition that parents pay individually.

The decrease in operating grants and contributions as well as certain instructional services expenses, is a result of the American Recovery and Reinvestment Act ("ARRA") funds received in the prior year for the NCLB and IDEIA grants. Although these grants were permitted to be spent over two years, the District expended the majority of the funds during the prior year.

Federal aid not restricted was reduced substantially from the prior year as the federal aid was new in the prior year and was received through ARRA Education Stabilization Fund and ARRA Government Services Fund Aid, which were not offered to the District during the current year. During the current year, Education Jobs funds were received and expended by the District.

Expenses were down almost \$1 million in the 2011 fiscal year from the prior year based on the current state of the economy and overall uncertainty regarding the consistency of the state funding formula.

**Financial Analysis of the District’s Funds**

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

**Governmental funds.** The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. The unreserved fund balance is divided between restricted, assigned and unassigned balances. The District has restricted and assigned portions of the fund balance to earmark resources for certain liabilities that are not recognized in the governmental funds.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2011, and the increases and decreases in relation to the prior year.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2010</u>	<u>Percent of Increase (Decrease)</u>
Local sources	\$ 19,473,373	71.47%	\$ 916,645	4.94%
State sources	7,112,497	26.10	209,621	3.04
Federal sources	660,818	2.43	(1,186,633)	(64.23)
<b>Total</b>	<b>\$ 27,246,688</b>	<b>100.00%</b>	<b>\$ (60,367)</b>	<b>(0.22)%</b>

The increase in local sources is mainly attributable to the increase in tuition revenue and tax levy to offset the elimination of ARRA funding offered during the prior year.

The decrease in federal sources is mainly attributable to the stimulus funds from ARRA received in the prior year that were not provided during the current year.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2011 and the increases and decreases related to the prior year:

<b>Expenditures</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>(Decrease) Increase from 2010</b>	<b>Percent of (Decrease) Increase</b>
Current expenditures:				
Instruction	\$ 12,064,423	45.13%	\$ (336,752)	(2.72)%
Undistributed expenditures	12,831,730	48.00	(371,281)	(2.81)
Capital outlay	511,019	1.91	37,459	7.91
Debt service:				
Principal	835,000	3.12	20,000	2.45
Interest	389,634	1.46	(33,344)	(7.88)
Cost of issuance	101,922	0.38	101,922	100.00
<b>Total</b>	<b>\$ 26,733,728</b>	<b>100.00%</b>	<b>\$ (581,996)</b>	<b>(2.13)%</b>

The decrease in instruction expenditures and undistributed expenditures is attributable mainly to the decreases in salaries and benefits due to a reduction of staff. The overall decrease in spending reflects the conservative nature that the District has taken towards its budget and its effect on taxpayers in order to keep tax increases low.

### **General Fund Budgetary Highlights**

Overall, there were no additional appropriations made to the original budget as compared to the final budget. During the year, revenues exceeded budgetary estimates and expenditures exceeded budgetary estimates, thus eliminating the need to draw upon existing fund balance.

Budgetary transfers were made between budgetary line items and approved by the Board for various reasons yet mainly due to strong financial constraints anticipating appropriation of undesignated fund balance for tax relief in the upcoming budget development. This is resulting from the A5 Legislation capping the amount of increase in the tax levy in budget development. The following represent a few of the more significant transfers made during the year:

- Basic skill/remedial – instruction – a decrease of \$183,591 is attributable to the District reassigning staff for changes in the needs of the student population.
- Instruction – Tuition – an increase of \$105,729 is attributable to the merger of the Helmetta school district. Spotswood did not anticipate expenditures in this category that are mainly attributable to Helmetta.
- Custodial services – a decrease of \$306,167 is attributable to a decrease of three employees in this function. Spotswood originally budgeted for the same number of employees as the prior year. A portion of this decrease was utilized for the increase in health benefits.
- Unallocated benefits – an increase of \$309,241 is attributable to the increase in health insurance premiums where there were unexpected increases.

## Capital Assets and Debt Administration

*Capital Assets.* The District has capital assets, net of depreciation of \$17,537,860 at June 30, 2011, including land, site improvements, buildings and building improvements, machinery, equipment and vehicles. (More detailed information about capital assets can be found in Note 4 to the basic financial statements.)

The District's capital assets, net of accumulated depreciation consisted of the following:

	June 30,	
	2011	2010
Land	\$ 197,617	\$ 197,617
Construction in progress		14,198
Site improvements	248,099	282,385
Buildings and building improvements	16,524,622	17,040,605
Machinery, equipment and vehicles	567,522	411,070
Total capital assets, net	<u>\$ 17,537,860</u>	<u>\$ 17,945,875</u>

*Debt Administration and Long-Term Liabilities.* During the 2011 fiscal year, the remaining principal on the District's 2003 bond issue was refunded.

The District's long-term liabilities consisted of:

	June 30,	
	2011	2010
Bonds payable	\$ 8,850,000	\$ 9,540,000
Unamortized Deferred interest costs	(299,434)	
Unamortized Premium on bonds	256,770	
Compensated absences payable	752,857	824,527
Total long-term liabilities	<u>\$ 9,560,193</u>	<u>\$ 10,364,527</u>

More detailed information about the District's outstanding debt and long-term liabilities can be found in Note 5 to the basic financial statements.

## Economic Factors and Next Year's Budget

- Serious attention is being given to the new levy calculation resulting from the Department of Education merging of the Helmetta District which appears to be based on equalized valuation for the calculation.
- With a 2% levy cap passed by the State Legislature, and dwindling revenues, alternative revenue sources are being considered along with a strong hard look at expenditures in all areas.

- The Board is in the initial stages of implementing an Energy Savings Incentive Plan that will hopefully prove to be cost neutral and also provide for many necessary facility upgrades including roofs, boilers and roof top air handling units.
- The District plans to utilize grant funding from the State for window replacement in the high school with matching funds from the District's capital reserve.

All of these factors were considered in preparing the District's budget for the 2011-12 fiscal year. The reduction and/or stabilization of state aid will make future budgets difficult.

### **Requests for Information**

This financial report is designed to provide a general overview of the Spotswood Borough School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the School Business Administrator, 105 Summerhill Road, Spotswood, New Jersey 08884.

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# Basic Financial Statements



# Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2011.



## Spotswood Borough School District

## Statement of Net Assets

June 30, 2011

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 908,620	\$ 393,986	\$ 1,302,606
Accounts receivable	763,800	62,422	826,222
Inventories		15,064	15,064
Deferred charges	100,942		100,942
Restricted assets:			
Cash and cash equivalents	1,450,211		1,450,211
Capital assets, non-depreciable	197,617		197,617
Capital assets, depreciable, net	17,340,243	9,252	17,349,495
Total assets	<u>20,761,433</u>	<u>480,724</u>	<u>21,242,157</u>
<b>Liabilities</b>			
Accounts payable	431,762	6,585	438,347
Accrued interest payable	38,641		38,641
Intergovernmental payables - state	64,969		64,969
Unearned revenue	44,743	107,858	152,601
Current portion of long-term obligations	1,167,048		1,167,048
Noncurrent portion of long-term obligations	8,393,145		8,393,145
Total liabilities	<u>10,140,308</u>	<u>114,443</u>	<u>10,254,751</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	8,730,524	9,252	8,739,776
Restricted for:			
Debt service	1		1
Maintenance reserve	440,270		440,270
Capital reserve	709,941		709,941
Tuition reserve	300,000		300,000
Excess surplus	599,792		599,792
Unrestricted (deficit)	(159,403)	357,029	197,626
Total net assets	<u>\$ 10,621,125</u>	<u>\$ 366,281</u>	<u>\$ 10,987,406</u>

See independent auditor's report and accompanying notes to the basic financial statements.

## Spotswood Borough School District

## Statement of Activities

Year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities</b>						
Instruction	\$ 16,170,747	\$ 4,686,085	\$ 427,496	\$ (11,057,166)		\$ (11,057,166)
Support services:						
Health services	360,310			(360,310)		(360,310)
Other support services	2,446,934		258,183	(2,188,751)		(2,188,751)
Improvement of instruction	385,422			(385,422)		(385,422)
School library	98,143			(98,143)		(98,143)
Instructional staff training	27,858			(27,858)		(27,858)
General administration	443,942			(443,942)		(443,942)
School administration	1,141,675			(1,141,675)		(1,141,675)
Central services	521,992			(521,992)		(521,992)
Administrative information technology	236,545			(236,545)		(236,545)
Required maintenance of plant services	606,166			(606,166)		(606,166)
Operation of plant	2,372,320			(2,372,320)		(2,372,320)
Student transportation	931,463			(931,463)		(931,463)
Interest on long-term debt	263,696			(263,696)		(263,696)
Total governmental activities	26,007,213	4,686,085	685,679	(20,635,449)		(20,635,449)
<b>Business-type activities</b>						
Food service	541,641	414,931	156,428		\$ 29,718	29,718
CARES	314,546	367,235			52,689	52,689
Printing services	19,006	2,243			(16,763)	(16,763)
Total business-type activities	875,193	784,409	156,428		65,644	65,644
Total primary government	\$ 26,882,406	\$ 5,470,494	\$ 842,107	(20,635,449)	65,644	(20,569,805)
<b>General revenues</b>						
Property taxes, levied for general purposes				13,566,885		13,566,885
Property taxes, levied for debt service				1,156,464		1,156,464
State sources				7,023,008		7,023,008
Federal sources				70,455		70,455
Interest earnings				10,522	540	11,062
Miscellaneous income				47,590		47,590
Transfers				(33,481)	33,481	-
Total general revenues and transfers				21,841,443	34,021	21,875,464
Change in net assets				1,205,994	99,665	1,305,659
Net assets—beginning of year				9,415,131	266,616	9,681,747
Net assets—end of year				\$ 10,621,125	\$ 366,281	\$ 10,987,406

See independent auditor's report and accompanying notes to the basic financial statements.

# Fund Financial Statements



# Governmental Funds

Spotswood Borough School District  
Governmental Funds

Balance Sheet

June 30, 2011

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
<b>Assets</b>					
Cash and cash equivalents	\$ 887,020	\$ 21,599		\$ 1	\$ 908,620
Accounts receivable:					
State	122,154		\$ 56,274		178,428
Federal	795	45,075			45,870
Other	438,626	28,388			467,014
Interfund	128,762				128,762
Restricted assets:					
Cash and cash equivalents	1,450,211				1,450,211
Total assets	<u>\$ 3,027,568</u>	<u>\$ 95,062</u>	<u>\$ 56,274</u>	<u>\$ 1</u>	<u>\$ 3,178,905</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 422,112	\$ 9,650			\$ 431,762
Intergovernmental payables:					
State		64,969			64,969
Interfunds payable			\$ 56,274		56,274
Deferred revenue	24,300	20,443			44,743
Total liabilities	<u>446,412</u>	<u>95,062</u>	<u>56,274</u>		<u>597,748</u>
<b>Fund balances:</b>					
Restricted for:					
Excess surplus-prior year	139,652				139,652
Excess surplus-current year	460,140				460,140
Debt service fund				\$ 1	1
Capital reserve account	709,941				709,941
Maintenance reserve account	440,270				440,270
Tuition reserve account	300,000				300,000
Assigned to:					
Designated for subsequent year's expenditures	415,348				415,348
Other purposes	64,598				64,598
Unassigned	51,207				51,207
Total fund balances	<u>2,581,156</u>			<u>1</u>	<u>2,581,157</u>
Total liabilities and fund balances	<u>\$ 3,027,568</u>	<u>\$ 95,062</u>	<u>\$ 56,274</u>	<u>\$ 1</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$30,457,357 and the accumulated depreciation is \$12,919,497.	17,537,860
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(38,641)
Unamortized portion of debt issuance costs not reported as an asset in the funds.	100,942
Long-term liabilities, including bonds payable, compensated absences and unamortized premium on bonds are not due and payable in the current period and therefore are not reported as liabilities in the funds and unamortized deferred interest costs are not reported as an asset in the funds.	(9,560,193)
Net assets of governmental activities	<u>\$ 10,621,125</u>

Spotswood Borough School District  
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2011

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
<b>Revenues</b>					
Local sources:					
Local tax levy	\$ 13,566,885			\$ 1,156,464	\$ 14,723,349
Tuition	4,686,085				4,686,085
Investment income	10,522				10,522
Miscellaneous	47,590	\$ 5,827			53,417
Total local sources	18,311,082	5,827	-	1,156,464	19,473,373
State sources	6,954,838	89,489		68,170	7,112,497
Federal sources	70,455	590,363			660,818
Total revenues	25,336,375	685,679	-	1,224,634	27,246,688
<b>Expenditures</b>					
Current:					
Instruction	10,762,925	427,386			11,190,311
Undistributed-current:					
Instruction	874,112				874,112
Health services	262,027				262,027
Other support services	1,642,113	258,183			1,900,296
Improvement of instruction	277,678				277,678
Education media library	73,736				73,736
Instructional staff training	26,616				26,616
General administration	358,370				358,370
School administration	822,073				822,073
Central services	409,177				409,177
Administrative information technology	180,827				180,827
Required maintenance of plant services	524,905				524,905
Operation of plant	1,928,999				1,928,999
Student transportation	860,500				860,500
Unallocated benefits	3,522,241				3,522,241
On-behalf TPAF social security and pension contributions	1,684,285				1,684,285
Capital outlay	510,909	110			511,019
Debt Service:					
Principal				835,000	835,000
Interest				389,634	389,634
Cost of issuance				101,922	101,922
Total expenditures	24,721,493	685,679	-	1,326,556	26,733,728
Excess (deficit) of revenues over (under) expenditures	614,882	-	-	(101,922)	512,960
Other financing sources (uses)					
Refunding bonds issued				7,340,000	7,340,000
Premium on bonds issued				259,263	259,263
Payment to refunding bond escrow agent				(7,497,341)	(7,497,341)
Transfers out	(33,481)				(33,481)
Total other financing sources (uses)	(33,481)			101,922	68,441
Net change in fund balances	581,401	-	-	-	581,401
Fund balances, July 1	1,999,755	-	-	1	1,999,756
Fund balances, June 30	\$ 2,581,156	\$ -	\$ -	\$ 1	\$ 2,581,157

The reconciliation of the fund balances of governmental funds to the net assets of governmental activities in the statement of activities is presented in an accompanying schedule (B-3).

*See independent auditors' report and accompanying notes to the basic financial statements.*

Spotswood Borough School District  
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2011

**Total net change in fund balances - governmental funds (from B-2)** \$ 581,401

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 additions in the period.

