

School District  
of  
SPOTSWOOD  
BOROUGH

Spotswood Borough  
Board of Education  
County of Middlesex  
New Jersey

*Comprehensive Annual Financial Report  
Year Ended June 30, 2012*

**School District of  
Spotswood Borough**

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

Comprehensive Annual Financial Report  
Year Ended June 30, 2012

Prepared by

Spotswood Borough School District  
Business Division

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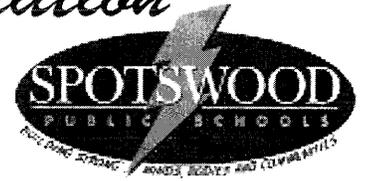
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# Spotswood Board of Education

ADMINISTRATIVE OFFICES  
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SPOTSWOOD, NEW JERSEY 08884

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WWW.SPOTSWOOD.K12.NJ.US



*Dr. Anthony E. Vaz, Superintendent Emeritus*

E-MAIL: AVAZ@SPOTSWOOD.K12.NJ.US  
November 12, 2012

*Robert Green, Business Administrator/  
Board Secretary*

E-MAIL: RGREEN@SPOTSWOOD.K12.NJ.US

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

Dear Board Members and Constituents:

The comprehensive annual financial report of the Spotswood Borough School District (the "District") as of and for the year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information at June 30, 2012 and the respective changes in financial position, and where applicable, cash flows for the year then ended. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's organizational chart, a listing of consultants, independent auditor and advisors, and roster of officials. The financial section includes Management's Discussion and Analysis (immediately following the report of independent auditors), basic financial statements, required supplementary information and supplementary information, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis and is unaudited. The District is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and the New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this Single Audit, including the auditors' report on internal control over compliance and on compliance with applicable laws and regulations, if applicable, are included in the Single Audit section of this report.

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

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational, as well as special education for handicapped youngsters. The District completed the 2011-2012 fiscal year with an average daily enrollment of 1,781 students, which is approximately a (1.87) % decrease from the prior year’s average daily enrollment. The following details the changes in the average daily enrollment of the District over the last five years.

### **Average Daily Enrollment**

<b>Fiscal Year</b>	<b>Student Enrollment</b>	<b>Percent Change</b>
2012	1,781	(1.87)%
2011	1,815	0.39
2010	1,808	2.73
2009	1,760	(0.40)
2008	1,767	(0.56)

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

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

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

## **3. Initiatives**

The Spotswood School District’s initiatives for the 2012/2013 school year will be as follows:

- **Accountability**

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

Follow up of a review/evaluation of Language Arts Literacy for 2012/13 school year.

Meeting the new standards and implementation of the state mandated teacher evaluation program as well as principal evaluation program.

- **Curriculum Renewal**

The Advanced Placement program at the high school for 2012/13 will include a 4<sup>th</sup> year math program for high school students (Algebraic Systems College Preparatory) and AP Environmental Science.

- **Staff Development**

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

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

- **Operational Improvement**

PLC (Professional Learning Communities) teams will be trained and fully operational during the 2012/2013 school year, providing for groups of teachers who form a support group to work on a plan strategically around particular topics, and challenge their teaching in a nurturing environment.

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

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

The District's achievement continues to be highly competitive with the District Factor Group as well as state results. The District' high school, according to New Jersey Monthly Magazine, is 102 (Up three places) of 328 in the State.

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

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

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

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

Having received funding in the Education Jobs Federal Grant over the past two years, the District capitalized on this and used this funding to save teaching positions and allowed the excess to be allocated toward minimizing the financial impact on the tax payers of the District.

## **7. Internal Control**

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

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

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

## **8. Budgetary Controls**

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as appropriations of fund balance in the subsequent year. Those amounts to be appropriated are reported as reservations of fund balance at June 30, 2012.

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

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

## **10. Debt Administration**

At June 30, 2012, the District's outstanding debt issues included \$10,605,000 of bonds. During the 2012 fiscal year, the District was notified that its bond rating was AA-, but enhanced by the School Bond Reserve Act with an underlying rating for the District of A+. The legal debt margin and the debt per capita can be found in the Statistical section, schedules J-13 and J-11, respectively.

## **11. Cash Management**

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

## **12. Risk Management**

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

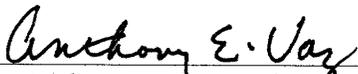
### **13. Other Information**

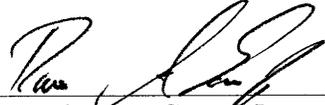
*Independent Audit:* State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The independent accounting firm of Wiss and Company, LLP was selected by the Board to perform the audit. In addition to meeting the requirements set forth in state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

### **14. Acknowledgments**

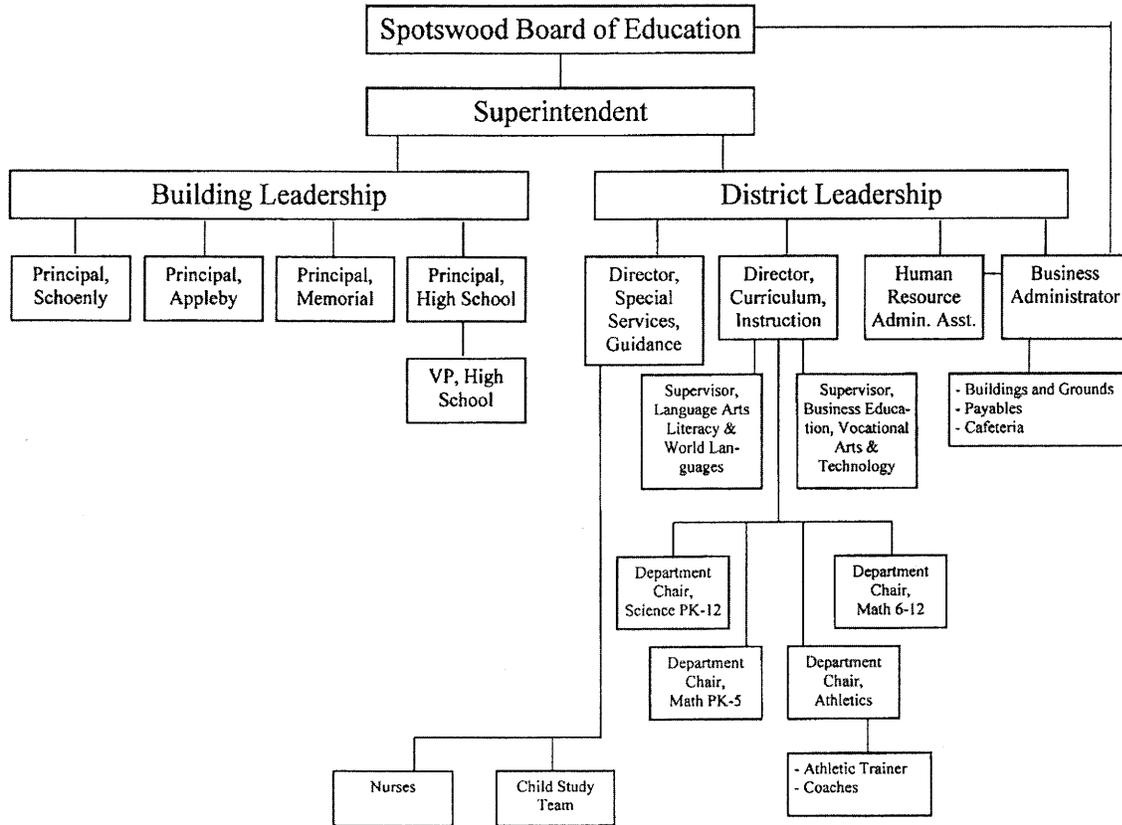
We would like to express our appreciation to the members of the Spotswood Borough Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff. Additionally, we wish to acknowledge the assistance given by the members of the central office staff.

Respectfully Submitted,

  
\_\_\_\_\_  
Dr. Anthony E. Vaz, Ed D.  
Interim Superintendent of Schools

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

Spotswood Borough School District  
 Spotswood, New Jersey  
 Organizational Chart  
 June 30, 2012



Spotswood Borough School District  
Spotswood, New Jersey

Roster of Officials

June 30, 2012

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Donna Faulkenberry, President	2014
Dulce Branco-Rivera, Vice President	2012
John Lavelle	2013
William J. Loschiavo	2013
William Smith	2012
Linda Harold (Milltown Representative)	
 <b><u>Other Officials</u></b>	
Dr. Anthony E. Vaz, Interim Superintendent of Schools (Effective July 9, 2012)	
Dr. Walter Uszenski, Superintendent of Schools (Through July 8, 2012)	
Letitia Spinillo, School Business Administrator/Board Secretary (Through September 30, 2011)	
Robert A. Green, Jr., School Business Administrator/Board Secretary (Effective October 1, 2011)	
Barbara Petren, Treasurer of School Moneys	

Spotswood Borough School District  
Spotswood, New Jersey

Independent Auditor and Advisors

**Attorney**

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

**Bond Attorney**

McManimon, Scotland and Banmann, LLC  
One Riverfront Plaza, Fourth Floor  
Newark, New Jersey 07102

**Independent Auditor**

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

**Official Depository**

TD Bank  
Route 18 South  
East Brunswick, New Jersey 07753

**Official Newspapers**

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

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



## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Spotswood Borough School District, County of Middlesex, New Jersey (the "District"), as of and for the year ended June 30, 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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

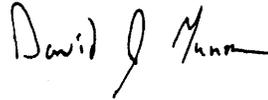
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2012, and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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 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 as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which consists of the combining and individual fund financial statements, long-term debt schedules and schedules of expenditures of federal awards and state financial assistance, 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, respectively* 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



David J. Gannon  
Licensed Public School Accountant  
No. 2305



WISS & COMPANY, LLP

November 12, 2012  
Iselin, New Jersey

Required Supplementary Information  
Part I

## Management's Discussion and Analysis

Spotswood Borough School District  
Management's Discussion and Analysis  
Year ended June 30, 2012  
(Unaudited)

As management of the Spotswood Borough School District (the "District"), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District as of and for the year ended June 30, 2012. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

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

**Overview of the Financial Statements**

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

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

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

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

The government-wide financial statements can be found on pages 23-24 of this report.

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

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

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

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

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

The governmental fund financial statements can be found on pages 25-27 of this report.

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

The enterprise fund financial statements can be found on pages 28-30 of this report.

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

The District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The District also has an unemployment compensation trust fund. The basic fiduciary fund financial statements can be found on pages 31-32 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 33-58 of this report.

**Other information.** The combining statements referred to earlier in connection with governmental funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found on pages 59-79 of this report.

**Financial Highlights**

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, the total Government-wide assets exceeded liabilities by \$11,893,556 (net assets) at the close of 2012. The following table provides a summary of net assets relating to the District's governmental and business-type activities as of June 30, 2012 and 2011:

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

	2012			2011		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and other assets	\$ 5,350,920	\$ 572,327	\$ 5,923,247	\$ 3,223,573	\$ 471,472	\$ 3,695,045
Capital assets, net	17,867,282	7,032	17,874,314	17,537,860	9,252	17,547,112
Total assets	23,218,202	579,359	23,797,561	20,761,433	480,724	21,242,157
Current liabilities	1,664,393	103,990	1,768,383	1,747,163	114,443	1,861,606
Long-term liabilities outstanding	10,135,622		10,135,622	8,393,145		8,393,145
Total liabilities	11,800,015	103,990	11,904,005	10,140,308	114,443	10,254,751
Net assets						
Invested in capital assets, net of related debt	9,274,773	7,032	9,281,805	8,730,524	9,252	8,739,776
Restricted	2,338,662		2,338,662	2,050,004		2,050,004
Unrestricted (deficit)	(195,248)	468,337	273,089	(159,403)	357,029	197,626
Total net assets	\$ 11,418,187	\$ 475,369	\$ 11,893,556	\$ 10,621,125	\$ 366,281	\$ 10,987,406

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

The remaining (deficit) balance of unrestricted net assets \$(195,248) of the governmental activities reflects the District's obligations such as compensated absences that are not invested in capital assets.

The increase in governmental activities in current and other assets of \$2,127,347 and increase in long-term liabilities of \$1,742,477 is mainly attributable to the issuance of School Energy Savings Obligation Refunding Bonds in May of 2012 in the amount of \$2,630,000. As of June 30, 2012, the District's construction in progress included \$848,173 attributable to the project.

The District generated excess surplus during the current year in the amount of \$390,277 which is reflected in the increase in restricted net assets.

The increase in current and other assets and unrestricted net assets in the business-type activity funds, food service and C.A.R.E.S, is the result of excess revenues over expenses in the amount of \$109,088.

**District activities.** The key elements of the District's changes in net assets for the years ended June 30, 2012 and 2011 are as follows:

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

Years ended June 30,

	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 4,192,661	\$ 828,162	\$ 5,020,823	\$ 4,686,085	\$ 784,409	\$ 5,470,494
Operating grants and contributions	695,364	161,769	857,133	685,679	156,428	842,107
General revenues:						
Property taxes	14,842,590		14,842,590	14,723,349		14,723,349
State aid not restricted to specific purposes	7,671,764		7,671,764	7,023,008		7,023,008
Federal aid not restricted to specific purposes	187,480		187,480	70,455		70,455
Interest earnings	3,476	34	3,510	10,522	540	11,062
Miscellaneous	115,753		115,753	47,590		47,590
Transfers				(33,481)	33,481	
Total revenues	27,709,088	989,931	28,699,053	27,213,207	974,858	28,188,065
Expenses:						
Instructional services	16,945,523	312,307	17,257,830	16,170,747	314,546	16,485,293
Support services	9,666,862	568,570	10,235,432	9,572,770	560,647	10,133,417
Interest on long-term debt	299,641		299,641	263,696		263,696
Total expenses	26,912,026	880,877	27,792,903	26,007,213	875,193	26,882,406
Change in net assets	797,062	109,088	906,150	1,205,994	99,665	1,305,659
Net assets – beginning of year	10,621,125	366,281	10,987,406	9,415,131	266,616	9,681,747
Net assets – end of year	\$ 11,418,187	\$ 475,369	\$ 11,893,556	\$ 10,621,125	\$ 366,281	\$ 10,987,406

The decrease in charges for services in the governmental activities (tuition) is the result of a decrease in the number of students sent from Milltown, a decrease in the tuition rate charged and a decrease in the amount of tuition adjustments billed to Milltown during fiscal year 2012. Additionally, the amount of tuition revenue from preschool tuition decreased.

