

METUCHEN SCHOOL DISTRICT

Metuchen, New Jersey

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

METUCHEN SCHOOL DISTRICT

METUCHEN, NEW JERSEY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

Prepared by:
Vincent Caputo
Superintendent of Schools
Michael Harvier
Business Administrator/Board Secretary

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE METUCHEN SCHOOL DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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INTRODUCTORY SECTION

The Metuchen Schools
16 Simpson Place
Metuchen, New Jersey 08840

December 5th, 2012

Honorable President and
Members of the Board of Education
Metuchen Public Schools
County of Middlesex
Metuchen, NJ 08840

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Metuchen School District (the "District") for the fiscal year ended June 30, 2012. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in the report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and the results of operations of the District. This report will provide the taxpayers of the Metuchen Public School District with comprehensive financial data in a format enabling them to gain an understanding of the School District's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

The Introductory Section contains a Table of Contents, this Letter of Transmittal, Roster of Officials, and an Organizational Chart of the School District and a list of Consultants and Advisors.

The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the School District's financial position and operating results, and other schedules providing detailed budgetary information.

The Statistical Section includes selected financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

The Single Audit Section – The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and the State Treasury Circular Letter 04-04 OMB", "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Information related to this single audit, including the independent auditors' report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

School District Organization

The Metuchen School District has approximately 2,100 students. There are four school buildings: Pre K and Kindergarten, Elementary, Middle and High School. The population of the town is approximately 13,000.

An elected nine member Board of Education (the "Board") serves as the policy maker for the District. The Superintendent is the chief executive officer of the District, responsible to the Board for total educational and support operations. The Business Administrator / Board Secretary is chief financial officer of the District,

responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the District, acting as custodian of all District funds, and investing idle funds as permitted by New Jersey law.

Reporting Entity

The Metuchen School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by Statement No. 14 as amended by GASB 39. All funds of the District are included in this report. The Metuchen Board of Education and all of its schools constitute the District's reporting entity.

Economic Condition and Outlook

Due to its relatively small size, Metuchen has no real room for development or expansion. The tax base may increase slightly from year to year, but the basis for the increase is due, largely, to limited residential building. Since there is no room for major development or industrial growth, the Borough has no means to significantly expand the tax base.

The District completed the 2011 – 2012 fiscal year with an enrollment of 2149 students which is about 30 students greater than the previous year's enrollment. The forecast for student enrollment is for moderate growth over the next five years with 2200 students projected in 2016-2017.

The District along with many other public school systems in the state, still face some difficult economic situations in the future since the primary funding source is property tax revenue. The proposed budget for the fiscal year 2011 - 2012 was passed by the voters. The District's administration is closely monitoring the cost of operations and continues to look for new funding sources in order to maintain the quality educational services that the school district has been accustomed to providing.

The School District attributes much of its past education success to the community's demand for, and support of, both a traditional and quality school system. The District will remain accountable to the residents and taxpayers who make the District their system of choice.

Educational Program

The Metuchen School District is based on successful collaboration among school personnel and community members and is dedicated to providing the highest quality of education to all students. Our mission statement conveys our strong commitment to excellence:

“The Metuchen Public School District will provide all students with a safe and nurturing environment in which to foster academic, social and emotional growth. The District is committed to allowing every student to develop to their fullest potential by providing a strong foundation of skills based on academic excellence and high performance standards. The District expects all students to achieve the New Jersey Core Curriculum Content Standards at all grade levels. The District will provide a curriculum which is fully inclusive and recognizes the high expectations of the community.”

The early childhood elementary program promotes developmentally appropriate expectations to enhance the growth of the whole child, including cognitive, language, social, emotional and physical domains. A balanced literacy approach to reading, consisting of phonics, writing, oral language and readiness skills is incorporated into the elementary programs. We believe that a strong elementary education includes project-oriented, interdisciplinary, hands on learning. A dedication to inclusion, a strong partnership between home and school, and the setting of high standards for students and teachers are the underpinnings of the District's philosophy.

The middle school offers a comprehensive program to students in grades five through eight. The academic program presents challenging learning experiences in core subjects which are enhanced with a cycle program offering enrichment courses in art, music, computers/technology and industrial arts. Students also participate in an extensive music program which includes ensemble performance groups in band, orchestra and chorus. An extensive co-curricular athletic program is offered.

The comprehensive high school includes students in grades nine through twelve. The high school curriculum emphasizes a strong college preparatory program with 92% of the Class of 2012 pursuing post-secondary education. Of the 153 graduates in the Class of 2012, 2 students were designated as National Merit Finalists and 1 student was designated National Merit Commended Scholars. Our SAT scores exceeded state and national averages with the MHS Class of 2012 averaging 542 in Critical Reading, 557 in Mathematics, and 554 in Writing.

Metuchen School District employs highly competent teaching, supervisory and administrative staff with approximately 50% certified with a BA degree, 49% with a Master's Degree and 1% with a PhD/EdD. The professional staff continues to enhance their skills through curriculum development and strong, consistent professional development either through workshops or college level courses.

Financial Information

Internal Accounting Controls: The administration of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of general purpose financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system 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 the control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the 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. 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 reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at fiscal year end.

Cash Management

The District is guided by state statutes as detailed in "Notes to Basic Financial Statements" Note 2. The district has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA")

GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The laws require governmental units to deposit public funds only in public depositories located in New Jersey where the funds are secured in accordance with the Act.

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. The Board Secretary oversees risk management for the District. A schedule of insurance coverage is found in J-20.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of ParenteBeard LLC (Formerly Beard Miller Company LLP) was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Single Audit Act Amendments of 1996, and the related U.S. Office of Management and Budget Circular, "Audits of State, Local Governments and Non-Profit Organizations," A-133, and the State Treasury Circular Letter 04-04 OMB "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid." The independent auditors' report on the basic financial statements and specific required supplemental information opines on the financial section of this report. The independent auditors' report related specifically to the single audit is included in the single audit section of this report.

Acknowledgements

We would like to express our appreciation to the Members of The Metuchen 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.

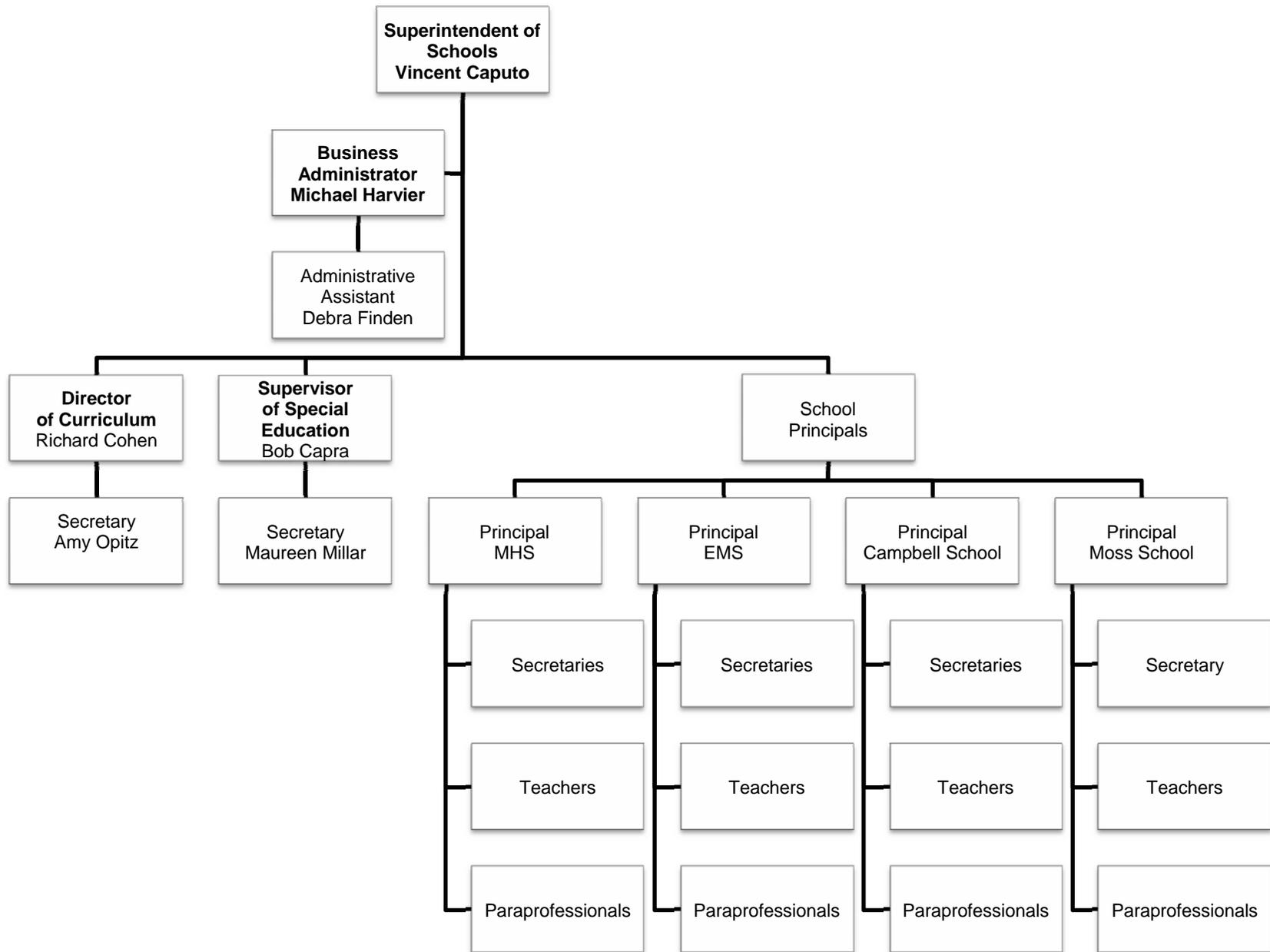
Respectfully Submitted,



Vincent Caputo
Superintendent



Michael Harvier
Business Administrator / Board Secretary



**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2012**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Jonathan Lifton, President	2013
Dan E. Benderly, Vice-President	2014
Rose de Vries	2013
Benjamin Small	2013
Jacqueline Gibson	2014
Arthur Flaherty, Sr.	2014
Lea Lanton	2015
Tara Matisse	2015
Aileen McGuire	2015
<u>Other Officials</u>	
Vincent Caputo, Superintendent of Schools	
Michael Harvier, Business Administrator/Board Secretary	
Richard Cohen, Director of Curriculum	
Robert Capra, Supervisor of Student Personnel Services	
Rebecca A. Cuthbert, Treasurer	

METUCHEN SCHOOL DISTRICT
Consultants and Advisors

Architect

E I Associates
Eight Ridgedale Avenue
Cedar Knolls, New Jersey 07927

Audit Firm

ParenteBeard LLC
100 Walnut Avenue
Suite 200
Clark, NJ 07066

Attorney

Viola Lordi, Esq.
Wilentz, Goldman & Spitzer, PA
90 Woodbridge Center Drive
Suite 900, P.O. Box 10
Woodbridge, New Jersey 07095-0958

Official Depository

Wells Fargo Bank
40 Main Street
Toms River, NJ 08753

Bond Counsel

McManimon & Scotland, L.L.C.
Attorneys at Law
One Riverfront Plaza, Fourth Floor
Newark, New Jersey 07102-5408

FINANCIAL SECTION



Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Metuchen School District, County of Middlesex, New Jersey (District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the audit requirements as prescribed by the Division of 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 of America. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

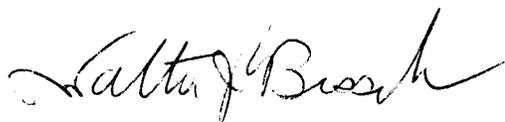
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Metuchen School District as of June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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 10-18 and 49-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which includes the introductory section, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and long term debt schedules are fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical information have not been subject to the auditing procedures applied in the audit of the basic financial statements and, and accordingly we do not express an opinion or provide any assurance on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying schedule of expenditures of federal and state awards is 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's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole.



Walter J. Brasch
Licensed Public School Accountant
No. CS-01063



ParenteBeard LLC

December 5, 2012
Clark, New Jersey

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

As management of the Metuchen School District (the "District"), we offer readers of the District's financial statements this narrative discussion and analysis, which will provide a general overview of the District's financial performance and activities for the fiscal year ended June 30, 2012. While the intent of this discussion and analysis is to look at the District's financial performance as a whole, we encourage readers to review the basic financial statements and notes to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standards Boards (GASB) Statement No. 34 – "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued in June of 1999.

Financial Highlights

Key financial highlights for 2012 are as follows:

- ◆ In total, net assets increased by \$456,294 which represents a 3% increase from 2011.
- ◆ General revenues accounted for \$36,358,985 in revenue or 95% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions accounted for \$2,056,749 or 5% of total revenues of \$38,415,734 .
- ◆ Total assets of governmental activities decreased by \$1,231,386 as cash, cash equivalents and receivable increased by \$2,218,766, receivables decreased by \$1,440,099 and net capital assets decreased by \$1,948,608. .
- ◆ The School District had \$37,959,440 in expenses; only \$2,056,749 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$36,358,985 were adequate to provide for these programs.
- ◆ Among governmental funds, the general fund had \$33,621,737 in revenues and \$32,571,136 in expenditures. The general fund's fund balance increased by \$1,050,601 over 2011. The Board of Education did not anticipate this increase at the time the budget was prepared.

Using this Comprehensive Annual Financial Report (CAFR)

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

The focus of governmental accounting differs from that of business enterprises. In government, the financial statement user is concerned with determining accountability for funds, evaluating operating results, and assessing the level of service that can be provided by the government along with its ability to meet obligations as they become due. In comparison, the primary emphasis in the private sector, from both an operational and reporting perspective, is on the maximization of profits.

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

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the District's funds begins on page 21. Fund financial statements provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds

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

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Enterprise Fund

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found on pages 39 to 48 of this report.

The District as a Whole

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

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition, and payment of debt, the acquisition, and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the District's net assets for 2012 and 2011.

Table 1 – Net Assets

	June 30, 2012	June 30, 2011
Assets		
Current and other assets	\$ 4,836,927	\$ 4,211,103
Capital assets	42,787,290	44,674,585
Total assets	47,624,217	48,885,688
Liabilities		
Long-term liabilities	28,554,582	30,035,363
Other liabilities	2,584,352	2,821,336
Total liabilities	31,138,934	32,856,699
Net Assets		
Invested in capital assets, net of debt	12,324,070	12,775,933
Restricted	3,093,904	1,564,181
Unrestricted	1,067,309	1,688,875
Total net assets	\$ 16,485,283	\$ 16,028,990

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Table 2 shows the changes in net assets from fiscal years 2012 and 2011.

Table 2 – Changes in Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Revenues		
Program Revenues		
Charges for services	\$ 505,116	\$ 506,288
Operating grants and contributions	1,551,633	1,748,627
General Revenues		
Property taxes	32,274,593	31,721,615
Grants and entitlements	3,763,986	2,705,926
Other	320,406	244,044
Total revenues	<u>38,415,734</u>	<u>36,926,500</u>
Expenses		
Program Expenses		
Instruction	19,852,713	19,278,222
Support services		
Pupils and instructional staff	7,689,679	7,353,766
General administration, school administration, business operations and maintenance of facilities	6,053,295	5,843,906
Pupil transportation	2,039,465	1,792,852
Interest on debt	1,693,164	1,670,129
Business - type activities	631,124	582,586
Other		
Total expenses	<u>37,959,440</u>	<u>36,521,461</u>
Increase in net assets	<u>\$ 456,294</u>	<u>\$ 405,039</u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirement to annually seek voter approval for the District's operations. The District's total governmental revenues as they appear on A-2 were \$ 32,795,118 for the year ended June 30, 2012. Property taxes made up 87% of revenues for governmental activities for fiscal year 2011 and 85% for the fiscal year 2012. Property tax revenue increased from 2011 by \$552,978. The federal, state, and local grants totaled 10% of revenue for governmental activities for the Metuchen Public School District for fiscal year 2011 and 13% for fiscal year 2012.

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Business-Type Activities

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

- ◆ Food service revenues exceeded expenses by \$23,087 in 2011 and by \$20,153 in 2012.
- ◆ The after school program revenues exceeded expenses by \$13,264 in 2011 and expenses exceeded revenues by \$30,661 in 2012.
- ◆ Charges for services represent \$506,288 of revenue in 2011 and \$505,116 in 2012. This represents amounts paid by patrons for daily food service and use of the after school program.
- ◆ Federal and state reimbursement for meals, including payments for free and reduced lunches and donated commodities was \$103,559 in 2011 and \$115,500 in 2012.

Governmental Activities

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

Table 3

	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>
Instruction	\$19,852,713	\$19,852,713	\$ 19,278,222	\$ 19,278,222
Support services				
Pupils and instructional staff	7,689,679	6,516,902	7,353,766	5,980,169
General administration, school administration, business operations and maintenance of facilities	6,053,295	6,053,295	5,843,906	5,843,906
Pupil transportation	2,039,465	2,039,456	1,792,852	1,792,852
Interest on debt	1,693,164	1,429,808	1,670,129	1,407,748
Other				
Total expenses	<u>\$37,328,316</u>	<u>\$35,892,174</u>	<u>\$ 35,938,875</u>	<u>\$ 34,302,897</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

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

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

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

Interest on debt involves the transactions associated with the payment of interest and other related charges to debt of the District.