	Depreciation expense	\$ (749,538)	
	Capital additions	341,523	
		(408,015)	

In the statement of activities, interest on long-term debt/capital leases is accrued, regardless of when due. In the governmental funds, interest is reported when due. The amount presented is the change from prior year. 127,332

Repayments of bond principal are expenditures 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. 8,030,000

Bonds Issued - 2011 Refunding Bonds (2003 Debt) (7,340,000)

Governmental funds report the effect of premiums on bonds and deferred interest costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 42,664

Issuance costs-current year	\$ 101,922	
-current year amortization	(980)	
	100,942	

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). 71,670

**Change in net assets of governmental activities (A-2)** \$ 1,205,994

*See independent auditors' report and accompanying notes to the basic financial statements.*

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# Enterprise Funds



Spotswood Borough School District  
Enterprise Funds

Statement of Net Assets

June 30, 2011

	Major Enterprise Funds		
	Food Service	C.A.R.E.S.	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 66,093	\$ 327,893	\$ 393,986
Accounts receivable:			
State	1,359		1,359
Federal	21,144		21,144
Other	39,919		39,919
Inventories	15,064		15,064
Total current assets	143,579	327,893	471,472
Capital assets:			
Equipment	146,547		146,547
Accumulated depreciation	(137,295)		(137,295)
Total capital assets, net	9,252		9,252
Total assets	152,831	327,893	480,724
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	6,585		6,585
Unearned revenue	3,393	104,465	107,858
Total current liabilities	9,978	104,465	114,443
<b>Net assets</b>			
Invested in capital assets	9,252		9,252
Unrestricted	133,601	223,428	357,029
Total net assets	\$ 142,853	\$ 223,428	\$ 366,281

*See independent auditors' report and accompanying notes to the basic financial statements.*

Spotswood Borough School District  
Proprietary Funds

Statement of Revenues, Expenses and  
Changes in Fund Net Assets

Year ended June 30, 2011

	<u>Major Enterprise Funds</u>			<u>Totals</u>
	<u>Food Service</u>	<u>C.A.R.E.S.</u>	<u>Printing Services</u>	
Operating revenues:				
Local sources:				
Daily sales reimbursable programs	\$ 399,456			\$ 399,456
Program fees		\$ 367,235	\$ 2,243	369,478
Special functions	15,475			15,475
Total operating revenues	414,931	367,235	2,243	784,409
Operating expenses:				
Salaries	164,130	263,498		427,628
Employee benefits	33,800			33,800
Purchase professional services	7,801	128		7,929
Purchased property services	20,237			20,237
Supplies and materials	40,951	23,041	19,006	82,998
Repairs and maintenance	2,329			2,329
Cost of sales	265,274			265,274
Depreciation	1,850			1,850
Other objects	5,269	27,879		33,148
Total operating expenses	541,641	314,546	19,006	875,193
Operating (loss) income	(126,710)	52,689	(16,763)	(90,784)
Nonoperating revenues:				
State sources:				
State school lunch program	5,772			5,772
Federal sources:				
National school lunch program	120,384			120,384
Food donation program	30,272			30,272
Interest revenue	539	1		540
Total nonoperating revenues	156,967	1		156,968
Income (loss) before transfers	30,257	52,690	(16,763)	66,184
Transfers in - Board contribution			33,481	33,481
Change in net assets	30,257	52,690	16,718	99,665
Total net assets (deficit), beginning of year	112,596	170,738	(16,718)	266,616
Total net assets, end of year	<u>\$ 142,853</u>	<u>\$ 223,428</u>	<u>\$ -</u>	<u>\$ 366,281</u>

*See independent auditors' report and accompanying notes to the basic financial statements.*

Spotswood Borough School District  
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2011

	<b>Major Enterprise Funds</b>			Totals
	Food Service	C.A.R.E.S.	Printing Services	
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 396,607	\$ 390,313	\$ 2,243	\$ 789,163
Payment of interfunds			(16,718)	(16,718)
Payments to employees and for employee benefits	(197,930)	(263,498)		(461,428)
Payments to suppliers	(341,790)	(51,048)	(19,006)	(411,844)
Net cash (used in) provided by operating activities	(143,113)	75,767	(33,481)	(100,827)
<b>Cash flows from noncapital financing activities</b>				
Cash received from state and federal reimbursements	111,087			111,087
Receipts from food donation program	30,769			30,769
Transfer in - board contribution			33,481	33,481
Net cash provided by noncapital financing activities	141,856		33,481	175,337
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(11,102)			(11,102)
Net cash (used in) capital and related financing activities	(11,102)			(11,102)
<b>Cash flows from investing activities</b>				
Cash received from interest income	539	1		540
Net cash provided by investing activities	539	1		540
Net (decrease) increase in cash and cash equivalents	(11,820)	75,768	-	63,948
Cash and cash equivalents, beginning of year	77,913	252,125	-	330,038
Cash and cash equivalents, end of year	<u>\$ 66,093</u>	<u>\$ 327,893</u>	<u>\$ -</u>	<u>\$ 393,986</u>
<b>Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:</b>				
Operating (loss) income	\$ (126,710)	\$ 52,689	\$ (16,763)	\$ (90,784)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:				
Depreciation	1,850			1,850
Change in assets and liabilities:				
(Increase) in inventory	(6,514)			(6,514)
(Increase) in accounts receivable	(18,324)			(18,324)
Increase in accounts payable	6,585			6,585
(Decrease) in interfunds payable			(16,718)	(16,718)
Increase in unearned revenue		23,078		23,078
Net cash (used in) provided by operating activities	<u>\$ (143,113)</u>	<u>\$ 75,767</u>	<u>\$ (33,481)</u>	<u>\$ (100,827)</u>

**Noncash noncapital financing activities**

The District received \$30,769 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2011.

*See independent auditors' report and accompanying notes to the basic financial statements.*

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# Fiduciary Funds



Spotswood Borough School District  
Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2011

	<b>Unemployment Compensation Trust</b>	<b>Agency Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 200,697	\$ 664,688
Interfund receivable	32,868	
<b>Total assets</b>	<b>233,565</b>	<b>\$ 664,688</b>
<b>Liabilities</b>		
Accounts payable	18,038	
Payroll deductions and withholdings payable and summer escrow payable		\$ 341,532
Interfund payable		105,356
Due to student groups		217,800
<b>Total liabilities</b>	<b>18,038</b>	<b>\$ 664,688</b>
<b>Net assets</b>		
Held in trust for unemployment claims	<b>\$ 215,527</b>	

*See independent auditors' report and accompanying notes to the basic financial statements.*

Spotswood Borough School District  
Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2011

	<u>Unemployment Compensation Trust</u>
<b>Additions</b>	
Contributions from plan members	\$ 31,507
Board contributions	75,253
Interest earned on investments	485
Total additions	<u>107,245</u>
<b>Deductions</b>	
Unemployment benefit claims paid	<u>173,530</u>
Total deductions	<u>173,530</u>
Change in net assets	(66,285)
Net assets, beginning of the year	<u>281,812</u>
Net assets, end of the year	<u><u>\$ 215,527</u></u>

*See independent auditors' report and accompanying notes to the basic financial statements.*

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 1. Summary of Significant Accounting Policies

The financial statements of the Spotswood Borough School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

#### A. Reporting Entity

The financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The District, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the Spotswood Borough School District in Spotswood, New Jersey. Beginning, July 1, 2009, the Helmetta Borough School District (a non-operating district) was merged into the Spotswood School District. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The District has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### **1. Summary of Significant Accounting Policies (continued)**

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The New Jersey Department of Education requires that all funds be reported as major to promote consistency amongst the school districts in the State of New Jersey.

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if they are collected within 60 days of the end of the current

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 1. Summary of Significant Accounting Policies (continued)

fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, interest, and state equalization monies associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year.

The District has reported the following major governmental funds:

*General Fund:* The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment, which are classified in the capital outlay subfund.

*Special Revenue Fund:* The District maintains one special revenue fund, which includes the proceeds of specific revenue sources (other than fiduciary funds or major capital projects) that are legally restricted to expenditures for specified purposes.

*Capital Projects Fund:* The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to an expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds and state aid that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

*Debt Service Fund:* The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned to an expenditure for the principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary funds:

*Food Service, C.A.R.E.S. Program and Printing Services Enterprise Funds:* The food service fund accounts for all revenues and expenses pertaining to cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 1. Summary of Significant Accounting Policies (continued)

providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The C.A.R.E.S program fund accounts for all revenues and expenses in the operation of the after-school program similar to a private business enterprise. The printing services fund accounts for all revenues and expenses related to operating printing and copying services internally and for other governmental entities, however, as of June 30, 2011, the District has elected to close down the operations of the printing services fund.

Additionally, the District reports the following fiduciary fund types:

Fiduciary Funds of the District include the unemployment compensation trust fund and agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the District:

*Trust and Agency Funds:* The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

*Trust Funds:* The unemployment compensation fund is used to account for contributions from employees and the District and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims.

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

In its accounting and financial reporting, the District follows the pronouncements of the GASB and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's business-type activities and enterprise funds have elected not to apply the standards issued by the FASB after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 1. Summary of Significant Accounting Policies (continued)

Amounts reported as program revenues include 1) charged to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges for sales of food, program and printing fees. Operating expenses for proprietary funds include the cost of sales, administrative expenses, and depreciation on capital assets, if applicable. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports deferred (unearned) revenue on its statement of net assets and balance sheet. Deferred (unearned) revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred (unearned) revenue also arises when resources are received by the District before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred (unearned) revenue is removed from the statement of net assets and balance sheet and revenue is recognized.

Ad Valorem (Property) taxes are susceptible to accrual as, under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable."

The County Board of Taxation is responsible for the assessment of properties, and the Borough Tax Collector is responsible for collection of taxes. Assessments are certified and taxes are levied on January 1; taxes are due February 1, May 1, August 1 and November 1. Unpaid taxes are considered delinquent the following January 1 and are then subject to lien.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 1. Summary of Significant Accounting Policies (continued)

#### D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). 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 referred in N.J.A.C. 6A:23. The overexpenditure in the general fund is due to the inclusion of the non-budgeted on behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary overexpenditures. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2011 were insignificant and consistent with prior years.

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 accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the last state aid payments for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

#### E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts on deposit and short-term investments with original maturities of three months or less.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 1. Summary of Significant Accounting Policies (continued)

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value.

#### F. Interfund Receivables/Payables

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

#### G. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expense during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. At June 30, 2011, the unused Food Donation Program commodities of \$3,393 are reported as unearned revenue in the Enterprise Fund.

#### H. Capital Assets

Capital assets, which include land, property, plant and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair value on the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 1. Summary of Significant Accounting Policies (continued)

Property, plant and equipment of the District are depreciated using the straight line method. The following estimated useful lives are used to compute depreciation:

	<u>Years</u>
Machinery and equipment	2-20
Buildings	50
Building improvements	20
Vehicles	5-10

#### I. Accrued Salaries and Wages

Certain District employees who provided services to the District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but not disbursed amounts be retained in a separate bank account. As of June 30, 2011, the amount earned by these employees but not disbursed was \$309,763 and is included in liabilities – payroll deductions and withholdings payable and summer escrow payable in the fiduciary fund.

#### J. Compensated Absences

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 employer and employee is accrued as employees earn the rights to the benefits. The District uses the “vesting method” for estimating its accrued sick and vacation leave liability.

District employees are granted vacation and sick leave in varying amounts under the District’s personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after one year of service.

The liability for vested compensated absences of the District is recorded in the government-wide financial statements and includes salary related payments.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2011, a liability existed for compensated absences in the government-wide financial statements in the amount of \$752,857 and no liability existed for compensated absences in the enterprise funds.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 1. Summary of Significant Accounting Policies (continued)

#### K. Deferred Revenue

Deferred revenue in the special revenue fund represents cash, which has been received but not yet earned and outstanding encumbrances. Deferred revenue in the general fund represents cash which has been received in advance for summer tuition payments.

#### L. Long-Term Obligations

In the government-wide financial statements and enterprise funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and unamortized loss on a refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as either capital projects fund or debt service fund expenditures in the year of issuance.

#### M. Fund Balances

In February 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). GASB 54 is effective for periods beginning after June 15, 2010 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 1. Summary of Significant Accounting Policies (continued)

- 1) Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 3) Committed - includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.
- 4) Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
- 5) Unassigned - includes all spendable amounts not contained in the other classifications.

When both restricted and unrestricted sources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

Of the \$2,581,156 of fund balance in the General Fund, \$709,941 has been restricted in the capital reserve account, \$440,270 has been restricted in the maintenance reserve account, \$300,000 has been restricted in the tuition reserve account, \$460,140 has been restricted for excess surplus-current year, \$139,652 of prior year excess surplus has been designated for subsequent year's expenditures, \$64,598 of encumbrances is assigned to other purposes, \$415,348 of additional fund balance has been assigned and designated for subsequent year's expenditures and \$51,207 is classified as unassigned.

### N. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### **1. Summary of Significant Accounting Policies (continued)**

#### **O. Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### **P. On-Behalf Payments**

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security and post-retirement pension contributions for certified teachers and other members of the New Jersey Teacher's Pension and Annuity Fund. The amounts are not required to be included in the District's annual budget.

#### **Q. Calculation of Excess Surplus**

In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for restricted fund balance - excess surplus is a required calculation. New Jersey school districts are required to reserve General Fund fund balance in the General Fund 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 current year excess fund balance at June 30, 2011 is \$460,140, which will be designated in the 2012-2013 budget.

#### **R. Subsequent Events**

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2011 through November 7, 2011, the date that the financial statements were issued and effects of those that provide additional pertinent information about conditions that existed at the balances sheet date, have been recognized in the accompanying financial statements.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 2. Reconciliation of Government-wide and Fund Financial Statements

#### Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

The details of this \$9,560,193 difference are as follows:

Bonds payable	\$ 8,850,000
Deferred interest costs	(299,434)
Premium on bonds	256,770
Compensated absences payable	<u>752,857</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets – governmental activities	<u>\$ 9,560,193</u>

### 3. Deposits and Investments

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 3. Deposits and Investments (continued)

#### Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and M.B.I.A. Class.

New Jersey statutes (GUDPA) require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

At June 30, 2011, the carrying amount of the District's deposits for all funds was \$2,788,850, and the bank balance was \$3,046,765, not including funds held with NJARM. Of the bank balances, \$250,000 of the District's cash deposits on June 30, 2011 were secured by federal depository insurance and \$2,796,765 was covered by the New Jersey Governmental Unit Deposit Protection Act (GUDPA).

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the District's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the District would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 3. Deposits and Investments (continued)

The District does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the District's deposits were fully collateralized by funds held by the financial institution, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

#### Investments

New Jersey statutes permit the Board to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank.
- c. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.
- d. Bonds or other obligations of the school District.

In order to maximize liquidity, the District utilizes the NJARM as its sole investment. The District invests funds in the New Jersey Arbitrage Management Fund, which is an investment pool managed by Public Financial Management Company. NJARM allows governments within the state to pool their funds for investment purposes and the Securities and Exchange Commission (SEC) does not restrict the pool. Earnings are allocated to all participants based upon shares held in the pool and distributed on the last day of each month. In addition, the fair value of the District's portion of the pool is the same as the value of its shares. Agencies that participate in the NJARM typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the NJARM on a daily basis without penalty. At June 30, 2011, the District's balance was \$828,703.

*Custodial Credit Risk:* Pursuant to GASB 40, the NJARM, which is a pooled investment, is exempt from custodial credit risk exposure. The District does not have a policy for custodial credit risk.

*Credit Risk:* The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJARM is not rated by a rating agency.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 3. Deposits and Investments (continued)

*Concentration of Credit Risk:* The District places no limit on the amount the District may invest in any one issuer. At June 30, 2011, all of the District's investments were invested in NJARM.

*Interest Rate Risk:* The District does not have a policy to limit interest rate risk. The average maturity of the District's investment in NJARM, is less than one year.

All of the District's investments are classified as cash equivalents at June 30, 2011.

### 4. Capital Assets

The following is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2011:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 197,617			\$ 197,617
Construction in progress	14,198		\$ (14,198)	-
Total capital assets, not being depreciated	211,815	-	(14,198)	197,617
Capital assets, being depreciated:				
Site improvements	1,463,848			1,463,848
Buildings and building improvements	26,227,909	\$ 124,650		26,352,559
Machinery, equipment and vehicles	2,212,262	231,071		2,443,333
Total capital assets being depreciated	29,904,019	355,721	-	30,259,740
Less accumulated depreciation for:				
Site improvements	(1,181,463)	(34,286)		(1,215,749)
Buildings and building improvements	(9,187,304)	(640,633)		(9,827,937)
Machinery, equipment and vehicles	(1,801,192)	(74,619)		(1,875,811)
Total accumulated depreciation	(12,169,959)	(749,538)	-	(12,919,497)
Total capital assets, being depreciated, net	17,734,060	(393,817)	-	17,340,243
Governmental activities capital assets, net	\$ 17,945,875	\$ (393,817)	\$ (14,198)	\$ 17,537,860

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 4. Capital Assets (continued)

Depreciation expense was charged to functions/programs of the District as follows:

Instruction	\$	425,990
Undistributed current:		
Instruction		33,275
Health services		9,975
Other support services		72,340
Improvement of instruction		10,571
School library		2,807
Instructional staff training		1,013
General administration		13,642
School administration		31,294
Central services		15,576
Administration technology		6,884
Required maintenance of plant services		19,982
Operation of plant		73,432
Student transportation		32,757
	<u>\$</u>	<u>749,538</u>

The following is a summarization of business-type activities changes in capital assets for the year ended June 30, 2011:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>			
Capital assets, being depreciation:			
Equipment	\$ 135,445	\$ 11,102	\$ 146,547
Less accumulated depreciation for:			
Equipment	(135,445)	(1,850)	(137,295)
Total business-type activities capital assets, net	<u>\$ —</u>	<u>\$ 9,252</u>	<u>\$ 9,252</u>

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 5. Long-Term Liabilities

During the year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences payable	\$ 824,527	\$ 90,337	\$ 162,007	\$ 752,857	\$ 295,362
Deferred interest costs		(302,341)	(2,907)	(299,434)	(23,257)
Premium on bonds		259,263	2,493	256,770	19,943
Bonds payable	9,540,000	7,340,000	8,030,000	8,850,000	875,000
Governmental activity long-term liabilities	<u>\$ 10,364,527</u>	<u>\$ 7,387,259</u>	<u>\$ 8,191,593</u>	<u>\$ 9,560,193</u>	<u>\$ 1,167,048</u>

The District expects to liquidate the compensated absences with payments made from the District's general fund. Bonds payable are liquidated by expenditures charged to the debt service fund.