State aid not restricted increased from the prior year as the District received \$570,000 more in formula aid than in the prior year. Additionally, the State paid additional amounts on behalf of the District towards retiree pension contributions.

Federal aid not restricted increased from the prior year as the District expended its remaining allotment of Education Jobs funds.

Expenses increased approximately \$900,000 in the 2012 fiscal year as a result of contractual salary increases for staff, increases to health benefit premiums, increases to supplies purchased for instructional purposes and increases to the amounts paid for tuition for students attending private schools for the disabled.

### Financial Analysis of the District's Funds

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

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

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2012, and the increases and decreases in relation to the prior year.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>(Decrease) Increase from 2011</u>	<u>Percent of (Decrease) Increase</u>
Local sources	\$ 19,191,866	69.26%	\$ (281,507)	(1.45)%
State sources	7,755,958	27.99	643,461	9.05
Federal sources	761,264	2.75	100,446	15.20
Total	<u>\$ 27,709,088</u>	<u>100.00%</u>	<u>\$ 462,400</u>	<u>1.70%</u>

The decrease in local sources is mainly attributable to a decrease in tuition revenue from the Borough of Milltown and the preschool program offset by a nominal increase in the tax levy.

Revenue from state sources increased from the prior year primarily as a result of the District receiving \$570,000 more in formula aid than in the prior year.

Revenue from Federal sources increased from the prior year as a result of the District expending its remaining allotment of Education Jobs funds.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2012 and the increases and decreases related to the prior year:

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2011	Percent of Increase (Decrease)
Current expenditures:				
Instruction	\$ 12,636,175	45.94%	\$ 571,752	4.74%
Undistributed expenditures	13,236,220	48.12	404,490	3.15
Capital outlay	565,648	2.06	54,629	10.69
Debt service:				
Principal	875,000	3.18	40,000	4.79
Interest	195,476	0.70	(194,158)	(49.83)
Cost of issuance			(101,922)	(100.00)
Total	<u>\$ 27,508,519</u>	<u>100.00%</u>	<u>\$ 774,791</u>	<u>2.90%</u>

The increase in instruction and undistributed expenditures is attributable mainly to salary increases for staff, increases to health benefit premiums, increases to supplies purchased for instructional purposes and increases to the amounts paid for tuition for students attending private schools for the disabled. The decrease in interest expense is attributable to the refunding of debt during the 2011 fiscal year.

### General Fund Budgetary Highlights

During the 2012 fiscal year, the District appropriated \$213,279 of additional state aid received for technology infrastructure and projects of a capital nature. Additionally, the District budgeted \$27,653 from its maintenance reserve for a specific project, but was later restored to the maintenance reserve as required by New Jersey Administrative Code because unexpended funds existed in the required maintenance budgetary appropriations. During the year, revenues exceeded budgetary estimates and expenditures were within budgetary estimates, thus eliminating the need to draw upon existing fund balance.

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

- Instruction – Regular Programs - Salaries of teachers - Kindergarten – an increase of \$469,263 is attributable to reallocating funds that were budgeted separately in anticipation of the contract settlement with the Spotswood Education Association.

- Instruction – Regular Programs - Salaries of teachers – Grades 1-5 - a decrease of \$502,124 is attributable to reallocating funds that were budgeted separately in anticipation of the contract settlement with the Spotswood Education Association.
- Resource room – Salaries of teachers and other salaries for instruction – an increase of \$235,612 is attributable to the reallocating funds that were budgeted separately in anticipation of the contract settlement with the Spotswood Education Association.
- Student transportation services – a decrease of \$253,586 is attributable to the purchase of two 54 passenger busses being utilized for athletic runs thus saving on the cost from using a contracted service.
- Facilities acquisition and construction services – an increase of \$268,765 is attributable to the District appropriating additional state aid received for technology infrastructure and other capital related projects.

### Capital Assets and Debt Administration

*Capital Assets.* The District has capital assets, net of depreciation of \$17,867,282 at June 30, 2012, including land, construction in progress, site improvements, buildings and building improvements, machinery, equipment and vehicles. (More detailed information about capital assets can be found in Note 4 to the basic financial statements.)

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

	June 30,	
	2012	2011
Land	\$ 197,617	\$ 197,617
Construction in progress	848,173	
Site improvements	267,128	248,099
Buildings and building improvements	15,903,313	16,524,622
Machinery, equipment and vehicles	651,051	567,522
Total capital assets, net	\$ 17,867,282	\$ 17,537,860

*Debt Administration and Long-Term Liabilities.* During the 2012 fiscal year, the District issued \$2,630,000 in School Energy Savings Obligation Refunding Bonds.

The District's long-term liabilities consisted of:

	<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>
Bonds payable	\$ 10,605,000	\$ 8,850,000
Unamortized Deferred interest costs	(276,177)	(299,434)
Unamortized Premium on bonds	311,404	256,770
Compensated absences payable	663,900	752,857
Total long-term liabilities	<u>\$ 11,304,127</u>	<u>\$ 9,560,193</u>

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

### **Economic Factors and Next Year's Budget**

- Continued attention is being given to the new levy calculation resulting from the Department of Education merging of the Helmetta District which appears to be based on equalized valuation for the calculation.
- With a 2% levy cap passed by the State Legislature, and dwindling revenues, alternative revenue sources are being considered along with a strong hard look at expenditures in all areas.
- The Board is in process of implementing an Energy Savings Incentive Plan that will hopefully prove to be cost neutral and also provide for many necessary facility upgrades including windows, boilers, light fixture upgrades and roof top air handling units.
- The District is also resurfacing two roofs; the largest section of the High School Roof and part of the Schoenly Elementary School roof.
- The 2012-2013 fiscal year budget anticipates the utilization of a significant amount of fund balance (both unrestricted and restricted) to provide tax relief and to fund non-recurring capital projects as follows:
  - \$632,702 budgeted fund balance for the operating budget;
  - \$603,450 from capital reserve;
  - \$306,200 from maintenance reserve;
  - \$300,000 from tuition reserve.

All of these factors were considered in preparing the District's budget for the 2012-13 fiscal year. The reduction and/or stabilization of state aid will make future budgets difficult.

### **Requests for Information**

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

# Basic Financial Statements

# Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2012.

## Spotswood Borough School District

## Statement of Net Assets

June 30, 2012

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 590,653	\$ 537,949	\$ 1,128,602
Accounts receivable	458,466	22,706	481,172
Inventories		11,672	11,672
Deferred charges	157,212		157,212
Restricted assets:			
Cash and cash equivalents	4,144,589		4,144,589
Capital assets, non-depreciable	1,045,790		1,045,790
Capital assets, depreciable, net	16,821,492	7,032	16,828,524
Total assets	<u>23,218,202</u>	<u>579,359</u>	<u>23,797,561</u>
<b>Liabilities</b>			
Accounts payable	283,075	11,446	294,521
Accrued interest payable	131,624		131,624
Intergovernmental payables - state	45,689		45,689
Unearned revenue	35,500	92,544	128,044
Current portion of long-term obligations	1,168,505		1,168,505
Noncurrent portion of long-term obligations	10,135,622		10,135,622
Total liabilities	<u>11,800,015</u>	<u>103,990</u>	<u>11,904,005</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	9,274,773	7,032	9,281,805
Restricted for:			
Debt service	33,291		33,291
Maintenance reserve	440,270		440,270
Capital reserve	714,684		714,684
Tuition reserve	300,000		300,000
Excess surplus	850,417		850,417
Unrestricted (deficit)	(195,248)	468,337	273,089
Total net assets	<u>\$ 11,418,187</u>	<u>\$ 475,369</u>	<u>\$ 11,893,556</u>

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

## Spotswood Borough School District

## Statement of Activities

Year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities</b>						
Instruction	\$ 16,945,523	\$ 4,192,661	\$ 472,267	\$ (12,280,595)		\$ (12,280,595)
Support services:						
Health services	443,106			(443,106)		(443,106)
Other support services	2,590,171		223,097	(2,367,074)		(2,367,074)
Improvement of instruction	443,149			(443,149)		(443,149)
School library	97,094			(97,094)		(97,094)
Instructional staff training	46,764			(46,764)		(46,764)
General administration	462,852			(462,852)		(462,852)
School administration	1,159,893			(1,159,893)		(1,159,893)
Central services	635,231			(635,231)		(635,231)
Administrative information technology	234,930			(234,930)		(234,930)
Required maintenance of plant services	451,913			(451,913)		(451,913)
Operation of plant	2,181,727			(2,181,727)		(2,181,727)
Student transportation	920,032			(920,032)		(920,032)
Interest on long-term debt	299,641			(299,641)		(299,641)
Total governmental activities	26,912,026	4,192,661	695,364	(22,024,001)		(22,024,001)
<b>Business-type activities</b>						
Food service	568,570	421,985	161,769		\$ 15,184	15,184
CARES	312,307	406,177			93,870	93,870
Total business-type activities	880,877	828,162	161,769		109,054	109,054
Total primary government	\$ 27,792,903	\$ 5,020,823	\$ 857,133	(22,024,001)	109,054	(21,914,947)
<b>General revenues</b>						
Property taxes, levied for general purposes				13,804,809		13,804,809
Property taxes, levied for debt service				1,037,781		1,037,781
State sources				7,671,764		7,671,764
Federal sources				187,480		187,480
Interest earnings				3,476	34	3,510
Miscellaneous income				115,753		115,753
Total general revenues				22,821,063	34	22,821,097
Change in net assets				797,062	109,088	906,150
Net assets—beginning of year				10,621,125	366,281	10,987,406
Net assets—end of year				\$ 11,418,187	\$ 475,369	\$ 11,893,556

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

## Fund Financial Statements

# Governmental Funds

Spotswood Borough School District  
Governmental Funds

Balance Sheet

June 30, 2012

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
<b>Assets</b>					
Cash and cash equivalents	\$ 557,362			\$ 33,291	\$ 590,653
Accounts receivable:					
State	107,600				107,600
Federal	35,119	\$ 191,895			227,014
Other		3,641			3,641
Interfund	854,793				854,793
Restricted assets:					
Cash and cash equivalents	1,454,954		\$ 2,689,635		4,144,589
Total assets	<u>\$ 3,009,828</u>	<u>\$ 195,536</u>	<u>\$ 2,689,635</u>	<u>\$ 33,291</u>	<u>\$ 5,928,290</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 261,393	\$ 20,182	\$ 1,500		\$ 283,075
Intergovernmental payables:					
State		45,689			45,689
Interfunds payable		94,165	640,417		734,582
Deferred revenue		35,500			35,500
Total liabilities	<u>261,393</u>	<u>195,536</u>	<u>641,917</u>		<u>1,098,846</u>
Fund balances:					
Restricted for:					
Excess surplus-prior year	460,140				460,140
Excess surplus-current year	390,277				390,277
Capital projects			2,047,718		2,047,718
Debt service				\$ 33,291	33,291
Capital reserve	714,684				714,684
Maintenance reserve	440,270				440,270
Tuition reserve	300,000				300,000
Assigned to:					
Designated for subsequent year's expenditures	172,562				172,562
Other purposes	270,502				270,502
Total fund balances	<u>2,748,435</u>		<u>2,047,718</u>	<u>33,291</u>	<u>4,829,444</u>
Total liabilities and fund balances	<u>\$ 3,009,828</u>	<u>\$ 195,536</u>	<u>\$ 2,689,635</u>	<u>\$ 33,291</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$31,517,492 and the accumulated depreciation is \$13,650,210.	17,867,282
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(131,624)
Unamortized portion of debt issuance costs not reported as an asset in the funds.	157,212
Long-term liabilities, including bonds payable, compensated absences and unamortized premium on bonds are not due and payable in the current period and therefore are not reported as liabilities in the funds and unamortized deferred interest costs are not reported as an asset in the funds.	<u>(11,304,127)</u>
Net assets of governmental activities	<u>\$ 11,418,187</u>

Spotswood Borough School District  
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2012

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
<b>Revenues</b>					
Local sources:					
Local tax levy	\$ 13,804,809			\$ 1,037,781	\$ 14,842,590
Tuition	4,192,661				4,192,661
Investment income	3,476				3,476
Miscellaneous	115,753	\$ 37,386			153,139
Total local sources	18,116,699	37,386		1,037,781	19,191,866
State sources	7,605,779	84,194		65,985	7,755,958
Federal sources	187,480	573,784			761,264
Total revenues	25,909,958	695,364	-	1,103,766	27,709,088
<b>Expenditures</b>					
Current:					
Instruction	11,184,322	437,623			11,621,945
Undistributed-current:					
Instruction	1,014,230				1,014,230
Health services	340,765				340,765
Other support services	1,772,799	223,097			1,995,896
Improvement of instruction	317,642				317,642
Educational media services / school library	71,920				71,920
Instructional staff training	44,923				44,923
General administration	370,632				370,632
School administration	832,446				832,446
Central services	497,646				497,646
Administrative information technology	180,261				180,261
Required maintenance of plant services	378,188				378,188
Operation of plant	1,714,747				1,714,747
Student transportation	847,579				847,579
Unallocated benefits	3,644,388				3,644,388
On-behalf TPAF social security and pension contributions	1,999,187				1,999,187
Capital outlay	531,004	34,644	\$ 592,721		1,158,369
Cost of issuance			\$ 64,976		
Debt Service:					
Principal				875,000	875,000
Interest				195,476	195,476
Total expenditures	25,742,679	695,364	657,697	1,070,476	28,101,240
Excess (deficit) of revenues over (under) expenditures	167,279	-	(657,697)	33,290	(457,128)
Other financing sources					
Refunding bonds issued			2,630,000		2,630,000
Premium on bonds issued			75,415		75,415
Total other financing sources			2,705,415		2,705,415
Net change in fund balances	167,279	-	2,047,718	33,290	2,248,287
Fund balances, July 1	2,581,156	-	-	1	2,581,157
Fund balances, June 30	\$ 2,748,435	\$ -	\$ 2,047,718	\$ 33,291	\$ 4,829,444

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

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

Spotswood Borough School District  
Governmental Funds

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

Year ended June 30, 2012

**Total net change in fund balances - governmental funds (from B-2)** **\$ 2,248,287**

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 additions exceeded depreciation in the period.