"Other" includes special schools and unallocated depreciation.

The District's Funds

Information about the District's funds are presented in the fund financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (general fund, special revenue fund, capital projects and debt service fund) are considered major funds, and had total revenues of \$37,512,918 and expenditures of \$36,466,925. The net positive change in fund balance for the year was an increase of \$1,045,993.

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 schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal years ended June 30, 2011 and 2012, and the amount and percentage of increases and decreases in relation to prior year revenues:

2012				
Revenue	Amount	Percent of Total	Increase/ (Decrease) From 2011	Percent Increase/ (Decrease)
Local source	\$ 32,274,593	86%	\$ 552,978	2%
State sources	4,027,530	11%	784,694	24%
Federal sources	890,389	2%	(128,325)	(13%)
Miscellaneous	320,406	1%	76,361	31%
Total	\$ 37,512,918	100.0%	\$ 1,285,708	3.5%

2011				
Revenue	Amount	Percent of Total	Increase/ (Decrease) From 2010	Percent Increase/ (Decrease)
Local source	\$ 31,721,615	87%	\$ 1,118,900	4%
State sources	3,242,836	9%	(1,076,194)	(25%)
Federal sources	1,018,714	3%	24,452	2%
Miscellaneous	244,045	1%	72,196	42%
Total	\$ 36,227,210	100.0%	\$ 139,354	.39%

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Rising salaries and health benefits costs primarily necessitate the increase in Local Sources.

The increase in State Sources is attributable to the increase in State Aid.

The following schedule presents a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal years ended June 30, 2012 and 2011 and the amount and percentage of increases and decreases in relation to the prior year:

2012				
Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2011	Percent Increase/ (Decrease)
Current				
Instruction	\$ 14,394,234	39%	\$ 692,837	5%
Undistributed expenditures	19,269,997	53%	372,523	2%
Capital outlay	79,681	0%	-328,043	-80%
Debt service				
Principal	1,440,000	4%	70,000	5%
Interest	1,283,012	4%	-58,828	-3%
Total	<u>\$ 36,466,925</u>	<u>100%</u>	<u>\$ 748,489</u>	<u>2%</u>

2011				
Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2010	Percent Increase/ (Decrease)
Current				
Instruction	\$ 13,701,397	38%	\$ (441,109)	(3%)
Undistributed expenditures	18,897,474	53%	(587,878)	(3%)
Capital outlay	407,725	1%	(198,838)	(33%)
Debt service				
Principal	1,370,000	4%	50,000	4%
Interest	1,341,840	4%	(55,900)	(4%)
Total	<u>\$ 35,718,436</u>	<u>100%</u>	<u>\$ (1,233,725)</u>	<u>(3.45%)</u>

The decrease in Current - Instruction is attributed to the increase in number of teacher retirements and decrease in expenses of textbooks and supplies.

The increase in Current - Undistributed Expenditures is attributed to increase in employee benefits and student transportation costs.

The decrease in capital outlay is attributed to reduced expenditures in capital projects,

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

General Fund Budgeting Highlights

The District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2012, the District amended its General Fund budget as needed. The District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line items. Several of these revisions bear notation:

- ◆ Staffing changes based on student needs resulting in the increase in the number of special aids needed.
- ◆ On-behalf TPAF pension and social security benefits are not required to be included in the original budget; however, both items must be reflected as revenue and expenditures in the basic financial statements.
- ◆ Change in the allocation of transportation costs.
- ◆ Tuition costs for out-of-district special education students are budgeted based on the actual students known when the budget is completed. Transfers are made between the tuition line items based on actual placements during the year.
- ◆ Changes in appropriations to prevent budget overruns.

Capital Assets

At the end of the fiscal year 2012, the District had \$ 42,726,605 invested in land, buildings and improvement, furniture and equipment, and vehicles. Table 4 shows fiscal 2012 balances compared to 2011.

Table 4 – Capital Assets (Net of Depreciation)

	June 30, 2012	June 30, 2011
Land	\$ 178,952	\$ 178,952
Construction in Progress	-	279,358
Buildings and improvements	42,372,170	44,017,329
Machinery and equipment	167,345	191,436
Totals	\$ 42,718,467	\$ 44,667,075

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The overall cost of the capital assets decreased \$ 1,996,550 from fiscal year 2011 to fiscal year 2012. Depreciation expenses of \$1,996,549 for the year. The business office identified \$1,925,630 of depreciation expense and allocated the amount among the various governmental functions. The remaining depreciation expense of \$70,920 was recorded in the business type activities. The notes to the basic financial statements provide the reader with more detailed information.

Debt Administration

At June 30, 2012, the District had \$30,100,009 as outstanding debt. Of this amount \$1,018,009 is for compensated absences, and the balance \$ 29,082,000 for bonds for school construction.

For the Future

The Metuchen School District is in very good financial condition presently. The unassigned, unrestricted general fund balance is \$809,875 this year. A major concern is the reliance of local property taxes to fund the budget.

The Metuchen School District has passed its budget for the past twelve years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, bondholders, and creditors with a general overview of the District's finances and to show the District's accountability for the revenue it receives. If you have questions about this report or need additional information, contact Michael Harvier, Board Secretary at Metuchen Board of Education, 16 Simpson Place, Metuchen, NJ 08840 or email at maharvier@metboe.k12.nj.us.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

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

**METUCHEN SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012**

A-1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,380,035	\$ 198,340	\$ 2,578,375
Account receivables	613,958	4,746	618,704
Inventory		5,713	5,713
Internal balances	50,159	(50,159)	-
Restricted assets:			-
Cash and cash equivalents	1,587,193		1,587,193
Deferred bond issuance costs, net	46,942		46,942
Capital assets, net	42,718,467	68,823	42,787,290
Total Assets	47,396,754	227,463	47,624,217
LIABILITIES			
Cash overdraft	155,709		155,709
Accounts payable	254,051	18,972	273,023
Payable to state government	46,014		46,014
Payable to federal government	709		709
Deferred revenue	153,318		153,318
Accrued interest payable	410,152		410,152
Noncurrent liabilities:			-
Due within one year	1,545,427		1,545,427
Due beyond one year	28,554,582		28,554,582
Total Liabilities	31,119,962	18,972	31,138,934
NET ASSETS			
Invested in capital assets, net of related debt	13,273,256	68,823	13,342,079
Restricted for:			
Other purposes	2,242,985	-	2,242,985
Unrestricted	760,551	139,668	900,219
Total Net Assets	\$ 16,276,792	\$ 208,491	\$ 16,485,283

The accompanying notes to the basic financial statements are an integral part of this statement.

**METUCHEN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

A-2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular programs	\$ 15,197,916	\$ -	\$ -	\$ -	\$ (15,197,916)	\$ -	\$ (15,197,916)
Special education programs	3,342,126	-	-	-	(3,342,126)	-	(3,342,126)
Other instructional programs	1,312,671	-	-	-	(1,312,671)	-	(1,312,671)
Support services:							
Instruction	2,123,690	-	1,172,777	-	(950,913)	-	(950,913)
Student and instruction related services	5,565,989	-	-	-	(5,565,989)	-	(5,565,989)
General administrative services	594,523	-	-	-	(594,523)	-	(594,523)
School administrative services	1,601,176	-	-	-	(1,601,176)	-	(1,601,176)
Plant operations and maintenance	3,369,258	-	-	-	(3,369,258)	-	(3,369,258)
Pupil transportation	2,039,465	-	-	-	(2,039,465)	-	(2,039,465)
Business and other support services	488,338	-	-	-	(488,338)	-	(488,338)
Interest on long-term debt	1,693,164	-	263,356	-	(1,429,808)	-	(1,429,808)
Total governmental activities	37,328,316	-	1,436,133	-	(35,892,183)	-	(35,892,183)
Business-type activities:							
Food service	472,876	377,529	115,500	-	-	\$ 20,153	20,153
After school program	158,248	127,587	-	-	-	(30,661)	(30,661)
Total business-type activities	631,124	505,116	115,500	-	-	(10,508)	(10,508)
Total primary government	\$ 37,959,440	\$ 505,116	\$ 1,551,633	\$ -	(35,892,183)	(10,508)	(35,902,691)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net					29,819,545	-	29,819,545
Taxes levied for debt service					2,455,048	-	2,455,048
Federal and State aid restricted					3,763,986	-	3,763,986
Miscellaneous Income					320,406	-	320,406
Total general revenues					36,358,985	-	36,358,985
Change in Net Assets					466,802	(10,508)	456,294
Net Assets—beginning					15,809,990	218,999	16,028,989
Net Assets—ending					\$ 16,276,792	\$ 208,491	\$ 16,485,283

The accompanying notes to the basic financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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

**METUCHEN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,159,433	\$ -	\$ 220,602	\$ -	\$ 2,380,035
Due from other funds	149,861		396,488		546,349
Receivables from other governments	260,348	353,610			613,958
Restricted cash - capital reserve account	1,587,193				1,587,193
TOTAL ASSETS	\$ 4,156,835	\$ 353,610	\$ 617,090	\$ -	\$ 5,127,535
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash overdraft	\$ -	\$ 155,709	\$ -	\$ -	\$ 155,709
Accounts payable	158,947	95,104			254,051
Due to other funds	496,189				496,189
Payable to federal government		709			709
Payable to state government		46,014			46,014
Deferred revenue	97,244	56,074			153,318
Total liabilities	752,380	353,610	-	-	950,281
Fund Balances:					
Restricted for:					
Excess surplus	497,230				497,230
Emergency Reserve	20,000				20,000
Maintenance reserve	200,000				200,000
Capital reserve account	1,367,193				1,367,193
Capital projects			167,090		167,090
Committed to:					
Encumbrances	201,775				201,775
Other purposes- refunding			450,000		450,000
Assigned to:					
Subsequent year's expenditures	357,706				357,706
Unassigned:					
Unrestricted	760,551				760,551
Total fund balances	3,404,455	-	617,090	-	4,021,545
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,156,835	\$ 353,610	\$ 617,090	\$ -	

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

The costs associated with the issues of the various bonds are expensed in the governmental funds in the year the bonds are issued but are capitalized on the statement of net assets. The bond issuance costs are \$132,887 and the accumulated amortization is \$85,945.	46,942
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$61,159,752 and the accumulated depreciation is \$18,441,285.	42,718,467
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(29,082,000)
Accrued interest on bonds	(410,152)
Compensated absences	(1,018,010)
Net assets of governmental activities	\$ 16,276,792

The accompanying notes to the basic financial statements are an integral part of this statement.

METUCHEN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

B-2

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources:					
Local tax levy	\$ 29,819,545	\$ -	\$ -	\$ 2,455,048	\$ 32,274,593
Transportation fees from Individuals	108,856	-	-	-	108,856
Miscellaneous	211,550	-	-	-	211,550
Total - Local Sources	30,139,951	-	-	2,455,048	32,594,999
State sources	3,425,067	339,107	-	263,356	4,027,530
Federal sources	56,719	833,670	-	-	890,389
TOTAL REVENUES	33,621,737	1,172,777	-	2,718,404	37,512,918
EXPENDITURES					
Current:					
Regular instruction	10,263,583	742,068	-	-	11,005,651
Special education instruction	2,344,905	-	-	-	2,344,905
Other special instruction	1,043,678	-	-	-	1,043,678
Support services:					
Tuition	2,123,690	-	-	-	2,123,690
Student & instruction related services	3,152,892	427,830	-	-	3,580,722
School administrative services	585,593	-	-	-	585,593
Other administrative services	1,525,306	-	-	-	1,525,306
Plant operations and maintenance	2,439,343	2,879	-	-	2,442,222
Pupil transportation	1,684,070	-	-	-	1,684,070
Employee benefits	7,328,395	-	-	-	7,328,395
Debt service:					
Principal	-	-	-	1,440,000	1,440,000
Interest and other charges	-	-	-	1,283,012	1,283,012
Capital outlay	79,681	-	-	-	79,681
TOTAL EXPENDITURES	32,571,136	1,172,777	-	2,723,012	36,466,925
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,050,601	-	-	(4,608)	1,045,993
NET CHANGE IN FUND BALANCE	1,050,601	-	-	(4,608)	1,045,993
FUND BALANCE — July 1	2,353,854	-	617,090	4,608	2,975,552
FUND BALANCE — June 30	\$ 3,404,455	\$ -	\$ 617,090	\$ -	\$ 4,021,545

The accompanying notes to the basic financial statements are an integral part of this statement.

METUCHEN SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

B-3

Total net change in fund balances - governmental funds (from B-2)	\$	1,045,993
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 capital outlays exceeded depreciation in the period.		
Depreciation expense	\$ (1,996,550)	
Capital outlays	<u>79,681</u>	(1,916,869)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		1,440,000
Grants awarded by the State are recorded in full as revenue in the governmental funds, but in the statement of activities, they are not considered revenue until they are earned.		284,125
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due.		(410,152)
Bond issuance costs are reported in the governmental funds as expenditures in the year the bonds are issued. However, on the statement of activities, the costs are amortized over the life of the bonds.		(6,644)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		30,349
Change in net assets of governmental activities	\$	<u>466,802</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**METUCHEN SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

B-4

	Enterprise Funds Totals
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 198,340
Accounts receivable	4,746
Interfund receivables	99,702
Inventories	5,713
Total current assets	308,501
Noncurrent assets:	
Furniture, machinery & equipment	85,795
Less accumulated depreciation	16,972
Total noncurrent assets	68,823
TOTAL ASSETS	377,324
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	18,972
Interfund payable	149,861
Total current liabilities	168,833
NET ASSETS	
Invested in capital assets net of related debt	68,823
Unrestricted	139,668
Total net assets	\$ 208,491

The accompanying notes to the basic financial statements are an integral part of this statement.

**METUCHEN SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

B-5

	Enterprise Funds Totals
OPERATING REVENUES:	
Local sources:	
Food service sales	\$ 377,529
Registration fees	127,587
Total operating revenues	505,116
OPERATING EXPENSES:	
Salaries	276,686
Employee benefits	71,155
Cost of sales	210,476
Supplies and materials	18,957
Repairs and maintenance	10,708
Insurance	10,643
Management service fee	17,934
Miscellaneous	5,002
Depreciation	9,563
Total operating expenses	631,124
OPERATING LOSS	(126,008)
NONOPERATING REVENUES:	
State sources:	
State school lunch program	4,742
Federal sources:	
National school lunch program	76,757
Food Distribution Program	34,001
TOTAL NONOPERATING REVENUES	115,500
CHANGE IN NET ASSETS	(10,508)
TOTAL NET ASSETS - BEGINNING	218,999
TOTAL NET ASSETS - ENDING	\$ 208,491

The accompanying notes to the basic financial statements are an integral part of this statement.

**METUCHEN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

B-6

	Enterprise Funds Totals
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 505,116
Payments to employees	(276,686)
Payments for employee benefits	(71,155)
Payments to suppliers	(277,963)
Net cash provided by operating activities	(120,688)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Sources	4,742
Federal Sources	76,757
Local Sources	(5,988)
Net cash provided by non-capital financing activities	75,511
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Change in capital contributions	-
Purchases of capital assets	(78,285)
Gain/Loss on sale of fixed assets (proceeds)	-
Net cash used for capital and related financing activities	(78,285)
Net increase in cash and cash equivalents	(123,462)
Cash and cash equivalents	
Balances—beginning of year	321,802
Balances—end of year	\$ 198,340
Reconciliation of operating loss to net cash (used in) provided by operating activities:	
Operating loss	\$ (126,008)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities	
Depreciation	16,972
Increase in accounts receivable	10,214
Increase in interfund receivable	(36,386)
Decrease in inventories	96
Decrease in accounts payable	(19,577)
Increase in interfund payable	34,001
Total adjustments	5,320
Net cash provided by operating activities	\$ (120,688)

Noncash Noncapital Financing Activities:

During the year, the District received \$ 34,001 of food commodities from the U.S. Department of Agriculture.

The accompanying notes to the basic financial statements are an integral part of this statement.

**METUCHEN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

B-7

	Unemployment Compensation Trust	Private Purpose Fund	Agency Fund
ASSETS			
Cash and cash equivalents	\$ 210,387	\$ 16,121	\$ 319,371
Total assets	210,387	16,121	\$ 319,371
LIABILITIES			
Payable to student groups	-	-	134,158
Payroll deductions and withholdings	-	-	185,213
Total liabilities	-	-	\$ 319,371
NET ASSETS			
Held in trust for unemployment claims and other purposes	\$ 210,387	\$ 16,121	

The accompanying notes to the basic financial statements are an integral part of this statement.