#### Bonds Payable

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

Principal and interest due on all bonds outstanding is as follows:

	Principal	Interest	Total
Year ending June 30:			
2012	\$ 875,000	\$ 186,323	\$ 1,061,323
2013	790,000	275,838	1,065,838
2014	795,000	249,637	1,044,637
2015	810,000	217,938	1,027,938
2016	570,000	201,737	771,737
2017-2021	3,020,000	748,963	3,768,963
2022-2024	1,990,000	168,587	2,158,587
	<u>\$ 8,850,000</u>	<u>\$ 2,049,023</u>	<u>\$ 10,899,023</u>

All bonds outstanding are presented on schedule I-1 in this report.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### **5. Long-Term Liabilities (continued)**

During 2011, the District issued \$7,340,000 of refunding bonds to provide resources to refund a portion of the District's outstanding debt. As a result, \$7,195,000 of the refunded debt is considered defeased and the liability has been removed from the basic financial statements. This advance refunding was undertaken to reduce total debt service payments over the next thirteen years by \$324,798 and resulted in a net present value savings of \$274,405. As of June 30, 2011, \$7,340,000 of defeased debt remains outstanding. The difference between the reacquisition price of the defeased debt of \$7,497,341 and the net carrying amount of the old bonds of \$7,195,000 is being amortized over the remaining life of the defeased debt.

### **6. Deferred costs**

In the governmental funds, debt issuance costs are recognized as expenditures in the year the bonds are issued. For the government-wide financial statements, debt issuance costs are amortized using the straight line method, which approximates the effective interest method, over the life of the specific bonds (13 years). The costs associated with the issue of the District's bonds amounted to \$101,922. The amortization expense for the year ended June 30, 2011 amounted to \$980 and the unamortized balance of the deferred charges at June 30, 2011 is \$100,942.

### **7. Pension Plans**

#### **Description of Systems**

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System 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 Board and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### **7. Pension Plans (continued)**

#### **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 coverage including post-retirement health care to substantially all full time public employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Early retirement is available for these systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

#### **Public Employee's Retirement System**

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available for these systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### **7. Pension Plans (continued)**

#### **Funding Policy**

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. 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 actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2011, the State of New Jersey contributed \$827,662 to the TPAF for post-retirement medical and pension benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$856,623 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the government-wide and fund financial statements.

The Board's actuarially determined contributions to PERS for each of the years ended June 30, 2011, 2010 and 2009 were \$273,386, \$216,959 and \$171,712, respectively, equal to the required contributions for each year.

### **8. Post-Retirement Benefits**

#### **Plan Description**

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 8. Post-Retirement Benefits (continued)

#### Funding Policy

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pension and Annuity Fund (TPAF) and 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, 2010, there were 87,288 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

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

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2011, 2010 and 2009 were \$790,447, \$685,014 and \$641,373, respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 9. Interfund Receivables and Payables

The total interfund receivables and payables for the District at June 30, 2011 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 128,762	
Capital Projects Fund		\$ 56,274
Fiduciary Fund - Payroll Agency Fund		105,356
Fiduciary Fund - Unemployment Compensation Trust Fund	32,868	
	<u>\$ 161,630</u>	<u>\$ 161,630</u>

A portion of the interfund payable in the payroll agency fund represents funds to be returned to the general fund that was originally transferred to the payroll agency account to cover payroll taxes and liabilities. The remaining balance of the payroll agency interfund payable is due to the unemployment compensation fund for deductions not yet transferred over. The interfund payable in capital projects fund represents funds due to the general fund.

### 10. Economic Dependency

The District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, could have an effect on the District's programs and activities.

### 11. Contingent Liabilities

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2011 may be impaired. In addition, the District is receiving funding from the New Jersey Schools Development Authority (NJSDA) relating to approved grants. The District is required to expend funds in accordance with its approved final eligible costs. The costs associated with the funding received from the NJSDA are subject to a final review of eligible costs and compliance by the New Jersey Department of Education and the NJSDA. To the extent that the District has not complied with the rules and regulations governing the NJSDA funds or has not met the final eligible costs requirements, refunds of any money received may be required and the

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### **11. Contingent Liabilities (continued)**

collectibility of any related receivable at June 30, 2011 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations or final eligible cost requirements governing the respective grants or funding; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

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

### **12. 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 student accident and surety bonds and does not retain risk of loss. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverages over the past three years. A complete schedule of insurance coverage can be found in the statistical section of this report.

#### **New Jersey Unemployment Compensation Insurance**

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

### 13. Transfers – Reconciliation

The following presents a reconciliation of transfers during the 2011 fiscal year:

	<u>In</u>	<u>Out</u>
General Fund		\$ 33,481
Printing Services Fund	\$ 33,481	
	<u>\$ 33,481</u>	<u>\$ 33,481</u>

The transfer from the general fund to the printing services fund represents an amount to cover the short fall as a result of operations.

### 14. Deferred Compensation

The Board offers its employees deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by Lincoln Investments, VALIC and the Equitable, permit 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.

### 15. Restricted Assets

Reservations of fund balances of governmental funds are created to (1) either satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures. The District has \$709,941 of capital reserve, \$440,270 of maintenance reserve and \$300,000 of tuition reserve that are classified as restricted assets (cash and cash equivalents) on the statement of net assets.

### 16. Capital Reserve Account

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

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

**16. Capital Reserve Account (continued)**

resolution at year end (June 1 to June 30) of any unanticipated revenues or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Beginning balance, July 1, 2010	\$	609,315
Deposit by June 2011 resolution to transfer from Unassigned Fund Balance		100,000
Interest earnings		626
Ending balance, June 30, 2011	\$	<u>709,941</u>

The June 30, 2011 LRFP balance of local support costs of uncompleted capital projects at June 30, 2011 is \$4,629,680.

**17. Excess of Expenditures Over Appropriations**

Expenditures exceeded appropriations in the following budgetary accounts in the General Fund:

Undistributed expenditures – custodial services – energy - electricity - \$371,579

The overexpenditure identified above was generated by the recording of certain audit adjustments to accrue a liability for a billing adjustment processed by a utility company that was a result of a broken meter related to the current year under audit that were not previously recorded in the District's accounts payable records.

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Required Supplementary Information  
Part II

Budgetary Comparison



Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
Local sources:					
Local tax levy	\$ 13,566,885		\$ 13,566,885	\$ 13,566,885	
Tuition	4,361,062		4,361,062	4,686,085	\$ 325,023
Interest on investments				10,522	10,522
Miscellaneous	100,241		100,241	47,590	(52,651)
<b>Total revenues - local sources</b>	<b>18,028,188</b>		<b>18,028,188</b>	<b>18,311,082</b>	<b>282,894</b>
State sources:					
Equalization aid	5,035,657	\$ (856,032)	4,179,625	4,179,625	
Special education aid		856,032	856,032	856,032	
Extraordinary aid				73,335	73,335
Additional non public transportation aid				6,160	6,160
On-behalf TPAF pension contributions (non-budgeted)				827,662	827,662
Reimbursed TPAF social security contributions (non-budgeted)				856,623	856,623
<b>Total - state sources</b>	<b>5,035,657</b>	<b>-</b>	<b>5,035,657</b>	<b>6,799,437</b>	<b>1,763,780</b>
Federal sources:					
Medicaid reimbursement	13,713		13,713	14,726	1,013
Education jobs		55,729	55,729	55,729	
<b>Total - federal sources:</b>	<b>13,713</b>	<b>55,729</b>	<b>69,442</b>	<b>70,455</b>	<b>1,013</b>
<b>Total revenues</b>	<b>23,077,558</b>	<b>55,729</b>	<b>23,133,287</b>	<b>25,180,974</b>	<b>2,047,687</b>
<b>Expenditures</b>					
Current expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Kindergarten / Preschool	434,300	397,939	832,239	828,478	3,761
Grades 1-5	2,045,195	(404,580)	1,640,615	1,625,674	14,941
Grades 6-8	1,573,185	36,816	1,610,001	1,605,486	4,515
Grades 9-12	3,816,892	71,009	3,887,901	3,861,254	26,647
Home instruction - regular programs:					
Salaries of teachers	20,000		20,000	16,647	3,353
Undistributed instruction - regular programs:					
Other salaries for instruction	240,685	(21,830)	218,855	212,567	6,288
Other purchased services	26,967	(1,762)	25,205	23,070	2,135
General supplies	423,987	11,319	435,306	429,798	5,508
Textbooks	38,244	5,165	43,409	41,546	1,863
Other objects	400	450	850	850	
<b>Total instruction - regular programs</b>	<b>8,619,855</b>	<b>94,526</b>	<b>8,714,381</b>	<b>8,645,370</b>	<b>69,011</b>

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Special education:					
Resource room/center:					
Salaries of teachers	\$ 1,161,000	\$ (34,342)	\$ 1,126,658	\$ 1,109,681	\$ 16,977
Other salaries for instruction	199,122	68,683	267,805	260,923	6,882
Purchased professional-educational services		7,500	7,500	3,000	4,500
General supplies	7,757	1,269	9,026	8,998	28
Textbooks	2,000	(254)	1,746	1,738	8
Total resource room/center	1,369,879	42,856	1,412,735	1,384,340	28,395
Preschool disabilities - part time:					
Salaries of teachers	21,000	4,500	25,500	25,500	
Other salaries for instruction	67,818	10,750	78,568	78,568	
General supplies	620		620	616	4
Total preschool disabilities - part time	89,438	15,250	104,688	104,684	4
Total special education	1,459,317	58,106	1,517,423	1,489,024	28,399
Basic skills/remedial - instruction:					
Salaries of teachers	321,840	(183,497)	138,343	118,744	19,599
General supplies	783	(94)	689	557	132
Total basic skills/remedial - instruction	322,623	(183,591)	139,032	119,301	19,731
Bilingual education - instruction:					
Salaries of teachers	76,500	(1,176)	75,324	24,000	51,324
Total bilingual education - instruction	76,500	(1,176)	75,324	24,000	51,324
School - sponsored cocurricular activities:					
Salaries	111,725	5,201	116,926	116,926	
Supplies and materials	1,122		1,122	1,122	
Total school - sponsored cocurricular activities	112,847	5,201	118,048	118,048	
School - sponsored athletics - instruction:					
Salaries	267,018		267,018	261,114	5,904
Supplies and materials	32,450	11,906	44,356	36,166	8,190
Purchased services	65,026	(6,608)	58,418	46,669	11,749
Other objects	17,660	5,633	23,293	23,233	60
Total school - sponsored athletics - instruction	382,154	10,931	393,085	367,182	25,903
Total instruction	10,973,296	(16,003)	10,957,293	10,762,925	194,368
Undistributed expenditures:					
Instruction:					
Tuition to state facilities	30,750	28,982	59,732	59,732	
Tuition to other LEAS w/in state special		132,018	132,018	121,341	10,677
Tuition to co. spec. serv. and reg. day schools	374,735	(75,099)	299,636	262,681	36,955
Tuition to private schools for the hand - w/in state	435,879	19,828	455,707	430,358	25,349
Total instruction	841,364	105,729	947,093	874,112	72,981
Health services:					
Salaries	238,250	8,152	246,402	246,402	
Purchased professional and technical services	45,649	(30,909)	14,740	13,765	975
Supplies and materials	1,954		1,954	1,860	94
Total health services	285,853	(22,757)	263,096	262,027	1,069

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Speech, OT, PT & related services:					
Salaries	\$ 272,322	\$ (56,822)	\$ 215,500	\$ 183,319	\$ 32,181
Supplies and materials		2,009	2,009	1,136	873
Textbooks	2,009	(2,009)			
Total speech, OT, PT & related services	274,331	(56,822)	217,509	184,455	33,054
Other support services - students - extra services:					
Purchased professional - educational services	140,000		140,000	98,958	41,042
Total other support services - students - extra services	140,000		140,000	98,958	41,042
Guidance:					
Salaries of other professional staff	406,758	(37,881)	368,877	368,877	
Salaries of secretarial and clerical assistants	63,253	12,052	75,305	75,305	
Purchased professional - educational services	48,292	(20,800)	27,492	18,997	8,495
Other purchased professional and technical services		25	25	25	
Total guidance	518,303	(46,604)	471,699	463,204	8,495
Child study teams:					
Salaries of other professional staff	542,126	3,676	545,802	545,801	1
Salaries of secretarial and clerical assistants	113,741	27,131	140,872	137,956	2,916
Purchased professional educational services	234,568	6,083	240,651	194,047	46,604
Other purchased professional services	3,000	5,300	8,300	8,300	
Other objects	500		500	350	150
Supplies and materials	8,741	301	9,042	9,042	
Total child study teams	902,676	42,491	945,167	895,496	49,671
Improvement of instructional services:					
Salaries of supervisors of instruction	298,400	(17,520)	280,880	271,400	9,480
Other purchased services	17,300	(9,651)	7,649	273	7,376
Supplies and materials		3,300	3,300	3,179	121
Other objects	8,400	(1,800)	6,600	2,826	3,774
Total improvement of instructional services	324,100	(25,671)	298,429	277,678	20,751
Educational media services/school library:					
Salaries	28,487	31,575	60,062	60,033	29
Supplies and materials	13,393	4,000	17,393	13,703	3,690
Total educational media services/school library	41,880	35,575	77,455	73,736	3,719
Instructional staff training services:					
Other salaries	4,309	(50)	4,259		4,259
Purchased professional - educational services	14,000	(4,000)	10,000	212	9,788
Other purchased services	41,438	90	41,528	13,842	27,686
Supplies and materials	11,640		11,640	11,312	328
Other objects	15,000	(10,000)	5,000	1,250	3,750
Total instructional staff training services	86,387	(13,960)	72,427	26,616	45,811

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Support services-general administration:					
Salaries	\$ 209,030	\$ (2,500)	\$ 206,530	\$ 197,130	\$ 9,400
Other purchased professional services	97,200		97,200	82,870	14,330
Communications/telephone	45,000	(500)	44,500	42,093	2,407
General supplies	14,225	6,470	20,695	15,259	5,436
Other purchased services		2,200	2,200		2,200
BOE other purchased professional services	3,000	(3,000)			
BOE membership dues and fees	13,500	(2,000)	11,500	11,429	71
Miscellaneous expenditures	11,150	351	11,501	9,589	1,912
Total support services-general administration	393,105	1,021	394,126	358,370	35,756
Support services-school administration:					
Salaries of principals/ assistant principals	525,700	16,483	542,183	542,035	148
Salaries of secretarial and clerical assistants	259,060	14,387	273,447	263,238	10,209
Other purchased services	28,920	(868)	28,052	6,325	21,727
Supplies and materials	9,968		9,968	4,560	5,408
Other objects	8,000		8,000	5,915	2,085
Total support services-school administration	831,648	30,002	861,650	822,073	39,577
Central services:					
Salaries	283,522		283,522	268,346	15,176
Purchased technical services	55,980	5,886	61,866	61,866	
Purchased professional services	80,000	6,975	86,975	62,392	24,583
Misc. purchased services		2,846	2,846	2,846	
Supplies and materials	17,440	(6,407)	11,033	11,026	7
Other objects	21,150	(18,449)	2,701	2,701	
Total central services	458,092	(9,149)	448,943	409,177	39,766
Administrative information technology:					
Salaries	69,920	65,456	135,376	135,374	2
Purchased professional services	37,558	(37,558)			
Purchased technical services	39,650	(600)	39,050	34,754	4,296
Other purchased services	2,500	(614)	1,886	199	1,687
Other objects	10,520		10,520	10,500	20
Total administrative information technology	160,148	26,684	186,832	180,827	6,005
Required maintenance for school facilities:					
Salaries	148,231	31,359	179,590	162,527	17,063
Cleaning, repair and maintenance services	225,050	130,696	355,746	292,649	63,097
General supplies	152,930	(66,574)	86,356	56,198	30,158
Other objects	15,000	1,527	16,527	13,531	2,996
Total required maintenance for school facilities	541,211	97,008	638,219	524,905	113,314
Custodial services:					
Salaries	1,044,130	(152,264)	891,866	842,476	49,390
Salaries of non instructional aides	28,000	23,815	51,815	51,814	1
Purchased professional and technical services	2,000	(242)	1,758	1,487	271
Cleaning, repair and maintenance	21,550	(21,550)			
Other purchased property services	15,000		15,000	14,267	733
Miscellaneous purchased services	17,500	(17,500)			
General supplies	95,880	(33,900)	61,980	51,337	10,643
Energy - natural gas	146,012	(37,773)	108,239	91,248	16,991
Energy - electric	358,102	(66,480)	291,622	663,201	(371,579)
Other objects	3,000	(273)	2,727	644	2,083
Total custodial services	1,731,174	(306,167)	1,425,007	1,716,474	(291,467)