	Depreciation expense	\$ (730,713)	
	Capital additions	<u>1,060,135</u>	329,422

In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The amount presented is the change from prior year. (92,983)

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 875,000

Bonds Issued - 2012 School Energy Savings Obligation (2,630,000)

Governmental funds report the effect of premiums on bonds and deferred interest costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (77,891)

Issuance costs-current year	64,976	
-current year amortization	<u>(8,706)</u>	56,270

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). 88,957

**Change in net assets of governmental activities (A-2)** **\$ 797,062**

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

# Proprietary Funds

Spotswood Borough School District  
Enterprise Funds

Statement of Net Assets

June 30, 2012

	Major Enterprise Funds		
	Food Service	C.A.R.E.S.	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 129,870	\$ 408,079	\$ 537,949
Accounts receivable:			
State	1,005		1,005
Federal	21,701		21,701
Inventories	11,672		11,672
Total current assets	164,248	408,079	572,327
Capital assets:			
Equipment	146,547		146,547
Accumulated depreciation	(139,515)		(139,515)
Total capital assets, net	7,032		7,032
Total assets	171,280	408,079	579,359
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	11,446		11,446
Unearned revenue	1,763	90,781	92,544
Total current liabilities	13,209	90,781	103,990
<b>Net assets</b>			
Invested in capital assets	7,032		7,032
Unrestricted	151,039	317,298	468,337
Total net assets	\$ 158,071	\$ 317,298	\$ 475,369

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

Spotswood Borough School District  
Proprietary Funds

Statement of Revenues, Expenses and  
Changes in Fund Net Assets

Year ended June 30, 2012

	<u>Major Enterprise Funds</u>		
	<u>Food Service</u>	<u>C.A.R.E.S.</u>	<u>Totals</u>
Operating revenues:			
Local sources:			
Daily sales reimbursable programs	\$ 410,062		\$ 410,062
Program fees		\$ 406,177	406,177
Special functions	11,923		11,923
Total operating revenues	421,985	406,177	828,162
Operating expenses:			
Salaries	170,614	268,341	438,955
Employee benefits	41,208		41,208
Purchase professional services	8,384		8,384
Supplies and materials	39,658	18,876	58,534
Repairs and maintenance	6,053		6,053
Cost of sales	293,135		293,135
Depreciation	2,220		2,220
Other objects	7,298	25,090	32,388
Total operating expenses	568,570	312,307	880,877
Operating (loss) income	(146,585)	93,870	(52,715)
Nonoperating revenues:			
State sources:			
State school lunch program	5,737		5,737
Federal sources:			
National school lunch program	122,587		122,587
Food donation program	33,445		33,445
Interest revenue	34		34
Total nonoperating revenues	161,803	-	161,803
Change in net assets	15,218	93,870	109,088
Total net assets, beginning of year	142,853	223,428	366,281
Total net assets, end of year	<u>\$ 158,071</u>	<u>\$ 317,298</u>	<u>\$ 475,369</u>

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

Spotswood Borough School District  
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2012

**Major Enterprise Funds**

	Food Service	C.A.R.E.S.	Totals
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 461,904	\$ 392,493	\$ 854,397
Payments to employees and for employee benefits	(211,822)	(268,341)	(480,163)
Payments to suppliers	(346,275)	(43,966)	(390,241)
Net cash (used in) provided by operating activities	(96,193)	80,186	(16,007)
<b>Cash flows from noncapital financing activities</b>			
Cash received from state and federal reimbursements	128,121		128,121
Receipts from food donation program	31,815		31,815
Net cash provided by noncapital financing activities	159,936		159,936
<b>Cash flows from investing activities</b>			
Cash received from interest income	34		34
Net cash provided by investing activities	34	-	34
Net increase in cash and cash equivalents	63,777	80,186	143,963
Cash and cash equivalents, beginning of year	66,093	327,893	393,986
Cash and cash equivalents, end of year	<u>\$ 129,870</u>	<u>\$ 408,079</u>	<u>\$ 537,949</u>
<b>Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:</b>			
Operating (loss) income	\$ (146,585)	\$ 93,870	\$ (52,715)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:			
Depreciation	2,220		2,220
Change in assets and liabilities:			
Decrease in inventory	3,392		3,392
Decrease in accounts receivable	39,919		39,919
Increase in accounts payable	4,861		4,861
(Decrease) in unearned revenue		(13,684)	(13,684)
Net cash (used in) provided by operating activities	<u>\$ (96,193)</u>	<u>\$ 80,186</u>	<u>\$ (16,007)</u>

**Noncash noncapital financing activities**

The District received \$31,815 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2012.

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

Spotswood Borough School District  
Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2012

	<b>Unemployment Compensation Trust Fund</b>	<b>Agency Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 183,601	\$ 826,996
Interfund receivable	32,868	
Total assets	216,469	\$ 826,996
<b>Liabilities</b>		
Accounts payable	6,598	
Payroll deductions and withholdings payable and summer escrow payable		\$ 466,325
Interfund payable		153,079
Due to student groups		207,592
Total liabilities	6,598	\$ 826,996
<b>Net assets</b>		
Held in trust for unemployment claims	\$ 209,871	

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

Spotswood Borough School District  
Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2012

	<u>Unemployment Compensation Trust Fund</u>
<b>Additions</b>	
Contributions from plan members	\$ 29,099
Interest earned on investments	212
Total additions	<u>29,311</u>
<b>Deductions</b>	
Unemployment benefit claims paid	<u>34,967</u>
Total deductions	<u>34,967</u>
Change in net assets	(5,656)
Net assets, beginning of the year	<u>215,527</u>
Net assets, end of the year	<u><u>\$ 209,871</u></u>

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### **1. Summary of Significant Accounting Policies**

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

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

#### **A. Reporting Entity**

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

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

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

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

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

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

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

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

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

The District has reported the following major governmental funds:

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

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

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

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

The District reports the following major proprietary funds:

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

to the students on a continuing basis are financed or recovered primarily through user charges. The C.A.R.E.S program fund accounts for all revenues and expenses in the operation of the after-school program similar to a private business enterprise.

Additionally, the District reports the following fiduciary fund types:

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

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

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

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

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

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

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

#### **D. Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the April school Board election to the date of the November general election thereby eliminating the vote on the annual base budget. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referred in N.J.A.C. 6A:23. The overexpenditure in the general fund is due to the inclusion of the non-budgeted on behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary overexpenditures. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2012 were insignificant and consistent with prior years.

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

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

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

### **F. Interfund Receivables/Payables**

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

### **G. Inventories**

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. At June 30, 2012, the unused Food Donation Program commodities of \$1,763 are reported as unearned revenue in the Food Service Enterprise Fund.

### **H. Capital Assets**

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

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

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

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

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

**I. Accrued Salaries and Wages**

Certain District employees who provided services to the District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but not disbursed amounts be retained in a separate bank account. As of June 30, 2012, the amount earned by these employees but not disbursed was \$322,447 and is included in liabilities – payroll deductions and withholdings payable and summer escrow payable in the fiduciary fund.

**J. Compensated Absences**

A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. The District uses the “vesting method” for estimating its accrued sick and vacation leave liability.

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

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, a liability existed for compensated absences in the government-wide financial statements in the amount of \$663,900 and no liability existed for compensated absences in the enterprise funds.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

#### **K. Deferred Revenue**

Deferred revenue in the special revenue fund represents cash, which has been received but not yet earned and outstanding encumbrances.

#### **L. Long-Term Obligations**

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

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

#### **M. Fund Balances**

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

- 1) Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 3) Committed - includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
- 4) Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- 5) Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

Of the \$2,748,435 of fund balance in the General Fund, \$714,684 has been restricted in the capital reserve account, \$440,270 has been restricted in the maintenance reserve account, \$300,000 has been restricted in the tuition reserve account, \$390,277 has been restricted for excess surplus-current year, \$460,140 of prior year excess surplus has been designated for subsequent year's expenditures, \$284,286 of encumbrances is assigned to other purposes offset by an unassigned deficit of (\$13,784), and \$172,562 of additional fund balance has been assigned and designated for subsequent year's expenditures.

### **N. Net Assets**

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

### **O. Management Estimates**

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

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

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

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

In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for restricted fund balance - excess surplus is a required calculation. New Jersey school districts are required to reserve General Fund fund balance in the General Fund at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The current year excess fund balance at June 30, 2012 is \$390,277, which will be designated in the 2013-2014 budget.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

#### R. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2012 through November 12, 2012, the date that the financial statements were issued and effects of those that provide additional pertinent information about conditions that existed at the balances sheet date, have been recognized in the accompanying financial statements.

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

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

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

The details of this \$11,304,127 difference are as follows:

Bonds payable	\$ 10,605,000
Deferred interest costs	(276,177)
Premium on bonds	311,404
Compensated absences payable	<u>663,900</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets – governmental activities	<u>\$ 11,304,127</u>

### 3. Deposits and Investments

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 3. Deposits and Investments (continued)

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 (NJCMF), the New Jersey Asset and Rebate Management Fund (NJARM) and M.B.I.A. Class.

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

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 3. Deposits and Investments (continued)

At June 30, 2012, the carrying amount of the District's deposits for all funds was \$5,454,842 and the bank balance was \$6,189,475, not including funds held with NJARM. Of the bank balances, \$250,000 of the District's cash deposits on June 30, 2012 were secured by federal depository insurance and \$5,939,475 was covered by the New Jersey Governmental Unit Deposit Protection Act (GUDPA).

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

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

#### Investments

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

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

In order to maximize liquidity, the District utilizes the NJARM as its sole investment. The District invests funds in the New Jersey Asset and Rebate Management Fund, which is an investment pool managed by Public Financial Management Company. NJARM allows governments within the state to pool their funds for investment purposes and the Securities and Exchange Commission (SEC) does not restrict the pool. Earnings are allocated to all participants based upon shares held in the pool and distributed on the last day of each month. In addition, the fair value of the District's portion of the pool is the

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 3. Deposits and Investments (continued)

same as the value of its shares. Agencies that participate in the NJARM typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the NJARM on a daily basis without penalty. At June 30, 2012, the District's balance was \$828,946.

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

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

*Concentration of Credit Risk:* The District places no limit on the amount the District may invest in any one issuer. At June 30, 2012, all of the District's investments were invested in NJARM.

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

All of the District's investments are classified as cash equivalents at June 30, 2012 due to their short-term nature.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**4. Capital Assets**

The following is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>			
Capital assets, not being depreciated:			
Land	\$ 197,617		\$ 197,617
Construction in progress	-	\$ 848,173	848,173
Total capital assets, not being depreciated	197,617	848,173	1,045,790
Capital assets, being depreciated:			
Site improvements	1,463,848	54,092	1,517,940
Buildings and building improvements	26,352,559	22,050	26,374,609
Machinery, equipment and vehicles	2,443,333	135,820	2,579,153
Total capital assets being depreciated	30,259,740	211,962	30,471,702
Less accumulated depreciation for:			
Site improvements	(1,215,749)	(35,063)	(1,250,812)
Buildings and building improvements	(9,827,937)	(643,359)	(10,471,296)
Machinery, equipment and vehicles	(1,875,811)	(52,291)	(1,928,102)
Total accumulated depreciation	(12,919,497)	(730,713)	(13,650,210)
Total capital assets, being depreciated, net	17,340,243	(518,751)	16,821,492
Governmental activities capital assets, net	<u>\$ 17,537,860</u>	<u>\$ 329,422</u>	<u>\$ 17,867,282</u>

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 4. Capital Assets (continued)

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

Instruction	\$	419,812
Undistributed current:		
Instruction		36,636
Health services		12,309
Other support services		72,097
Improvement of instruction		11,474
School library		2,598
Instructional staff training		1,623
General administration		13,388
School administration		30,070
Central services		17,976
Administration technology		6,511
Required maintenance of plant services		13,661
Operation of plant		61,941
Student transportation		30,617
	<u>\$</u>	<u>730,713</u>

The following is a summarization of business-type activities changes in capital assets for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>			
Capital assets, being depreciation:			
Equipment	\$ 146,547	\$ -	\$ 146,547
Less accumulated depreciation for:			
Equipment	(137,295)	(2,220)	(139,515)
Total business-type activities capital assets, net	<u>\$ 9,252</u>	<u>\$ (2,220)</u>	<u>\$ 7,032</u>

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 5. Long-Term Liabilities

During the year ended June 30, 2012, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences payable	\$ 752,857	\$ 42,271	\$ 131,228	\$ 663,900	\$ 221,791
Deferred interest costs	(299,434)		(23,257)	(276,177)	(23,257)
Premium on bonds	256,770	75,415	20,781	311,404	24,971
Bonds payable	8,850,000	2,630,000	875,000	10,605,000	945,000
Governmental activity long-term liabilities	\$9,560,193	\$ 2,747,686	\$ 1,003,752	\$ 11,304,127	\$ 1,168,505

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

### Bonds Payable

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

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

	Principal	Interest	Total
Year ending June 30:			
2013	\$ 945,000	\$ 342,131	\$ 1,287,131
2014	1,000,000	320,425	1,320,425
2015	915,000	284,625	1,199,625
2016	685,000	266,325	951,325
2017	705,000	246,925	951,925
2018-2022	3,870,000	916,025	4,786,025
2023-2025	2,485,000	221,013	2,706,013
	<u>\$ 10,605,000</u>	<u>\$ 2,597,469</u>	<u>\$ 13,202,469</u>

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

During 2011, the District issued \$7,340,000 of refunding bonds with interest rates ranging between 2.00% and 4.65%. The District issued the bonds to advance refund \$7,195,000 of the outstanding school bonds dated February 15, 2003. The outstanding principal of the defeased bonds is \$7,195,000 at June 30, 2012.