**METUCHEN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

B-8

	Unemployment Compensation Trust	Private Purpose Fund
ADDITIONS		
Contributions:		
Plan members	\$ 52,194	
Other	-	\$ 33,547
Total Contributions	52,194	33,547
Investment earnings:		
Interest	15	-
Total additions	52,209	33,547
DEDUCTIONS		
Quarterly contribution reports	42,904	-
Scholarships awarded	-	21,554
Total deductions	42,904	21,554
Change in net assets	9,305	11,993
Net assets—beginning of the year	201,082	4,128
Net assets—end of the year	\$ 210,387	\$ 16,121

The accompanying notes to the basic financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. The operations of the District include elementary, middle and a senior high school located in Metuchen, New Jersey.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include two elementary schools, a middle school, and a high school located in the Borough of Metuchen. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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

METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. Basis of Presentation, Basis of Accounting: (Continued)

The statement of net assets presents the financial condition of the governmental and business-type activity of the District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

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

Governmental Fund Types

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

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund. As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution, if spending growth limitation adjustment had not been used.

Special Revenue Fund: The District accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes in the Special Revenue Fund.

METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. Basis of Presentation, Basis of Accounting: (Continued)

Capital Projects Fund: The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds 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 is used to account for the accumulation of resources for, and the payment of, principal and interest on bonds and loans issued to finance major property acquisition, construction and improvement programs.

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

Enterprise Fund: The enterprise fund accounts for all revenues and expenses pertaining to cafeteria operations and an after school program. The enterprise 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 providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports:

Fiduciary Funds: The fiduciary funds are used to account for assets held by the District on behalf of others and includes the student activities fund, payroll agency fund and unemployment compensation insurance trust fund.

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

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

METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

All governmental and business-type activities and enterprise funds of the District follow Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. 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, except for special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by Board resolution. Budgetary transfers were made during the current and prior fiscal years; however, such transfers were not of a material amount. The overexpenditure in the general fund is due to the inclusion of the nonbudgeted 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.

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

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

The General Fund budgetary revenue differs from the GAAP revenue due to the difference in revenue recognition of the final two state aid payments. These payments, which are recognized as revenue for budgeting purposes, must be excluded from revenue on the GAAP financial statements since the State records the payments in the subsequent fiscal year. N.J.S.A. 18A:22-44.2 provides that, in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year.

METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. Budgets/Budgetary Control: (Continued)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures: (Continued)

However, for intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the final two state aid payments in subsequent fiscal year, school districts cannot recognize this revenue on the GAAP financial statements until the year the State records the payable.

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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to the difference in revenue recognition of Schools Development Authority ("SDA") grant funds. On the budgetary basis, SDA grants are recognized in full when the grant is awarded. On the GAAP financial statement, SDA funds are recognized as they are expended and requested for reimbursement.

GASB 34 requires a reconciliation of inflows and outflows from the budgetary comparison schedules to the GAAP basis funds statements. The reconciliation between budgetary inflows and outflows and GAAP revenues and expenditures is detailed on Schedules C-3 in the required supplementary information section of this report.

D. Assets, Liabilities, and Equity:

Cash, Cash Equivalents and Investments: Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

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 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 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 of 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.

METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Assets, Liabilities, and Equity: (Continued)

Cash, Cash Equivalents and Investments: (Continued)

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

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

Allowance for Uncollectible Accounts: No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Under encumbrance accounting, purchase orders, contracts and/or other commitments that are issued in the current year that will be honored in the subsequent year are considered reservations of fund balance in order to reserve a portion of the applicable appropriation. Open encumbrances do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the Special Revenue Fund, are reported as restricted, committed, and/or assigned fund balances at fiscal year-end, depending on their level of restriction. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount at the end of the current fiscal year.

Open encumbrances in the Special Revenue Fund are reflected in the balance sheet as deferred revenue at fiscal year-end in accordance with grant accounting procedures.

Inventories: Inventories, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

Capital Assets: The District has established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1993 are recorded at original cost. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date received. The capitalization threshold used by school districts in the State of New Jersey is \$2,000. Capital assets are reflected as expenditures in the applicable governmental funds. Expenditures which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost.

METUCHEN SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Assets, Liabilities and Equity: (Continued)

Capital Assets: (Continued)

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

Asset Class	Estimated Useful Lives
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

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

Compensated Absences: The liability for compensated absences reported in the District-wide statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The entire compensated absence liability is reported on the District-wide financial statements.

District employees are granted personal days and vacation and sick leave in varying amounts under the District's employment contracts.

In the district-wide Statement of Net Assets, compensated absences are reported as liabilities and are broken down between those that are due within one year and those payable beyond one year.

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

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

METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Assets, Liabilities, and Equity: (Continued)

Fund Balance Restrictions, Commitments, and Assignments: The District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement 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.

The *restricted* fund balance category includes amounts constrained for specific purposes as stipulated by external parties, constitutional provision, or enabling legislation. At June 30, 2012, the District had restricted fund balances for capital reserve, excess surplus, emergency reserve, maintenance reserve and capital projects.

The *committed* fund balance classification includes amounts that can be used only for specific purposes as determined by formal action of the District's highest level of decision-making authority. The Board of Education has the authority to formally commit resources for specific purposes through a formal motion or resolution that is passed by a majority of the members for the Board of Education at a public meeting. Such process must also be used to remove or change the commitment of resources.

Amounts in the *assigned* fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. In governmental funds other than the General Fund, assigned fund balances represent the remaining amount that is not restricted or committed. At June 30, 2012, the District had committed resources for year-end encumbrances and assigned resources for amounts designated for subsequent year's expenditures.

Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The following is an analysis of the June 30, 2012 fund balance classifications:

General Fund: Of the \$3,404,455 fund balance at June 30, 2012, \$1,367,193 is restricted for capital reserve; \$ 20,000 is restricted for emergency reserve, \$200,000 is restricted for maintenance reserve, \$357,706 is assigned as current year excess surplus which will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2013; \$ 201,775 is committed for year-end encumbrances, \$497,230 is restricted for excess surplus and \$ 760,551 is unassigned.

Capital Projects Fund: Of the \$617,000 fund balance as of June 30, 2012, \$450,000 is committed to payment against the refunding of school bonds, and \$167,009 fund balance at June 30, 2012 is restricted for capital projects.

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to unrestricted resources.

METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Assets, Liabilities, and Equity: (Continued)

Fund Balance Restrictions, Commitments, and Assignments (Continued)

When an expenditure is incurred that can be paid using either committed, assigned, or unassigned amounts, the District's policy is generally to apply the expenditure to committed resources, then to assigned resources, and then to unassigned resources.

Net Assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Revenues - Exchange and Nonexchange Transactions: Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available is defined as within sixty days of the fiscal year end. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used for the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal yearend; property taxes available as an advance, interest and tuition.

Operating Revenues and Expenses: Proprietary Funds distinguish between operating revenues/expenses from non-operating items. Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is primary activity of the enterprise fund. All revenues and expenses not meeting this definition are reported as non-operating.

Allocation of Indirect Expenses: The District reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the statement of activities. Employee benefits, including the employer's share of social security, workers compensation and medical and dental benefits, were allocated based on salaries of the related program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the statement of activities. Depreciation expenses that could not be attributed to a specific function are considered an indirect expense and are reported separately on the statement of activities.

METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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.

On-behalf TPAF Pensions and Social Security Payments: The District's contribution to the Teachers Pension and Annuity Fund (TPAF) and the District's share of social security related to TPAF members is made by the State of New Jersey on behalf of the Board. On-behalf payments have been included in the District-wide financial statements the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24. On-behalf payments made by the State of New Jersey are not budgeted. These amounts are offset by related revenues and, as such, do not represent budgetary overexpenditures.

F. Operating Costs – Enterprise Fund:

Certain operating costs, which are borne by the Board of Education, such as utilities, custodial and maintenance costs, general facility costs, etc. are not charged or otherwise allocated to the enterprise fund since these costs are not readily determinable.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS:

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

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.

METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS: (Continued)

New Jersey statutes 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. The District's cash and cash equivalents are classified below to inform financial statement users about the extent to which a government's deposits and investments are exposed to custodial credit risk. 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. As of June 30, 2012, all of the District's deposits, except as noted below, were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk.

As of June 30, 2012, the carrying amount of the District's deposits for all funds was \$4,711,447 and the bank balance was \$ 5,106,424. All bank deposits, as of the balance sheet date are entirely insured or collateralized by a collateral pool maintained by public depositories as required by GUDPA.

Permissible Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external fact;

METUCHEN SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Permissible Investments: (Continued)

- (4) Bonders or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Certain agreements for the repurchase of fully collateralized securities, provided they meet specific criteria detailed in the statute.

As of June 30, 2012, the District's Cash and Cash Equivalents consisted of the following:

	Cash and Cash Equivalents
Checking accounts	\$ 4,478,563
Capital Reserve (money market)	232,884
Total	\$ 4,711,447

Custodial Credit Risk: The investments are held separately from bank assets, at the Federal Reserve Bank. The District does not have a policy for custodial credit risk.

Credit Risk: The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed above.

Interest Rate Risk: In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is minimal interest rate risk. The average maturity of the District's investments is less than one year.

3. CAPITAL RESERVE ACCOUNT:

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

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan ("LRFP"). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget times 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:23-2.13(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

METUCHEN SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

3. CAPITAL RESERVE ACCOUNT: (Continued)

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

Beginning balance July 1, 2011	\$	367,193
Increased by:		
Deposits		1,000,000
Ending balance June 30, 2012	\$	1,367,193

4. RECEIVABLES:

Receivables at June 30, 2012 consisted of state and local aid receivables. All receivables are considered collectible in full. A summary of the principal receivables items:

State aid receivable	\$	264,038
Federal Aid receivables		349,920
Total receivables – Fund Financial Statements	\$	613,958

5. INTERFUND BALANCES AND ACTIVITY:

On the fund financial statements, interfund loans are classified as interfund accounts receivable/payable on the respective balance sheets. Interfund loans between the governmental fund types are eliminated in the Statement of Net Assets while interfund loans between the governmental fund types and the fiduciary funds are reflected in the statement of Net Assets as interfund accounts receivable/payable. Interfund loans between the governmental fund types and the proprietary fund types are reflected on the Statement of Net Assets as internal balances between Governmental and Business type activities. The following is a summary of internal balances:

Due to General Fund from Enterprise Fund	\$	149,861
Due to Enterprise Fund from General Fund		99,701
Due to Capital Projects from General Fund		396,488
Total Interfund Balance- Fund Financial Statements		646,050
Elimination of Governmental Interfund Activities		595,891
	\$	50,159

The \$50,159 is reflected on the Statement of Net Assets as Internal balances between the Governmental and Business Type Activities.

6. INVENTORY:

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

Food	\$	5,713
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The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Act of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

7. DEFERRED BOND ISSUANCE COSTS:

In governmental funds, debt issuance costs are recognized in the current period. For the District-wide financial statements, governmental activity debt issuance costs are amortized using the straight-line method over the life of the specific bonds (20 years). The costs associated with the issues of the various bonds amounted to \$132,887. The amortization expense for the fiscal year ended June 30, 2012 amounted to \$6,644 and the total accumulated amortization is \$ 85,945.

8. CAPITAL ASSETS:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not being depreciated:				
Land	\$ 178,952	\$ -	\$	\$ 178,952
Construction in progress	279,358		(279,358)	-
Total capital assets not being depreciated	<u>458,310</u>		<u>(279,358)</u>	<u>178,952</u>
Site and site improvements	800,275			800,275
Building and building improvements	56,949,126	327,300		57,276,426
Machinery and equipment	2,901,329			2,901,329
Totals at historical cost	<u>60,650,730</u>	<u>327,300</u>		<u>60,978,030</u>
Less accumulated depreciation for:				
Site and site improvements	(800,275)	(2,075)		(802,350)
Building and improvements	(12,931,797)	(1,970,384)		(14,902,181)
Machinery and equipment	(2,709,893)	(24,091)		(2,733,984)
Total accumulated depreciation	<u>(16,441,965)</u>	<u>(1,996,550)</u>		<u>(18,438,515)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>44,208,765</u>	<u>(1,669,250)</u>		<u>42,539,515</u>
Government activities capital assets, net	<u>\$ 44,667,075</u>	<u>\$ (1,669,250)</u>	<u>\$ (279,358)</u>	<u>42,718,467</u>
Business-type activities:				
Equipment	\$ 277,790	\$ 70,920	\$	\$ 348,710
Less accumulated depreciation for:	(270,280)	(9,607)		(279,843)
Equipment				
Total capital assets being depreciated, Net of accumulated depreciation	<u>7,510</u>	<u>61,313</u>		<u>68,823</u>
Business-type activities capital assets, net	<u>\$ 7,510</u>	<u>\$ 61,357</u>	<u>\$</u>	<u>\$ 68,823</u>

METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

8. CAPITAL ASSETS: (Continued)

Depreciation expense was charged to governmental functions as follows:

Regular programs instruction	\$ 750,494
Special education program	171,464
Other instructional programs	76,316
School administrative services	57,268
Plant operations and maintenance	238,555
General administrative services	114,731
Student and instruction related services	423,027
Pupil transportation	<u>164,695</u>
Total depreciation expense	<u><u>\$1,996,550</u></u>

9. LONG-TERM OBLIGATIONS:

Bonds:

Bonds are authorized in accordance with State law 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 Board are general obligation bonds.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities					
Bonds payable					
School construction	\$ 30,522,000	\$	\$1,440,000	\$29,082,000	\$1,495,000
Other liabilities					
Compensated absences payable	<u>1,048,359</u>	<u>13,190</u>	<u>43,540</u>	<u>1,018,009</u>	<u>50,428</u>
Total all governmental activities	<u><u>\$ 31,570,363</u></u>	<u><u>\$13,190</u></u>	<u><u>\$1,483,540</u></u>	<u><u>\$30,100,009</u></u>	<u><u>\$ 1,545,427</u></u>

Compensated absences have been paid in the General Fund for the year ended June 30, 2012 in the amount of \$ 20,642.

	Issue Dates	Interest Rates	Date of Maturity	Principal Balance June 30, 2012
Bonds Payable	3/15/05	4.125%-4.5%	8/15/2024	\$ 12,702,000
	3/15/05	4.25%-4.5%	8/15/2027	<u>16,380,000</u>
Total Bonds				<u><u>\$ 29,082,000</u></u>

METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

9. LONG-TERM OBLIGATIONS: (Continued)

Debt Service Requirements:

Debt service requirements on serial bonds payable at June 30, 2012 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
		\$	
2013	\$ 1,495,000	1,221,565	2,716,565
2014	1,560,000	1,157,606	2,717,606
2015	1,635,000	1,090,718	2,725,718
2016	1,700,000	1,020,899	2,720,899
2017	1,775,000	948,146	2,723,146
2018-2022	10,095,000	3,532,422	13,627,422
2023-2027	9,557,000	1,214,619	10,771,619
2028	1,265,000	28,463	1,293,463
	<u>\$ 29,082,000</u>	<u>\$ 10,214,438</u>	<u>\$ 39,296,438</u>

10. PENSION PLANS

Description of Plans

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

Teachers' Pension and Annuity Fund (TPAF)

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

Public Employees' Retirement System (PERS)

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

METUCHEN SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

10. PENSION PLANS (Continued)

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

Contribution Requirements

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

Three-Year Trend Information for PERS

Year Funding June 30,	Annual Pension Cost (APC)	Net Pension Obligation
2012	\$ 331,472	\$ -
2011	306,894	-
2010	235,136	-

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

Year Funding June 30,	Annual Pension Cost (APC)	Net Pension Obligation
2012	\$ 1,443,808	-
2011	1,026,540	\$ -
2010	979,611	-

METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

10. PENSION PLANS (Continued)

Contribution Requirements (Continued)

During the fiscal year ended June 30, 2012, the State of New Jersey contributed \$ 1,443,808 to the TPAF for post-retirement medical benefits on behalf of the District. In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$1,031,684 during the fiscal year ended June 30, 2012, for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

11. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Public Laws 2007, Chapter 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate fund outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you go basis beginning in Fiscal Year 1994 with an additional contribution beginning in Fiscal Year 1996 to maintain a medical reserve by one half of one percent of the active State payroll.

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 \$144 million toward Chapter 126 benefits for 15,709 eligible retired members.

METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

12. DEFERRED COMPENSATION

The Board offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. Deferred compensation plans are available from the following providers:

- Variable Life Insurance Co.
- Equitable
- Met Life
- USAA
- T.P.A.F. Supplemental Annuity
- P.E.R.S. Supplemental Annuity

13. COMPENSATED ABSENCES:

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

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

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

There is no liability for vested compensated absences of the proprietary fund types.

14. RISK MANAGEMENT:

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

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

METUCHEN SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

14. RISK MANAGEMENT: (Continued)

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

Fiscal Year	District Contributions	Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2011 - 2012	\$	\$ 52,194	\$ 15	\$ 42,904	\$ 210,387
2010 – 2011	-	46,650	77	61,531	201,082
2009 – 2010	-	51,123	71	37,935	215,886
2008 – 2009	-	48,756	678	39,123	202,627

15. OPERATING LEASES:

The District has a number of operating leases for copiers which expire at various dates in subsequent periods. Annual operating lease payments are based on usage is included in the General Fund budget and reflected as expenditures during the year of payment.

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, may have an adverse effect on the District’s programs and activities.