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Care and upkeep of grounds:					
Salaries	\$ 98,069		\$ 98,069	\$ 97,605	\$ 464
Cleaning, repair and maintenance services	28,000		28,000	24,640	3,360
General supplies	51,365	\$ (15,000)	36,365	17,841	18,524
Total care and upkeep of grounds	177,434	(15,000)	162,434	140,086	22,348
Security:					
Salaries	53,630	18,703	72,333	71,504	829
General supplies	25,740	(24,805)	935	935	
Total security	79,370	(6,102)	73,268	72,439	829
Student transportation services:					
Salaries for pupil transportation:					
Between home and school - sp. ed.	35,694	6,893	42,587	42,587	
Between home and school - regular	26,257	5,148	31,405	31,405	
Other than between home and school	9,000	5,195	14,195	14,195	
Contracted services:					
Between home & school - regular	456,000	(17,100)	438,900	274,298	164,602
Other between home & school - regular	145,815	6,785	152,600	79,631	72,969
Vendors - special ed	386,440	915	387,355	385,381	1,974
Aid in lieu payments - nonpublic schools	20,000		20,000	10,867	9,133
Miscellaneous purchased services	58,800	(19,000)	39,800	22,136	17,664
Total student transportation services	1,138,006	(11,164)	1,126,842	860,500	266,342
Unallocated benefits:					
Social security contributions	385,000	(1,636)	383,364	334,131	49,233
Other retirement contributions - ERIP	4,680	(420)	4,260	3,474	786
Other retirement contributions - regular	317,000	51,511	368,511	363,914	4,597
Group insurance	136,000	4,845	140,845	140,233	612
Unemployment compensation	404,000	(171,572)	232,428	75,253	157,175
Worker's compensation	138,000	(2,351)	135,649	135,649	
Health insurance	2,120,138	406,641	2,526,779	2,407,364	119,415
Tuition reimbursement	40,000	22,223	62,223	62,223	
Total unallocated benefits	3,544,818	309,241	3,854,059	3,522,241	331,818
On-behalf TPAF pension contributions (non-budgeted)					
				827,662	(827,662)
Reimbursed TPAF social security (non-budgeted)					
				856,623	(856,623)
Total on-behalf payments					
				1,684,285	(1,684,285)
Total personal services: benefits					
	3,544,818	309,241	3,854,059	5,206,526	(1,352,467)
Food services:					
Transfers to cover deficit	20,000		20,000		20,000
Total food services:	20,000		20,000		20,000
Total undistributed expenditures	12,489,900	134,355	12,624,255	13,447,659	(823,404)
Total current expenditures	23,463,196	118,352	23,581,548	24,210,584	(629,036)

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Capital outlay:					
Equipment:					
Regular programs - instruction:					
Kindergarten	\$ 24,000	\$ (5,001)	\$ 18,999	\$ 16,534	\$ 2,465
Grades 1-5	35,000	(6,846)	28,154	25,346	2,808
Grades 6-8	25,000	(3,215)	21,785	19,274	2,511
Grades 9-12	40,000	14,908	54,908	52,905	2,003
Undistributed expenditures:					
Support services - students - relates & extra	15,500	207	15,707	11,991	3,716
School busses		76,000	76,000	76,000	
Operations & maint of plant	58,852	82,323	141,175	141,175	
Total equipment	198,352	158,376	356,728	343,225	13,503
Facilities acquisition and construction services:					
Architectual services		4,302	4,302	1,386	2,916
Other purchased professional services		112,700	112,700	107,700	5,000
Construction services		4,786	4,786		4,786
Supplies and materials		2,220	2,220	2,220	
Other objects	56,378		56,378	56,378	
Total facilities acquisition and construction services	56,378	124,008	180,386	167,684	12,702
Total expenditures - capital outlay	254,730	282,384	537,114	510,909	26,205
Charter school contributions	9,723		9,723		9,723
Total expenditures	23,727,649	400,736	24,128,385	24,721,493	(593,108)
(Deficiency) excess of revenues (under) over expenditures	(650,091)	(345,007)	(995,098)	459,481	(1,454,579)
Other financing (uses):					
Transfers out				(33,481)	(33,481)
Total other financing (uses)				(33,481)	(33,481)
(Deficiency) excess of revenues (under) over expenditures and other financing (uses)	(650,091)	(345,007)	(995,098)	426,000	(1,421,098)
Fund balances, July 1	2,644,188		2,644,188	2,644,188	
Fund balances, June 30	\$ 1,994,097	\$ (345,007)	\$ 1,649,090	\$ 3,070,188	\$ (1,421,098)
<b>Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing (uses)</b>					
Budgeted fund balance	\$ (650,091)		\$ (650,091)	\$ 771,007	\$ (1,421,098)
Adjustment for prior year encumbrances		\$ (345,007)	(345,007)	(345,007)	
Total	\$ (650,091)	\$ (345,007)	\$ (995,098)	\$ 426,000	\$ (1,421,098)
<b>Recapitulation of fund balance:</b>					
Capital reserve account - restricted				\$ 709,941	
Maintenance reserve account - restricted				440,270	
Tuition reserve account - restricted				300,000	
Year end encumbrances - assigned				64,598	
Excess surplus - prior year - restricted				139,652	
Excess surplus - current year - restricted				460,140	
Designated for subsequent years expenditures				415,348	
Unassigned				540,239	
				3,070,188	
<b>Reconciliation to Government Funds Statements GAAP:</b>					
Last state aid payments not recognized on GAAP basis				(489,032)	
Fund balance per Government Funds (GAAP) (B-1)				\$ 2,581,156	

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
Education Jobs Fund  
(Budgetary Basis)

Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
Federal sources:					
Education jobs		\$ 55,729	\$ 55,729	\$ 55,729	
Total - federal sources		55,729	55,729	55,729	
<b>Expenditures</b>					
Current expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Grades 1-5		36,330	36,330	36,330	
Total instruction - regular programs		36,330	36,330	36,330	
Basic skills/remedial - instruction:					
Salaries of teachers		19,399	19,399	19,399	
Total instruction - regular programs		19,399	19,399	19,399	
Total instruction		55,729	55,729	55,729	
Excess revenues over expenditures		-	-	-	
Fund balances, July 1		-	-	-	
Fund balances, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

Spotswood Borough School District  
Special Revenue Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues:</b>					
State sources	\$ 223,840	\$ (68,074)	\$ 155,766	\$ 89,489	\$ (66,277)
Federal sources	466,968	185,252	652,220	588,488	(63,732)
Other sources	33,491	(6,766)	26,725	5,827	(20,898)
<b>Total revenues</b>	<b>724,299</b>	<b>110,412</b>	<b>834,711</b>	<b>683,804</b>	<b>(150,907)</b>
<b>Expenditures:</b>					
Current expenditures:					
Instruction:					
Salaries:					
Salaries of teachers	145,000	4,666	149,666	141,937	7,729
Tuition	245,000	23,847	268,847	268,847	
Purchased professional educational services		1,249	1,249		1,249
Supplies and materials	30,000	8,426	38,426	14,727	23,699
<b>Total instruction</b>	<b>420,000</b>	<b>38,188</b>	<b>458,188</b>	<b>425,511</b>	<b>32,677</b>
Support services:					
Personal services—employee benefits	25,000	2,570	27,570	27,570	
Supplies and materials	200	1,336	1,536	290	1,246
Purchased professional educational services	279,099	68,208	347,307	230,323	116,984
<b>Total support services</b>	<b>304,299</b>	<b>72,114</b>	<b>376,413</b>	<b>258,183</b>	<b>118,230</b>
Capital outlay:					
Equipment		110	110	110	
<b>Total capital outlay</b>	<b>-</b>	<b>110</b>	<b>110</b>	<b>110</b>	<b>-</b>
<b>Total expenditures</b>	<b>724,299</b>	<b>110,412</b>	<b>834,711</b>	<b>683,804</b>	<b>150,907</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Spotswood Borough School District  
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2011

	General Fund	Special Revenue Fund
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 25,180,974	\$ 683,804
<b>Differences - Budget to GAAP:</b>		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. Prior year		1,875
State aid payments recognized for budgetary purposes, not recognized for GAAP statements. Prior year	644,433	
Current year	(489,032)	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	\$ 25,336,375	\$ 685,679
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 24,721,493	\$ 683,804
<b>Differences - budget to GAAP</b>		
Encumbrances (net) 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.		1,875
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	\$ 24,721,493	\$ 685,679

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## Other Supplementary Information



# Special Revenue Fund



Spotswood Township School District  
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures  
Budgetary Basis

Year ended June 30, 2011

	Title II Part A	Title III	I.D.E.I.A.		I.D.E.I.A. ARRA	
			Part B Regular	Preschool	Part B Regular	Preschool
Revenues:						
State sources						
Federal sources	\$ 29,700	\$ 63,418	\$ 355,944	\$ 20,551	\$ 31,174	\$ 2,585
Other sources						
Total revenues	<u>\$ 29,700</u>	<u>\$ 63,418</u>	<u>\$ 355,944</u>	<u>\$ 20,551</u>	<u>\$ 31,174</u>	<u>\$ 2,585</u>
Expenditures:						
Current expenditures:						
Instruction:						
Salaries of teachers	\$ 20,000	\$ 52,500	\$ 11,612	\$ 4,532		
Tuition			267,137	1,710		
Supplies and materials		418	5,742	736		\$ 61
Total instruction	<u>20,000</u>	<u>52,918</u>	<u>284,491</u>	<u>6,978</u>		<u>61</u>
Support services:						
Personal services—employee benefits	4,000	10,500	2,323	347		
Supplies and materials						
Purchased professional educational services	5,700		69,130	13,226	\$ 31,174	2,414
Total support services	<u>9,700</u>	<u>10,500</u>	<u>71,453</u>	<u>13,573</u>	<u>31,174</u>	<u>2,414</u>
Capital outlay:						
Equipment						110
Total capital outlay						<u>110</u>
Total expenditures	<u>\$ 29,700</u>	<u>\$ 63,418</u>	<u>\$ 355,944</u>	<u>\$ 20,551</u>	<u>\$ 31,174</u>	<u>\$ 2,585</u>



Spotswood Township School District  
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures  
Budgetary Basis

Year ended June 30, 2011

	Title I Regular Part A	Title I Part A ARRA	Title IV Regular	Non Public Programs			
				Textbooks	Nursing	Exam & Class	Corrective Speech
Revenues:							
State sources				\$ 18,416	\$ 21,821	\$ 4,788	\$ 17,993
Federal sources	\$ 84,826	\$ 98	\$ 192				
Other sources							
Total revenues	\$ 84,826	\$ 98	\$ 192	\$ 18,416	\$ 21,821	\$ 4,788	\$ 17,993
Expenditures:							
Current expenditures:							
Instruction:							
Salaries of teachers	\$ 53,293						
Tuition							
Supplies and materials	1,943						
Total instruction	55,236						
Support services:							
Personal services—employee benefits	10,400						
Supplies and materials		\$ 98	\$ 192				
Purchased professional educational services	19,190			\$ 18,416	\$ 21,821	\$ 4,788	\$ 17,993
Total support services	29,590	98	192	18,416	21,821	4,788	17,993
Capital outlay:							
Equipment							
Total capital outlay							
Total expenditures	\$ 84,826	\$ 98	\$ 192	\$ 18,416	\$ 21,821	\$ 4,788	\$ 17,993



Spotswood Township School District  
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures  
Budgetary Basis

Year ended June 30, 2011

	Non Public Programs				Totals
	Transportation	Comp Ed	Supplemental Instruction	Local Programs	
Revenues:					
State sources	\$ 8,353	\$ 12,559	\$ 5,559		\$ 89,489
Federal sources					588,488
Other sources				\$ 5,827	5,827
Total revenues	<u>\$ 8,353</u>	<u>\$ 12,559</u>	<u>\$ 5,559</u>	<u>\$ 5,827</u>	<u>\$ 683,804</u>
Expenditures:					
Current expenditures:					
Instruction:					
Salaries of teachers				\$	141,937
Tuition					268,847
Supplies and materials				\$ 5,827	14,727
Total instruction				<u>5,827</u>	<u>425,511</u>
Support services:					
Personal services—employee benefits					27,570
Supplies and materials					290
Purchased professional educational services	\$ 8,353	\$ 12,559	\$ 5,559		230,323
Total support services	<u>8,353</u>	<u>12,559</u>	<u>5,559</u>		<u>258,183</u>
Capital outlay:					
Equipment					110
Total capital outlay					<u>110</u>
Total expenditures	<u>\$ 8,353</u>	<u>\$ 12,559</u>	<u>\$ 5,559</u>	<u>\$ 5,827</u>	<u>\$ 683,804</u>

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# Fiduciary Funds



Spotswood Borough School District  
Trust and Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2011

	<u>Trust</u>	<u>Agency</u>		
	<u>Unemployment Compensation</u>	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 200,697	\$ 217,800	\$ 446,888	\$ 664,688
Interfund receivable	32,868			
<b>Total assets</b>	<u>233,565</u>	<u>\$ 217,800</u>	<u>\$ 446,888</u>	<u>\$ 664,688</u>
<b>Liabilities</b>				
Accounts payable	18,038			
Payroll deductions and withholdings payable and summer escrow payable			\$ 341,532	\$ 341,532
Interfund payable			105,356	105,356
Due to student groups		\$ 217,800		217,800
<b>Total liabilities</b>	<u>18,038</u>	<u>\$ 217,800</u>	<u>\$ 446,888</u>	<u>\$ 664,688</u>
<b>Net assets</b>				
Held in trust for unemployment claims	<u>\$ 215,527</u>			

Spotswood Borough School District  
Trust Funds

Combining Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2011

	<b>Unemployment Compensation Fund</b>
Additions:	
Contributions from plan members	\$ 31,507
Board contributions	75,253
Interest earned on investments	485
Total additions	107,245
Deductions:	
Unemployment benefits claims paid	173,530
Total deductions	173,530
Change in net assets	(66,285)
Net assets, beginning of year	281,812
Net assets, end of year	\$ 215,527

Spotswood Borough School District  
Student Activity Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2011

	<b>Balance July 1, 2010</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Balance June 30, 2011</b>
<b>Elementary Schools</b>				
Appleby	\$ 9,779	\$ 38,718	\$ 37,940	\$ 10,557
Schoenly	16,324	8,275	10,359	14,240
Total Elementary Schools	26,103	46,993	48,299	24,797
<b>Middle School</b>				
Memorial School	14,399	34,500	30,460	18,439
Total Middle School	14,399	34,500	30,460	18,439
<b>Senior High School</b>				
Spotswood High School	111,997	278,249	262,775	127,471
Athletic Fund	26,460	146,674	126,041	47,093
Total Senior High School	138,457	424,923	388,816	174,564
Total all schools	<u>\$ 178,959</u>	<u>\$ 506,416</u>	<u>\$ 467,575</u>	<u>\$ 217,800</u>

Spotswood Borough School District  
Payroll Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2011

	<b>Balance July 1, 2010</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Balance June 30, 2011</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 400,899	\$ 17,926,781	\$ 17,880,792	\$ 446,888
Total assets	<u>\$ 400,899</u>	<u>\$ 17,926,781</u>	<u>\$ 17,880,792</u>	<u>\$ 446,888</u>
<b>Liabilities</b>				
Payroll deductions and withholdings and summer escrow payable	\$ 309,086	\$ 17,913,238	\$ 17,880,792	\$ 341,532
Interfund payable	91,813	13,543		105,356
Total liabilities	<u>\$ 400,899</u>	<u>\$ 17,926,781</u>	<u>\$ 17,880,792</u>	<u>\$ 446,888</u>

## Long-Term Debt



Spotswood Borough School District  
Long-Term Debt

Schedule of Serial Bonds Payable

Year ended June 30, 2011

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1, 2010	Issued	Retired	Balance June 30, 2011	
			Date	Amount						
Refunding School Bonds	12/15/2002	\$ 2,645,000	11/1/2011	\$265,000	4.00%	\$ 1,295,000		\$ 265,000	\$ 1,030,000	
			11/1/2012	260,000	4.00					
			11/1/2013	255,000	4.00					
			11/1/2014	250,000	4.00					
Pension Refunding Bonds (Taxable)	12/15/2002	770,000						110,000		
Site Improvements	2/15/2003	10,519,000	1/15/2012	480,000	4.00	8,135,000		7,655,000	480,000	
Refunding School Bonds	5/16/2011	7,135,000	1/15/2012	130,000	2.00					
			1/15/2013	530,000	3.00					
			1/15/2014	540,000	4.00					
			1/15/2015	560,000	2.00					
			1/15/2016	570,000	3.00					
			1/15/2017	580,000	3.00					
			1/15/2018	595,000	2.63					
			1/15/2019	605,000	3.00					
			1/15/2020	615,000	3.49					
			1/15/2021	625,000	4.65					
			1/15/2022	650,000	4.00					
			1/15/2023	665,000	4.25					
1/15/2024	675,000	4.25								
							\$ 7,340,000		7,340,000	
						\$ 9,540,000	\$ 7,340,000	\$ 8,030,000	\$ 8,850,000	

Spotswood Borough School District  
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local sources:					
Local tax levy	\$ 1,156,464		\$ 1,156,464	\$ 1,156,464	
State sources:					
Debt Service Aid Type II	68,170		68,170	68,170	
Total revenues	<u>1,224,634</u>		<u>1,224,634</u>	<u>1,224,634</u>	
Expenditures:					
Cost of issuance				101,922	\$ (101,922)
Interest on bonds	389,634		389,634	389,634	
Principal on bonds	835,000		835,000	835,000	
Total expenditures	<u>1,224,634</u>		<u>1,224,634</u>	<u>1,326,556</u>	<u>(101,922)</u>
Deficiency of revenues under expenditures	-		-	(101,922)	(101,922)
Other financing sources (uses):					
Refunding bonds issued				7,340,000	7,340,000
Premium on bonds issued				259,263	259,263
Payment to refunding bond escrow agent				(7,497,341)	(7,497,341)
Total other financing sources (uses)				<u>101,922</u>	<u>101,922</u>
Excess of revenues over expenditures and other financing sources (uses)	-		-	-	-
Fund balance, July 1	1		1	1	\$ -
Fund balance, June 30	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>

**Statistical Section  
Unaudited**

**Contents**

**Financial Trends**

These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.