During 2012, the District issued \$2,630,000 of school energy savings obligation refunding bonds with interest rates ranging between 2.00% and 3.75% to fund various projects which will result in reduced energy consumption.

### **6. Deferred costs**

In the governmental funds, debt issuance costs are recognized as expenditures in the year the bonds are issued. For the government-wide financial statements, debt issuance costs are amortized using the straight line method, which approximates the effective interest method, over the life of the specific bonds. The costs associated with the issue of the District's bonds amounted to \$166,898. The amortization expense for the year ended June 30, 2012 amounted to \$8,706 and the unamortized balance of the deferred charges at June 30, 2012 is \$157,212.

### **7. Pension Plans**

#### **Description of Systems**

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

#### **Teachers' Pension and Annuity Fund**

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Early retirement is available for these systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

#### **Funding Policy**

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2012, the State of New Jersey contributed \$1,127,381 to the TPAF for post-retirement medical and pension benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$871,806 during the 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 government-wide and fund financial statements.

The Board's actuarially determined contributions to PERS for each of the years ended June 30, 2012, 2011 and 2010 were \$287,033, \$273,386 and \$216,959, respectively, equal to the required contributions for each year.

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

#### **Plan Description**

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

#### **Funding Policy**

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

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2012, 2011 and 2010 were \$752,868, \$790,447 and \$685,014, respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 9. Interfund Receivables and Payables

The total interfund receivables and payables for the District at June 30, 2012 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 854,793	
Special Revenue Fund		\$ 94,165
Capital Projects Fund		640,417
Fiduciary Fund - Payroll Agency Fund		153,079
Fiduciary Fund - Unemployment Compensation Trust Fund	32,868	
	<u>\$ 887,661</u>	<u>\$ 887,661</u>

A portion of the interfund payable in the payroll agency fund represents funds to be returned to the general fund that were originally transferred to the payroll agency account to cover payroll taxes and liabilities. The remaining balance of the payroll agency interfund payable is due to the unemployment compensation trust fund for deductions not yet transferred over. The interfund payable in special revenue and capital projects funds represent a short term cash loan from the general fund to cover a cash deficit. All interfunds are expected to be repaid within one year.

### 10. Economic Dependency

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

### 11. Contingent Liabilities

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2012 may be impaired. In addition, the District is receiving funding from the New Jersey Schools Development Authority (NJSDA) relating to approved grants. The District is required to expend funds in accordance with its approved final eligible costs. The costs associated with the funding received from the NJSDA are subject to a final review of eligible costs and compliance by the New Jersey Department of Education and the NJSDA. To the extent that the District has not complied with the rules and regulations governing the NJSDA funds or has not met the final eligible costs requirements, refunds of any money received may be required and the

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

collectibility of any related receivable at June 30, 2012 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations or final eligible cost requirements governing the respective grants or funding; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

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

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

### **12. Risk Management**

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

#### **Property and Liability Insurance**

The District maintains commercial insurance coverage for property, liability, and student accident and surety bonds and does not retain risk of loss. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverages over the past three years. A complete schedule of insurance coverage can be found in the statistical section of this report.

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### **13. Deferred Compensation**

The Board offers its employees deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by Lincoln Investments, VALIC and the Equitable, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

### **14. Restricted Assets**

Reservations of fund balances of governmental funds are created to (1) either satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures. The District has \$714,684 of capital reserve, \$440,270 of maintenance reserve, \$300,000 of tuition reserve and \$2,689,635 restricted for capital projects that are classified as restricted assets (cash and cash equivalents) on the statement of net assets.

### **15. Capital Reserve Account**

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

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end (June 1 to June 30) of any unanticipated revenues or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 15. Capital Reserve Account (continued)

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

Beginning balance, July 1, 2011	\$	709,941
Interest earnings and return of unspent Capital reserve funds		4,743
Ending balance, June 30, 2012	\$	<u>714,684</u>

The June 30, 2012 LRFP balance of local support costs of uncompleted capital projects at June 30, 2012 is \$3,505,955.

### 16. Commitments

The District has active construction projects as of June 30, 2012 relating to the approved school energy savings project. At June 30, 2012, the District's commitments with contractors amounted to \$1,886,092, which is reported as restricted for capital projects on the balance sheet in the capital projects fund. The District also has contracts with several vendors for goods and services that have not been received as of June 30, 2012. These encumbrances, in the amount of \$284,286 are recorded as assigned to other purposes on the general fund balance sheet.

Required Supplementary Information  
Part II

Budgetary Comparison

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
Local sources:					
Local tax levy	\$ 13,804,809		\$ 13,804,809	\$ 13,804,809	
Tuition	4,114,457		4,114,457	4,192,661	\$ 78,204
Interest on investments	31,200		31,200	3,476	(27,724)
Miscellaneous				115,753	115,753
Total revenues - local sources	17,950,466		17,950,466	18,116,699	166,233
State sources:					
Equalization aid	4,464,903	\$ 213,279	4,678,182	4,750,182	72,000
Special education aid	856,032		856,032	856,032	
Extraordinary aid				57,226	57,226
Additional non public transportation aid				7,251	7,251
On-behalf TPAF pension contributions (non-budgeted)				1,127,381	1,127,381
Reimbursed TPAF social security contributions (non-budgeted)				871,806	871,806
Total - state sources	5,320,935	213,279	5,534,214	7,669,878	2,135,664
Federal sources:					
Medicaid reimbursement	16,031	28	16,059	22,401	6,342
Education jobs	158,400	6,679	165,079	165,079	
Total - federal sources:	174,431	6,707	181,138	187,480	6,342
Total revenues	23,445,832	219,986	23,665,818	25,974,057	2,308,239
<b>Expenditures</b>					
Current expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Preschool	151,314	33,688	185,002	185,001	1
Kindergarten	238,000	469,263	707,263	705,203	2,060
Grades 1-5	2,154,442	(502,124)	1,652,318	1,652,318	
Grades 6-8	1,618,108	(125,570)	1,492,538	1,490,787	1,751
Grades 9-12	4,025,722	(142,873)	3,882,849	3,865,506	17,343
Home instruction - regular programs:					
Salaries of teachers	20,000	9,452	29,452	29,452	
Undistributed instruction - regular programs:					
Other salaries for instruction	207,487	(9,265)	198,222	180,200	18,022
Other purchased services	29,391		29,391	24,729	4,662
General supplies	524,649	10,557	535,206	486,173	49,033
Textbooks	64,028	11,894	75,922	54,105	21,817
Other objects	2,050		2,050	1,569	481
Total instruction - regular programs	9,035,191	(244,978)	8,790,213	8,675,043	115,170

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Special education:					
Resource room/center:					
Salaries of teachers	\$ 1,132,154	\$ 153,018	\$ 1,285,172	\$ 1,284,766	\$ 406
Other salaries for instruction	264,395	82,594	346,989	346,717	272
Purchased professional-educational services	7,500	(7,460)	40		40
General supplies	8,000	60	8,060	7,945	115
Textbooks	1,977		1,977	1,635	342
Total resource room/center	1,414,026	228,212	1,642,238	1,641,063	1,175
Preschool disabilities - part time:					
Salaries of teachers	21,250	22,900	44,150	38,513	5,637
Other salaries for instruction	70,908	59,473	130,381	130,380	1
Total preschool disabilities - part time	92,158	82,373	174,531	168,893	5,638
Total special education	1,506,184	310,585	1,816,769	1,809,956	6,813
Basic skills/remedial - instruction:					
Salaries of teachers	173,490	(41,250)	132,240	102,051	30,189
General supplies	600		600	340	260
Total basic skills/remedial - instruction	174,090	(41,250)	132,840	102,391	30,449
Bilingual education - instruction:					
Salaries of teachers	26,500	51,600	78,100	75,475	2,625
Total bilingual education - instruction	26,500	51,600	78,100	75,475	2,625
School - sponsored cocurricular activities:					
Salaries	140,000	18,518	158,518	158,517	1
Supplies and materials	1,100		1,100		1,100
Total school - sponsored cocurricular activities	141,100	18,518	159,618	158,517	1,101
School - sponsored athletics - instruction:					
Salaries	250,000	28,281	278,281	278,241	40
Purchased services	71,300		71,300	39,518	31,782
Supplies and materials	39,312		39,312	29,065	10,247
Other objects	17,660		17,660	16,116	1,544
Total school - sponsored athletics - instruction	378,272	28,281	406,553	362,940	43,613
Total instruction	11,261,337	122,756	11,384,093	11,184,322	199,771
Undistributed expenditures:					
Instruction:					
Tuition to state facilities	65,000	(33,518)	31,482	27,675	3,807
Tuition to other LEAS w/in state regular		11,500	11,500	11,274	226
Tuition to co. spec. serv. and reg. day schools	488,673	(15,285)	473,388	473,388	
Tuition to private schools for the hand - w/in state	353,027	157,100	510,127	501,893	8,234
Total instruction	906,700	119,797	1,026,497	1,014,230	12,267
Health services:					
Salaries	245,100	1,400	246,500	245,285	1,215
Purchased professional and technical services	120,328	(15,600)	104,728	93,949	10,779
Supplies and materials	1,854	(31)	1,823	1,531	292
Total health services	367,282	(14,231)	353,051	340,765	12,286

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Speech, OT, PT & related services:					
Salaries	\$ 181,600	\$ 44,800	\$ 226,400	\$ 226,152	\$ 248
Personal professional educational services		34,210	34,210	34,065	145
Supplies and materials	2,000		2,000	1,541	459
Total speech, OT, PT & related services	183,600	79,010	262,610	261,758	852
Other support services - students - extra services:					
Purchased professional - educational services	128,362		128,362	96,747	31,615
Total other support services - students - extra services	128,362		128,362	96,747	31,615
Guidance:					
Salaries of other professional staff	367,400	9,501	376,901	376,900	1
Salaries of secretarial and clerical assistants	74,715	7,215	81,930	81,924	6
Purchased professional - educational services	29,492	(15,637)	13,855	13,847	8
Total guidance	471,607	1,079	472,686	472,671	15
Child study teams:					
Salaries of other professional staff	559,088	40,592	599,680	599,680	
Salaries of secretarial and clerical assistants	111,716	26,000	137,716	137,711	5
Purchased professional educational services	234,843	(24,849)	209,994	193,472	16,522
Other purchased professional services	4,000	(320)	3,680		3,680
Supplies and materials	8,741	3,151	11,892	10,670	1,222
Other objects	500	(28)	472	90	382
Total child study teams	918,888	44,546	963,434	941,623	21,811
Improvement of instructional services:					
Salaries of supervisors of instruction	287,000	11,834	298,834	298,833	1
Salaries of secretarial and clerical assist	58,160	(44,723)	13,437	13,377	60
Other purchased services	10,700	(1,891)	8,809		8,809
Supplies and materials	3,300		3,300	1,925	1,375
Other objects	6,600	(690)	5,910	3,507	2,403
Total improvement of instructional services	365,760	(35,470)	330,290	317,642	12,648
Educational media services/school library:					
Salaries	62,761	(1,070)	61,691	61,690	1
Supplies and materials	10,342		10,342	10,230	112
Total educational media services/school library	73,103	(1,070)	72,033	71,920	113
Instructional staff training services:					
Purchased professional - educational services	10,000	(9,533)	467	360	107
Other purchased services	34,338	2,200	36,538	32,301	4,237
Supplies and materials	11,100	1,053	12,153	12,151	2
Other objects	8,000	(7,807)	193	111	82
Total instructional staff training services	63,438	(14,087)	49,351	44,923	4,428

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Support services-general administration:					
Salaries	\$ 215,178	\$ (1,381)	\$ 213,797	\$ 213,797	
Other purchased professional services	98,755	(7,901)	90,854	90,417	\$ 437
Communications/telephone	38,000		38,000	36,134	1,866
General supplies	16,200	(8,889)	7,311	6,573	738
Judgments against the school district	20,000	(20,000)			
Other purchased services	2,500	(500)	2,000	2,000	
BOE other purchased professional services	2,000	(2,000)			
Miscellaneous expenditures	8,250	5,249	13,499	10,282	3,217
BOE membership dues and fees	13,500	(2,000)	11,500	11,429	71
Total support services-general administration	414,383	(37,422)	376,961	370,632	6,329
Support services-school administration:					
Salaries of principals/ assistant principals	535,200	1,372	536,572	536,571	1
Salaries of secretarial and clerical assistants	250,660	34,080	284,740	277,556	7,184
Other purchased services	22,865		22,865	4,552	18,313
Supplies and materials	10,324	(489)	9,835	7,146	2,689
Other objects	8,000		8,000	6,621	1,379
Total support services-school administration	827,049	34,963	862,012	832,446	29,566
Central services:					
Salaries	302,927	22,332	325,259	325,259	
Purchased technical services	67,800	14,770	82,570	74,284	8,286
Purchased professional services	81,583		81,583	79,126	2,457
Miscellaneous purchased services	7,000	(400)	6,600	650	5,950
Supplies and materials	17,240	1,606	18,846	15,819	3,027
Other objects	3,150		3,150	2,508	642
Total central services	479,700	38,308	518,008	497,646	20,362
Administrative information technology:					
Salaries	136,478	(5,249)	131,229	131,229	
Purchased technical services	39,900		39,900	38,026	1,874
Other purchased services	2,500		2,500		2,500
Other objects	11,092		11,092	11,006	86
Total administrative information technology	189,970	(5,249)	184,721	180,261	4,460
Required maintenance for school facilities:					
Salaries	177,975	(16,239)	161,736	161,607	129
Cleaning, repair and maintenance services	178,070	(21,350)	156,720	126,070	30,650
General supplies	89,044	5,000	94,044	74,427	19,617
Other objects	8,000	9,200	17,200	16,084	1,116
Total required maintenance for school facilities	453,089	(23,389)	429,700	378,188	51,512
Custodial services:					
Salaries	946,658	(61,268)	885,390	879,431	5,959
Salaries of non instructional aides	40,683	8,255	48,938	48,928	10
Purchased professional and technical services	2,000		2,000	2,000	
Other purchased property services	15,000		15,000	14,269	731
Travel		2,500	2,500		2,500
Miscellaneous purchased services	4,500	(2,500)	2,000	785	1,215
General supplies	70,700		70,700	68,099	2,601
Energy - natural gas	118,100	(49,873)	68,227	65,408	2,819
Energy - electric	321,000	69,000	390,000	383,668	6,332
Other objects	7,000		7,000	6,709	291
Total custodial services	1,525,641	(33,886)	1,491,755	1,469,297	22,458