17. CALCULATION OF EXCESS SURPLUS:

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve a portion of the General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years’ budget. This District had \$ 497,230 excess fund balance at June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012**

C-1

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Local tax levy	\$ 29,819,545	\$ -	\$ 29,819,545	\$ 29,819,545	\$ -
Transportation Fees from Individuals	102,000		102,000	108,856	6,856
Miscellaneous	135,414		135,414	211,550	76,136
Total - Local Sources	30,056,959	-	30,056,959	30,139,951	82,992
State Sources:					
Special education aid	483,487	307,450	790,937	790,937	-
Extraordinary aid				197,641	197,641
Non Public Transportation Aid				10,321	10,321
TPAF pension (on-behalf - non-budgeted)				1,443,808	1,443,808
Reimbursed TPAF social security (reimbursed - non-budgeted)				1,031,684	1,031,684
				-	-
Total State Sources	483,487	307,450	790,937	3,474,391	2,683,454
Federal Sources:					
Medicaid Reimbursement	13,370	-	13,370	-	(13,370)
Education Jobs Fund	56,719	-	56,719	56,719	-
Total - Federal Sources	70,089	-	70,089	56,719	(13,370)
TOTAL REVENUES	30,610,535	307,450	30,917,985	33,671,061	2,753,076
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction					
Preschool/Kindergarten - salaries of teachers	436,138	(16,000)	420,138	340,975	79,163
Grades 1-5 - salaries of teachers	3,251,203	(196,000)	3,055,203	3,054,394	809
Grades 6-8 - salaries of teachers	2,797,677	(191,000)	2,606,677	2,606,539	138
Grades 9-12 - salaries of teachers	3,500,176	(19,900)	3,480,276	3,475,958	4,318
Purchased technical services	115,000	(60,000)	55,000	53,480	1,520
Other Purchased Services (400-500 series)	48,000	-	48,000	46,994	1,006
General supplies	371,180	172,196	543,376	525,261	18,115
Textbooks	165,892	42,459	208,351	159,982	48,369
Total Regular Programs - Instruction	10,685,266	-268,245	10,417,021	10,263,583	153,438
Cognitive Mild					
Other Salaries for instruction	450,000	110,000	560,000	557,510	2,490
Total Cognitive Mild	450,000	110,000	560,000	557,510	2,490
Resource Room/Resource Center:					
Salaries of teachers	1,272,612	260,000	1,532,612	1,528,944	3,668
General supplies	6,400	1,045	7,445	4,820	2,625
Textbooks	6,000	8,000	14,000	8,657	5,343
Other objects	2,000	-	2,000	-	2,000
Total Resource Room/Resource Center	1,287,012	269,045	1,556,057	1,542,421	13,636
Preschool Disabilities - Part-Time:					
Salaries of teachers	148,074	(6,000)	142,074	129,683	12,391
Purchased technical services	79,000	-	79,000	71,696	7,304
General supplies	6,500	1,235	7,735	1,837	5,898
Total Preschool Disabilities - Part-Time	233,574	(4,765)	228,809	203,216	25,593
Home Instruction					
Salaries of teachers	16,300	26,000	42,300	41,758	542
Total Special Education Instruction	1,986,886	400,280	2,387,166	2,344,905	42,261
Basic Skills/Remedial - Instruction					
Salaries of teachers	556,660	(36,000)	520,660	405,527	115,133
Total Basic Skills/Remedial - Instruction	556,660	(36,000)	520,660	405,527	115,133

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012**

C-1

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Bilingual Education - Instruction					
Salaries of teachers	\$ 34,083	\$ -	\$ 34,083	\$ 33,617	\$ 466
General supplies	500	-	500	-	500
Total Bilingual Education - Instruction	34,583	-	34,583	33,617	966
School-Spon. Cocurricular Actvts. - Inst.					
Salaries	97,000	36,000	133,000	132,832	168
Supplies and materials	14,400	-	14,400	14,178	222
Total School-Spon. Cocurricular Actvts. - Inst.	111,400	36,000	147,400	147,010	390
School-Spon. Cocurricular Athletics - Inst.					
Salaries	324,094	3,000	327,094	326,884	210
Purchased services (300-500 series)	32,000	2,000	34,000	33,174	826
Supplies and materials	23,183	10,890	34,073	33,588	485
Other objects	59,698	5,000	64,698	63,878	820
Total School-Spon. Cocurricular Athletics - Inst.	438,975	20,890	459,865	457,524	2,341
Other Instructional Programs - Instruction					
Salaries	3,000	-	3,000	-	3,000
Total Other Instructional Programs - Instruction	3,000	-	3,000	-	3,000
TOTAL INSTRUCTION	13,816,770	152,925	13,969,695	13,652,166	317,529
UNDISTRIBUTED EXPENDITURES:					
Undistributed Expenditures - Instruction:					
Tuition to other LEAs within the state - regular	45,666	33,100	78,766	78,750	16
Tuition to other LEAs within the state - special	610,101	(113,100)	497,001	435,372	61,629
Tuition to private schools for the disabled - within state	1,750,000	(141,000)	1,609,000	1,570,312	38,688
Tuition - state facilities	30,000	-	30,000	27,271	2,729
Total Undistributed Expenditures - Instruction:	2,435,767	(221,000)	2,214,767	2,111,705	103,062
Undist. Expend. - Health Services					
Salaries	354,448	18,460	372,908	340,967	31,941
Purchased professional and technical services	220,000	(220,000)	-	-	-
Supplies and materials	4,000	-	4,000	3,410	590
Other objects	4,300	-	4,300	3,045	1,255
Total Undistributed Expenditures - Health Services	582,748	(201,540)	381,208	347,422	33,786
Undist. Expend. - Speech/Occupational Therapy, Physical Therapy & Related Services					
Salaries of other professional staff	183,372	4,000	187,372	187,288	84
Purchased Professional - Educational Services	-	294,000	294,000	286,454	7,546
Supplies and materials	1,800	369	2,169	1,234	935
Total Undist. Expend. - Speech/Occ Therapy, PT & Related Serv.	185,172	298,369	483,541	474,976	8,565
Undist. Expend. - Guidance Services					
Salaries of other professional staff	483,711	(38,000)	445,711	445,414	297
Salaries of secretaries and clerical assistants	50,814	400	51,214	51,131	83
Supplies and materials	38,000	-	38,000	34,082	3,918
Total Undist. Expend. - Guidance Services	572,525	(37,600)	534,925	530,627	4,298
Undist. Expend. - Child Study Teams					
Salaries of other professional staff	729,972	55,000	784,972	784,154	818
Salaries of secretarial and clerical assistants	35,693	26,000	61,693	60,985	708
Supplies and materials	9,800	859	10,659	9,201	1,458
Other objects	6,160	-	6,160	2,634	3,526
Total Undist. Expend. - Child Study Teams	781,625	81,859	863,484	856,974	6,510
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of supervisor of instruction	635,854	(33,000)	602,854	594,245	8,609
Salaries of other professional staff	35,109	-	35,109	34,679	430
Other Salaries	10,000	5,000	15,000	13,332	1,668
Purchased prof- educational services	71,740	(10,280)	61,460	40,989	20,471
Other objects	3,730	7,127	10,857	10,814	43
Total Undist. Expend. - Improvement of Inst. Serv.	756,433	(31,153)	725,280	694,059	31,221

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012**

C-1

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	\$ 188,227	\$ 10,000	\$ 198,227	\$ 196,769	\$ 1,458
Supplies and materials	42,300	(561)	41,739	38,138	3,601
Other objects	14,850	561	15,411	13,927	1,484
Total Undist. Expend. - Edu. Media Serv./Sch. Library	<u>245,377</u>	<u>10,000</u>	<u>255,377</u>	<u>248,834</u>	<u>6,543</u>
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	240,549	1,460	242,009	241,944	65
Legal services	90,000	-	90,000	76,603	13,397
Audit Services	40,000	-	40,000	40,000	-
Purchased technical services	39,300	-	39,300	27,539	11,761
Communications/telephone	77,300	20,540	97,840	68,600	29,240
Other purchased services (400-500 series)	450	-	450	175	275
Supplies and materials	23,463	-	23,463	22,627	836
Miscellaneous expenditures	99,000	10,200	109,200	108,105	1,095
Total Undist. Expend. - Supp. Serv. - General Admin.	<u>610,062</u>	<u>32,200</u>	<u>642,262</u>	<u>585,593</u>	<u>56,669</u>
Undist. Expend. - Support Serv. - School Admin.					
Salaries of principals/assistant principals	562,926	4,000	566,926	563,777	3,149
Salaries of secretarial and clerical assistants	467,894	15,100	482,994	482,616	378
Other purchased services (400-500 series)	37,638	-	37,638	35,077	2,561
Supplies and materials	6,150	198	6,348	5,337	1,011
Other objects	99,350	6,292	105,642	86,377	19,265
Total Undist. Expend. - Support Serv. - School Admin.	<u>1,173,958</u>	<u>25,590</u>	<u>1,199,548</u>	<u>1,173,184</u>	<u>26,364</u>
Undist. Expend. - Central Services					
Salaries	311,624	7,500	319,124	319,124	-
Supplies and materials	2,000	-	2,000	1,748	252
Total Undist. Expend. - Central Services	<u>313,624</u>	<u>7,500</u>	<u>321,124</u>	<u>320,872</u>	<u>252</u>
Undist. Expend. - Admin. Info Tech.					
Technology	-	60,000	60,000	31,250	28,750
Total Undist. Expend. - Admin. Info Tech	<u>-</u>	<u>60,000</u>	<u>60,000</u>	<u>31,250</u>	<u>28,750</u>
Undist. Expend. -Required Maintenance for School Facilities					
Salaries	140,461	100,000	240,461	239,785	676
Cleaning, repair, and maintenance services	91,000	120,273	211,273	167,870	43,403
General supplies	25,000	33,563	58,563	57,494	1,069
Total Undist. Expend. -Required Maintenance for School Facilities	<u>256,461</u>	<u>253,836</u>	<u>510,297</u>	<u>465,149</u>	<u>45,148</u>
Undist. Expend. - Custodial Services					
Salaries	1,065,281	(100,310)	964,971	943,051	21,920
Cleaning, repair and maintenance services	120,850	6,632	127,482	126,586	896
Other purchased property services	37,600	2,500	40,100	40,047	53
Insurance	170,000	(2,000)	168,000	167,107	893
General supplies	115,000	(15,202)	99,798	98,803	995
Energy (heat and electricity)	672,000	(112,100)	559,900	480,779	79,121
Other objects	51,600	3,750	55,350	49,784	5,566
Total Undist. Expend. - Custodial Services	<u>2,232,331</u>	<u>(216,730)</u>	<u>2,015,601</u>	<u>1,906,157</u>	<u>109,444</u>
Undistributed Expenses - Care and Upkeep of Grounds					
Salaries	51,000	-	51,000	42,387	8,613
Cleaning,Repair, and Maintenance Services	58,500	(30,000)	28,500	25,650	2,850
Total Undist. Expend. - Care and Upkeep of Grounds	<u>109,500</u>	<u>(30,000)</u>	<u>79,500</u>	<u>68,037</u>	<u>11,463</u>
Total Maintenance , Custodial and Grounds	<u>2,598,292</u>	<u>7,106</u>	<u>2,605,398</u>	<u>2,439,343</u>	<u>166,055</u>
Undist. Expend. - Student Transportation Serv.					
Sal. for pup.trans. (bet. home and school) - regular	116,071	117,097	233,168	233,112	56
Lease purchase payments - school buses	138,125	(119,397)	18,728	18,727	1
Contract services - (between home and school) - vendors	42,000	(1,948)	40,052	37,614	2,438
Supplies and Materials	70,000	9,100	79,100	78,575	525
Contract Services - (Between Home and Sch) - Joint Agrmts	412,398	59,900	472,298	472,214	84
Contr Serv (Spl. Ed. Students) - Vendors	621,502	171,237	792,739	792,616	123
Contr Serv (Spl. Ed. Students) - Joint Agrmt	-	-	-	-	-
Contr Serv (Regular Students) - ESCs & CTSA	-	-	-	-	-
Contr Serv (Spl. Ed. Students) - ESCs & CTSA	-	-	-	-	-
Contr services - aid in lieu payments	70,000	(27,790)	42,210	36,710	5,500
Misc. Purchased Serv. - Transportation	21,267	(9,934)	11,333	11,332	1
Supplies and Materials	3,300	3,300	3,300	3,170	130
Total Undist. Expend. - Student Transportation Serv.	<u>1,491,363</u>	<u>201,565</u>	<u>1,692,928</u>	<u>1,684,070</u>	<u>8,858</u>

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012**

C-1

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Unallocated benefits:					
Social security contributions	\$ 376,259	\$ -	\$ 376,259	\$ 373,350	\$ 2,909
tuition reimbursement	30,000	(10,000)	20,000	11,316	8,684
Other benefits	350,000	(18,000)	332,000	331,472	528
Workmen's compensation	135,000	16,000	151,000	150,000	1,000
Health benefits	4,662,122	(278,047)	4,384,075	3,986,765	397,310
Total Unallocated benefits	5,553,381	(290,047)	5,263,334	4,852,903	410,431
On-behalf TPAF pension contributions (non- budgeted)	-	-	-	1,443,808	(1,443,808)
Reimbursed TPAF social security contributions (non-budgeted)	-	-	-	1,031,684	(1,031,684)
Total On-Behalf Payments	-	-	-	2,475,492	(2,475,492)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	5,553,381	(290,047)	5,263,334	7,328,395	(2,065,061)
TOTAL UNDISTRIBUTED EXPENDITURES	17,300,327	(57,151)	17,243,176	18,827,304	(1,584,128)
TOTAL GENERAL CURRENT EXPENSE	31,117,097	95,774	31,212,871	32,479,470	(1,266,599)
CAPITAL OUTLAY					
Equipment					
Undistributed expenditures equipment	-	119,000	119,000	6,587	112,413
Total Equipment	-	119,000	119,000	6,587	112,413
Facilities Acquisition and Construction Services					
Other Objects	73,094		73,094	73,094	
Total Facilities Acquisition and Construction Services	73,094	-	73,094	73,094	-
TOTAL CAPITAL OUTLAY	73,094	119,000	192,094	79,681	112,413
Transfer of Funds to Charter Schools	20,344	-	20,344	11,985	8,359
TOTAL EXPENDITURES	31,210,535	214,774	31,425,309	32,571,136	(1,145,827)
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(600,000)	92,676	(507,324)	1,099,925	3,898,903
Excess (Deficiency) of Revenues and Other Financing Sources					
Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance, July 1	985,345	(735,656)	(2,147,782)	2,353,854	2,228,675
Fund Balance, June 30	<u>\$ 385,345</u>	<u>\$ (642,980)</u>	<u>\$ (2,655,106)</u>	<u>\$ 3,453,779</u>	<u>\$ 6,127,578</u>
Recapitulation:					
Restricted Fund Balance:					
Capital Reserve				\$ 1,367,193	
Maintenance Reserve				200,000	
Emergency reserve				20,000	
Excess Surplus- Current Year				497,230	
Committed Fund Balance					
Year- End Encumbrances				201,775	
Assigned Fund Balance					
Designated for Subsequent Year's Expenditures				357,706	
Unassigned Fund Balance				<u>809,875</u>	
				3,453,779	
Reconciliation to Governmental Funds Statements (GAAP):					
Last two State Aid Payment not recognized on GAAP basis				(49,324)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 3,404,455</u>	

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

C-2

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
State sources	\$ 339,107	\$ -	\$ 339,107	\$ 339,107	\$ -
Federal sources	833,670	-	833,670	833,670	-
TOTAL REVENUES	1,172,777	-	1,172,777	1,172,777	-
EXPENDITURES:					
Instruction					
Salaries of teachers	20,831	-	20,831	20,831	-
Purchased professional - educational services	-	-	-	-	-
General supplies	30,387	-	30,387	30,387	-
Textbooks	71,267	-	71,267	71,267	-
Total Instruction	742,068	-	742,068	742,068	-
Support Services					
Salaries of other professional staff	-	-	-	-	-
Personal services - employee benefits	28,614	-	28,614	28,614	-
Purchased professional - educational services	80,040	-	80,040	80,040	-
Other purchased professional services	122,379	-	122,379	122,379	-
Rentals	196,797	-	196,797	196,797	-
Other purchased Services (400-500 series)	-	-	-	-	-
Tuition	-	-	-	-	-
Other Objects	-	-	-	-	-
Total Support Services	427,830	-	427,830	427,830	-
Facilities acquisition and const. serv.:					
Instructional Equipment	2,879	-	2,879	2,879	-
Total facilities acquisition and const. serv.	2,879	-	2,879	2,879	-
TOTAL EXPENDITURES	1,172,777	-	1,172,777	1,172,777	-
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

**METUCHEN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET-TO-GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 33,671,061	\$ 1,172,777
Difference - budget to GAAP:		
State aid payment recognized for budgetary purposes, not recognized for GAAP statements	(49,324)	-
State aid payment recognized for GAAP statements not for budgetary purposes.	-	-
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 33,621,737</u>	<u>\$ 1,172,777</u>
 Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 32,571,136	\$ 1,172,777
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 32,571,136</u>	<u>\$ 1,172,777</u>