**Revenue Capacity**

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.

**Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ended June 30, 2003; schedules presenting district-wide information include information beginning in that year. Ten years of information has been provided where available.*



Spotswood Borough School District  
Net Assets by Component  
Last Nine Fiscal Years

(accrual basis of accounting)  
Unaudited

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$ 586,361	\$ 1,297,502	\$ 6,164,049	\$ 6,623,975	\$ 7,435,707	\$ 7,754,182	\$ 7,934,811	\$ 8,405,875	\$ 8,730,524
Restricted	225,769	3,795,828	681,014	1,034,224	1,203,732	2,129,345	1,802,712	1,464,885	2,050,004
Unrestricted (deficit)	341,978	453,503	588,102	109,077	297,690	(409,265)	(611,050)	(455,629)	(159,403)
Total governmental activities net assets	<u>\$ 1,154,108</u>	<u>\$ 5,546,833</u>	<u>\$ 7,433,165</u>	<u>\$ 7,767,276</u>	<u>\$ 8,937,129</u>	<u>\$ 9,474,262</u>	<u>\$ 9,126,473</u>	<u>\$ 9,415,131</u>	<u>\$ 10,621,125</u>
Business-type activities									
Invested in capital assets									\$ 9,252
Unrestricted	\$ 101,065	\$ 104,960	\$ 104,792	\$ 164,723	\$ 181,104	\$ 214,541	\$ 222,264	\$ 266,616	357,029
Total business-type activities net assets	<u>\$ 101,065</u>	<u>\$ 104,960</u>	<u>\$ 104,792</u>	<u>\$ 164,723</u>	<u>\$ 181,104</u>	<u>\$ 214,541</u>	<u>\$ 222,264</u>	<u>\$ 266,616</u>	<u>\$ 366,281</u>
Government-wide									
Invested in capital assets, net of related debt	\$ 586,361	\$ 1,297,502	\$ 6,164,049	\$ 6,623,975	\$ 7,435,707	\$ 7,754,182	\$ 7,934,811	\$ 8,405,875	\$ 8,739,776
Restricted	225,769	3,795,828	681,014	1,034,224	1,203,732	2,129,345	1,802,712	1,464,885	2,050,004
Unrestricted (deficit)	443,043	558,463	692,894	273,800	478,794	(194,724)	(388,786)	(189,013)	197,626
Total district net assets	<u>\$ 1,255,173</u>	<u>\$ 5,651,793</u>	<u>\$ 7,537,957</u>	<u>\$ 7,931,999</u>	<u>\$ 9,118,233</u>	<u>\$ 9,688,803</u>	<u>\$ 9,348,737</u>	<u>\$ 9,681,747</u>	<u>\$ 10,987,406</u>

Source: CAFR Schedule A-1

Note: This table was required with the implementation of GASB 44 in the 2006 fiscal year.  
This information is presented back to the year of implementation of GASB 34 and additional years will be added until ten years are presented.

Spotswood Borough School District  
Changes in Net Assets  
Last Nine Fiscal Years

(accrual basis of accounting)  
Unaudited

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>									
<b>Governmental activities</b>									
Instruction	\$ (11,421,250)	\$ (11,618,853)	\$ (12,188,549)	\$ (13,402,236)	\$ (13,816,578)	\$ (14,472,637)	\$ (15,601,128)	\$ (16,411,805)	\$ (16,170,747)
Support services:									
Health services	(349,369)	(269,849)	(255,683)	(274,017)	(327,464)	(321,759)	(367,124)	(367,615)	(360,310)
Other support services	(1,455,949)	(1,764,880)	(2,166,187)	(2,327,920)	(2,583,125)	(2,579,440)	(2,786,355)	(2,672,857)	(2,446,934)
Improvement of instruction	(526,844)	(703,630)	(584,927)	(605,402)	(532,211)	(603,546)	(517,597)	(551,552)	(385,422)
School library	(158,417)	(176,030)	(199,536)	(204,068)	(209,838)	(218,828)	(224,705)	(224,678)	(98,143)
Instructional staff training	(19,728)	(28,829)	(16,136)	(15,790)	(96,543)	(118,667)	(122,610)	(118,111)	(27,858)
General administration	(503,108)	(440,445)	(482,958)	(475,189)	(497,106)	(539,341)	(488,776)	(509,212)	(443,942)
School administration	(1,047,206)	(1,265,088)	(1,159,719)	(1,213,758)	(1,266,026)	(1,345,116)	(1,141,868)	(1,200,129)	(1,141,675)
Support services			(10,525)						
Central services			(596,799)	(557,619)	(503,311)	(510,976)	(520,339)	(572,572)	(521,992)
Administration and information technology			(153,578)	(122,789)	(145,278)	(153,257)	(200,485)	(223,036)	(236,545)
Required maintenance of plant services	(543,260)	(715,605)	(576,110)	(495,606)	(698,302)	(655,836)	(603,992)	(548,616)	(606,166)
Operation of plant	(1,186,601)	(1,353,405)	(1,864,171)	(1,996,250)	(2,107,054)	(2,268,246)	(2,436,869)	(2,143,438)	(2,372,320)
Student transportation	(492,858)	(487,857)	(462,238)	(565,767)	(486,704)	(486,097)	(687,267)	(942,950)	(931,463)
Business and other support services & benefits	(804,368)	(293,842)	(72,696)	(125,592)	(132,827)	(150,087)			
Capital outlay	(16,412)	(266,763)		(81,513)	(98,402)				
Interest on long term debt	(209,455)	(773,634)	(572,693)	(544,528)	(510,538)	(482,974)	(444,899)	(412,248)	(263,696)
Total governmental activities expenses	<u>(18,734,825)</u>	<u>(20,158,710)</u>	<u>(21,362,505)</u>	<u>(23,008,044)</u>	<u>(24,011,307)</u>	<u>(24,906,807)</u>	<u>(26,144,014)</u>	<u>(26,898,819)</u>	<u>(26,007,213)</u>
<b>Business-type activities:</b>									
Food service	(482,715)	(501,039)	(460,820)	(479,056)	(486,754)	(546,274)	(572,008)	(566,808)	(541,641)
CARES	(212,991)	(232,383)	(256,918)	(314,544)	(323,554)	(280,008)	(345,323)	(279,217)	(314,546)
Printing services							(5,378)	(14,811)	(19,006)
Total business-type activities expense	<u>(695,706)</u>	<u>(733,422)</u>	<u>(717,738)</u>	<u>(793,600)</u>	<u>(810,308)</u>	<u>(826,282)</u>	<u>(922,709)</u>	<u>(860,836)</u>	<u>(875,193)</u>
Total district expenses	<u>\$ (19,430,531)</u>	<u>\$ (20,892,132)</u>	<u>\$ (22,080,243)</u>	<u>\$ (23,801,644)</u>	<u>\$ (24,821,615)</u>	<u>\$ (25,733,089)</u>	<u>\$ (27,066,723)</u>	<u>\$ (27,759,655)</u>	<u>\$ (26,882,406)</u>
<b>Program Revenues</b>									
<b>Governmental activities:</b>									
Charges for services:									
Instruction (tuition)	\$ 5,780,896	\$ 5,935,859	\$ 6,387,911	\$ 6,760,319	\$ 7,158,656	\$ 6,806,025	\$ 7,271,245	\$ 3,906,064	\$ 4,686,085
Operating grants and contributions	696,654	650,871	805,699	926,968	862,214	690,748	705,662	1,046,228	685,679
Capital grants and contributions			1,404,499	25,169	5,661	3,353		56,274	
Total governmental activities program revenues	<u>6,477,550</u>	<u>6,586,730</u>	<u>8,598,109</u>	<u>7,712,456</u>	<u>8,026,531</u>	<u>7,500,126</u>	<u>7,976,907</u>	<u>5,008,566</u>	<u>5,371,764</u>
<b>Business-type activities:</b>									
Charges for services:									
Food service	390,441	334,739	358,976	386,327	400,706	450,268	463,144	430,963	414,931
CARES	266,802	236,278	256,750	315,308	323,645	299,921	345,363	324,091	367,235
Printing services							2,729	742	2,243
Operating grants and contributions	73,035	81,334	79,995	87,126	95,502	106,518	117,150	147,881	156,428
Total business type activities program revenues	<u>730,278</u>	<u>652,351</u>	<u>695,721</u>	<u>788,761</u>	<u>819,853</u>	<u>856,707</u>	<u>928,386</u>	<u>903,677</u>	<u>940,837</u>
Total district program revenues	<u>\$ 7,207,828</u>	<u>\$ 7,239,081</u>	<u>\$ 9,293,830</u>	<u>\$ 8,501,217</u>	<u>\$ 8,846,384</u>	<u>\$ 8,356,833</u>	<u>\$ 8,905,293</u>	<u>\$ 5,912,243</u>	<u>\$ 6,312,601</u>
<b>Net (Expense)/Revenue</b>									
Governmental activities	\$ (12,257,275)	\$ (13,571,980)	\$ (12,764,396)	\$ (15,295,588)	\$ (15,984,776)	\$ (17,406,681)	\$ (18,167,107)	\$ (21,890,253)	\$ (20,635,449)
Business-type activities	34,572	(81,071)	(22,017)	(4,839)	9,545	30,425	5,677	42,841	65,644
Total district-wide net (expense)/ revenue	<u>\$ (12,222,703)</u>	<u>\$ (13,653,051)</u>	<u>\$ (12,786,413)</u>	<u>\$ (15,300,427)</u>	<u>\$ (15,975,231)</u>	<u>\$ (17,376,256)</u>	<u>\$ (18,161,430)</u>	<u>\$ (21,847,412)</u>	<u>\$ (20,569,805)</u>

Spotswood Borough School District  
Changes in Net Assets  
Last Nine Fiscal Years

(accrual basis of accounting)  
Unaudited

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Revenues and Other Changes in Net Assets</b>									
<b>Governmental activities:</b>									
Property taxes levied for general purposes	\$ 7,913,963	\$ 7,974,117	\$ 7,898,614	\$ 8,696,492	\$ 9,401,560	\$ 9,979,959	\$ 9,986,751	\$ 13,204,758	\$ 13,566,885
Property taxes levied for debt service	402,117	877,903	1,222,138	1,217,715	1,251,937	1,241,884	1,230,839	1,155,039	1,156,464
State sources	4,892,530	9,001,111	5,393,808	5,593,023	6,291,664	6,545,839	6,547,882	6,742,727	7,023,008
Federal sources								964,809	70,455
Investment earnings	79,803	67,465	38,651	81,478	90,936	71,221	35,994	19,588	10,522
Miscellaneous income	17,369	128,623	117,704	99,491	118,532	104,911	17,852	267,944	47,590
Special Item	(255,041)								
Transfers	(18,823)	(84,514)	(20,187)	(58,500)					(33,481)
Cancellation of prior year accounts receivable								(175,954)	
<b>Total governmental activities</b>	<b>13,031,918</b>	<b>17,964,705</b>	<b>14,650,728</b>	<b>15,629,699</b>	<b>17,154,629</b>	<b>17,943,814</b>	<b>17,819,318</b>	<b>22,178,911</b>	<b>21,841,443</b>
<b>Business-type activities:</b>									
Investment earnings	295	452	1,662	6,270	6,836	3,012	2,046	1,511	540
Transfers	18,823	84,514	20,187	58,500					33,481
<b>Total business-type activities</b>	<b>19,118</b>	<b>84,966</b>	<b>21,849</b>	<b>64,770</b>	<b>6,836</b>	<b>3,012</b>	<b>2,046</b>	<b>1,511</b>	<b>34,021</b>
<b>Total district-wide</b>	<b>\$ 13,051,036</b>	<b>\$ 18,049,671</b>	<b>\$ 14,672,577</b>	<b>\$ 15,694,469</b>	<b>\$ 17,161,465</b>	<b>\$ 17,946,826</b>	<b>\$ 17,821,364</b>	<b>\$ 22,180,422</b>	<b>\$ 21,875,464</b>
<b>Change in Net Assets</b>									
<b>Governmental activities</b>	<b>\$ 774,643</b>	<b>\$ 4,392,725</b>	<b>\$ 1,886,332</b>	<b>\$ 334,111</b>	<b>\$ 1,169,853</b>	<b>\$ 537,133</b>	<b>\$ (347,789)</b>	<b>\$ 288,658</b>	<b>\$ 1,205,994</b>
<b>Business-type activities</b>	<b>53,690</b>	<b>3,895</b>	<b>(168)</b>	<b>59,931</b>	<b>16,381</b>	<b>33,437</b>	<b>7,723</b>	<b>44,352</b>	<b>99,665</b>
<b>Total district</b>	<b>\$ 828,333</b>	<b>\$ 4,396,620</b>	<b>\$ 1,886,164</b>	<b>\$ 394,042</b>	<b>\$ 1,186,234</b>	<b>\$ 570,570</b>	<b>\$ (340,066)</b>	<b>\$ 333,010</b>	<b>\$ 1,305,659</b>

Source: CAFR Schedule A-2

Note: This table was required with the implementation of GASB 44 in the 2006 fiscal year. This information is presented back to the year of implementation of GASB 34 and additional years will be added until ten years are presented.

Spotswood Borough School District  
Fund Balances, Governmental Funds  
Last Nine Fiscal Years  
(modified accrual basis of accounting)  
Unaudited

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Fund</b>									
Reserved									
Encumbrances	\$ 175,152	\$ 150,697	\$ 105,791	\$ 263,843	\$ 155,583	\$ 114,738		\$ 229,548	
Adult school	6,951	8,975							
Tuition reserve			200,000	200,000	450,000	250,000	\$ 250,000		
Capital reserve	1	1	1	938	987	415,027	607,148	609,315	
Maintenance reserve								500,000	
Legally restricted for tax relief		38,458							
Excess surplus-current year		831,011	280,039	249,281	624,316	510,854	215,917	139,652	
Excess surplus-prior year				280,039	249,281	624,316	510,854	215,917	
Unreserved									
Designated for subsequent years	300,000	765,460	993,469	69,961	519,340	275,292	499,521	434,174	
Undesignated (deficit)	761,473	349,608	215,046	225,261	215,017	222,852	(33,545)	(128,851)	
Restricted									
Excess surplus-prior year									\$ 139,652
Excess surplus-current year									460,140
Capital reserve									709,941
Maintenance reserve									440,270
Tuition reserve									300,000
Assigned									
Designated for subsequent years									415,348
Other purposes									64,598
Unassigned									
									51,207
<b>Total general fund</b>	<b>\$ 1,243,577</b>	<b>\$ 2,144,210</b>	<b>\$ 1,794,346</b>	<b>\$ 1,289,323</b>	<b>\$ 2,214,524</b>	<b>\$ 2,413,079</b>	<b>\$ 2,049,895</b>	<b>\$ 1,999,755</b>	<b>\$ 2,581,156</b>
<b>All Other Governmental Funds</b>									
Reserved	\$ 8,024,003	\$ 4,041,445	\$ 80,676	\$ 592,555					
Unreserved, reported in:									
Special revenue fund (deficit)	(2,681)								
Capital projects fund (deficit)	2,105,446	(1,146,439)	101,677	222,108	\$ 329,146	\$ 329,146	\$ 218,793		
Debt service fund	43,665	22,377	18,621	18,623	2	2		\$ 1	\$ 1
<b>Total all other governmental funds</b>	<b>\$ 10,170,433</b>	<b>\$ 2,917,383</b>	<b>\$ 200,974</b>	<b>\$ 833,286</b>	<b>\$ 329,148</b>	<b>\$ 329,148</b>	<b>\$ 218,793</b>	<b>\$ 1</b>	<b>\$ 1</b>
<b>TOTAL FUND BALANCES</b>	<b>\$ 11,414,010</b>	<b>\$ 5,061,593</b>	<b>\$ 1,995,320</b>	<b>\$ 2,122,609</b>	<b>\$ 2,543,672</b>	<b>\$ 2,742,227</b>	<b>\$ 2,268,688</b>	<b>\$ 1,999,756</b>	<b>\$ 2,581,157</b>

Source: CAFR Schedule B-1

Note: This table was required with the implementation of GASB 44 in the 2006 fiscal year. This information is presented back to the year of implementation of GASB 34 and additional years will be added until ten years are presented.