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Care and upkeep of grounds:					
Salaries	\$ 98,070		\$ 98,070	\$ 97,974	\$ 96
Cleaning, repair and maintenance services	36,400	\$ 12,000	48,400	46,351	2,049
General supplies	31,500		31,500	22,072	9,428
Total care and upkeep of grounds	165,970	12,000	177,970	166,397	11,573
Security:					
Salaries	64,000	14,050	78,050	74,711	3,339
General supplies	8,000		8,000	4,342	3,658
Total security	72,000	14,050	86,050	79,053	6,997
Student transportation services:					
Salaries for pupil transportation:					
Between home and school - sp. ed.	42,350		42,350	41,865	485
Between home and school - regular	30,796		30,796	30,369	427
Other than between home and school	9,200	23,256	32,456	32,456	
Contracted services:					
Between home & school - regular	440,819	(141,580)	299,239	297,135	2,104
Other between home & school - regular	148,315	(92,701)	55,614	48,518	7,096
Vendors - special ed	387,000	(22,500)	364,500	362,504	1,996
Aid in lieu payments - nonpublic schools	20,000	(7,000)	13,000	12,813	187
Miscellaneous purchased services	37,000	(13,061)	23,939	21,919	2,020
Total student transportation services	1,115,480	(253,586)	861,894	847,579	14,315
Unallocated benefits:					
Social security contributions	385,000	(56,489)	328,511	320,474	8,037
Other retirement contributions - ERIP	4,680	(1,051)	3,629	3,535	94
Other retirement contributions - regular	395,000	(13,000)	382,000	381,815	185
Group insurance	142,299	25,048	167,347	167,347	
Unemployment compensation	220,000	(219,760)	240		240
Worker's compensation	142,430	8,467	150,897	150,896	1
Health insurance	2,483,462	142,475	2,625,937	2,560,430	65,507
Tuition reimbursement	50,000	11,183	61,183	59,891	1,292
Total unallocated benefits	3,822,871	(103,127)	3,719,744	3,644,388	75,356
On-behalf TPAF pension contributions (non-budgeted)					
				1,127,381	(1,127,381)
Reimbursed TPAF social security (non-budgeted)					
				871,806	(871,806)
Total on-behalf payments					
				1,999,187	(1,999,187)
Total personal services: benefits					
	3,822,871	(103,127)	3,719,744	5,643,575	(1,923,831)
Food services:					
Transfers to cover deficit	20,000	(20,000)			
Total food services:	20,000	(20,000)			
Total undistributed expenditures	12,564,893	(197,764)	12,367,129	14,027,353	(1,660,224)
Total current expenditures	23,826,230	(75,008)	23,751,222	25,211,675	(1,460,453)

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Capital outlay:					
Equipment:					
Regular programs - instruction:					
Kindergarten	\$ 15,000	\$ 8,134	\$ 23,134	\$ 23,134	
Grades 1-5	24,000	5,865	29,865	29,865	
Grades 6-8	22,000	5,415	27,415	27,114	\$ 301
Grades 9-12	55,000	4,216	59,216	56,170	3,046
Undistributed expenditures:					
Support services - students - special	22,400	(4,922)	17,478	11,399	6,079
Administrative information technology		49,236	49,236	49,236	
Operations & maint of plant	100,800	(14,062)	86,738	78,634	8,104
Total equipment	239,200	53,882	293,082	275,552	17,530
Facilities acquisition and construction services:					
Construction services		235,978	235,978	225,944	10,034
Other objects		32,787	32,787	29,508	3,279
Total facilities acquisition and construction services	-	268,765	268,765	255,452	13,313
Total expenditures - capital outlay	239,200	322,647	561,847	531,004	30,843
Total expenditures	24,065,430	247,639	24,313,069	25,742,679	(1,429,610)
(Deficiency) excess of revenues (under) over expenditures	(619,598)	(27,653)	(647,251)	231,378	(878,629)
Fund balances, July 1	3,070,188		3,070,188	3,070,188	
Fund balances, June 30	\$ 2,450,590	\$ (27,653)	\$ 2,422,937	\$ 3,301,566	\$ (878,629)
<b>Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing (uses)</b>					
Budgeted fund balance	\$ (555,000)	\$ (27,653)	\$ (582,653)	\$ 295,976	\$ (878,629)
Adjustment for prior year encumbrances	(64,598)		(64,598)	(64,598)	
Total	\$ (619,598)	\$ (27,653)	\$ (647,251)	\$ 231,378	\$ (878,629)
<b>Recapitulation of fund balance:</b>					
Restricted for:					
Capital reserve				\$ 714,684	
Maintenance reserve				440,270	
Tuition reserve				300,000	
Excess surplus - prior year				460,140	
Excess surplus - current year				390,277	
Assigned to:					
Year end encumbrances				284,286	
Designated for subsequent years expenditures				172,562	
Unassigned				539,347	
				3,301,566	
<b>Reconciliation to Government Funds Statements GAAP:</b>					
Last state aid payments not recognized on GAAP basis				(553,131)	
Fund balance per Government Funds (GAAP) (B-1)				\$ 2,748,435	

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
Education Jobs Fund  
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
Federal sources:					
Education jobs	\$ 158,400	\$ 6,679	\$ 165,079	\$ 165,079	-
Total - federal sources	158,400	6,679	165,079	165,079	-
<b>Expenditures</b>					
Current expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Grades 1-5	91,900	47,929	139,829	139,829	-
Total instruction - regular programs	91,900	47,929	139,829	139,829	-
Basic skills/remedial - instruction:					
Salaries of teachers					
	66,500	(41,250)	25,250	25,250	-
Total instruction - regular programs	66,500	(41,250)	25,250	25,250	-
Total instruction	158,400	6,679	165,079	165,079	-
Excess revenues over expenditures	-	-	-	-	-
Fund balances, July 1	-	-	-	-	-
Fund balances, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

Spotswood Borough School District  
Special Revenue Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues:</b>					
State sources	\$ 223,840	\$ (91,907)	\$ 131,933	\$ 84,194	\$ (47,739)
Federal sources	466,968	172,178	639,146	582,308	(56,838)
Other sources	33,491	25,219	58,710	37,386	(21,324)
Total revenues	<u>724,299</u>	<u>105,490</u>	<u>829,789</u>	<u>703,888</u>	<u>(125,901)</u>
<b>Expenditures:</b>					
Current expenditures:					
Instruction:					
Salaries:					
Salaries of teachers	145,000	(39,985)	105,015	98,585	6,430
Purchased professional and technical services		500	500	500	
Tuition to other LEAs within the State	245,000	33,675	278,675	278,675	
Purchased professional educational services		786	786		786
Supplies and materials	30,000	57,260	87,260	66,387	20,873
Other objects		6,045	6,045	2,000	4,045
Total instruction	<u>420,000</u>	<u>58,281</u>	<u>478,281</u>	<u>446,147</u>	<u>32,134</u>
Support services:					
Salaries		7,720	7,720		7,720
Personnel services-employee benefits	25,000	12,451	37,451	37,451	
Purchased professional educational services	279,099	(34,043)	245,056	170,427	74,629
Miscellaneous purchased services		15,639	15,639	10,719	4,920
Travel		1,525	1,525		1,525
Supplies and materials	200	6,362	6,562	4,500	2,062
Total support services	<u>304,299</u>	<u>9,654</u>	<u>313,953</u>	<u>223,097</u>	<u>90,856</u>
Capital outlay:					
Non-instructional equipment		37,555	37,555	34,644	2,911
Total capital outlay	<u>-</u>	<u>37,555</u>	<u>37,555</u>	<u>34,644</u>	<u>2,911</u>
Total expenditures	<u>724,299</u>	<u>105,490</u>	<u>829,789</u>	<u>703,888</u>	<u>125,901</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Spotswood Borough School District  
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 25,974,057	\$ 703,888
<b>Differences - Budget to GAAP:</b>		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. Current year		(8,524)
State aid payments recognized for budgetary purposes, not recognized for GAAP statements. Prior year	489,032	
Current year	<u>(553,131)</u>	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 25,909,958</u>	<u>\$ 695,364</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 25,742,679	\$ 703,888
<b>Differences - budget to GAAP</b>		
Encumbrances (net) for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		<u>(8,524)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 25,742,679</u>	<u>\$ 695,364</u>

## Supplementary Information

# Special Revenue Fund

Spotswood Township School District  
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures  
Budgetary Basis

Year ended June 30, 2012

	Title II Part A Regular	Title II Part A Carryover	Title II Part D Carryover	I.D.E.A.			ARRA	
				Part B Regular	Part B Carryover	Preschool Regular	Preschool Carryover	Part B Regular
<b>Revenues:</b>								
State sources								
Federal sources	\$ 26,468	\$ 4,022	\$ 166	\$ 349,104	\$ 30,557	\$ 15,607	\$ 2,899	\$ 261
Other sources								
<b>Total revenues</b>	<b>\$ 26,468</b>	<b>\$ 4,022</b>	<b>\$ 166</b>	<b>\$ 349,104</b>	<b>\$ 30,557</b>	<b>\$ 15,607</b>	<b>\$ 2,899</b>	<b>\$ 261</b>
<b>Expenditures:</b>								
<b>Current expenditures:</b>								
<b>Instruction:</b>								
Salaries of teachers	\$ 12,642			\$ 11,612		\$ 13,006		
Purchased professional and technical services								
Tuition to other LEAs within the State				278,675				
Supplies and materials	4,216		\$ 166	3,000	\$ 974		\$ 1,224	\$ 80
Other objects								
<b>Total instruction</b>	<b>16,858</b>		<b>166</b>	<b>293,287</b>	<b>974</b>	<b>13,006</b>	<b>1,224</b>	<b>80</b>
<b>Support services:</b>								
Personnel services—employee benefits	5,502			6,556		2,601		
Purchased professional educational services	4,108	\$ 79		44,761	29,583		1,675	181
Miscellaneous purchased services		3,943						
Supplies and materials				4,500				
<b>Total support services</b>	<b>9,610</b>	<b>4,022</b>		<b>55,817</b>	<b>29,583</b>	<b>2,601</b>	<b>1,675</b>	<b>181</b>
<b>Capital outlay:</b>								
Non-instructional equipment								
<b>Total capital outlay</b>								
<b>Total expenditures</b>	<b>\$ 26,468</b>	<b>\$ 4,022</b>	<b>\$ 166</b>	<b>\$ 349,104</b>	<b>\$ 30,557</b>	<b>\$ 15,607</b>	<b>\$ 2,899</b>	<b>\$ 261</b>

Spotswood Township School District  
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures  
Budgetary Basis

Year ended June 30, 2012

	Title I Regular Part A	Title I Carryover Part A	Title III Regular	Title III Carryover	Non Public Programs				
					Textbooks	Nursing	Examination & Classification	Corrective Speech	
Revenues:									
State sources					\$ 13,270	\$20,189	\$ 5,796	\$ 17,377	
Federal sources	\$ 110,380	\$ 15,976	\$ 26,695	\$ 173					
Other sources									
Total revenues	\$ 110,380	\$ 15,976	\$ 26,695	\$ 173	\$ 13,270	\$20,189	\$ 5,796	\$ 17,377	
Expenditures:									
Current expenditures:									
Instruction:									
Salaries of teachers	\$ 54,625	\$ 6,700							
Purchased professional and technical services		500							
Tuition to other LEAs within the State			\$ 26,695	\$ 173					
Supplies and materials	27,867	1,250							
Other objects									
Total instruction	82,492	8,450	26,695	173					
Support services:									
Personnel services—employee benefits	22,792								
Purchased professional educational services	5,096	750			\$ 13,270	\$20,189	\$ 5,796	\$ 17,377	
Miscellaneous purchased services		6,776							
Supplies and materials									
Total support services	27,888	7,526			13,270	20,189	5,796	17,377	
Capital outlay:									
Non-instructional equipment									
Total capital outlay									
Total expenditures	\$ 110,380	\$ 15,976	\$ 26,695	\$ 173	\$ 13,270	\$20,189	\$ 5,796	\$ 17,377	

Spotswood Township School District  
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures  
Budgetary Basis

Year ended June 30, 2012

	<u>Non Public Programs</u>				Totals
	<u>Transportation</u>	<u>Compensatory Education</u>	<u>Supplemental Instruction</u>	<u>Local Programs</u>	
Revenues:					
State sources	\$ 6,734	\$ 15,216	\$ 5,612		\$ 84,194
Federal sources					582,308
Other sources				\$ 37,386	37,386
Total revenues	<u>\$ 6,734</u>	<u>\$ 15,216</u>	<u>\$ 5,612</u>	<u>\$ 37,386</u>	<u>\$ 703,888</u>
Expenditures:					
Current expenditures:					
Instruction:					
Salaries of teachers					\$ 98,585
Purchased professional and technical services					500
Tuition to other LEAs within the State					278,675
Supplies and materials				\$ 742	66,387
Other objects				2,000	2,000
Total instruction				<u>2,742</u>	<u>446,147</u>
Support services:					
Personnel services—employee benefits					37,451
Purchased professional educational services	\$ 6,734	\$ 15,216	\$ 5,612		170,427
Miscellaneous purchased services					10,719
Supplies and materials					4,500
Total support services	<u>6,734</u>	<u>15,216</u>	<u>5,612</u>		<u>223,097</u>
Capital outlay:					
Non-instructional equipment				34,644	34,644
Total capital outlay				<u>34,644</u>	<u>34,644</u>
Total expenditures	<u>\$ 6,734</u>	<u>\$ 15,216</u>	<u>\$ 5,612</u>	<u>\$ 37,386</u>	<u>\$ 703,888</u>