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

The Special Revenue Fund used to account for the proceeds of special revenue sources (other than major capital projects) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**METUCHEN SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	<u>New Jersey Nonpublic Aid</u>	
	<u>Textbooks</u>	<u>Nursing Services</u>
REVENUES:		
State sources	\$ 71,267	\$ 101,797
Federal sources	-	-
	<u>71,267</u>	<u>101,797</u>
Total Revenues		
	<u>71,267</u>	<u>101,797</u>
EXPENDITURES:		
Instruction:		
Salaries of teachers	-	-
Other salaries for instruction	-	-
Purchased professional - educational services	-	-
Purchased professional and technical services	-	-
Tuition	-	-
Other purchased services (400 - 500 series)	-	-
General supplies	-	-
Other objects	-	-
Textbooks	71,267	-
	<u>71,267</u>	<u>-</u>
Total instruction		
	<u>71,267</u>	<u>-</u>
Support services:		
Salaries of other professional staff	-	-
Other salaries	-	-
Personal services - employee benefits	-	-
Purchased professional - educational services	-	-
Other purchased professional services	-	-
Purchased technical services	-	101,797
Rentals	-	-
Other Purchased Services (400-500 series)	-	-
Tuition	-	-
Supplies and materials	-	-
	<u>-</u>	<u>101,797</u>
Total support services		
	<u>-</u>	<u>101,797</u>
Facilities acquisition and const. serv.:		
Instructional Equipment	-	-
	<u>-</u>	<u>-</u>
Total facilities acquisition and const. serv.		
	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>71,267</u>	<u>101,797</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>

**METUCHEN SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

E-1

	Title I Part A	Title II Part A
REVENUES:		
State sources	\$ -	\$ -
Federal sources	66,948	47,622
Total Revenues	66,948	47,622
EXPENDITURES:		
Instruction:		
Salaries of teachers	-	20,831
Other salaries for instruction	-	-
Purchased professional - educational services	-	-
Purchased professional and technical services	-	-
Tuition	-	-
Other purchased services (400 - 500 series)	-	-
General supplies	9,532	-
Other objects	-	-
Textbooks	-	-
Total instruction	9,532	20,831
Support services:		
Salaries of other professional staff	-	-
Other salaries	-	-
Personal services - employee benefits	-	4,167
Purchased professional - educational services	57,416	22,624
Other purchased professional services	-	-
Purchased technical services	-	-
Rentals	-	-
Other Purchased Services (400-500 series)	-	-
Tuition	-	-
Supplies and materials	-	-
Total support services	57,416	26,791
Facilities acquisition and const. serv.:		
Instructional Equipment	-	-
Total facilities acquisition and const. serv.	-	-
TOTAL EXPENDITURES	66,948	47,622
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	\$ -

**METUCHEN SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

E-1

I.D.E.A.

Basic Regular	ARRA Regular	Preschool Current	Totals
\$ -	\$ -	\$ -	\$ 339,107
564,202	142,204	12,694	833,670
<u>564,202</u>	<u>142,204</u>	<u>12,694</u>	<u>1,172,777</u>
-	-	-	20,831
309,000	-	10,572	319,572
-	-	-	-
-	133,968	-	300,011
-	-	-	-
12,619	8,236	-	30,387
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>71,267</u>
<u>321,619</u>	<u>142,204</u>	<u>10,572</u>	<u>742,068</u>
-	-	-	-
-	-	-	-
23,638	-	809	28,614
-	-	-	80,040
121,066	-	1,313	122,379
95,000	-	-	196,797
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>239,704</u>	<u>-</u>	<u>2,122</u>	<u>427,830</u>
<u>2,879</u>	<u>-</u>	<u>-</u>	<u>2,879</u>
<u>2,879</u>	<u>-</u>	<u>-</u>	<u>2,879</u>
<u>564,202</u>	<u>142,204</u>	<u>12,694</u>	<u>1,172,777</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CAPITAL PROJECTS FUND
DETAILS STATEMENT**

The Capital Projects fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds.

**METUCHEN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Project Title/Issue</u>	<u>Revised Budgetary Appropriations</u>	<u>GAAP Expenditures to Date</u>		<u>Unexpended Appropriations June 30, 2012</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Campbell Windows	\$ 272,990	\$ 170,576	\$ -	\$ 102,414
Totals	<u>\$ 272,990</u>	<u>\$ 170,576</u>	<u>\$ -</u>	<u>\$ 102,414</u>

**METUCHEN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Revenues and Other Financing Sources

Transfer from Capital Outlay	\$	-
State Sources - Grants		-
Bond proceeds and transfers		-
Lease proceeds		-
Contribution from private sources		-
Transfer from capital reserve		-
Transfer from capital outlay		-
Interest income		-
Total revenues		<u>-</u>

Expenditures and Other Financing Uses

Purchased professional and technical services		-
Transfer to general Fund		-
Transfer to debt service fund		-
Construction services		-
Equipment purchases		-
Total expenditures		<u>-</u>

Excess (deficiency) of revenues over (under) expenditures		<u>-</u>
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Net Change in Fund Balance		-
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Fund balance - beginning		617,090
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Fund balance - ending	\$	<u><u>617,090</u></u>
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**METUCHEN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS
CAMPBELL WINDOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - Grants	\$ -	\$ -	\$ -	\$ -
Transfer Capital Outlay	272,990	-	272,990	272,990
Interest income	-	-	-	-
Total revenues	<u>272,990</u>	<u>-</u>	<u>272,990</u>	<u>272,990</u>
Expenditures and Other Financing Uses				
Purchased professional and technical services	42,920		42,920	42,920
Construction services	127,656		127,656	127,656
Total expenditures	<u>170,576</u>	<u>-</u>	<u>170,576</u>	<u>170,576</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 102,414</u>	<u>\$ -</u>	<u>\$ 102,414</u>	<u>\$ 102,414</u>

**ENTERPRISE FUND
DETAIL STATEMENTS**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the District’s board is that the costs of providing goods or services be financed through user charges.

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

After School Program Fund (The Zone) – This fund provides for the operation of an after-school program which was initially funded by an operating grant and is referred within the District as “The Zone.”

**METUCHEN SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

G-1

	Enterprise Funds		
	Food Service	The Zone	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 27,293	\$ 171,047	\$ 198,340
Accounts receivable			
Federal	4,475	-	4,475
State	271	-	271
Local	0	-	-
Interfund receivables	99,702	-	99,702
Inventories	5,713	-	5,713
Total current assets	137,454	171,047	308,501
Noncurrent assets:			
Furniture, machinery & equipment	85,795	-	85,795
Less accumulated depreciation	16,972	-	16,972
Total noncurrent assets	68,823	-	68,823
TOTAL ASSETS	206,277	171,047	377,324
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	18,972	-	18,972
Interfund payable	-	149,861	149,861
Total current liabilities	18,972	149,861	168,833
Total liabilities	18,972	149,861	168,833
NET ASSETS			
Invested in capital assets net of related debt	68,823	-	68,823
Unrestricted	118,482	21,186	139,668
Total net assets	\$ 187,305	\$ 21,186	\$ 208,491

**METUCHEN SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

G-2

	Enterprise Funds		
	Food Service	The Zone	Total
OPERATING REVENUES:			
Local sources:			
Food service sales	\$ 377,529	\$ -	\$ 377,529
Registration fees	-	127,587	127,587
Total Operating revenues	<u>377,529</u>	<u>127,587</u>	<u>505,116</u>
OPERATING EXPENSES:			
Salaries	142,254	134,432	276,686
Employee benefits	55,726	15,429	71,155
Cost of sales	210,476	-	210,476
Supplies and materials	10,570	8,387	18,957
Repairs and maintenance	10,708	-	10,708
Insurance	10,643	-	10,643
Management service fee	17,934	-	17,934
Miscellaneous	5,002	-	5,002
Depreciation	9,563	-	9,563
Total operating expenses	<u>472,876</u>	<u>158,248</u>	<u>631,124</u>
OPERATING LOSS	<u>(95,347)</u>	<u>(30,661)</u>	<u>(126,008)</u>
NONOPERATING REVENUES:			
State sources:			
State school lunch program	4,742	-	4,742
Federal sources:			
National school lunch program	76,757	-	76,757
Food Distribution Program	34,001	-	34,001
TOTAL NONOPERATING REVENUES	<u>115,500</u>	<u>-</u>	<u>115,500</u>
CHANGE IN NET ASSETS	20,153	(30,661)	(10,508)
TOTAL NET ASSETS - BEGINNING	<u>167,152</u>	<u>51,847</u>	<u>218,999</u>
TOTAL NET ASSETS - ENDING	<u>\$ 187,305</u>	<u>\$ 21,186</u>	<u>\$ 208,491</u>

**METUCHEN SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

G-3

	Enterprise Funds		
	Food Service	The Zone	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 377,529	\$ 127,587	\$ 505,116
Payments to employees	(142,254)	(134,432)	(276,686)
Payments for employee benefits	(55,726)	(15,429)	(71,155)
Payments to suppliers	(269,576)	(8,387)	(277,963)
Net cash used in operating activities	<u>(90,027)</u>	<u>(30,661)</u>	<u>(120,688)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	4,742	-	4,742
Federal Sources	76,757	-	76,757
Local	<u>-</u>	<u>(5,988)</u>	<u>(5,988)</u>
Net cash provided by (used in) non-capital financing activities	<u>81,499</u>	<u>(5,988)</u>	<u>75,511</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Change in capital contributions	-	-	-
Purchases of capital assets	(78,285)	-	(78,285)
Gain/Loss on sale of fixed assets (proceeds)	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>(78,285)</u>	<u>-</u>	<u>(78,285)</u>
Net decrease in cash and cash equivalents	(86,813)	(36,649)	(123,462)
Cash and cash equivalents—beginning of year	114,106	207,696	321,802
Cash and cash equivalents—end of year	<u>\$ 27,293</u>	<u>\$ 171,047</u>	<u>\$ 198,340</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (95,347)	\$ (30,661)	\$ (126,008)
Adjustments to reconcile operating (loss) to net cash used in operating activities			
Depreciation	16,972	-	16,972
Increase in accounts receivable	10,214	-	10,214
Increase in interfund receivable	(36,386)	-	(36,386)
Decrease in inventories	96	-	96
Decrease in accounts payable	(19,577)	-	(19,577)
Donated commodities received during the year	<u>34,001</u>	<u>-</u>	<u>34,001</u>
Total adjustments	<u>5,320</u>	<u>-</u>	<u>5,320</u>
Net cash used in operating activities	<u>\$ (90,027)</u>	<u>\$ (30,661)</u>	<u>\$ (120,688)</u>

Noncash Noncapital Financing Activities:

During the year, the district received \$34,001 of food commodities from the U.S. Department of Agriculture.

**FIDUCIARY FUNDS
DETAIL STATEMENTS**

Fiduciary funds are used to account for funds received by the school district for a specific purpose.

Agency funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

Student Activity Fund – This agency fund is used to account for student funds held at the schools.

Payroll Fund – This agency fund is used to account for the payroll transactions of the school district.

**METUCHEN SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012**

H-1

	Trust			Agency Fund	Total
	Unemployment Compensation Trust	Private Purpose Fund	Total Trust Fund		
ASSETS					
Cash and cash equivalents	\$ 210,387	\$ 16,121	\$ 226,508	\$ 319,371	\$ 545,879
Total assets	<u>210,387</u>	<u>16,121</u>	<u>226,508</u>	<u>319,371</u>	<u>545,879</u>
LIABILITIES					
Accounts payable	-	-	-	-	-
Payable to student groups	-	-	-	134,158	134,158
Payroll deductions and withholdings	-	-	-	185,213	185,213
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,371</u>	<u>319,371</u>
NET ASSETS					
Reserved	<u>210,387</u>	<u>16,121</u>	<u>226,508</u>	<u>-</u>	<u>226,508</u>
Total net assets	<u>210,387</u>	<u>16,121</u>	<u>226,508</u>	<u>-</u>	<u>226,508</u>
Total liabilities and net assets	<u>\$ 210,387</u>	<u>\$ 16,121</u>	<u>\$ 226,508</u>	<u>\$ 319,371</u>	<u>\$ 545,879</u>

**METUCHEN SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

H-2

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Fund</u>	<u>Totals</u>
ADDITIONS			
Contributions:			
Plan member	\$ 52,194		\$ 52,194
Other	-	\$ 33,547	33,547
Total Contributions	<u>52,194</u>	<u>33,547</u>	<u>85,741</u>
Investment earnings:			
Interest	15	-	15
Net investment earnings	<u>15</u>	<u>-</u>	<u>15</u>
Total additions	<u>52,209</u>	<u>33,547</u>	<u>85,756</u>
DEDUCTIONS			
Quarterly contribution reports	42,904	-	42,904
Scholarships awarded	-	21,554	21,554
Total deductions	<u>42,904</u>	<u>21,554</u>	<u>64,458</u>
Change in net assets	9,305	11,993	21,298
Net assets—beginning of the year	<u>201,082</u>	<u>4,128</u>	<u>205,210</u>
Net assets—end of the year	<u><u>\$ 210,387</u></u>	<u><u>\$ 16,121</u></u>	<u><u>\$ 226,508</u></u>

**METUCHEN SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

H-3

	Balance July 1, 2011	Cash Receipts	Cash Disbursements	Balance June 30, 2012
ELEMENTARY SCHOOLS:				
Campbell	\$ 17,407	\$ 27,385	\$ 24,590	\$ 20,202
Edgar	41,194	82,977	90,310	33,861
Moss	1,377	3,030	337	4,070
TOTAL ELEMENTARY SCHOOLS	59,978	113,392	115,237	58,133
SENIOR HIGH SCHOOL:				
General account	44,304	142,694	141,699	45,299
Adult school	245	-		245
Staff account	27,485	45,725	43,887	29,323
Athletic account	515	54,815	54,172	1,158
TOTAL SENIOR HIGH SCHOOL	72,549	243,234	239,758	76,025
TOTAL ALL SCHOOLS	\$ 132,527	\$ 356,626	\$ 354,995	\$ 134,158

**METUCHEN SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

H-4

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
ASSETS:				
Cash and cash equivalents	\$ 165,169	\$ 8,635,404	\$ 8,615,360	\$ 185,213
TOTAL ASSETS	<u>\$ 165,169</u>	<u>\$ 8,635,404</u>	<u>\$ 8,615,360</u>	<u>\$ 185,213</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ 133,275	\$ 8,606,847	\$ 8,583,323	\$ 156,799
Section 125 Plan	31,894	28,557	32,037	28,414
TOTAL LIABILITIES	<u>\$ 165,169</u>	<u>\$ 8,635,404</u>	<u>\$ 8,615,360</u>	<u>\$ 185,213</u>

LONG-TERM DEBT SCHEDULES

The long-term debt schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes Serial Bonds outstanding.