Note: The significant changes in the capital projects fund is the result of the issuance of debt offset with capital expenditures.

GASB 54 was implemented in the 2011 fiscal year, which required the presentation of fund balances to be reported in different classifications from those presented in prior years (see footnote #1 in the basic financial statements). Prior years have not been restated above, nor are they required to be.

**Spotswood Borough School District**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**Unaudited**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Tax levy	\$ 7,505,034	\$ 8,316,080	\$ 8,852,020	\$ 9,120,752	\$ 9,914,207	\$ 10,653,497	\$ 11,221,843	\$ 11,217,590	\$ 14,359,797	\$ 14,723,349
Tuition charges	5,027,965	5,780,896	5,935,859	6,387,911	6,760,319	7,158,656	6,806,025	7,271,245	3,906,064	4,686,085
Interest earnings	26,554	79,803	67,465	38,651	81,478	90,936	71,221	35,994	19,588	10,522
Miscellaneous	81,445	41,658	130,738	118,650	129,527	134,951	107,111	33,362	271,381	53,417
State sources	4,789,156	5,146,160	9,220,258	7,047,403	5,943,013	6,578,671	6,727,520	6,749,003	6,959,150	7,112,497
Federal sources	362,244	418,735	429,609	555,657	572,111	564,449	510,220	489,031	1,847,451	660,818
<b>Total revenue</b>	<b>17,792,398</b>	<b>19,783,332</b>	<b>24,635,949</b>	<b>23,269,024</b>	<b>23,400,655</b>	<b>25,181,160</b>	<b>25,443,940</b>	<b>25,796,225</b>	<b>27,363,431</b>	<b>27,246,688</b>
<b>Expenditures</b>										
<b>Current</b>										
Instruction	7,645,549	8,439,957	8,385,295	8,844,605	9,314,214	9,571,219	10,097,307	11,491,356	11,844,744	11,190,311
<b>Undistributed - current</b>										
Instruction	632,722	540,553	309,435	476,769	480,539	285,271	263,086	426,285	556,431	874,112
Health services	212,185	312,954	224,410	200,868	205,947	248,324	237,046	285,426	279,581	262,027
Support services	1,010,463	1,187,512	1,353,157	1,741,232	1,807,728	1,976,467	1,935,311	2,199,534	2,071,273	1,900,296
Improvement of instruction	395,245	405,597	512,847	458,729	456,222	365,982	418,729	383,442	402,949	277,678
School library	142,531	125,263	131,554	155,186	149,762	150,338	159,211	171,070	168,896	73,736
Instructional staff training	22,131	19,332	28,219	15,763	15,214	87,852	102,208	104,111	100,900	26,616
General administration	389,079	428,746	347,971	383,157	367,440	378,820	416,116	400,539	409,226	358,370
School administration	747,439	809,928	860,773	856,940	853,535	873,177	934,079	851,452	876,282	822,073
Support services				10,281						
Central services				480,777	427,002	377,050	383,875	427,982	456,939	409,177
Administrative information technology				125,165	89,980	108,564	113,138	156,386	172,483	180,827
Required maintenance of plant services	407,683	449,933	567,258	501,141	408,942	598,595	558,926	522,000	468,852	524,905
Operation of plant	906,775	1,009,074	1,104,407	1,501,642	1,564,779	1,641,601	1,788,205	1,985,867	1,682,635	1,928,999
Student transportation	557,673	482,963	464,206	438,659	529,740	450,226	448,233	634,074	876,800	860,500
Business and other support services and benefits	2,631,967	2,936,379	3,216,612	3,068,633	3,319,548	3,323,462	3,550,683	3,053,805	3,623,469	3,522,241
On-behalf TPAF social security and pension contrib.	590,204	873,513	1,088,056	1,148,418	1,371,189	2,071,330	2,123,784	1,598,936	1,612,726	1,684,285
Capital outlay	460,177	1,234,191	11,273,910	4,553,805	527,766	871,927	358,317	236,884	614,245	511,019
Special schools	11,171									
<b>Debt service</b>										
Principal	315,000	325,000	455,000	769,000	770,000	855,000	865,000	883,000	815,000	835,000
Interest and other charges	236,378	195,013	580,742	584,340	555,319	524,892	492,131	457,615	422,978	389,634
Cost of issuance										101,922
<b>Total expenditures</b>	<b>17,314,372</b>	<b>19,775,908</b>	<b>30,903,852</b>	<b>26,315,110</b>	<b>23,214,866</b>	<b>24,760,097</b>	<b>25,245,385</b>	<b>26,269,764</b>	<b>27,456,409</b>	<b>26,733,728</b>
<b>Excess (Deficit) of revenues over (under) expenditures</b>	<b>478,026</b>	<b>7,424</b>	<b>(6,267,903)</b>	<b>(3,046,086)</b>	<b>185,789</b>	<b>421,063</b>	<b>198,555</b>	<b>(473,539)</b>	<b>(92,978)</b>	<b>512,960</b>
<b>Other financing sources (uses)</b>										
Serial bonds issued		10,519,000								
Refunding bonds issued										7,340,000
Premium on bonds issued										259,263
Payment to refunding bond escrow agent										(7,497,341)
Cancellation of prior year accounts receivable									(175,954)	
Transfers in		36,952	57,432	9,045	728,016	2,614	1,482	281,045	42,972	
Transfers out	(86,000)	(55,775)	(141,946)	(29,232)	(786,516)	(2,614)	(1,482)	(281,045)	(42,972)	(33,481)
<b>Total other financing sources (uses)</b>	<b>(86,000)</b>	<b>10,500,177</b>	<b>(84,514)</b>	<b>(20,187)</b>	<b>(58,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(175,954)</b>	<b>68,441</b>
<b>Net change in fund balances</b>	<b>\$ 392,026</b>	<b>\$ 10,507,601</b>	<b>\$ (6,352,417)</b>	<b>\$ (3,066,273)</b>	<b>\$ 127,289</b>	<b>\$ 421,063</b>	<b>\$ 198,555</b>	<b>\$ (473,539)</b>	<b>\$ (268,932)</b>	<b>\$ 581,401</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>3%</b>	<b>3%</b>	<b>5%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>

Source: CAFR Schedule B-2

Spotswood Borough School District  
 General Fund Other Local Revenue By Source  
 Last Ten Fiscal Years  
 (Modified accrual basis of accounting)  
 Unaudited

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Prior Year Refunds	Helmetta Fund Balance	Misc.	Total
2002	\$ 26,531	\$ 5,027,965	\$ 17,612		\$ 21,405	\$ 5,093,513
2003	42,851	5,780,896			17,369	5,841,116
2004	10,033	5,935,859			128,623	6,074,515
2005	29,606	6,387,911			117,133	6,534,650
2006	70,128	6,760,319			99,491	6,929,938
2007	88,322	7,158,656			118,532	7,365,510
2008	69,739	6,806,025			104,911	6,980,675
2009	35,422	7,271,245			17,852	7,324,519
2010	19,486	3,906,064		\$ 150,000	117,944	4,193,494
2011	10,522	4,686,085			47,590	4,744,197

Source: District Records.

Spotswood Borough School District  
Assessed Value and Actual Value of Taxable Property  
Last Ten Fiscal Years  
Unaudited

**Spotswood Borough**

Fiscal Year Ended June 30,	Net Valuation Taxable	Estimated Actual (County Equalized Value)	Total Direct School Tax Rate <sup>b</sup>
2001	\$ 200,327,900	\$ 444,975,344	\$ 3.74
2002	207,744,997	511,834,686	3.89
2003	209,560,500	601,480,586	4.13
2004	210,605,878	601,480,586	4.27
2005	736,976,729 *	678,992,825	1.29
2006	739,666,679	761,738,710	1.39
2007	746,290,022	875,661,916	1.47
2008	751,746,603	947,878,445	1.49
2009	742,085,200	916,494,010	1.50
2010	741,209,700	881,343,282	1.53

**Helmetta Borough**

Fiscal Year Ended June 30,	Net Valuation Taxable	Estimated Actual (County Equalized Value)	Total Direct School Tax Rate <sup>b</sup>
2001	\$ 54,723,248	\$ 107,525,133	\$ 3.28
2002	56,543,900	123,431,347	4.33
2003	58,073,200	145,401,102	4.51
2004	61,437,800	175,787,697	3.81
2005	63,787,570	214,703,304	4.00
2006	64,478,264	245,640,394	4.61
2007	64,478,264	245,640,394	4.61
2008	249,543,139 *	241,061,040	1.26
2009	247,741,799	241,061,040	1.26
2010	244,711,722	244,711,722	1.28

**Source:** District records, Tax list summary, Abstract of Ratables, Budget Book-F46, & Municipal Tax Assessor.

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

\* Reassessment occurs when ordered by the County Board of Taxation.

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

**b** Tax rates are per \$100; Obtained from F46 Estimated Total School Tax Rate.

n/a: Information is not available.

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

Fiscal Year Ended June 30,	Spotswood Board of Education	Overlapping Rates		Total Direct and Overlapping Tax Rate
	Total Direct	Spotswood Borough	Middlesex County	
2001	\$ 3.74	\$ 1.60	\$ 0.82	\$ 6.16
2002	3.89	1.64	0.92	6.45
2003	4.13	1.73	0.95	6.81
2004	4.27	1.77	1.02	7.06
2005	1.29	0.54	0.30	2.13
2006	1.39	0.59	0.30	2.28
2007	1.47	0.65	0.30	2.42
2008	1.49	0.74	0.32	2.55
2009	1.50	0.78	0.34	2.62
2010	1.53	0.81	0.37	2.71

**Source:** District Records Abstract of Ratables and Municipal Tax Collector.

**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.

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

Fiscal Year Ended June 30,	Borough of Helmetta School District		Overlapping Rates		Total Direct and Overlapping Tax Rate
	Total Direct	Municipality of Helmetta	Middlesex County		
2001	\$ 3.28	\$ 1.01	\$ 0.72	\$ 5.01	
2002	4.33	1.23	0.82	6.38	
2003	4.51	1.21	0.86	6.58	
2004	3.81	1.25	0.91	5.97	
2005	4.00	1.33	0.94	6.27	
2006	4.61	1.46	1.01	7.08	
2007	4.61	1.46	1.01	7.08	
2008	1.26	0.44	0.31	2.01	
2009	1.26	0.44	0.28	1.98	
2010	1.28	0.45	0.31	2.04	

**Source:** District Records Abstract of Ratables and Municipal Tax Collector.

- 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.

Spotswood Borough School District  
Principal Property Tax Payers  
Current Year and Nine Years Ago  
Unaudited

Spotswood Borough

Taxpayer	2011		2002	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Spotswood Shopping Center, Inc.	\$ 10,492,400	1.19%	\$ 2,950,900	0.58%
Clearwater Village	9,533,700	1.08%	n/a	n/a
Schweitzer-Mauduit	8,228,800	0.93%	4,446,700	0.87%
Inland Container	6,500,000	0.74%	2,350,000	0.46%
Renaissance Properties	5,300,000	0.60%	n/a	n/a
Robert Maglies	4,471,300	0.51%	1,262,400	0.25%
Summerhill Corners	3,638,100	0.41%	1,245,300	0.24%
Gillette Enterprises	3,496,300	0.40%	1,661,600	0.32%
Citadel Brookview LLC	3,367,800	0.38%	n/a	n/a
Bell Atlantic	3,036,513	0.34%	n/a	n/a
KLIA Properties, LLC	2,943,500	0.33%	n/a	n/a
Spotswood Investment, LLC	1,724,600	0.20%	n/a	n/a
Parkview Manor, LLC	1,700,000	0.19%	n/a	n/a
<b>Total</b>	<b>\$ 64,433,013</b>	<b>7.82%</b>	<b>\$ 13,916,900</b>	<b>6.71%</b>

Source: District CAFR & Municipal Tax Assessor.

n/a: Information is not available.

Spotswood Borough School District  
Principal Property Tax Payers  
Current Year and Nine Years Ago  
Unaudited

**Helmetta Borough**

Taxpayer	2011		2002	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Kaplan at Helmetta, LLC	\$ 1,699,000	0.69%	n/a	n/a
Sutton Plaza Associates, LLC	1,500,000	0.61%	n/a	n/a
Maglies, Robert	1,428,200	0.58%	n/a	n/a
Bohinski, Loretta & Carol-Trustees	1,053,500	0.43%	n/a	n/a
Buchan, William & Roseann	983,600	0.40%	n/a	n/a
Aggo, LLC	877,600	0.36%	n/a	n/a
Motard, Gregory	820,500	0.34%	n/a	n/a
Bohinski, Charles & Sandra	724,700	0.30%	n/a	n/a
Beecher, J & H	624,600	0.26%	n/a	n/a
Raczynski, Anthony & Barbara	605,200	0.25%	n/a	n/a
Bohinski, Mark & Meredith	573,700	0.23%	n/a	n/a
Buchan, William Jr.	539,800	0.22%	n/a	n/a
Glyco Corp	529,800	0.22%	n/a	n/a
Covington, Harold & Irenc	525,100	0.21%	n/a	n/a
<b>Total</b>	<b>\$ 12,485,300</b>	<b>4.45%</b>	<b>\$ -</b>	<b>0.00%</b>

Source: District CAFR & Municipal Tax Assessor.

n/a: Information is not available.

Spotswood Borough School District  
Property Tax Levies and Collections  
Last Ten Fiscal Years  
Unaudited

**Spotswood Borough**

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	
2002	\$ 7,505,034	\$ 7,505,034	100.00%	\$ -
2003	8,316,080	8,316,080	100.00%	-
2004	8,852,020	8,852,020	100.00%	-
2005	9,120,752	9,120,752	100.00%	-
2006	9,914,207	9,914,207	100.00%	-
2007	10,653,497	10,653,497	100.00%	-
2008	11,221,843	11,221,843	100.00%	-
2009	11,217,590	11,217,590	100.00%	-
2010	11,217,593	11,217,593	100.00%	-
2011	11,557,816	11,557,816	100.00%	-

**Helmetta Borough**

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	
2002	\$ 3,641,793	\$ 3,641,793	100.00%	\$ -
2003	3,980,152	3,980,152	100.00%	-
2004	3,822,305	3,822,305	100.00%	-
2005	4,053,308	4,053,308	100.00%	-
2006	4,053,308	4,053,308	100.00%	-
2007	4,787,617	4,787,617	100.00%	-
2008	3,069,427	3,069,427	100.00%	-
2009	3,069,427	3,069,427	100.00%	-
2010	3,142,204	3,142,204	100.00%	-
2011	3,165,533	3,165,533	100.00%	-

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

Spotswood Borough School District  
 Ratios of Outstanding Debt by Type  
 Last Ten Fiscal Years  
 Unaudited

**Spotswood Borough**

Fiscal Year Ended June 30,	Governmental Activities General Obligation Bonds <sup>b</sup>	Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
2002	\$ 3,768,000	\$ 3,443,000	1.10%	\$ 37,842
2003	14,952,000	14,342,000	0.27%	38,096
2004	14,497,000	14,497,000	0.26%	38,096
2005	13,728,000	13,728,000	0.28%	38,096
2006	12,958,000	12,958,000	0.29%	38,096
2007	12,103,000	12,103,000	0.34%	41,050
2008	11,238,000	11,238,000	0.37%	41,050
2009	10,355,000	10,355,000	0.45%	46,674
2010	9,540,000	9,540,000	0.49%	46,674
2011	8,850,000	8,850,000	0.49%	n/a

**Source:** District CAFR Schedules I-1, I-3.

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

**Note:** Not applicable for Helmetta.

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

**b** Includes Early Retirement Incentive Plan (ERIP) refunding bonds.

Spotswood Borough School District  
Ratios of Net General Bonded Debt Outstanding  
Last Ten Fiscal Years  
Unaudited

**Spotswood Borough**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Net General Bonded Debt Outstanding		
2002	\$ 3,768,000	\$ 3,768,000	0.02%	\$ 478
2003	14,952,000	14,952,000	0.07%	1,897
2004	14,497,000	14,497,000	0.07%	1,760
2005	13,728,000	13,728,000	0.07%	1,742
2006	12,958,000	12,958,000	0.02%	1,742
2007	12,103,000	12,103,000	0.02%	1,742
2008	11,238,000	11,238,000	0.02%	1,374
2009	10,355,000	10,355,000	0.01%	1,271
2010	9,540,000	9,540,000	0.01%	1,166
2011	8,850,000	8,850,000	0.01%	1,166

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

**Note:** Not applicable for Helmetta.

**a** See J-6 for property tax data; Divide Net General Bonded Debt Outstanding by Net Valuation Taxable (J-6)

**b** Population data can be found in J-14; Divide Net General Bonded Debt Outstanding by Population (J-14)

Spotswood Borough School District  
 Ratios of Overlapping Governmental Activities Debt  
 As of June 30, 2011  
 Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
County of Middlesex	\$ 5,430,130	100%	\$ 5,430,130
Spotswood Borough	4,607,333	100%	4,607,333
Helmetta Borough	110,834	100%	110,834
Other debt			
Middlesex County General Obligation Debt	639,968,209	0.85%	<u>5,439,730</u>
Subtotal, overlapping debt			15,588,027
Spotswood Borough School District Direct Debt			<u>8,850,000</u>
Total direct and overlapping debt			<u>\$ 24,438,027</u>

Sources: Spotswood Borough Chief Finance Officer, Middlesex 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 Spotswood and Helmetta. 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.