# Capital Projects Fund

Spotswood Township School District  
Capital Projects Fund

Summary Schedule of Project Revenues, Expenditures,  
Project Balance and Project Status

(Budgetary Basis)

Year ended June 30, 2012

**Revenues and other financing sources**

Bond proceeds	\$ 2,630,000
Premium on bonds	75,415
Total revenues and other financing sources	2,705,415

**Expenditures and other financing uses**

Construction services	592,721
Other	64,976
Total expenditures and other financing uses	657,697

Excess of revenues and other financing sources over expenditures and other financing uses	2,047,718
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Fund Balance, July 1	-
Fund Balance, June 30	\$ 2,047,718

Spotswood Township School District  
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)

School Energy Savings

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and other financing sources</b>				
Bond proceeds		\$2,630,000	\$2,630,000	\$2,630,000
Premium on bonds		75,415	75,415	75,415
Total revenues		2,705,415	2,705,415	\$2,705,415
<b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical				
Construction services		592,721	592,721	
Other		64,976	64,976	
Total expenditures		657,697	657,697	
Excess (deficiency) of revenues over (under) expenditures		\$2,047,718	\$2,047,718	
<b>Additional project information</b>				
Project number		N/A		
Grant date		N/A		
Bond authorization date		2/21/2012		
Bonds Authorized		\$2,630,000		
Bonds Issued		\$2,630,000		
Original Authorized Cost		\$2,705,415		
Additional Authorized Cost		-		
Revised Authorized Cost		\$2,705,415		
Percentage Increase over Original				
Authorized Cost		0.00%		
Percentage completion		24.31%		
Original target completion date		9/30/2012		

Spotswood Township School District  
Capital Projects Fund

Summary Schedule of Project Expenditures  
(Budgetary Basis)

From Inception and for the year ended June 30, 2012

Issue/Project Title	Appropriations	Expenditures to Date		Unexpended Balance
		Prior Years	Current Year	
School Energy Savings	\$ 2,705,415	\$ -	\$ 657,697	\$2,047,718
	<u>\$ 2,705,415</u>	<u>\$ -</u>	<u>\$ 657,697</u>	<u>\$2,047,718</u>
<u>Components of appropriations</u>				
Bonds	\$ 2,630,000			
Premium on Bonds	75,415			
	<u>\$ 2,705,415</u>			

Spotswood Borough School District  
Trust and Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2012

	<u>Trust</u>	<u>Agency</u>		
	<u>Unemployment Compensation</u>	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 183,601	\$ 207,592	\$ 619,404	\$ 826,996
Interfund receivable	32,868			
Total assets	<u>216,469</u>	<u>\$ 207,592</u>	<u>\$ 619,404</u>	<u>\$ 826,996</u>
<b>Liabilities</b>				
Accounts payable	6,598			
Payroll deductions and withholdings payable and summer escrow payable			\$ 466,325	\$ 466,325
Interfund payable			153,079	153,079
Due to student groups		\$ 207,592		207,592
Total liabilities	<u>6,598</u>	<u>\$ 207,592</u>	<u>\$ 619,404</u>	<u>\$ 826,996</u>
<b>Net assets</b>				
Held in trust for unemployment claims	<u>\$ 209,871</u>			

Spotswood Borough School District  
Trust Funds

Combining Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2012

	<b>Unemployment Compensation Fund</b>
Additions:	
Contributions from plan members	\$ 29,099
Interest earned on investments	212
Total additions	29,311
Deductions:	
Unemployment benefits claims paid	34,967
Total deductions	34,967
Change in net assets	(5,656)
Net assets, beginning of year	215,527
Net assets, end of year	\$ 209,871

Spotswood Borough School District  
Student Activity Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2012

	<b>Balance July 1, 2011</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Balance June 30, 2012</b>
<b>Elementary Schools</b>				
Appleby	\$ 10,557	\$ 40,639	\$ 47,617	\$ 3,579
Schoenly	14,240	10,534	7,510	17,264
Total Elementary Schools	24,797	51,173	55,127	20,843
<b>Middle School</b>				
Memorial School	18,439	34,877	31,341	21,975
Total Middle School	18,439	34,877	31,341	21,975
<b>Senior High School</b>				
Spotswood High School	127,471	274,822	292,604	109,689
Athletic Fund	47,093	134,294	126,302	55,085
Total Senior High School	174,564	409,116	418,906	164,774
Total all schools	\$ 217,800	\$ 495,166	\$ 505,374	\$ 207,592

Spotswood Borough School District  
Payroll Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2012

	Balance July 1, 2011	Cash Receipts	Cash Disbursements	Balance June 30, 2012
<b>Assets</b>				
Cash and cash equivalents	\$ 446,888	\$ 17,736,167	\$ 17,563,651	\$ 619,404
Total assets	<u>\$ 446,888</u>	<u>\$ 17,736,167</u>	<u>\$ 17,563,651</u>	<u>\$ 619,404</u>
<b>Liabilities</b>				
Payroll deductions and withholdings and summer escrow payable	\$ 341,532	\$ 17,688,444	\$ 17,563,651	\$ 466,325
Interfund payable	105,356	47,723		153,079
Total liabilities	<u>\$ 446,888</u>	<u>\$ 17,736,167</u>	<u>\$ 17,563,651</u>	<u>\$ 619,404</u>

## Long-Term Debt

Spotswood Borough School District  
Long-Term Debt

Schedule of Serial Bonds Payable

Year ended 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					
Refunding School Bonds	12/15/2002	\$ 2,645,000	11/1/2012	\$260,000	4.00%	\$ 1,030,000		\$ 265,000	\$ 765,000
			11/1/2013	255,000	4.00				
			11/1/2014	250,000	4.00				
Site Improvements	2/15/2003	10,519,000			480,000		480,000		
Refunding School Bonds	5/16/2011	7,135,000	1/15/2013	530,000	3.00	7,340,000		130,000	7,210,000
			1/15/2014	540,000	4.00				
			1/15/2015	560,000	2.00				
			1/15/2016	570,000	3.00				
			1/15/2017	580,000	3.00				
			1/15/2018	595,000	2.63				
			1/15/2019	605,000	3.00				
			1/15/2020	615,000	3.49				
			1/15/2021	625,000	4.65				
			1/15/2022	650,000	4.00				
			1/15/2023	665,000	4.25				
School Energy Savings Obligation Refunding Bonds	4/24/2012	2,630,000	4/1/2013	155,000	2.00		\$ 2,630,000		2,630,000
			4/1/2014	205,000	2.00				
			4/1/2015	105,000	2.00				
			4/1/2016	115,000	2.00				
			4/1/2017	125,000	2.00				
			4/1/2018	135,000	2.00				
			4/1/2019	145,000	2.00				
			4/1/2022	500,000	2.25				
4/1/2025	635,000	3.75							
			4/1/2027	510,000	3.75				
						<u>\$ 8,850,000</u>	<u>\$ 2,630,000</u>	<u>\$ 875,000</u>	<u>\$ 10,605,000</u>

Spotswood Borough School District  
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local sources:					
Local tax levy	\$ 1,037,781		\$ 1,037,781	\$ 1,037,781	
State sources:					
Debt Service Aid Type II	65,985		65,985	65,985	
Total revenues	<u>1,103,766</u>		<u>1,103,766</u>	<u>1,103,766</u>	<u>-</u>
Expenditures:					
Interest on bonds	358,766		358,766	195,476	\$ 163,290
Principal on bonds	745,000		745,000	875,000	(130,000)
Total expenditures	<u>1,103,766</u>		<u>1,103,766</u>	<u>1,070,476</u>	<u>33,290</u>
Excess of revenues over expenditures	-		-	33,290	33,290
Fund balance, July 1	1		1	1	-
Fund balance, June 30	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 33,291</u>	<u>\$ 33,290</u>

**Statistical Section  
Unaudited**

**Contents**

**Financial Trends**

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

**Revenue Capacity**

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

**Debt Capacity**

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

**Demographic and Economic Information**

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

**Operating Information**

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

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

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

(accrual basis of accounting)  
Unaudited

	June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 586,361	\$ 1,297,502	\$ 6,164,049	\$ 6,623,975	\$ 7,435,707	\$ 7,754,182	\$ 7,934,811	\$ 8,405,875	\$ 8,730,524	\$ 9,274,773
Restricted	225,769	3,795,828	681,014	1,034,224	1,203,732	2,129,345	1,802,712	1,464,885	2,050,004	2,338,662
Unrestricted (deficit)	341,978	453,503	588,102	109,077	297,690	(409,265)	(611,050)	(455,629)	(159,403)	(195,248)
<b>Total governmental activities net assets</b>	<u>\$ 1,154,108</u>	<u>\$ 5,546,833</u>	<u>\$ 7,433,165</u>	<u>\$ 7,767,276</u>	<u>\$ 8,937,129</u>	<u>\$ 9,474,262</u>	<u>\$ 9,126,473</u>	<u>\$ 9,415,131</u>	<u>\$ 10,621,125</u>	<u>\$ 11,418,187</u>
<b>Business-type activities</b>										
Invested in capital assets									\$ 9,252	\$ 7,032
Unrestricted	\$ 101,065	\$ 104,960	\$ 104,792	\$ 164,723	\$ 181,104	\$ 214,541	\$ 222,264	\$ 266,616	357,029	468,337
<b>Total business-type activities net assets</b>	<u>\$ 101,065</u>	<u>\$ 104,960</u>	<u>\$ 104,792</u>	<u>\$ 164,723</u>	<u>\$ 181,104</u>	<u>\$ 214,541</u>	<u>\$ 222,264</u>	<u>\$ 266,616</u>	<u>\$ 366,281</u>	<u>\$ 475,369</u>
<b>Government-wide</b>										
Invested in capital assets, net of related debt	\$ 586,361	\$ 1,297,502	\$ 6,164,049	\$ 6,623,975	\$ 7,435,707	\$ 7,754,182	\$ 7,934,811	\$ 8,405,875	\$ 8,739,776	\$ 9,281,805
Restricted	225,769	3,795,828	681,014	1,034,224	1,203,732	2,129,345	1,802,712	1,464,885	2,050,004	2,338,662
Unrestricted (deficit)	443,043	558,463	692,894	273,800	478,794	(194,724)	(388,786)	(189,013)	197,626	273,089
<b>Total district net assets</b>	<u>\$ 1,255,173</u>	<u>\$ 5,651,793</u>	<u>\$ 7,537,957</u>	<u>\$ 7,931,999</u>	<u>\$ 9,118,233</u>	<u>\$ 9,688,803</u>	<u>\$ 9,348,737</u>	<u>\$ 9,681,747</u>	<u>\$ 10,987,406</u>	<u>\$ 11,893,556</u>