**METUCHEN SCHOOL DISTRICT
LONG TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE
AS OF JUNE 30, 2012**

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1, 2011	Issued	Retired	Balance June 30, 2012
			Date	Amount					
Construction of renovations and improvements to the High School and Edgar School - Reissue	3/15/2005	\$ 17,247,000	8/15/2012	\$ 750,000	4.125%	\$ 13,427,000		\$ 725,000	\$ 12,702,000
			8/15/2013	785,000	4.125%				
			8/15/2014	825,000	4.125%				
			8/15/2015	855,000	4.125%				
			8/15/2016	890,000	4.125%				
			8/15/2017	935,000	4.125%				
			8/15/2018	970,000	4.125%				
			8/15/2019	1,015,000	4.125%				
			8/15/2020	1,055,000	4.125%				
			8/15/2021	1,105,000	4.250%				
			8/15/2022	1,150,000	4.375%				
			8/15/2023	1,170,000	4.500%				
			8/15/2024	1,197,000	4.500%				
				12,702,000		13,427,000	-	725,000	12,702,000

**METUCHEN SCHOOL DISTRICT
LONG TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE
AS OF JUNE 30, 2012**

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1, 2011	Issued	Retired	Balance June 30, 2012
			Date	Amount					
Construction of renovations and improvements to the High School, Edgar School, Campbell School, and Moss School - Reissue	3/15/2005	18,830,000	8/15/2012	745,000	4.250%	17,095,000		715,000	16,380,000
			8/15/2013	775,000	4.250%				
			8/15/2014	810,000	4.250%				
			8/15/2015	845,000	4.250%				
			8/15/2016	885,000	4.250%				
			8/15/2017	920,000	4.250%				
			8/15/2018	960,000	4.250%				
			8/15/2019	1,000,000	4.250%				
			8/15/2020	1,045,000	4.250%				
			8/15/2021	1,090,000	4.375%				
			8/15/2022	1,130,000	4.500%				
			8/15/2023	1,185,000	4.500%				
			8/15/2024	1,230,000	4.500%				
			8/15/2025	1,285,000	4.500%				
			8/15/2026	1,210,000	4.500%				
8/15/2027	1,265,000	4.500%							
				<u>16,380,000</u>		<u>17,095,000</u>	<u>-</u>	<u>715,000</u>	<u>16,380,000</u>
				<u>\$ 29,082,000</u>		<u>\$ 30,522,000</u>	<u>\$ -</u>	<u>\$ 1,440,000</u>	<u>\$ 29,082,000</u>

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,455,048	\$ -	\$ 2,455,048	\$ 2,455,048	\$ -
State Sources:					
Debt Service Aid Type II	263,356	-	263,356	263,356	-
Total - State Sources	263,356	-	263,356	263,356	-
Total Revenues	2,718,404	-	2,718,404	2,718,404	-
EXPENDITURES:					
Regular Debt Service:					
Interest	1,283,012	-	1,283,012	1,283,012	-
Redemption of Principal	1,440,000	-	1,440,000	1,440,000	-
Total Regular Debt Service	2,723,012	-	2,723,012	2,723,012	-
Total expenditures	2,723,012	-	2,723,012	2,723,012	-
Excess of Revenues Over Expenditures	(4,608)	-	(4,608)	(4,608)	-
Fund Balance, July 1	4,608	-	4,608	4,608	-
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATISTICAL SECTION
(UNAUDITED)**

<u>Contents</u>	<u>Pages</u>
Financial Trends	75-80
<p>These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.</p>	
Revenue Capacity	81-85
<p>These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.</p>	
Debt Capacity	86-89
<p>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.</p>	
Demographic and Economic Information	90-91
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</p>	
Operating Information	92-98
<p>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.</p>	

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 ending June 30, 2003; schedules presenting district-wide information include information beginning in that year.*

METUCHEN SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities								
Invested in capital assets, net of related debt	\$ 1,101,549	\$ 3,512,688	\$ 13,736,842	\$ 13,592,414	14,872,869	\$ 14,183,680	\$ 12,768,423	\$ 13,273,256
Restricted	1,303,970	1,410,235	1,517,109	2,284,305	1,132,758	1,886,269	1,564,181	2,242,985
Unrestricted	(1,490,330)	(1,663,745)	(2,963,446)	(869,734)	(669,199)	760,551	1,477,386	760,551
Total governmental activities net assets	<u>\$ 915,189</u>	<u>\$ 3,259,178</u>	<u>\$ 12,290,505</u>	<u>\$ 15,006,985</u>	<u>\$ 15,336,428</u>	<u>\$ 16,830,500</u>	<u>\$ 15,809,990</u>	<u>\$ 16,276,792</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 88,915	\$ 44,748	\$ 27,970	\$ 3,763	\$ 7,314	\$ 10,077	\$ 7,510	\$ 68,823
Restricted	-	-	-	-	-	-	-	-
Unrestricted	123,486	120,184	150,599	140,608	140,608	172,571	211,489	139,668
Total business-type activities net assets	<u>\$ 212,401</u>	<u>\$ 164,932</u>	<u>\$ 178,569</u>	<u>144,371</u>	<u>147,922</u>	<u>182,648</u>	<u>218,999</u>	<u>\$ 208,491</u>
District-wide								
Invested in capital assets, net of related debt	\$ 1,190,464	\$ 3,557,436	\$ 13,764,812	\$ 13,596,177	\$ 14,880,183	\$ 14,193,757	\$ 12,775,933	\$ 13,342,079
Restricted	1,303,970	1,410,235	1,517,109	2,284,305	1,132,758	1,886,269	1,564,181	2,242,985
Unrestricted	(1,366,844)	(1,543,561)	(2,812,847)	(729,126)	(528,591)	933,122	1,688,875	900,219
Total district net assets	<u>\$ 1,127,590</u>	<u>\$ 3,424,110</u>	<u>\$ 12,469,074</u>	<u>15,151,356</u>	<u>15,484,350</u>	<u>17,013,148</u>	<u>16,028,989</u>	<u>\$ 16,485,283</u>

Source: CAFR Schedule A-1

METUCHEN SCHOOL DISTRICT
CHANGE IN NET ASSETS
LAST EIGHT FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Expenses								
Governmental activities								
Instruction								
Regular	\$ 12,026,801	\$ 12,937,739	\$ 14,044,589	\$ 14,436,619	\$ 14,502,213	\$ 14,958,271	\$ 15,185,472	\$ 15,197,916
Special education	1,784,848	2,024,618	2,171,992	2,362,289	2,609,258	2,722,563	2,792,351	3,342,126
Other special education	1,179,826	1,164,793	1,359,722	1,370,434	1,458,200	1,442,781	1,300,399	1,312,671
Support Services:								
Instruction	1,036,336	1,323,496	1,581,980	1,699,526	1,942,786	1,978,134	2,060,871	2,123,690
Student & instruction related services	4,454,959	4,510,214	4,723,169	4,951,068	5,054,313	5,501,557	5,292,895	5,565,989
General administrative services	1,409,637	1,374,887	1,504,225	1,567,883	676,491	704,007	674,779	594,523
School administrative services	808,043	855,256	869,861	940,459	1,611,235	1,880,846	1,532,536	1,601,176
Plant operations and maintenance	2,862,195	3,132,195	3,519,516	3,417,091	3,517,879	3,471,358	3,200,865	3,369,258
Pupil transportation	1,164,563	1,163,881	1,384,683	1,494,459	1,621,844	1,885,349	1,792,852	2,039,465
Business and other support services	101,030	84,341	116,382	119,880	398,759	96,212	435,726	488,338
Special Schools	43,313	42,377	19,688	-	-	18,665	-	-
Interest on long-term debt	1,036,333	1,548,728	1,761,966	1,732,811	1,298,436	1,847,096	1,670,129	1,693,164
Capital outlay	47,596	58,280	58,080	56,720	58,200	-	-	-
Unallocated depreciation	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>27,955,480</u>	<u>30,220,805</u>	<u>33,115,853</u>	<u>34,203,239</u>	<u>34,749,614</u>	<u>36,506,839</u>	<u>35,938,875</u>	<u>37,328,316</u>
Business-type activities:								
Food service	329,957	378,845	400,001	421,240	388,276	446,367	429,930	472,876
After school program	222,603	172,589	155,033	166,395	160,378	127,345	152,656	158,248
Total business-type activities expense	<u>552,560</u>	<u>551,434</u>	<u>555,034</u>	<u>587,635</u>	<u>548,654</u>	<u>573,712</u>	<u>582,586</u>	<u>631,124</u>
Total district expenses	<u>\$ 28,508,040</u>	<u>\$ 30,772,239</u>	<u>\$ 33,670,887</u>	<u>\$ 34,790,874</u>	<u>\$ 35,298,268</u>	<u>\$ 37,080,551</u>	<u>\$ 36,521,461</u>	<u>\$ 37,959,440</u>
Program Revenues								
Governmental activities:								
Charges for services:								
Regular programs	\$ 60,000	\$ 89,225	\$ 20,650	\$ 84,393	\$ -	\$ -	\$ -	\$ -
Special schools	43,800	45,934	-	-	-	-	-	-
Operating grants and contributions	2,738,714	2,664,096	2,676,121	1,448,867	2,538,877	1,716,584	1,635,978	1,436,133
Total governmental activities program revenues	<u>2,842,514</u>	<u>2,799,255</u>	<u>2,696,771</u>	<u>1,533,260</u>	<u>2,538,877</u>	<u>1,716,584</u>	<u>1,635,978</u>	<u>1,436,133</u>
Business-type activities:								
Charges for services:								
Food service	269,507	310,784	331,236	328,755	310,618	350,334	349,458	377,529
After school program	115,526	104,594	153,292	138,646	125,948	141,611	156,830	127,578
Operating grants and contributions	72,372	82,053	78,253	84,303	114,152	116,240	112,649	115,500
Total business type activities program revenues	<u>457,405</u>	<u>497,431</u>	<u>562,781</u>	<u>551,704</u>	<u>550,718</u>	<u>608,185</u>	<u>618,937</u>	<u>620,616</u>
Total district program revenues	<u>\$ 3,299,919</u>	<u>\$ 3,296,686</u>	<u>\$ 3,259,552</u>	<u>\$ 2,084,964</u>	<u>\$ 3,089,595</u>	<u>\$ 2,324,769</u>	<u>\$ 2,254,915</u>	<u>\$ 2,056,749</u>
Net (Expense)/Revenue								
Governmental activities	\$ (25,112,966)	\$ (27,421,550)	(30,419,082)	(32,669,989)	(32,210,737)	\$ (34,790,255)	\$ (34,302,897)	\$ (35,892,183)
Business-type activities	(95,155)	(54,003)	7,747	(35,931)	2,064	34,473	36,351	(10,508)
Total district-wide net expense	<u>\$ (25,208,121)</u>	<u>\$ (27,475,553)</u>	<u>\$ (30,411,335)</u>	<u>\$ (32,705,920)</u>	<u>\$ (32,208,673)</u>	<u>\$ (34,755,782)</u>	<u>\$ (34,266,546)</u>	<u>\$ (35,902,691)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes levied for general purposes, net	\$ 22,310,465	\$ 23,473,765	\$ 25,051,544	\$ 26,278,575	\$ 27,170,726	\$ 28,194,381	\$ 29,272,156	\$ 29,819,545
Taxes levied for debt service	1,161,150	2,446,839	2,380,140	2,402,096	2,424,253	2,408,334	2,449,459	2,455,048
Federal and state aid not restricted	2,127,670	3,742,873	11,401,907	5,537,582	2,794,228	2,551,952	2,705,926	3,763,986
Payments in lieu of taxes	-	-	-	-	-	1,123,672	-	-
Investment earnings	1,710	20,918	461,901	1,149,890	5,417	63	-	-
Miscellaneous income	90,000	81,144	154,917	18,326	145,556	171,786	244,044	320,406
Transfers	-	-	-	-	-	444,941	-	-
Total governmental activities	<u>25,690,995</u>	<u>29,765,539</u>	<u>39,450,409</u>	<u>35,386,469</u>	<u>32,540,180</u>	<u>34,895,129</u>	<u>34,671,585</u>	<u>36,358,985</u>
Business-type activities:								
Investment earnings	1,976	6,534	5,890	2,938	275	253	-	-
Total business-type activities	<u>1,976</u>	<u>6,534</u>	<u>5,890</u>	<u>2,938</u>	<u>275</u>	<u>253</u>	<u>-</u>	<u>-</u>
Total district-wide	<u>\$ 25,692,971</u>	<u>\$ 29,772,073</u>	<u>\$ 39,456,299</u>	<u>\$ 35,389,407</u>	<u>\$ 32,540,455</u>	<u>\$ 34,895,382</u>	<u>\$ 34,671,585</u>	<u>\$ 36,358,985</u>
Change in Net Assets								
Governmental activities	\$ 578,029	\$ 2,343,989	\$ 9,031,327	\$ 2,716,480	\$ 329,443	\$ 104,874	\$ 368,688	\$ 466,802
Business-type activities	(93,179)	(47,469)	13,637	(32,993)	2,339	34,726	36,351	(10,508)
Total district	<u>\$ 484,850</u>	<u>\$ 2,296,520</u>	<u>\$ 9,044,964</u>	<u>\$ 2,683,487</u>	<u>\$ 331,782</u>	<u>\$ 139,600</u>	<u>\$ 405,039</u>	<u>\$ 456,294</u>

Source: CAFR Schedule A-2

**METUCHEN SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)**

	2005	2006	2007	2008	2009	2010	2011	2012
General Fund								
Reserved	\$ 791,642	\$ 1,058,033	1,027,782	1,931,833	677,009	\$ 985,213	\$ 1,559,573	\$ 2,643,904
Unreserved	942,773	892,312	972,411	965,231	1,372,867	580,509	794,281	760,551
Total general fund	<u>\$ 1,734,415</u>	<u>\$ 1,950,345</u>	<u>\$ 2,000,193</u>	<u>\$ 2,897,064</u>	<u>\$ 2,049,876</u>	<u>\$ 1,565,722</u>	<u>\$ 2,353,854</u>	<u>\$ 3,404,455</u>
All Other Governmental Funds								
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service fund	-	-	-	-	-	-	-	-
Capital projects fund								167,090
Committed								450,000
Other purposes- refunding								450,000
Unreserved, reported in:								
Special revenue fund	-	-	-	-	-	-	-	-
Capital projects fund	28,615,761	25,124,431	9,574,057	1,348,019	831,658	896,448	617,090	-
Debt service fund	36,440	39,828	3,388	-	-	-	4,608	-
Permanent fund	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 28,652,201</u>	<u>\$ 25,164,259</u>	<u>\$ 9,577,445</u>	<u>\$ 1,348,019</u>	<u>\$ 831,658</u>	<u>\$ 896,448</u>	<u>\$ 621,698</u>	<u>\$ 617,090</u>

**METUCHEN SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Tax levy	\$ 20,695,536	\$ 22,165,567	\$ 23,471,615	\$ 25,920,604	\$ 27,431,684	\$ 28,680,671	\$ 29,594,979	\$ 30,602,715	\$ 31,721,615	\$ 32,274,593
Tuition charges	49,982	80,859	60,000	89,225	20,650	84,383	-	-	-	165,825
Interest earnings	36,785	24,211	1,710	20,918	461,901	1,149,890	5,417	63	-	-
Adult school	42,280	66,232	43,800	45,934	-	-	-	-	-	-
Miscellaneous	344,458	247,500	90,000	81,144	230,867	18,326	145,556	171,786	244,045	154,581
State sources	3,457,639	3,994,261	15,822,825	4,559,735	5,325,035	5,419,843	4,615,993	4,319,030	3,242,836	4,027,530
Federal sources	449,255	483,514	651,733	569,265	639,941	716,654	717,112	994,262	1,018,714	890,389
Total revenue	<u>25,075,935</u>	<u>27,062,144</u>	<u>40,141,683</u>	<u>31,286,825</u>	<u>34,110,078</u>	<u>36,069,767</u>	<u>35,079,057</u>	<u>36,087,856</u>	<u>36,227,210</u>	<u>37,512,918</u>
Expenditures										
Instruction										
Regular Instruction	8,998,736	8,791,731	8,929,865	9,337,925	9,876,641	10,178,614	10,617,659	10,948,023	10,726,949	11,005,651
Special education instruction	856,467	1,280,682	1,312,862	1,483,310	1,544,044	1,584,167	1,894,829	1,985,999	1,930,022	2,344,905
Other special instruction	933,648	915,926	1,020,233	984,435	1,152,574	1,159,503	1,264,739	1,208,484	1,044,426	1,043,678
Support Services:										
Tuition	1,000,542	944,897	1,036,336	1,323,496	1,581,980	1,699,526	1,942,786	1,978,134	2,060,871	2,123,690
Student & instruction related services	2,732,927	3,534,784	3,738,908	3,741,568	3,832,685	4,041,024	4,280,292	4,449,665	4,092,461	3,580,722
School administrative services	515,894	714,042	573,399	587,416	568,946	622,787	604,480	589,327	552,171	585,593
Other administrative services	1,394,229	1,379,059	1,379,415	1,331,374	1,421,317	1,459,235	1,603,381	1,460,782	1,492,134	1,525,306
Plant operations and maintenance	1,805,754	2,119,723	2,310,485	2,500,553	2,807,025	2,723,357	2,845,886	2,562,907	2,309,343	2,442,222
Pupil transportation	1,004,196	969,772	996,502	978,129	1,169,727	1,273,059	1,419,148	1,586,804	1,460,790	1,684,070
Unallocated employee benefits	3,626,430	4,303,048	4,979,789	5,698,113	6,739,049	7,099,546	6,374,777	6,836,568	6,929,704	7,328,395
Other support services	-	-	-	-	-	-	-	18,665	-	-
Special Schools	49,527	63,386	43,313	42,377	19,688	-	-	2,500	-	-
Capital outlay	36,787	162,525	1,210,835	3,789,570	16,200,719	8,846,564	859,969	606,563	407,725	79,681
Debt service:										
Principal	390,000	415,000	435,000	1,205,000	1,170,000	1,280,000	1,280,000	1,320,000	1,370,000	1,440,000
Interest and other charges	1,085,005	1,064,478	1,042,803	1,555,571	1,562,649	1,509,940	1,454,660	1,397,740	1,341,840	1,283,012
Total expenditures	<u>24,430,142</u>	<u>26,659,053</u>	<u>29,009,745</u>	<u>34,558,837</u>	<u>49,647,044</u>	<u>43,477,322</u>	<u>36,442,606</u>	<u>36,952,161</u>	<u>35,718,436</u>	<u>36,466,925</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>645,793</u>	<u>403,091</u>	<u>11,131,938</u>	<u>(3,272,012)</u>	<u>(15,536,966)</u>	<u>(7,407,555)</u>	<u>(1,363,549)</u>	<u>(864,305)</u>	<u>508,774</u>	<u>1,045,993</u>
Other Financing sources (uses)										
Bond proceeds	-	-	17,247,210	-	-	-	-	-	-	-
Lease proceeds	-	-	600,000	-	-	-	-	-	-	-
Transfer Capital Outlay	-	-	-	-	-	-	-	444,941	-	-
Transfers in	-	-	80,440	-	-	-	-	218,592	-	-
Transfers out	-	-	(80,440)	-	-	-	-	(218,592)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>17,847,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>444,941</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 645,793</u>	<u>\$ 403,091</u>	<u>\$ 28,979,148</u>	<u>\$ (3,272,012)</u>	<u>\$ (15,536,966)</u>	<u>\$ (7,407,555)</u>	<u>\$ (1,363,549)</u>	<u>\$ (419,364)</u>	<u>\$ 508,774</u>	<u>\$ 1,045,993</u>
Debt service as a percentage of noncapital expenditures	6.0%	5.6%	5.3%	9.0%	8.2%	8.1%	7.7%	7.5%	7.7%	7.5%