<sup>a</sup> 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.

Spotswood Borough School District  
Legal Debt Margin Information  
Last Ten Fiscal Years  
Unaudited

Spotswood Borough

Legal Debt Margin Calculation for Fiscal Year 2011

Equalized valuation basis	
2011	\$ 881,343,282
2010	916,494,010
2009	<u>921,811,535</u>
[A]	<u>\$ 2,719,648,827</u>
[A/3]	\$ 906,549,609
[B]	36,261,984 <sup>a</sup>
[C]	<u>8,850,000</u>
[B-C]	<u>\$ 27,411,984</u>

Debt limit (4 % of average equalization value)  
Net bonded school debt  
Legal debt margin

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 16,350,674	\$ 18,158,863	\$ 20,777,208	\$ 23,123,536	\$ 25,443,706	\$ 24,754,086	\$ 34,470,388	\$ 36,952,291	\$ 37,149,120	\$ 36,261,984
Total net debt applicable to limit	<u>4,083,000</u>	<u>3,768,000</u>	<u>14,952,000</u>	<u>13,728,000</u>	<u>12,958,000</u>	<u>12,103,000</u>	<u>11,238,000</u>	<u>10,355,000</u>	<u>9,540,000</u>	<u>8,850,000</u>
Legal debt margin	<u>\$ 12,267,674</u>	<u>\$ 14,390,863</u>	<u>\$ 5,825,208</u>	<u>\$ 9,395,536</u>	<u>\$ 12,485,706</u>	<u>\$ 12,651,086</u>	<u>\$ 23,232,388</u>	<u>\$ 26,597,291</u>	<u>\$ 27,609,120</u>	<u>\$ 27,411,984</u>
Total net debt applicable to the limit as a percentage of debt limit	24.97%	82.34%	66.07%	59.37%	50.93%	48.89%	32.60%	28.02%	25.68%	24.41%

Source: Abstract of Ratables and District Records.  
See J-6 for Estimated Actual (County Equalized Value) and see J-11 for Net General Bonded Debt Outstanding.

<sup>a</sup> Limit set by NJSIA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts.

Spotswood Borough School District  
Legal Debt Margin Information  
Last Ten Fiscal Years  
Unaudited

Helmetta Borough

Legal Debt Margin Calculation for Fiscal Year 2011

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 3,809,285	\$ 4,305,211	\$ 3,763,576	\$ 4,446,201	\$ 7,145,228	\$ 8,488,242	\$ 9,494,863	\$ 9,352,063	\$ 9,291,005	\$ 9,691,117
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 3,809,285	\$ 4,305,211	\$ 3,763,576	\$ 4,446,201	\$ 7,145,228	\$ 8,488,242	\$ 9,494,863	\$ 9,352,063	\$ 9,291,005	\$ 9,691,117
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

	Equalized valuation basis	
	2011	\$ 244,711,722
	2010	241,061,040
	2009	241,061,040
	[A]	<u>\$ 726,833,802</u>
	[A/3]	\$ 242,277,934
Debt limit (4 % of average equalization value)	[B]	9,691,117 <sup>a</sup>
Net bonded school debt	[C]	-
Legal debt margin	[B-C]	<u>\$ 9,691,117</u>

Source: Abstract of Ratables and District Records.  
See J-6 for Estimated Actual (County Equalized Value) and see J-11 for Net General Bonded Debt Outstanding.

<sup>a</sup> Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts.

Spotswood Borough School District  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
Unaudited

**Spotswood Borough**

Year	Population <sup>a</sup>	Personal Income (thousands of dollars) <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2002	7,880	n/a	\$ 25,247	5.2%
2003	7,880	n/a	25,247	6.4%
2004	7,880	n/a	25,247	5.4%
2005	7,880	n/a	25,247	5.4%
2006	7,880	n/a	25,247	5.4%
2007	8,179	n/a	41,050	4.0%
2008	8,179	n/a	41,050	5.4%
2009	8,145	n/a	46,674	4.7%
2010	8,180	n/a	46,674	8.9%
2011	8,192	n/a	n/a	n/a

**Helmetta Borough**

Year	Population <sup>a</sup>	Personal Income <sup>c</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2002	1,890	\$ 72,022,230	\$ 38,107	6.0%
2003	1,949	75,069,633	38,517	5.9%
2004	2,009	79,598,589	39,621	4.9%
2005	2,037	83,472,186	40,978	3.8%
2006	2,015	88,704,330	44,022	4.8%
2007	2,012	n/a	n/a	4.2%
2008	1,825	48,705,600	26,688	5.7%
2009	2,008	53,589,504	26,688	5.1%
2010	2,008	53,589,504	26,688	8.8%
2011	2,105	n/a	n/a	n/a

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development-Population Estimates.

<sup>b</sup> Personal income data was not available for the Spotswood Borough.

<sup>c</sup> Per Capita personal income information provided by the NJ Dept of Labor and Workforce Development-County Facts Sheets.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development-County Labor Force Estimates.

<sup>e</sup> Personal incomes has been estimated based upon the municipal population and per capita personal income presented.

n/a: Information is not available.

Spotswood Borough School District  
Principal Employers  
Current Year and Nine Years Ago  
Unaudited

**Spotswood/ Helmetta Boroughs**

Information is not available.

Spotswood Borough School District  
Full-time Equivalent District Employees by Function/Program  
Last Ten Fiscal Years  
Unaudited

Spotswood Borough

<u>Function/Program</u>	<u>2002</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>
<b>Instruction</b>										
Regular	99	101	104	107	108	113	122	125	123	128
Special education	30	31	28	27	27	27	28	22	22	22
Vocational	13	13	13	14	14	14	13	11	11	11
Other instruction	6	7	6	8	7	7	6	6	6	6
<b>Support Services:</b>										
Student & instruction related services	42	39	46	48	48	44	44	44	44	29
a General administrative services	2	2	2	2	2	2	2	2	2	11
School administrative services	11	13	14	14	14	14	14	14	14	10
Business administrative services	10	10	10	10	10	10	10	10	10	5
Plant operations and maintenance	21	21	25	24	24	23	22	22	22	23
Pupil transportation	-	1	1	1	1	1	1	1	1	1
Food Service	11	10	4	2	2	-	-	-	-	-
<b>Total</b>	<u>245</u>	<u>248</u>	<u>253</u>	<u>257</u>	<u>257</u>	<u>255</u>	<u>262</u>	<u>257</u>	<u>255</u>	<u>246</u>

Source: District Personnel Records.

a Extracted from Budget Book-Budgeted Full-Time Equivalents General District Administrators & Gen. Administration-Support.

Spotswood Borough School District  
Full-time Equivalent District Employees by Function/Program  
Last Ten Fiscal Years  
Unaudited

Helmetta Borough

<u>Function/Program</u>	<u>2002</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>
Instruction										
Regular	-	-	-	-	-	-	-	-	-	-
Special education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Support Services:										
Student & instruction related services	1	1	1	1	1	1	1	1	-	-
a General administrative services	1	1	1	1	1	1	1	1	-	-
School administrative services	-	-	-	-	-	-	-	-	-	-
Business administrative services	1	1	1	1	1	1	1	1	-	-
Plant operations and maintenance	-	-	-	-	-	-	-	-	-	-
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Food Service	-	-	-	-	-	-	-	-	-	-
Total	<u>3</u>	<u>-</u>	<u>-</u>							

Source: District Personnel Records.

a District Personnel Records - All employees are part-time.

\* As a result of the merger of the Helmetta Borough school district into the Spotswood school district, Helmetta ceased having any employees.

Spotswood Borough School District  
Operating Statistics  
Last Ten Fiscal Years  
Unaudited

Spotswood Borough

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
2002	1,668	\$ 16,348,900	\$ 9,801	-0.75%	159	1,668	1,586	2.70%	95.08%
2003	1,664	18,086,483	10,869	10.89%	171	1,664	1,576	-0.24%	94.71%
2004	1,681	18,594,200	11,061	1.77%	169	1,681	1,590	1.01%	94.59%
2005	1,734	20,407,965	11,769	6.40%	169	1,734	1,634	3.06%	94.23%
2006	1,764	21,361,781	12,110	2.89%	169	1,752	1,690	1.03%	96.46%
2007	1,772	22,508,278	12,702	4.89%	171	1,777	1,676	1.43%	94.32%
2008	1,767	23,529,937	13,316	4.83%	173	1,767	1,678	-0.56%	94.96%
2009	1,760	24,929,149	14,164	6.37%	151	1,760	1,672	-0.40%	95.00%
2010	1,818	25,604,186	14,084	-0.57%	143	1,808	1,724	2.73%	95.34%
2011	1,816	24,896,153	13,709	-2.66%	149	1,815	1,748	0.39%	96.31%

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

Note: Enrollment based on annual October district count; see Budget Book A1 for full-time students.

ADE and ADA based on annual June district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4.
- 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).

Spotswood Borough School District  
Operating Statistics  
Last Ten Fiscal Years  
Unaudited

Helmetta Borough

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures<sup>a</sup></u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Average Daily Enrollment (ADE)<sup>c</sup></u>	<u>Average Daily Attendance (ADA)<sup>c</sup></u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2002	254	\$ 2,763,474	\$ 10,880	n/a	254	238	n/a	93.70%
2003	273	3,190,915	11,688	7.43%	273	238	6.96%	87.18%
2004	256	3,340,505	13,049	11.64%	256	239	-6.64%	93.36%
2005	259	3,175,282	12,260	-6.05%	259	245	1.16%	94.59%
2006	273	3,518,494	12,888	5.13%	273	259	5.13%	94.87%
2007	273	3,903,784	14,300	10.95%	273	259	0.00%	94.87%
2008	287	4,002,408	13,946	-2.47%	287	274	4.88%	95.47%
2009	288	4,202,163	14,591	4.63%	288	274	0.35%	95.14%
2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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

Note: As of July 1, 2009, Helmetta Borough was consolidated into Spotswood Borough School District. Therefore, this schedule will be not applicable for the 2010 fiscal year and beyond.

a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4.

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).

n/a: Information is not available.

Spotswood Borough School District  
School Building Information  
Last Ten Fiscal Years

Unaudited

	<u>2002</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>
<b><u>DISTRICT</u></b>										
<b>Appleby Elementary</b>										
Square Feet	48,843	48,843	49,643	49,643	49,643	49,643	49,643	49,643	49,643	49,643
Capacity	684	684	684	684	684	684	684	684	684	684
Enrollment	554	554	404	426	441	445	443	443	459	427
<b>Schoenly School</b>										
Square Feet	18,234	18,234	34,680	34,680	34,680	34,680	34,680	34,680	34,680	34,680
Capacity	216	216	620	620	620	620	620	620	620	620
Enrollment	192	199	221	256	244	248	236	236	255	228
<b>Memorial Middle School</b>										
Square Feet	25,211	25,211	48,216	48,216	48,216	48,216	48,216	48,216	48,216	48,216
Capacity	183	183	527	527	527	527	527	527	527	527
Enrollment	214	377	341	316	332	331	343	343	330	338
<b>High School</b>										
Square Feet	139,537	139,537	144,080	144,080	144,080	144,080	144,080	144,080	144,080	144,080
Capacity	720	720	984	984	984	984	984	984	984	984
Enrollment	721	750	768	751	747	748	745	745	772	743

Sources: District records, ASSA.

Spotswood Borough School District  
 General Fund  
 Schedule of Required Maintenance for School Facilities  
 Last Ten Fiscal Years  
 Unaudited

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

School Facilities	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Spotswood High School	\$ 261,066	\$ 227,713	\$ 226,715	\$ 316,222	\$ 290,549	\$ 258,499	\$ 205,766	\$ 338,303	\$ 270,818	\$ 233,051
E. Raymond Appleby	94,016	120,718	96,258	97,365	177,550	58,121	77,442	117,011	94,796	92,423
G. Austin Schoenly	84,920	50,938	145,633	57,464	61,734	41,588	101,691	41,650	35,389	34,503
Memorial School	84,903	69,483	53,394	87,875	68,762	50,734	116,242	70,294	48,930	47,706
<b>Grand Total</b>	<b>\$ 524,905</b>	<b>\$ 468,852</b>	<b>\$ 522,000</b>	<b>\$ 558,926</b>	<b>\$ 598,595</b>	<b>\$ 408,942</b>	<b>\$ 501,141</b>	<b>\$ 567,258</b>	<b>\$ 449,933</b>	<b>\$ 407,683</b>

Source: District records of required maintenance; QAAR

Spotswood Borough School District  
Insurance Schedule  
Year Ended June 30, 2011  
Unaudited

	Coverage	Deductible
<b>Commercial General Liability</b>		
Bodily Injury and Property Damage (Combined Single Limit)	\$ 11,000,000	
Bodily Injury from Products and Completed Operations	11,000,000	
Sexual Abuse	11,000,000 Per Occurrence	
	17,000,000 Annual Pool Agg	
Personal Injury and Advertising Injury	11,000,000 Per Occurrence	
Medical Expense	11,000,000 Annual Aggregate	
Employee Benefits Liability	11,000,000	\$ 1,000
Premises Medical Payments	10,000 Per Accident	
	5,000 Limit Per Person	
Terrorism	1,000,000 Per Occurrence/ Annual NJSB Agg	
<b>Property - NJSBAIG</b>		
Blanket Building & Contents	57,718,644	5,000
Blanket Extra Expense	50,000,000	5,000
Blanket Valuable Papers and Records	10,000,000	5,000
Demolition and Increased Cost of Construction	10,000,000 Per Occurrence	5,000
Environmental Package	1,000,000	10,000
EDP	500,000	1,000
Fire Department Service Charge	100,000	5,000
Pollutant Cleanup and Removal	250,000	5,000
Earthquake	50,000,000 Per Occurrence	5,000
	50,000,000 NJSBAIG Ann Agg	
Flood Zones (SFHA)	10,000,000 Per Occurrence	500,000
	10,000,000 NJSBAIG Ann Agg	500,000
All Other Flood Zones	50,000,000 Per Occurrence/ NJSBAIG Ann Agg	10,000
Arson Reward	10,000	1,000
Newly Acquired Property	10,000,000	5,000
Up to 120 Days After Acquisition		
Debris Removal	2,500,000	5,000
(Or 25% of the Amount of Physical Damage)		
Utility Services - Direct Damage	250,000	5,000
Gym Floor Coverage	20,000	5,000
Terrorism	1,000,000 Per Occurrence	
	1,000,000 NJSBAIG Ann Agg	
Lawns, Shrubs, Plants for Fire and Explosion	1,000,000	5,000
New Construction, Additions and Refurbishments		
Automatic Coverage for 30 Days		
Mold, Wet or Dry Rot and Bacteria Clean Up	25,000	5,000
Limited Mold Cleanup & Removal	25,000,000	5,000
When caused by fire or lightening, reported within 30 days		
EDP - Computer Virus	250,000	1,000

Spotswood Borough School District  
Insurance Schedule  
Year Ended June 30, 2011  
Unaudited

	<u>Coverage</u>	<u>Deductible</u>
<b>Student Accident - NJSBAIG</b>		
Basic/Sports/Football K-12	\$ 1,000,000	N/A
Catastrophic Cash K-12	1,000,000	
	5,000,000	Per Accident Injury Benefit Aggregate
<b>Equipment Breakdown - NJSBAIG</b>		
CSL Per Accident For Property Damage and Business Income	100,000,000	\$ 5,000
Off Premises Property Damage	100,000	5,000
Extra Expense	10,000,000	5,000
Service Interruption	10,000,000	5,000
Perishable Goods	500,000	5,000
Contingent Business Income	100,000	5,000
Data Restoration	100,000	5,000
Demolition	1,000,000	5,000
Ordinance or Law	1,000,000	5,000
Expediting Expenses	500,000	5,000
Hazardous	500,000	5,000
Newly Acquired Locations (60 days notice)	250,000	5,000
<b>Crime - NJSBAIG</b>		
Faithful Performance	500,000	1,000
Forgery and Alteration	1,000,000	1,000
Money and Securities	100,000	1,000
Money Orders & Counterfeit Paper Currency	100,000	1,000
Computer Fraud	1,000,000	1,000
<b>Automobile Coverage - NJSBAIG</b>		
Auto Liability (CSL for Bodily Injury and Property Damage)	11,000,000	
Uninsured/Underinsured Motorists - Private Passenger Auto	1,000,000	
Personal Injury Protection (Including Pedestrians)	250,000	
<b>Workers Compensation - NJSBAIG</b>		
Covered Payroll - Professional	14,984,808	
Covered Payroll - Non Professional	1,141,445	
<b>Bonds - Selective Insurance Company</b>		
School Business Administrator/Board Secretary	500,000	N/A
School Treasurer	500,000	N/A

Source: District Records  
NJSBAIG: New Jersey School Boards Association Insurance Group  
N/A: Not Applicable

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Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of the Financial Statements Performed  
in Accordance with *Government Auditing Standards*

Honorable President and  
Members of the Board of Education  
Spotswood Borough School District  
Spotswood, New Jersey  
County of Middlesex

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 Spotswood Borough School District, in the County of Middlesex, New Jersey (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

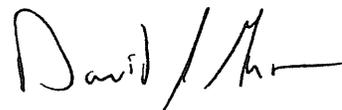
We noted certain matters that we have reported to the District in the separate Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance dated November 7, 2011.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the District in the separate Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance dated November 7, 2011.