Source: CAFR Schedule A-1

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

(accrual basis of accounting)  
Unaudited

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
<b>Governmental activities</b>										
Instruction	\$ (11,421,250)	\$ (11,618,853)	\$ (12,188,549)	\$ (13,402,236)	\$ (13,816,578)	\$ (14,472,637)	\$ (15,601,128)	\$ (16,411,805)	\$ (16,170,747)	\$ (16,945,523)
Support services:										
Health services	(349,369)	(269,849)	(255,683)	(274,017)	(327,464)	(321,759)	(367,124)	(367,615)	(360,310)	(443,106)
Other support services	(1,455,949)	(1,764,880)	(2,166,187)	(2,327,920)	(2,583,125)	(2,579,440)	(2,786,355)	(2,672,857)	(2,446,934)	(2,590,171)
Improvement of instruction	(526,844)	(703,630)	(584,927)	(605,402)	(532,211)	(603,546)	(517,597)	(551,552)	(385,422)	(443,149)
School library	(158,417)	(176,030)	(199,536)	(204,068)	(209,838)	(218,828)	(224,705)	(224,678)	(98,143)	(97,094)
Instructional staff training	(19,728)	(28,829)	(16,136)	(15,790)	(96,543)	(118,667)	(122,610)	(118,111)	(27,858)	(46,764)
General administration	(503,108)	(440,445)	(482,958)	(475,189)	(497,106)	(539,341)	(488,776)	(509,212)	(443,942)	(462,852)
School administration	(1,047,206)	(1,265,088)	(1,159,719)	(1,213,758)	(1,266,026)	(1,345,116)	(1,141,868)	(1,200,129)	(1,141,675)	(1,159,893)
Support services			(10,525)							
Central services			(596,799)	(557,619)	(503,311)	(510,976)	(520,339)	(572,572)	(521,992)	(635,231)
Administration and information technology			(153,578)	(122,789)	(145,278)	(153,257)	(200,485)	(223,036)	(236,545)	(234,930)
Required maintenance of plant services	(543,260)	(715,605)	(576,110)	(495,606)	(698,302)	(655,836)	(603,992)	(548,616)	(606,166)	(451,913)
Operation of plant	(1,186,601)	(1,353,405)	(1,864,171)	(1,996,250)	(2,107,054)	(2,268,246)	(2,436,869)	(2,143,438)	(2,372,320)	(2,181,727)
Student transportation	(492,858)	(487,857)	(462,238)	(565,767)	(486,704)	(486,097)	(687,267)	(942,950)	(931,463)	(920,032)
Business and other support services & benefits	(804,368)	(293,842)	(72,696)	(125,592)	(132,827)	(150,087)				
Capital outlay	(16,412)	(266,763)		(81,513)	(98,402)					
Interest on long term debt	(209,455)	(773,634)	(572,693)	(544,528)	(510,538)	(482,974)	(444,899)	(412,248)	(263,696)	(299,641)
Total governmental activities expenses	<u>(18,734,825)</u>	<u>(20,158,710)</u>	<u>(21,362,505)</u>	<u>(23,008,044)</u>	<u>(24,011,307)</u>	<u>(24,906,807)</u>	<u>(26,144,014)</u>	<u>(26,898,819)</u>	<u>(26,007,213)</u>	<u>(26,912,026)</u>
<b>Business-type activities:</b>										
Food service	(482,715)	(501,039)	(460,820)	(479,056)	(486,754)	(546,274)	(572,008)	(566,808)	(541,641)	(568,570)
CARES	(212,991)	(232,383)	(256,918)	(314,544)	(323,554)	(280,008)	(345,323)	(279,217)	(314,546)	(312,307)
Printing services							(5,378)	(14,811)	(19,006)	-
Total business-type activities expense	<u>(695,706)</u>	<u>(733,422)</u>	<u>(717,738)</u>	<u>(793,600)</u>	<u>(810,308)</u>	<u>(826,282)</u>	<u>(922,709)</u>	<u>(860,836)</u>	<u>(875,193)</u>	<u>(880,877)</u>
Total district expenses	<u>\$ (19,430,531)</u>	<u>\$ (20,892,132)</u>	<u>\$ (22,080,243)</u>	<u>\$ (23,801,644)</u>	<u>\$ (24,821,615)</u>	<u>\$ (25,733,089)</u>	<u>\$ (27,066,723)</u>	<u>\$ (27,759,655)</u>	<u>\$ (26,882,406)</u>	<u>\$ (27,792,903)</u>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
Instruction (tuition)	\$ 5,780,896	\$ 5,935,859	\$ 6,387,911	\$ 6,760,319	\$ 7,158,656	\$ 6,806,025	\$ 7,271,245	\$ 3,906,064	\$ 4,686,085	\$ 4,192,661
Operating grants and contributions	696,654	650,871	805,699	926,968	862,214	690,748	705,662	1,046,228	685,679	695,364
Capital grants and contributions			1,404,499	25,169	5,661	3,353		56,274		
Total governmental activities program revenues	<u>6,477,550</u>	<u>6,586,730</u>	<u>8,598,109</u>	<u>7,712,456</u>	<u>8,026,531</u>	<u>7,500,126</u>	<u>7,976,907</u>	<u>5,008,566</u>	<u>5,371,764</u>	<u>4,888,025</u>
<b>Business-type activities:</b>										
Charges for services:										
Food service	390,441	334,739	358,976	386,327	400,706	450,268	463,144	430,963	414,931	421,985
CARES	266,802	236,278	256,750	315,308	323,645	299,921	345,363	324,091	367,235	406,177
Printing services							2,729	742	2,243	-
Operating grants and contributions	73,035	81,334	79,995	87,126	95,502	106,518	117,150	147,881	156,428	161,769
Total business type activities program revenues	<u>730,278</u>	<u>652,351</u>	<u>695,721</u>	<u>788,761</u>	<u>819,853</u>	<u>856,707</u>	<u>928,386</u>	<u>903,677</u>	<u>940,837</u>	<u>989,931</u>
Total district program revenues	<u>\$ 7,207,828</u>	<u>\$ 7,239,081</u>	<u>\$ 9,293,830</u>	<u>\$ 8,501,217</u>	<u>\$ 8,846,384</u>	<u>\$ 8,356,833</u>	<u>\$ 8,905,293</u>	<u>\$ 5,912,243</u>	<u>\$ 6,312,601</u>	<u>\$ 5,877,956</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (12,257,275)	\$ (13,571,980)	\$ (12,764,396)	\$ (15,295,588)	\$ (15,984,776)	\$ (17,406,681)	\$ (18,167,107)	\$ (21,890,253)	\$ (20,635,449)	\$ (22,024,001)
Business-type activities	34,572	(81,071)	(22,017)	(4,839)	9,545	30,425	5,677	42,841	65,644	109,054
Total district-wide net (expense)/ revenue	<u>\$ (12,222,703)</u>	<u>\$ (13,653,051)</u>	<u>\$ (12,786,413)</u>	<u>\$ (15,300,427)</u>	<u>\$ (15,975,231)</u>	<u>\$ (17,376,256)</u>	<u>\$ (18,161,430)</u>	<u>\$ (21,847,412)</u>	<u>\$ (20,569,805)</u>	<u>\$ (21,914,947)</u>

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

(accrual basis of accounting)  
Unaudited

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Property taxes levied for general purposes	\$ 7,913,963	\$ 7,974,117	\$ 7,898,614	\$ 8,696,492	\$ 9,401,560	\$ 9,979,959	\$ 9,986,751	\$ 13,204,758	\$ 13,566,885	\$ 13,804,809
Property taxes levied for debt service	402,117	877,903	1,222,138	1,217,715	1,251,937	1,241,884	1,230,839	1,155,039	1,156,464	1,037,781
State sources	4,892,530	9,001,111	5,393,808	5,593,023	6,291,664	6,545,839	6,547,882	6,742,727	7,023,008	7,671,764
Federal sources								964,809	70,455	187,480
Investment earnings	79,803	67,465	38,651	81,478	90,936	71,221	35,994	19,588	10,522	3,476
Miscellaneous income	17,369	128,623	117,704	99,491	118,532	104,911	17,852	267,944	47,590	115,753
Special Item	(255,041)									
Transfers	(18,823)	(84,514)	(20,187)	(58,500)					(33,481)	
Cancellation of prior year accounts receivable								(175,954)		
<b>Total governmental activities</b>	<b>13,031,918</b>	<b>17,964,705</b>	<b>14,650,728</b>	<b>15,629,699</b>	<b>17,154,629</b>	<b>17,943,814</b>	<b>17,819,318</b>	<b>22,178,911</b>	<b>21,841,443</b>	<b>22,821,063</b>
Business-type activities:										
Investment earnings	295	452	1,662	6,270	6,836	3,012	2,046	1,511	540	34
Transfers	18,823	84,514	20,187	58,500					33,481	
<b>Total business-type activities</b>	<b>19,118</b>	<b>84,966</b>	<b>21,849</b>	<b>64,770</b>	<b>6,836</b>	<b>3,012</b>	<b>2,046</b>	<b>1,511</b>	<b>34,021</b>	<b>34</b>
<b>Total district-wide</b>	<b>\$ 13,051,036</b>	<b>\$ 18,049,671</b>	<b>\$ 14,672,577</b>	<b>\$ 15,694,469</b>	<b>\$ 17,161,465</b>	<b>\$ 17,946,826</b>	<b>\$ 17,821,364</b>	<b>\$ 22,180,422</b>	<b>\$ 21,875,464</b>	<b>\$ 22,821,097</b>
<b>Change in Net Assets</b>										
Governmental activities	\$ 774,643	\$ 4,392,725	\$ 1,886,332	\$ 334,111	\$ 1,169,853	\$ 537,133	\$ (347,789)	\$ 288,658	\$ 1,205,994	\$ 797,062
Business-type activities	53,690	3,895	(168)	59,931	16,381	33,437	7,723	44,352	99,665	109,088
<b>Total district</b>	<b>\$ 828,333</b>	<b>\$ 4,396,620</b>	<b>\$ 1,886,164</b>	<b>\$ 394,042</b>	<b>\$ 1,186,234</b>	<b>\$ 570,570</b>	<b>\$ (340,066)</b>	<b>\$ 333,010</b>	<b>\$ 1,305,659</b>	<b>\$ 906,150</b>

Source: CAFR Schedule A-2

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

	June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund</b>										
Reserved										
Encumbrances	\$ 175,152	\$ 150,697	\$ 105,791	\$ 263,843	\$ 155,583	\$ 114,738		\$ 229,548		
Adult school	6,951	8,975								
Tuition reserve			200,000	200,000	450,000	250,000	\$ 250,000			
Capital reserve	1	1	1	938	987	415,027	607,148	609,315		
Maintenance reserve								500,000		
Legally restricted for tax relief		38,458								
Excess surplus-current year		831,011	280,039	249,281	624,316	510,854	215,917	139,652		
Excess surplus-prior year				280,039	249,281	624,316	510,854	215,917		
Unreserved										
Designated for subsequent years	300,000	765,460	993,469	69,961	519,340	275,292	499,521	434,174		
Undesignated (deficit)	761,473	349,608	215,046	225,261	215,017	222,852	(33,545)	(128,851)		
Restricted										
Excess surplus-prior year									\$ 139,652	\$ 460,140
Excess surplus-current year									460,140	390,277
Capital reserve									709,941	714,684
Maintenance reserve									440,270	440,270
Tuition reserve									300,000	300,000
Assigned										
Designated for subsequent years									415,348	172,562
Other purposes									64,598	270,502
Unassigned										
									51,207	
<b>Total general fund</b>	<b>\$ 1,243,577</b>	<b>\$ 2,144,210</b>	<b>\$ 1,794,346</b>	<b>\$ 1,289,323</b>	<b>\$ 2,214,524</b>	<b>\$ 2,413,079</b>	<b>\$ 2,049,895</b>	<b>\$ 4,580,911</b>	<b>\$ 2,581,156</b>	<b>\$ 2,748,435</b>
<b>All Other Governmental Funds</b>										
Reserved										
	\$ 8,024,003	\$ 4,041,445	\$ 80,676	\$ 592,555						
Unreserved, reported in:										
Special revenue fund (deficit)	(2,681)									
Capital projects fund (deficit)	2,105,446	(1,146,439)	101,677	222,108	\$ 329,146	\$ 329,146	\$ 218,793			
Debt service fund	43,665	22,377	18,621	18,623	2	2		\$ 1		
Restricted										
Capital projects										\$ 2,047,718
Debt service									\$ 1	33,291
<b>Total all other governmental funds</b>	<b>\$ 10,170,433</b>	<b>\$ 2,917,383</b>	<b>\$ 200,974</b>	<b>\$ 833,286</b>	<b>\$ 329,148</b>	<b>\$ 329,148</b>	<b>\$ 218,793</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ 2,081,009</b>
<b>TOTAL FUND BALANCES</b>	<b>\$ 11,414,010</b>	<b>\$ 5,061,593</b>	<b>\$ 1,995,320</b>	<b>\$ 2,122,609</b>	<b>\$ 2,543,672</b>	<b>\$ 2,742,227</b>	<b>\$ 2,268,688</b>	<b>\$ 4,580,912</b>	<b>\$ 2,581,156</b>	<b>\$ 4,829,444</b>

Source: CAFR Schedule B-1

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

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Tax levy	\$ 8,316,080	\$ 8,852,020	\$ 9,120,752	\$ 9,914,207	\$ 10,653,497	\$ 11,221,843	\$ 11,217,590	\$ 14,359,797	\$ 14,723,349	\$ 14,842,590
Tuition charges	5,780,896	5,935,859	6,387,911	6,760,319	7,158,656	6,806,025	7,271,245	3,906,064	4,686,085	4,192,661
Interest earnings	79,803	67,465	38,651	81,478	90,936	71,221	35,994	19,588	10,522	3,476
Miscellaneous	41,658	130,738	118,650	129,527	134,951	107,111	33,362	271,381	53,417	153,139
State sources	5,146,160	9,220,258	7,047,403	5,943,013	6,578,671	6,727,520	6,749,003	6,959,150	7,112,497	7,755,958
Federal sources	418,735	429,609	555,657	572,111	564,449	510,220	489,031	1,847,451	660,818	761,264
<b>Total revenue</b>	<b>19,783,332</b>	<b>24,635,949</b>	<b>23,269,024</b>	<b>23,400,655</b>	<b>25,181,160</b>	<b>25,443,940</b>	<b>25,796,225</b>	<b>27,363,431</b>	<b>27,246,688</b>	<b>27,709,088</b>
<b>Expenditures</b>										
<b>Current</b>										
Instruction	8,439,957	8,385,295	8,844,605	9,314,214	9,571,219	10,097,307	11,491,356	11,844,744	11,190,311	11,621,945
<b>Undistributed - current</b>										
Instruction	540,553	309,435	476,769	480,539	285,271	263,086	426,285	556,431	874,112	1,014,230
Health services	312,954	224,410	200,868	205,947	248,324	237,046	285,426	279,581	262,027	340,765
Support services	1,187,512	1,353,157	1,741,232	1,807,728	1,976,467	1,935,311	2,199,534	2,071,273	1,900,296	1,995,896
Improvement of instruction	405,597	512,847	458,729	456,222	365,982	418,729	383,442	402,949	277,678	317,642
School library	125,263	131,554	155,186	149,762	150,338	159,211	171,070	168,896	73,736	71,920
Instructional staff training	19,332	28,219	15,763	15,214	87,852	102,208	104,111	100,900	26,616	44,923
General administration	428,746	347,971	383,157	367,440	378,820	416,116	400,539	409,226	358,370	370,632
School administration	809,928	860,773	856,940	853,535	873,177	934,079	851,452	876,282	822,073	832,446
Support services			10,281							
Central services			480,777	427,002	377,050	383,875	427,982	456,939	409,177	497,646
Administrative information technology			125,165	89,980	108,564	113,138	156,386	172,483	180,827	180,261
Required maintenance of plant services	449,933	567,258	501,141	408,942	598,595	558,926	522,000	468,852	524,905	378,188
Operation of plant	1,009,074	1,104,407	1,501,642	1,564,779	1,641,601	1,788,205	1,985,867	1,682,635	1,928,999	1,714,747
Student transportation	482,963	464,206	438,659	529,740	450,226	448,233	634,074	876,800	860,500	847,579
Business and other support services and benefits	2,936,379	3,216,612	3,068,633	3,319,548	3,323,462	3,550,683	3,053,805	3,623,469	3,522,241	3,644,388
On-behalf TPAF social security and pension contrib.	873,513	1,088,056	1,148,418	1,371,189	2,071,330	2,123,784	1,598,936	1,612,726	1,684,285	1,999,187
Capital outlay	1,234,191	11,273,910	4,553,805	527,766	871,927	358,317	236,884	614,245	511,019	1,158,369
<b>Debt service</b>										
Principal	325,000	455,000	769,000	770,000	855,000	865,000	883,000	815,000	835,000	875,000
Interest and other charges	195,013	580,742	584,340	555,319	524,892	492,131	457,615	422,978	389,634	195,476
Cost of issuance									101,922	64,976
<b>Total expenditures</b>	<b>19,775,908</b>	<b>30,903,852</b>	<b>26,315,110</b>	<b>23,214,866</b>	<b>24,760,097</b>	<b>25,245,385</b>	<b>26,269,764</b>	<b>27,456,409</b>	<b>26,733,728</b>	<b>28,166,216</b>
Excess (Deficit) of revenues over (under) expenditures	7,424	(6,267,903)	(3,046,086)	185,789	421,063	198,555	(473,539)	(92,978)	512,960	(457,128)
<b>Other financing sources (uses)</b>										
Serial bonds issued	10,519,000									
Refunding bonds issued									7,340,000	2,630,000
Premium on bonds issued									259,263	75,415
Payment to refunding bond escrow agent									(7,497,341)	
Cancellation of prior year accounts receivable								(175,954)		
Transfers in	36,952	57,432	9,045	728,016	2,614	1,482	281,045	42,972		
Transfers out	(55,775)	(141,946)	(29,232)	(786,516)	(2,614)	(1,482)	(281,045)	(42,972)	(33,481)	
<b>Total other financing sources (uses)</b>	<b>10,500,177</b>	<b>(84,514)</b>	<b>(20,187)</b>	<b>(58,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(175,954)</b>	<b>68,441</b>	<b>2,705,415</b>
<b>Net change in fund balances</b>	<b>\$ 10,507,601</b>	<b>\$ (6,352,417)</b>	<b>\$ (3,066,273)</b>	<b>\$ 127,289</b>	<b>\$ 421,063</b>	<b>\$ 198,555</b>	<b>\$ (473,539)</b>	<b>\$ (268,932)</b>	<b>\$ 581,401</b>	<b>\$ 2,248,287</b>
Debt service as a percentage of noncapital expenditures	3%	5%	6%	6%	6%	5%	5%	5%	5%	4%

Source: CAFR Schedule B-2

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

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Prior Year Refunds	Helmetta Fund Balance	Misc.	Total
2003	\$ 42,851	\$ 5,780,896			\$ 17,369	\$ 5,841,116
2004	10,033	5,935,859			128,623	6,074,515
2005	29,606	6,387,911			117,133	6,534,650
2006	70,128	6,760,319			99,491	6,929,938
2007	88,322	7,158,656			118,532	7,365,510
2008	69,739	6,806,025			104,911	6,980,675
2009	35,422	7,271,245			17,852	7,324,519
2010	19,486	3,906,064		\$ 150,000	117,944	4,193,494
2011	10,522	4,686,085			47,590	4,744,197
2012	3,476	4,192,661	\$ 71,345		44,408	4,311,890

Source: District Records.