Source: CAFR Schedule B-2

**METUCHEN SCHOOL DISTRICT
 GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
 LAST TEN FISCAL YEARS
 UNAUDITED
 (Modified Accrual Basis of Accounting)**

Fiscal Year Ended June 30,	Interest Earned	Tuition	Rentals	Telephone Commissions	Adult Education
2003	\$ 36,785	\$ 49,982	\$ 311,684	-	\$ 45,749
2004	24,211	80,859	247,500	-	66,232
2005	-	60,000	90,000	-	43,800
2006	-	89,225	81,144	-	45,934
2007	-	84,383	18,326	-	-
2008	111,651	84,383	18,326	-	-
2009	30,008	96,498	11,565	-	-
2010	15,558	124,727	14,500	-	-
2011	1,525	185,525	14,500	-	-
2012	-	165,825	15,000	-	-

Source: District records

**METUCHEN SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)**

<u>Refunds</u>	<u>Transportation Fees</u>	<u>Insurance Claim Refund</u>	<u>Miscellaneous</u>	<u>Annual Totals</u>
\$ -	\$ -	\$ 29,304	\$ -	\$ 473,504
-	-	-	-	418,802
-	-	-	-	193,800
-	-	-	-	216,303
-	-	-	-	102,709
-	-	-	-	214,360
-	-	-	7,485	145,556
-	-	-	17,001	171,786
15,970	-	-	26,525	244,045
	108,865		30,725	320,415

**METUCHEN SCHOOL DISTRICT
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST NINE FISCAL YEARS
 UNAUDITED**

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment
2004	\$ 11,989,900	\$ 768,088,600	\$ 109,194,000	\$ 42,777,400	\$ 20,859,700
2005	11,629,600	770,942,700	111,299,600	39,150,400	19,580,000
2006	8,908,100	782,521,700	112,776,600	38,358,100	19,128,400
2007	7,203,100	787,867,900	113,813,500	38,424,600	19,118,500
2008	7,471,400	791,612,800	113,083,100	37,991,600	17,342,100
2009	7,282,500	797,274,400	111,598,800	39,117,800	17,171,200
2010	9,762,200	795,616,400	109,058,200	39,401,800	16,709,200
2011	9,349,400	796,856,500	110,288,000	39,145,500	16,258,800
2012	8,891,700	797,570,600	110,815,100	38,296,000	16,258,800

N/A - Information not currently available.

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

(1) Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

(2) Tax rates are per \$100

**METUCHEN SCHOOL DISTRICT
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST NINE FISCAL YEARS
 UNAUDITED**

<u>Total Assessed Value</u>	Less: Tax- Exempt Property	<u>Public Utilities (1)</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate (2)</u>	<u>Estimated Actual (County Equalized Value)</u>
\$ 952,909,600	-	N/A	\$ 952,909,600	2.380	\$ 1,539,989,224
952,602,300	-	N/A	952,602,300	2.580	1,919,285,729
961,692,900	-	N/A	961,692,900	2.760	2,202,739,748
966,427,600	-	N/A	966,427,600	2.890	2,284,158,828
967,501,000	-	3,619,308	971,120,308	3.000	2,294,167,852
972,444,700	-	3,562,397	976,007,097	3.090	2,286,157,845
970,547,800	-	3,600,009	974,147,809	3.199	2,345,197,193
971,898,200	-	3,474,360	975,372,560	3.281	2,298,237,066
971,832,200	-	3,635,750	975,467,950	3.337	2,209,826,687

**METUCHEN SCHOOL DISTRICT
DIRECT AND OVERLAPPING TAX RATES
LAST TEN FISCAL YEARS
UNAUDITED**

(Rate Per \$100 of Assessed Value)

Fiscal Year Ended June 30,	Metuchen Board of Education			Overlapping Rates		
	Basic Rate (1)	General Obligation Debt Service (2)	Total Direct	Boro	Middlesex county	Total Direct & Overlapping Tax Rate
2003	\$ 2.110	\$ 0.150	\$ 2.260	\$ 0.590	\$ 0.460	\$ 3.310
2004	2.230	0.150	2.380	0.600	0.520	3.500
2005	2.430	0.150	2.580	0.680	0.550	3.810
2006	2.480	0.280	2.760	0.766	0.602	4.128
2007	2.590	0.300	2.890	0.830	0.660	4.380
2008	2.750	0.250	3.000	0.920	0.678	4.598
2009	2.800	0.250	3.050	0.930	0.679	4.659
2010	2.890	0.250	3.140	0.930	0.679	4.749
2011	2.820	0.250	3.070	0.931	0.681	4.682
2012	2.820	0.250	3.070	0.936	0.683	4.689

N/A - Information not currently available.

Source: District Records and Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the District can submit for a general fund tax levy . The levy when added to other components of the District's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth limitation adjustments.

(1) The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the net valuation taxable.

(2) Rates for debt service are based on each year's requirements.

**METUCHEN SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR
UNAUDITED**

Taxpayer	2012	
	Taxable Assessed Value	% of Total District Net Assessed Value
Metuchen at Homestead LLC	\$ 5,080,000	0.52%
P & V Warehouse & Distribution Co.	4,198,800	0.43%
Redfield Village Apartments	3,800,000	0.39%
Bell Atlantic (Equipment)	8,258,095	0.85%
Extra Space Storage	3,000,000	0.31%
Metuchen Manor Apartments	3,110,500	0.32%
Franco Brothers Realty	2,141,800	0.22%
New Wincup Holdings	2,062,400	0.21%
Metuchen I LLC	2,668,800	0.27%
Carrier Realty Corp	1,960,200	0.20%
Total	<u>\$ 36,280,595</u>	<u>3.72%</u>

**METUCHEN SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTION
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 20,695,536	\$ 20,695,536	100.00%	\$ -
2004	22,165,567	22,165,567	100.00%	-
2005	23,471,615	23,471,615	100.00%	-
2006	25,920,604	25,920,604	100.00%	-
2007	27,431,684	27,431,684	100.00%	-
2008	28,680,671	28,680,671	100.00%	-
2009	29,594,979	29,594,979	100.00%	-
2010	30,602,715	30,602,715	100.00%	-
2011	31,721,615	31,721,615	100.00%	-
2012	32,274,593	32,274,593	100.00%	-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2003	\$ 20,850,000	\$ -	\$ -	\$ -	\$ -	\$ 20,850,000	N/A	1,584	
2004	20,435,000	-	-	-	-	20,435,000	N/A	1,543	
2005	38,072,000	-	-	-	-	38,072,000	N/A	2,863	
2006	36,867,000	-	-	-	-	36,867,000	N/A	2,802	
2007	35,697,000	-	-	-	-	35,697,000	N/A	2,715	
2008	34,492,000	-	-	-	-	34,492,000	N/A	2,624	
2009	33,287,000	-	-	-	-	33,287,000	N/A	N/A	
2010	31,892,000	-	-	-	-	31,892,000	N/A	2,612	
2011	30,522,000	-	-	-	-	30,522,000	N/A	2,622	
2012	29,082,000	-	-	-	-	29,082,000	N/A	2,616	

N/A - Information not currently available.

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value (1) of Property	Per Capita (2)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2003	\$ 20,850,000	\$ -	\$ 20,850,000	1.60%	1,584
2004	20,435,000	-	20,435,000	1.35%	1,543
2005	38,072,000	-	38,072,000	1.98%	2,863
2006	36,867,000	-	36,867,000	2.47%	2,802
2007	35,697,000	-	35,697,000	3.69%	2,715
2008	34,492,000	-	34,492,000	3.55%	2,624
2009	33,212,000	-	33,212,000	N/A	N/A
2010	31,892,000	-	31,892,000	N/A	2,612
2011	30,522,000	-	30,522,000	N/A	2,622
2012	29,082,000	-	29,082,000	N/A	2,616

N/A - Information not currently available.

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

(2) Population data can be found in Exhibit NJ J-14.

Note: Details regarding the District's outstanding debt can be found in the Notes to the Basic Financial Statements.

**METUCHEN SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2012
UNAUDITED**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Metuchen Borough	\$ 29,082,000	100.000%	\$ 29,082,000
Other debt			
Metuchen Borough		100.000%	20,999,685
Middlesex County		2.200%	<u> -</u>
 Total direct and overlapping debt			 <u><u>\$ 50,081,685</u></u>

Sources: Debt outstanding provided by each governmental unit.

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 Metuchen. 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.

(1) 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.

**METUCHEN SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 46,935,492	\$ 52,919,338	\$ 52,919,338	\$ 53,015,725	\$ 85,616,394	\$ 85,422,457	\$ 91,526,460	\$ 92,270,235	\$ 92,394,561	\$ 91,376,813
Total net debt applicable to limit	<u>20,850,000</u>	<u>20,435,000</u>	<u>38,072,000</u>	<u>36,867,000</u>	<u>35,697,000</u>	<u>34,492,000</u>	<u>33,212,000</u>	<u>31,892,000</u>	<u>30,522,000</u>	<u>29,082,000</u>
Legal debt margin	<u>\$ 26,085,492</u>	<u>\$ 32,484,338</u>	<u>\$ 14,847,338</u>	<u>\$ 16,148,725</u>	<u>\$ 49,919,394</u>	<u>\$ 50,930,457</u>	<u>\$ 58,314,460</u>	<u>\$ 60,378,235</u>	<u>\$ 61,872,561</u>	<u>\$ 62,294,813</u>
Total net debt applicable to the limit as a percentage of debt limit	44.42%	38.62%	71.94%	69.54%	41.69%	40.38%	36.29%	34.56%	33.03%	31.83%

Source:	Year	Equalized Valuation Basis
Abstract of ratables and district records. Borough's Annual Debt Statement	2010	2,345,197,193
	2011	2,298,237,066
	2012	2,209,826,687
		<u>\$ 6,853,260,946</u>
	Average equalized valuation of taxable property	<u>\$ 2,284,420,315</u>
	Debt limit (4% of average equalization value)	\$ 91,376,813
	Total net debt applicable to limit as of June 30, 2012	
	Legal debt margin	<u>\$ 91,376,813</u>

**METUCHEN SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

Year	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
2003	12,854	N/A	N/A	3.4%
2004	12,913	N/A	N/A	2.8%
2005	13,310	N/A	N/A	3.0%
2006	13,383	N/A	N/A	3.2%
2007	13,782	N/A	N/A	4.9%
2008	13,144	N/A	N/A	4.3%
2009	14,525	N/A	N/A	5.8%
2010	14,525	N/A	N/A	7.8%
2011	14,525	N/A	N/A	8.0%
2012	14,525	N/A	N/A	8.7%

N/A - Information not currently available.

- (1) Population information provided by the NJ Department of Labor and Workforce
- (2) Personal income has been estimated based upon the municipal population and per capita personal income presented.
- (3) Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.
- (4) Unemployment data provided by the NJ Department of Labor and Workforce Development.

**METUCHEN SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED**

Employer	2012		2002	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

N/A - Information not currently available.

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

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction										
Regular	138	138	142	138	145	148	146	145	147	146
Special education	28	27	27	28	29	29	29	30	32	34
Other instruction	9	9	9	9	10	10	10	10	10	10
Support Services:										
General administrative services	11	11	12	11	11	11	11	11	11	11
School administrative services	16	17	16	17	17	17	17	16	16	16
Business administrative services	7	6	5	5	5	5	5	5	5	5
Plant operations and maintenance	23	24	28	29	28	29	29	27	25	27
Pupil transportation	6	5	6	6	6	6	6	6	6	6
Total	<u>238</u>	<u>237</u>	<u>245</u>	<u>243</u>	<u>251</u>	<u>255</u>	<u>253</u>	<u>250</u>	<u>252</u>	<u>255</u>

Source: District Personnel Records

**METUCHEN SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year	Enrollment	Operating Expenditures (1)	Cost Per Pupil	Percentage Change	Teaching Staff (2)
2003	1,853	\$ 21,883,573	\$ 11,810	7.69%	203
2004	1,886	24,055,735	12,755	8.00%	187
2005	1,911	25,149,387	13,160	3.18%	192
2006	1,967	26,923,623	13,688	3.18%	194
2007	2,010	30,758,127	15,303	10.55%	194
2008	2,050	31,190,279	15,215	-0.58%	195
2009	2,052	31,692,803	15,445	1.49%	195
2010	2,055	31,677,192	15,415	-0.19%	194
2011	2,065	32,296,804	15,640	1.44%	194
2012	2,149	33,664,232	15,665	0.16%	194

N/A - Information not currently available.

Sources: District records

Note: Enrollment based on annual October district count.

- (1) Operating expenditures equal total expenditures less debt service and capital outlay.
- (2) Teaching staff includes only full-time equivalents of certificated staff.
- (3) Average daily enrollment & average daily attendance are obtained from the School Registers.

**METUCHEN SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

Pupil/Teacher Ratio			Average Daily Enrollment (ADE) (3)	Average Daily Attendance (ADA) (3)	% Change in Average Daily Enrollment	Student Attendance Percentage
Elementary	Middle School	High School				
1:13	1:11	1:12	1,831	1,737	-0.52%	93.74%
1:13	1:11	1:12	1,857	1,774	2.13%	94.06%
1:13	1:12	1:12	1,842	1,776	0.11%	92.94%
1:13	1:12	1:12	1,852	1,786	0.11%	90.80%
1:13	1:12	1:12	1,990	1,887	5.35%	93.88%
1:13	1:12	1:12	1,997	1,893	0.32%	92.34%
1:13	1:12	1:12	2,044	2,002	5.44%	97.56%
1:13	1:12	1:12	2,043	1,983	-0.97%	96.49%
1:13	1:12	1:12	2,050	1,986	0.16%	96.17%
1:13	1:12	1:12	2,142	2,102	5.52%	97.81%

**METUCHEN SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>District Building</u>										
<u>Moss School</u>										
Square Feet	29,711	29,711	29,711	29,711	29,711	29,711	29,711	29,711	29,711	29,711
Capacity (students)	156	156	156	156	156	156	156	156	156	156
Enrollment	121	126	135	145	130	130	130	130	130	130
<u>Campbell School</u>										
Square Feet	57,768	57,768	57,768	57,768	57,768	57,768	57,768	57,768	57,768	57,768
Capacity (students)	439	439	439	439	439	439	439	439	439	439
Enrollment	580	595	615	629	631	685	690	692	695	705
<u>Edgar School</u>										
Square Feet	97,652	97,652	97,652	97,652	97,652	97,652	97,652	97,652	97,652	97,652
Capacity (students)	590	590	590	590	590	590	590	590	590	590
Enrollment	542	548	579	603	590	639	643	645	672	664
<u>Metuchen High School</u>										
Square Feet	108,124	108,124	108,124	108,124	108,124	108,124	108,124	108,124	108,124	108,124
Capacity (students)	617	617	617	617	617	617	617	617	617	617
Enrollment	542	562	592	590	638	621	608	603	611	614

N/A - Information not currently available.

Source: District's records

**METUCHEN SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF ALLOWABLE MAINTENANCE EXPENDITURES BY SCHOOL FACILITY
LAST SIX FISCAL YEARS
UNAUDITED**

<u>SCHOOL FACILITIES *</u>	<u>PROJECT # (s)</u>	<u>Total</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2007</u>	<u>2006</u>
Moss School	N/A	\$ 292,336	\$ 50,449	\$ 31,198	\$ 76,769	\$ 52,479	\$ 43,683	\$ 43,225
Campbell School	N/A	532,772	138,356	70,176	111,936	100,075	82,996	82,125
Edgar School	N/A	727,850	126,208	74,619	88,228	160,558	133,956	132,550
Metuchen High School	N/A	871,661	150,136	49,365	127,868	197,661	164,534	162,807
Total Expenditures		<u>\$ 2,424,619</u>	<u>\$ 465,149</u>	<u>\$ 225,358</u>	<u>\$ 404,801</u>	<u>\$ 510,773</u>	<u>\$ 425,169</u>	<u>\$ 420,707</u>

N/A - Information not currently unavailable

Source: District Records

* School facility as defined under EFCFA (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6:24-1.3)

Required maintenance, defined in N.J.A.C 6:24, The Educational Facilities Construction and Financing Act, includes expenditures for systems warranty purposes that are approved for repairs and replacements for the purpose of keeping a school facility open, comfortable and safe for use or in its original condition, including repairs and replacements to a school facility's heating, lighting, ventilation, security and other fixtures to keep the facility or fixtures in effective working condition. Required maintenance includes periodic or occasional inspection; adjustment, lubrication, and cleaning (non-janitorial) of buildings or fixtures; replacement of parts; and other actions to assure continuing service and to prevent breakdown.