This report is intended solely for the information and use of the District's management and Board, others within the entity, the New Jersey Department of Education, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



David J. Gannon  
Licensed Public School Accountant  
No. 2305



WISS & COMPANY, LLP

November 7, 2011  
Iselin, New Jersey



Independent Auditors' Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major  
Program and on Internal Control Over Compliance in  
Accordance with OMB Circular A-133 and New Jersey  
OMB Circular 04-04

Honorable President and  
Members of the Board of Education  
Spotswood Borough School District  
Spotswood, New Jersey  
County of Middlesex

Compliance

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2011.

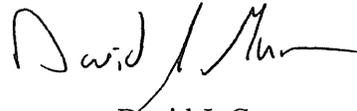
#### Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal and state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey 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 District's internal control over compliance.

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

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

This report is intended solely for the information and use of the District's management and Board, others within the entity, the New Jersey Department of Education, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



David J. Gannon  
Licensed Public School Accountant  
No. 2305



WISS & COMPANY, LLP

November 7, 2011  
Iselin, New Jersey

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Spotswood Borough School District  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010	Adjustments	Cash Received	Budgetary Expenditures	Adjustments	Repayment of prior years balances	(Accounts receivable) at June 30, 2011	Deferred Revenue at June 30, 2011	Due to Grantor at June 30, 2011
<b>General Fund:</b>													
U.S. Department of Education:													
Direct:													
Medical Assistance Program (SEMI)	93.778	N/A	7/1/10 - 6/30/11	\$ 14,726			\$ 14,726	\$ (14,726)					
Passed Through State Department of Education: Education Jobs	84.410	N/A	7/1/10 - 9/30/12	214,100			54,934	(55,729)		\$ (795)			
<b>Total U.S. Department of Education and General Fund</b>							69,660	(70,455)		(795)			
<b>Special Revenue Fund:</b>													
U.S. Department of Education:													
Passed Through State Department of Education:													
NCLB Consolidated Programs:													
Title I	84.010A	NCLB4970-10	9/1/09 - 8/31/11	85,146	\$ (5,809)		13,845	(8,036)					
Title I	84.010A	NCLB4970-11	9/1/10 - 8/31/11	90,316			63,024	(76,790)		(13,766)			
ARRA-Title I	84.389	ARRA4970-10	9/1/09 - 8/31/11	27,938	(4,752)		4,850	(98)					
Title III	84.365	NCLB4970-09	9/1/08 - 8/31/09	1,643	(1,551)		1,551						
Title III	84.365	NCLB4970-10	9/1/10 - 8/31/11	63,591			50,265	(63,418)		(13,153)			
Title II Part A	84.367	NCLB4970-09	9/1/08 - 8/31/09	36,224	(386)		386						
Title II Part A	84.367	NCLB4970-10	9/1/09 - 8/31/11	33,004	209		1,491	(1,700)					
Title II Part A	84.367	NCLB4970-11	9/1/10 - 8/31/11	32,863			22,989	(28,000)		(5,011)			
Title II Part D	84.318	NCLB4970-10	9/1/09 - 8/31/10	867	(291)		291						
Title IV	84.186A	NCLB4970-10	9/1/09 - 8/31/11	3,984	(2,257)		2,449	(192)					
IDEIA, Preschool	84.173	IDEA497010C	9/1/09 - 8/31/11	18,598	1,430		2,828	(4,744)		(486)			
ARRA-IDEIA, Preschool	84.392	IDEA497010C	9/1/09 - 8/31/11	14,596	(1,318)		3,179	(2,585)		(724)			
IDEIA, Preschool	84.173	IDEA497010C	9/1/10 - 8/31/11	19,166			15,807	(15,807)					
IDEIA, Part B	84.027	IDEA497010C	9/1/09 - 8/31/11	363,589	(18,518)		34,942	(16,424)					
ARRA-IDEIA, Part B	84.391	IDEA497010C	9/1/09 - 8/31/11	403,827	(41,513)		63,761	(31,174)		(8,926)			
IDEIA, Part B	84.027	IDEA497010C	9/1/10 - 8/31/11	365,471			336,511	(339,520)		(3,009)			
IDEIA, Part B	84.027	IDEA497009C	9/1/08 - 8/31/10	363,187	(1,540)		1,540						
<b>Total U.S. Department of Education and Special Revenue Fund</b>					(76,296)		619,709	(588,488)		(45,075)			
<b>Enterprise Fund:</b>													
U.S. Department of Agriculture:													
Passed Through State Department of Education:													
National School Lunch Program	10.555	N/A	7/1/09 - 6/30/10	107,799	(6,977)		6,977						
Food Donation Program (NC)	10.555	N/A	7/1/09 - 6/30/11	33,549	2,896			(2,896)					
National School Lunch Program	10.555	N/A	7/1/10 - 6/30/11	120,384			99,240	(120,384)		(21,144)			
Food Donation Program (NC)	10.555	N/A	7/1/10 - 6/30/11	30,769			30,769	(27,376)				\$ 3,393	
<b>Total U.S. Department of Agriculture and Enterprise Fund</b>					(4,081)		136,986	(150,656)		(21,144)		3,393	
<b>Total Federal Awards</b>					\$ (80,377)	\$ -	\$ 826,355	\$ (809,599)	\$ -	\$ -	\$ (67,014)	\$ 3,393	\$ -

NC - Represents non cash expenditures  
N/A - not available

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

Spotswood Borough School District  
Schedule of Expenditures of State Financial Assistance  
Year ended June 30, 2011

State Grantor/ Pass-Through Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010	Carryover/ Walkover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of prior years balances	Balance June 30, 2011			Memo		
										(Accounts receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivables	Cumulative Expenditures	
<b>State Department of Education</b>															
<b>General Funds:</b>															
Equalization Aid	495-034-5120-078	7/01/09 - 6/30/10	\$ 4,021,309	\$ (503,957)		\$ 503,957									
Transportation Aid	495-034-5120-014	7/01/09 - 6/30/10	181,403	(22,734)											
Special Education Categorical Aid	495-034-5120-089	7/01/09 - 6/30/10	852,210	(106,800)		106,800									
Security Aid	495-034-5120-084	7/01/09 - 6/30/10	87,311	(10,942)		10,942									
Extraordinary Aid	495-034-5120-044	7/01/09 - 6/30/10	41,865	(41,865)		41,865									
Additional Non Public Transportation Aid	Not available	7/01/09 - 6/30/10	5,341	(5,341)		5,341									
Equalization Aid	495-034-5120-078	7/01/10 - 6/30/11	4,179,625			3,773,726	\$ (4,179,625)						\$ (405,899)	\$ (4,179,625)	
Special Education Categorical Aid	495-034-5120-089	7/01/10 - 6/30/11	856,032			772,899	(856,032)						(83,133)	(856,032)	
Extraordinary Aid	495-034-5120-473	7/01/10 - 6/30/11	73,335				(73,335)			\$ (73,335)				(73,335)	
Additional Non Public Transportation Aid	Not available	7/01/10 - 6/30/11	6,160				(6,160)			(6,160)				(6,160)	
Reimbursed TPAF - Social Security	495-034-5095-002	7/01/10 - 6/30/11	856,623			813,964	(856,623)			(42,659)				(856,623)	
<b>Total General Funds</b>				<u>(691,639)</u>		<u>6,052,228</u>	<u>(5,971,775)</u>			<u>(122,154)</u>			<u>(489,032)</u>	<u>(5,971,775)</u>	
<b>Enterprise Funds:</b>															
National School Lunch Program (State Share)	100-034-5120-122	7/01/09 - 6/30/10	6,931	(457)		457									
National School Lunch Program (State Share)	100-034-5120-122	7/01/10 - 6/30/11	5,772			4,413	(5,772)			(1,359)				(5,772)	
<b>Total Enterprise Funds</b>				<u>(457)</u>		<u>4,870</u>	<u>(5,772)</u>			<u>(1,359)</u>				<u>(5,772)</u>	
<b>Special Revenue Funds:</b>															
<b>New Jersey Non-Public Aid:</b>															
Textbook Aid	100-034-5120-064	7/01/10 - 6/30/11	18,416			18,416	(18,416)							(18,416)	
Nursing Services	100-034-5120-070	7/01/10 - 6/30/11	21,821			21,821	(21,821)							(21,821)	
Martin Luther King Jr.	07MLKJ109AVF	Indefinite	2,069	1,308							\$ 1,308				
<b>Non-Public Handicapped Services:</b>															
Examination and Classification	100-034-5120-066	7/01/10 - 6/30/11	8,775			8,775	(4,788)					\$ 3,987		(4,788)	
Supplemental Instruction		7/01/10 - 6/30/11	7,643			7,643	(5,559)					2,084		(5,559)	
Corrective Speech		7/01/10 - 6/30/11	25,817			25,817	(17,993)					7,824		(17,993)	
Examination and Classification		7/01/09 - 6/30/10	14,626	6					\$ (6)						
Supplemental Instruction		7/01/09 - 6/30/10	10,354	797					(797)						
<b>Non-Public Auxiliary Services:</b>															
Basic Skills/Comp Educ	100-034-5120-067	7/01/10 - 6/30/11	63,633			63,633	(12,559)					51,074		(12,559)	
Transportation		7/01/10 - 6/30/11	8,353			8,353	(8,353)							(8,353)	
Basic Skills/Comp Educ		7/01/09 - 6/30/10	52,783	11,516					(11,516)						
<b>Total Special Revenue Funds</b>				<u>13,627</u>		<u>154,458</u>	<u>(89,489)</u>			<u>(12,319)</u>		<u>1,308</u>	<u>64,969</u>	<u>(89,489)</u>	
<b>Capital Projects Fund:</b>															
<b>NJSDA:</b>															
School Construction Projects	4970-090-09-0ZAA	7/01/09 - completion	61,472	(56,274)										(56,274)	
<b>Total capital projects fund</b>				<u>(56,274)</u>						<u>(56,274)</u>				<u>(56,274)</u>	
<b>Debt Service Fund:</b>															
Debt Service Aid - Type II	495-034-5120-017	7/01/10 - 6/30/11	68,170			68,170	(68,170)							(68,170)	
<b>Total Debt Service Fund</b>						<u>68,170</u>	<u>(68,170)</u>							<u>(68,170)</u>	
<b>Total State Financial Assistance</b>				<u>\$ (734,743)</u>	<u>\$ -</u>	<u>\$ 6,279,726</u>	<u>\$ (6,135,206)</u>	<u>\$ -</u>	<u>\$ (12,319)</u>	<u>\$ (179,787)</u>	<u>\$ 1,308</u>	<u>\$ 64,969</u>	<u>\$ (489,032)</u>	<u>\$ (6,191,480)</u>	

N/A - Not available

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

Spotswood Borough School District  
Notes to Schedules of Expenditures of  
Federal Awards and State Financial Assistance  
Year ended June 30, 2011

**1. General**

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

**2. Basis of Accounting**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the modified accrual basis of accounting with the exception of programs recorded in the food service fund, which is presented using the accrual basis of accounting, and those recorded in the special revenue fund, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. The information in these schedules are presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

**3. Relationship to Basic Financial Statements**

Amounts reported in the accompanying schedules agree with amounts reported in the District's basic financial statements. The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements and 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.

Spotswood Borough School District  
Notes to Schedules of Expenditures of  
Federal Awards and State Financial Assistance  
Year ended June 30, 2011

**3. Relationship to Basic Financial Statements (continued)**

The general fund is presented in the accompanying schedules on the modified accrual basis of accounting with the exception of the revenue recognition of the last state aid payments in the current year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, these payments are not recognized until the subsequent year due to the state deferral and recording of the last 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 last state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$155,401 for the general fund and \$1,875 for the special revenue fund. See note to required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3). Federal and State award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ 70,455	\$ 6,954,838	\$ 7,025,293
Special Revenue Fund	590,363	89,489	679,852
Debt Service Fund		68,170	68,170
Enterprise Food Service Fund	150,656	5,772	156,428
Total award revenues	<u>\$ 811,474</u>	<u>\$ 7,118,269</u>	<u>\$ 7,929,743</u>

**4. Relationship to Federal and State Financial Reports**

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

Spotswood Borough School District  
Notes to Schedules of Expenditures of  
Federal Awards and State Financial Assistance  
Year ended June 30, 2011

**5. Other**

Revenues and expenditures reported under the Food Donation Program represent current year value received and current year distributions, respectively. TPAF Social Security Contributions represent the amount reimbursed by the State for the employer's share of Social Security Contributions for TPAF members for the fiscal year ended June 30, 2011.

The on-behalf post-retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2011 amount to \$827,662. Since on-behalf post retirement pension and medical benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB's Circular 04-04 and are not reported on the Schedule of Expenditures of State Financial Assistance, as directed by the funding agency.

Spotswood Borough School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**Part I - Summary of Auditor's Results**

**Financial Statement Section**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____ <input checked="" type="checkbox"/>	No
Significant deficiency(ies) identified?	_____	Yes	_____ <input checked="" type="checkbox"/>	None Reported
Noncompliance material to financial statements noted?	_____	Yes	_____ <input checked="" type="checkbox"/>	No

**Federal Awards Section**

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

Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/>	Yes	_____	No
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Type of auditor's report issued on compliance for major programs: Unqualified

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____ <input checked="" type="checkbox"/>	No
Significant deficiency(ies) identified?	_____	Yes	_____ <input checked="" type="checkbox"/>	None Reported
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))?	_____	Yes	_____ <input checked="" type="checkbox"/>	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 / 84.173 / 84.391 / 84.392	IDEIA Part B Basic, IDEIA Preschool, IDEIA Part B Basic and Preschool ARRA Cluster

Spotswood Borough School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2011

Part I - Summary of Auditor's Results (continued)

State Awards Section

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

Auditee qualified as low-risk auditee? ✓ Yes        No

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

Internal control over major programs:

Material weakness(es) identified?        Yes ✓ No

Significant deficiency(ies) identified?        Yes ✓ None Reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 04-04?        Yes ✓ No

Identification of major programs:

GMIS/Program Number	Name of State Program or Cluster
495-034-5120-078	Equalization Aid
495-034-5120-089	Special Education Categorical Aid

Spotswood Borough School District  
Schedule of Findings and Questioned Costs (continued)  
Year ended June 30, 2011

**Part II - Schedule of Financial Statement Findings**

No compliance or internal control over financial statement findings noted that are required to be reported under *Government Auditing Standards*.

Spotswood Borough School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2011

**Part III - Schedule of Federal Award and State Financial Assistance  
Findings and Questioned Costs**

No compliance or internal control findings noted that are required to be reported in accordance with OMB Circular A-133 and New Jersey State OMB Circular 04-04.

Spotswood Borough School District  
Summary Schedule of Prior Year Audit Findings  
Year ended June 30, 2011

Not applicable.