**METUCHEN SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

<u>Company</u>	<u>Type of Coverage</u>	<u>2012 Coverage</u>	<u>2012 Deductible</u>
NJSBAIG	Property Blanket Building & Contents Replacement Cost Values Boiler & Machinery	\$ 69,841,938 \$ 100,000,000	\$ 5,000
NJSBAIG	Flood - All Flood Zones other than A& B Earthquake	\$ 50,000,000 \$ 50,000,000	\$ 10,000 \$ 5,000
NJSBAIG	Pollution Cleanup	\$ 2,000,000	\$25,000
NJSBAIG	General Liability - Each Occurrence - General Aggregate - Products/Completed Operations - Personal Injury - Sexual Abuse Per Occurrence - Sexual Abuse Aggregate Limit - Medical Expense Limit (Excluding Students) - Employee Benefit Liability (EBL) - EBL Aggregate	\$ 11,000,000 N/A \$ 11,000,000 \$11,000,000 \$ 11,000,000 \$ 17,000,000 \$ 10,000 \$ 11,000,000 \$ 11,000,000	\$ 1,000
NJSBAIG	Automotive Coverage - Combined Single Limit - Hired/Non-Owned Autos - Uninsured & Underinsured - Personal Injury Protection - Medical Payments - Physical Damage - Hired Car Physical Damage	\$ 11,000,000 \$ 11,000,000 \$ 1,000,000 \$ 250,000 \$ 10,000 \$ 115,000	\$ 1,000 \$1,000
NJSBAIG	Crime Coverage - Employee Dishonesty with Faithful Performance - Superintendent's Bond - Treasurer of School Monies - Board Secretary/Business Admin.	\$ 50,000 \$ 2,000 \$ 250,000 \$ 50,000	\$ 500

**METUCHEN SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

<u>Company</u>	<u>Type of Coverage</u>	<u>2012 Coverage</u>	<u>2012 Deductible</u>
Fireman's Fund	Catastrophic Umbrella Coverage		
	- Occurrence Limit	\$ 50,000,000	
	- Aggregate Limit	\$ 50,000,000	
NJSBAIG	Educators Liability		
	- Coverage A: Liability Limit	\$ 11,000,000	
	- Coverage B: Each Claim	\$ 100,000	
	- Coverage B: Total Limit	\$ 300,000	
	- Deductible Each Claim	\$ 5,000	
Peoples Benefit Life	Accident - Volunteer Workers	\$ 25,000	
Peoples Benefit Life	Student Accident- Compulsory Program	\$ 5,000,000	
	- Benefit Period	10 years	
NJSBAIG	Workers Compensation		
	- Employers Liability	\$ 2,000,000	
	- Professional Employee Payroll	\$ 16,630,438	
	- Non-Professional Employee Payroll	\$ 1,127,450	

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Metuchen School District, in the County of Middlesex, State of New Jersey (District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2012. 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 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 opinions 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 internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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 the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of Management, the District's Board, 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.



Walter J. Brasch
Licensed Public School Accountant
No. CS-01063



ParenteBeard LLC

December 5, 2012
Clark, 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
Metuchen School District
County of Middlesex, New Jersey

Compliance

We have audited Board of Education of the Metuchen School District's, County of Middlesex, State of New Jersey (District's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Grant Compliance Supplement*, that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the 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 Finance, Department of Education, State of New Jersey; OMB Circular A-133, and New Jersey OMB's 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's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the 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, 2012.

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 Circular OMB 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 management, the District's Board, 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.



Walter J. Brasch
Licensed Public School Accountant
No. CS-01063



ParenteBeard LLC

December 5, 2012
Clark, New Jersey

METUCHEN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (K-3)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Program or Award Amount	Grant Period		Balance at June 30, 2011	Carryover/ (Walkover) Amount
			From	To		
U.S. Department of Education						
Passed-through State Department of Education						
Special Revenue Fund:						
Title I Part A, Grants to Local Educational Agencies	84.010	\$ 68,824	09/01/11	08/31/12	\$ -	\$ -
Title I Part A - Improving Teacher Quality	84.367	\$ 47,680	09/01/11	08/31/12		
Title II, Part A - Improving Teacher Quality	84.367	51,320	09/01/10	08/31/11	\$ (22,206)	
Title II, Part A - Improving Teacher Quality, Carryover	84.367	688	09/01/08	08/31/09	688	
Title II, Part D - Enhancing Ed. Through Tech.	84.318	540	09/01/09	08/31/10	3	
Safe & Drug Free Schools and Communities Act	84.186	5,349	09/01/09	08/31/10	18	
I.D.E.A. Special Education States Grant BASIC	84.027	616,170	09/01/11	08/31/12		
I.D.E.A. Special Education States Grant BASIC CO	84.027	595,984	09/01/10	08/31/11	(331,824)	
I.D.E.A. Special Education States Grant BASIC CO	84.027	10,804	09/01/09	08/31/10	(10,605)	
I.D.E.A. Preschool	84.173	16,800	09/01/11	08/31/12		
I.D.E.A. Preschool CO	84.173	16,736	09/01/10	08/31/11	(16,736)	
I.D.E.A. Special Education States Grant Basic, ARRA	84.391	406,595	09/01/10	08/31/11	(101,044)	
I.D.E.A. Special Education States Grant Preschool, ARRA	84.392	25,532	09/01/10	08/31/11	20,000	
Total Special Revenue Fund					<u>(461,706)</u>	<u>-</u>
U.S. Department of Agriculture						
Passed-through State Department of Education						
Enterprise Fund:						
Food Donation	10.550	34,001	09/01/11	08/31/12		
National School Lunch Program, Carryover	10.555	76,757	09/01/11	08/31/12		
National School Lunch Program	10.555	76,757	09/01/10	08/31/11	(13,979)	
Total Enterprise Fund					<u>(13,979)</u>	<u>-</u>
Total Federal Financial Awards					<u>\$ (475,685)</u>	<u>\$ -</u>

METUCHEN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (K-3) (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	(Accounts Receivable) June 30, 2012	Deferred Revenue	Due to Grantor At June 30, 2011
\$ 19,343	\$ (66,948)	\$ -		\$ (49,481)		\$ 1,876
20,823	(47,622)			(26,847)		58
22,206	-		-	-	-	688
688	-			-		3
347,788	(564,202)			(268,382)	(51,968)	18
331,824			-		-	
10,605			-		-	
11,590	(12,694)			(5,210)	(4,106)	
16,736	-		-	-	-	
243,274	(142,230)		-	-	-	
20,000	-		-	-	-	
<u>1,044,877</u>	<u>(833,696)</u>	<u>-</u>	<u>-</u>	<u>(349,920)</u>	<u>(56,074)</u>	<u>2,643</u>
34,001	(34,001)					
72,281	(76,757)			4,476		
13,979						
<u>120,261</u>	<u>(110,758)</u>	<u>-</u>	<u>-</u>	<u>4,476</u>	<u>-</u>	<u>-</u>
<u>\$ 1,165,138</u>	<u>\$ (944,454)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (345,444)</u>	<u>\$ (56,074)</u>	<u>\$ 2,643</u>

METUCHEN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (K-4)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

State Grantor/ Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2011	Carryover/ (Walkover) Amount	Cash Received
			From	To			
State Department of Education							
General Fund:							
Special Education Categorical Aid	495-034-5120-089	\$ -	07/01/11	06/30/12	\$ -	\$ -	\$ 741,613
Nonpublic School Trans. Costs, Carryover	10-103-190		07/01/10	06/30/11	(11,134)	-	11,134
Nonpublic School Trans. Costs	11-103-190		07/01/11	06/30/12	-	-	-
Extraordinary Special Education Costs Aid	495-034-5120-044		07/01/10	06/30/11	(198,032)	-	198,032
Extraordinary Special Education Costs Aid, Carryover	495-034-5120-044		07/01/11	06/30/12	-	-	-
* On-behalf T.P.A.F Pension/Medical	100-034-5095-001		07/01/11	06/30/12	-	-	1,443,808
Reimbursed T.P.A.F. Social Security Tax	100-034-5095-002		07/01/11	06/30/12	-	-	979,297
Reimbursed T.P.A.F. Social Security Tax, Carryover	495-034-5095-002		07/01/10	06/30/11	(52,248)	-	52,248
Total General Fund					(261,414)	-	3,426,132
Special Revenue Fund:							
N.J. Nonpublic Aid:							
Textbook Aid	100-034-5120-064	71,267	07/01/11	06/30/12	-	-	71,267
Nursing Services	100-034-5120-070	101,797	07/01/11	06/30/12	-	-	101,797
Auxiliary Services:							
Transportation Aid	100-034-5120-067	15,445	07/01/11	06/30/12	-	-	15,445
Compensatory Education	100-034-5120-067	46,493	07/01/11	06/30/12	-	-	46,493
English as a Second Language	100-034-5120-067	5,172	07/01/11	06/30/12	-	-	5,172
English as a Second Language	100-034-5120-067	6,831	07/01/10	06/30/11	-	-	-
Supplemental Instruction	100-034-5120-066	39,285	07/01/11	06/30/12	-	-	39,285
Supplemental Instruction	100-034-5120-066	45,164	07/01/10	06/30/11	-	-	-
Examination and Classification	100-034-5120-066	62,467	07/01/11	06/30/12	-	-	62,467
Examination and Classification	100-034-5120-066	62,517	07/01/10	06/30/11	-	-	-
Corrective Speech	100-034-5120-066	38,703	07/01/11	06/30/12	-	-	38,703
Corrective Speech	100-034-5120-066	33,640	07/01/10	06/30/11	-	-	-
Home Instruction	100-034-5120-067	3,689	07/01/11	06/30/12	-	-	-
Home Instruction, Carryover	100-034-5120-067		07/01/10	06/30/11	(4,548)	-	4,548
Corrective Speech	100-034-5120-066		07/01/11	06/30/12	-	-	-
Total Special Revenue Fund					(4,548)	-	385,177
Debt Service Fund:							
Debt Service Aid Type II	495-034-5120-017	263,170	07/01/11	06/30/12	-	-	263,170
Total Debt Service Fund					-	-	263,170
State Department of Agriculture							
Enterprise Fund:							
National School Lunch Program (State Share)	100-034-5120-122	4,742	07/01/11	06/30/12	-	-	4,471
National School Lunch Program (State Share)-Carryover	100-034-5120-122	4,481	07/01/10	06/30/11	(981)	-	981
Total Enterprise Fund					(981)	-	5,452
Total State Financial Assistance					\$ (266,943)	\$ -	\$ 4,079,931

* Not subject to major program determination

METUCHEN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (K-4) (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	(Accounts Receivable) June 30, 2011	Deferred Revenue	Due to Grantor At June 30, 2012	MEMO	
						Budgetary Receivable	Cumulative Total Expenditures
\$ (790,937)	\$ -	\$ -	\$ (49,324)	\$ -	\$ -	\$ (49,324)	\$ (790,937)
(10,321)			(10,321)			(10,321)	(10,321)
(197,641)			(197,641)			(197,641)	(197,641)
(1,443,808)							(1,443,808)
(1,031,684)			(52,387)			(52,387)	(1,031,684)
<u>(3,474,391)</u>	<u>-</u>	<u>-</u>	<u>(309,673)</u>	<u>-</u>	<u>-</u>	<u>(309,673)</u>	<u>(3,474,391)</u>
(71,267)						-	(71,267)
(101,797)						-	(101,797)
(15,445)						-	(15,445)
(32,968)					13,525	-	(32,968)
(3,448)					1,724	-	(3,448)
(27,359)		3,416			11,926	-	(27,359)
(51,527)		12,507			10,940	-	(51,527)
(30,804)		11,319			7,899	-	(30,804)
(3,689)		2,347	(3,689)			(3,689)	(3,689)
<u>(338,304)</u>	<u>-</u>	<u>29,589</u>	<u>(3,689)</u>	<u>-</u>	<u>46,014</u>	<u>(3,689)</u>	<u>(338,304)</u>
<u>(263,170)</u>							<u>(263,170)</u>
<u>(263,170)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(263,170)</u>
(4,742)	-	-	274	-	-	-	(4,742)
-	-	-	-	-	-	-	-
<u>(4,742)</u>	<u>-</u>	<u>-</u>	<u>274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,742)</u>
<u>\$ (4,080,607)</u>	<u>\$ -</u>	<u>\$ 29,589</u>	<u>\$ (313,088)</u>	<u>\$ -</u>	<u>\$ 46,014</u>	<u>\$ (313,362)</u>	<u>\$ (4,080,607)</u>

Metuchen School District

Notes to Schedules of Expenditures of Federal and State Awards

Year ended June 30, 2012

1. General

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

2. Basis of Accounting

The accompanying schedules of expenditures of federal and state awards are presented using the modified accrual basis of accounting with the exception of programs recorded in the Food Service Fund, which are 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 is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with or reconcile to amounts reported in the basic financial statements which 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 fiscal year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The General Fund is presented in the accompanying schedules on the modified accrual basis of accounting with the exception of the revenue recognition of the last two state aid payments in the current year, which is mandated pursuant to NJSA 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of

Metuchen School District

Notes to Schedules of Expenditures of
Federal and State Awards

Year ended June 30, 2012

3. Relationship to Basic Financial Statements (continued)

the last two 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 two state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of the last two 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 two state aid payments 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 \$(49,324) for the General Fund and \$(0) for the Special Revenue Fund. See the Note to Required Supplementary Information (C-3) for a reconciliation of the budgetary basis to the GAAP basis of accounting for the General Fund and Special Revenue Fund. Financial award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 56,719	\$ 3,425,067	\$ 3,481,786
Special Revenue Fund	833,670	339,107	1,172,777
Capital Projects Fund			
Debt Service Fund		263,356	263,356
Proprietary Fund	110,750	4,742	115,492
	<u>\$ 1,001,139</u>	<u>\$ 4,032,272</u>	<u>\$ 5,033,411</u>
Total Awards & Financial Assistance			

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.

Metuchen School District

Notes to Schedules of Expenditures of
Federal and State Awards

Year ended June 30, 2012

5. Other

Revenues and expenditures reported under the Food Donation Program represent current year value received and current year distributions respectively. TPAF Social Security and Post Retirement/Medical Benefits Contributions represent the amounts reimbursed by the State for the employer's share of social security contributions and Post Retirement/Medical Benefits for TPAF members for the year ended June 30, 2012.

The TPAF post retirement/medical benefits expenditures are not subject to New Jersey OMB Circular 04-04.

Mount Olive Township School District
Schedule of Findings and Questioned Costs

June 30, 2012

Part I—Summary of Auditors’ Results

Financial Statement Section

(i)	Type of auditors’ report issued:	<u>Unqualified</u>		
(ii)	Internal control over financial reporting:			
	Material weakness(es) identified?	<u> </u>	Yes <u> ✓ </u>	No
	Significant deficiencies identified?	<u> </u>	Yes <u> ✓ </u>	None Reported
(iii)	Noncompliance material to financial statements noted?	<u> </u>	Yes <u> ✓ </u>	No

Federal and State Awards Section

(viii)	Dollar threshold used to determine Type A programs:	<u>Federal - \$300,000 State - \$300,000</u>		
(ix)	Auditee qualified as low-risk auditee?	<u> ✓ </u>	Yes <u> </u>	No
(v)	Type of auditors’ report on compliance for major programs:	<u>Unqualified</u>		
(iv)	Internal control over compliance for major programs:			
	Material weakness(es) identified?	<u> </u>	Yes <u> ✓ </u>	No
	Significant deficiencies identified?	<u> </u>	Yes <u> ✓ </u>	None Reported
(v)	Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a)) and New Jersey OMB Circular 04-04?	<u> </u>	Yes <u> ✓ </u>	No

Metuchen School District
Schedule of Findings and Questioned Costs

June 30, 2012

Part I–Summary of Auditors Results (continued)

Federal and State Awards Section (continued)

(vii) Identification of major programs:

<u>CFDA Number(s) or State Program Number</u>	<u>Name of Federal or State Program or Cluster</u>
Federal:	Special Education Cluster:
84.027	Special Education – Grants to States (IDEA, Part B)
84.173	Special Education – Grants to States (IDEA Preschool)
84.391	Special Education – Grants to States (IDEA, Part B) Recovery Act
84.392	Special Education – Grants to States (IDEA Preschool) Recovery Act
State:	
495-034-5095-002	Reimbursed TPAF Social Security Contributions

Metuchen School District
Schedule of Findings and Questioned Costs

June 30, 2012

Part II—Financial Statement Findings

No financial statement findings noted that are required to be reported under *Government Auditing Standards*.

Metuchen School District

Schedule of Findings and Questioned Costs

June 30, 2012

Part III–Federal and State Award Findings and Questioned Costs

No federal or state award findings and questioned costs noted that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

Metuchen School District

Summary Schedule of Prior Audit Findings

June 30, 2011

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

STATUS OF FINDINGS

There were no prior-year audit findings for the fiscal year ended June 30, 2011 that we are required to report on.