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

**Spotswood Borough**

Fiscal Year Ended June 30,	Net Valuation Taxable	Estimated Actual (County Equalized Value)	Total Direct School Tax Rate <sup>b</sup>
2002	\$ 207,744,997	\$ 511,834,686	\$ 3.89
2003	209,560,500	601,480,586	4.13
2004	210,605,878	601,480,586	4.27
2005	736,976,729 *	678,992,825	1.29
2006	739,666,679	761,738,710	1.39
2007	746,290,022	875,661,916	1.47
2008	751,746,603	947,878,445	1.49
2009	742,085,200	916,494,010	1.50
2010	741,209,700	881,343,282	1.53
2011	741,209,700	833,194,357	1.56

**Helmetta Borough**

Fiscal Year Ended June 30,	Net Valuation Taxable	Estimated Actual (County Equalized Value)	Total Direct School Tax Rate <sup>b</sup>
2002	\$ 56,543,900	\$ 123,431,347	\$ 4.33
2003	58,073,200	145,401,102	4.51
2004	61,437,800	175,787,697	3.81
2005	63,787,570	214,703,304	4.00
2006	64,478,264	245,640,394	4.61
2007	64,478,264	245,640,394	4.61
2008	249,543,139 *	241,061,040	1.26
2009	247,741,799	241,061,040	1.26
2010	244,711,722	244,711,722	1.28
2011	246,737,300	237,253,437	1.28

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

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

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

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

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

n/a: Information is not available.

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

Fiscal Year Ended June 30,	Spotswood Board of Education		Overlapping Rates		Total Direct and Overlapping Tax Rate
	Total Direct	Spotswood Borough	Middlesex County		
2002	\$ 3.89	\$ 1.64	\$ 0.92	\$ 6.45	
2003	4.13	1.73	0.95	6.81	
2004	4.27	1.77	1.02	7.06	
2005	1.29	0.54	0.30	2.13	
2006	1.39	0.59	0.30	2.28	
2007	1.47	0.65	0.30	2.42	
2008	1.49	0.74	0.32	2.55	
2009	1.50	0.78	0.34	2.62	
2010	1.53	0.81	0.37	2.71	
2011	1.56	0.87	0.41	2.83	

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

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

b Rates for debt service are based on each year's requirements.

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

Fiscal Year Ended June 30,	School District		Overlapping Rates		Total Direct and Overlapping Tax Rate
	Total Direct	Municipality of Helmetta	Middlesex County		
2002	\$ 4.33	\$ 1.23	\$ 0.82	\$ 6.38	
2003	4.51	1.21	0.86	6.58	
2004	3.81	1.25	0.91	5.97	
2005	4.00	1.33	0.94	6.27	
2006	4.61	1.46	1.01	7.08	
2007	4.61	1.46	1.01	7.08	
2008	1.26	0.44	0.31	2.01	
2009	1.26	0.44	0.28	1.98	
2010	1.28	0.45	0.31	2.04	
2011	1.28	0.47	0.34	2.09	

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

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

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

**Spotswood Borough**

Taxpayer	2012		2003	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Spotswood Shopping Center, Inc.	\$ 9,800,000	1.32%	\$ 2,950,900	0.58%
Clearwater Village	9,533,700	1.29%	n/a	n/a
Schweitzer-Mauduit	8,228,800	1.11%	4,446,700	0.87%
Inland Container	6,500,000	0.88%	2,350,000	0.46%
Renaissance Properties	5,300,000	0.72%	n/a	n/a
Robert Maglies	4,471,300	0.60%	1,262,400	0.25%
Gillette Enterprises	3,496,300	0.47%	1,661,600	0.32%
Citadel Brookview LLC	3,367,800	0.45%	n/a	n/a
Bell Atlantic	3,148,290	0.42%	n/a	n/a
KLIA Properties, LLC	2,943,500	0.40%	n/a	n/a
Total	<u>\$ 56,789,690</u>	<u>7.66%</u>	<u>\$ 12,671,600</u>	<u>2.48%</u>

Source: District CAFR & Municipal Tax Assessor.

n/a: Information is not available.

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

**Helmetta Borough**

Taxpayer	2012		2003	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Kaplan at Helmetta, LLC	\$ 1,699,000	0.68%	n/a	n/a
Sutton Plaza Associates, LLC	1,500,000	0.60%	n/a	n/a
Maglies, Robert	1,428,000	0.57%	n/a	n/a
Bohinski, Loretta	1,053,500	0.42%	n/a	n/a
Buchan, William & Roseann	983,600	0.39%	n/a	n/a
Aggo, LLC	877,600	0.35%	n/a	n/a
Motard, Gregory	820,500	0.33%	n/a	n/a
Bohinski, Charles & Sandra	724,700	0.29%	n/a	n/a
Beecher, J & H	624,600	0.25%	n/a	n/a
Raczynski, Anthony & Barbara	605,200	0.24%	n/a	n/a
Bohinski, Mark & Meredith	573,700	0.23%	n/a	n/a
Buchan, William Jr.	539,800	0.22%	n/a	n/a
Glyco Corp	529,800	0.21%	n/a	n/a
Covington, Harold & Irene	525,100	0.20%	n/a	n/a
Total	<u>\$ 12,485,100</u>	<u>4.99%</u>	<u>\$ -</u>	<u>0.00%</u>

Source: District CAFR & Municipal Tax Assessor.

n/a: Information is not available.

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

**Spotswood Borough**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 8,316,080	\$ 8,316,080	100.00%	\$ -
2004	8,852,020	8,852,020	100.00%	-
2005	9,120,752	9,120,752	100.00%	-
2006	9,914,207	9,914,207	100.00%	-
2007	10,653,497	10,653,497	100.00%	-
2008	11,221,843	11,221,843	100.00%	-
2009	11,217,590	11,217,590	100.00%	-
2010	11,217,593	11,217,593	100.00%	-
2011	11,557,816	11,557,816	100.00%	-
2012	11,671,625	11,671,625	100.00%	-

**Helmetta Borough**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 3,980,152	\$ 3,980,152	100.00%	\$ -
2004	3,822,305	3,822,305	100.00%	-
2005	4,053,308	4,053,308	100.00%	-
2006	4,053,308	4,053,308	100.00%	-
2007	4,787,617	4,787,617	100.00%	-
2008	3,069,427	3,069,427	100.00%	-
2009	3,069,427	3,069,427	100.00%	-
2010	3,142,204	3,142,204	100.00%	-
2011	3,165,533	3,165,533	100.00%	-
2012	3,170,965	3,170,965	100.00%	-

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

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

**Spotswood Borough**

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	School Energy Savings Obligation Refunding Bonds			
2003	\$ 14,952,000		\$ 14,342,000	0.27%	\$ 38,096
2004	14,497,000		14,497,000	0.26%	38,096
2005	13,728,000		13,728,000	0.28%	38,096
2006	12,958,000		12,958,000	0.29%	38,096
2007	12,103,000		12,103,000	0.34%	41,050
2008	11,238,000		11,238,000	0.37%	41,050
2009	10,355,000		10,355,000	0.45%	46,674
2010	9,540,000		9,540,000	0.49%	46,674
2011	8,850,000		8,850,000	0.49%	n/a
2012	7,975,000	\$ 2,630,000	10,605,000	n/a	n/a

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

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

**Note:** Not applicable for Helmetta.

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

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

**Spotswood Borough**

Fiscal Year Ended June 30,	Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	Bonded Debt	Deduction	Net General Bonded Debt Outstanding		
2003	\$ 14,952,000		\$ 14,952,000	0.07%	\$ 1,897
2004	14,497,000		14,497,000	0.07%	1,760
2005	13,728,000		13,728,000	0.07%	1,742
2006	12,958,000		12,958,000	0.02%	1,742
2007	12,103,000		12,103,000	0.02%	1,742
2008	11,238,000		11,238,000	0.02%	1,374
2009	10,355,000		10,355,000	0.01%	1,271
2010	9,540,000		9,540,000	0.01%	1,166
2011	8,850,000		8,850,000	0.01%	1,072
2012	10,605,000	\$ 2,630,000	7,975,000	0.01%	n/a

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

**Note:** Not applicable for Helmetta.

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

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

Spotswood Borough School District  
Ratios of Overlapping Governmental Activities Debt  
As of June 30, 2012  
Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
County of Middlesex	\$ 4,706,251	100%	\$ 4,706,251
Spotswood Borough	6,038,168	100%	6,038,168
Helmetta Borough	1,775,000	100%	1,775,000
Other debt			
Middlesex County General Obligation Debt	639,968,209	0.85%	<u>5,439,730</u>
Subtotal, overlapping debt			17,959,149
Spotswood Borough School District Direct Debt			<u>7,975,000</u>
Total direct and overlapping debt			<u>\$ 25,934,149</u>

Sources: Spotswood and Helmetta Borough Chief Finance Officers, Middlesex County Finance Office.

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

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

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

Spotswood Borough

Legal Debt Margin Calculation for Fiscal Year 2012

		Equalized valuation basis	
		2011	\$ 833,194,357
		2010	881,343,282
		2009	916,494,010
		[A]	<u>\$ 2,631,031,649</u>
		[A/3]	\$ 877,010,550
Debt limit (4 % of average equalization value)		[B]	35,080,422 a
Net bonded school debt		[C]	7,975,000
Legal debt margin		[B-C]	<u>\$ 27,105,422</u>

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 18,158,863	\$ 20,777,208	\$ 23,123,536	\$ 25,443,706	\$ 24,754,086	\$ 34,470,388	\$ 36,952,291	\$ 37,149,120	\$ 36,261,984	\$ 35,080,422
Total net debt applicable to limit	<u>3,768,000</u>	<u>14,952,000</u>	<u>13,728,000</u>	<u>12,958,000</u>	<u>12,103,000</u>	<u>11,238,000</u>	<u>10,355,000</u>	<u>9,540,000</u>	<u>8,850,000</u>	<u>7,975,000</u>
Legal debt margin	<u>\$ 14,390,863</u>	<u>\$ 5,825,208</u>	<u>\$ 9,395,536</u>	<u>\$ 12,485,706</u>	<u>\$ 12,651,086</u>	<u>\$ 23,232,388</u>	<u>\$ 26,597,291</u>	<u>\$ 27,609,120</u>	<u>\$ 27,411,984</u>	<u>\$ 27,105,422</u>
Total net debt applicable to the limit as a percentage of debt limit	82.34%	66.07%	59.37%	50.93%	48.89%	32.60%	28.02%	25.68%	24.41%	22.73%

Source: Abstract of Ratables and District Records.

See J-6 for Estimated Actual (County Equalized Value) and see J-11 for Net General Bonded Debt Outstanding.

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

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

Helmetta Borough

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized valuation basis	
2011	\$ 237,253,437
2010	244,711,722
2009	<u>241,061,040</u>
[A]	<u>\$ 723,026,199</u>
[A]/3	\$ 241,008,733
[B]	9,640,349 <sup>a</sup>
[C]	-
[B-C]	<u>\$ 9,640,349</u>

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 4,305,211	\$ 3,763,576	\$ 4,446,201	\$ 7,145,228	\$ 8,488,242	\$ 9,494,863	\$ 9,352,063	\$ 9,291,005	\$ 9,691,117	\$ 9,640,349
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 4,305,211</u>	<u>\$ 3,763,576</u>	<u>\$ 4,446,201</u>	<u>\$ 7,145,228</u>	<u>\$ 8,488,242</u>	<u>\$ 9,494,863</u>	<u>\$ 9,352,063</u>	<u>\$ 9,291,005</u>	<u>\$ 9,691,117</u>	<u>\$ 9,640,349</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Abstract of Ratables and District Records.

See J-6 for Estimated Actual (County Equalized Value) and see J-11 for Net General Bonded Debt Outstanding.

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

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

**Spotswood Borough**

Year	Population <sup>a</sup>	Personal Income (thousands of dollars) <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2003	7,880	n/a	\$ 25,247	6.4%
2004	7,880	n/a	25,247	5.4%
2005	7,880	n/a	25,247	5.4%
2006	7,880	n/a	25,247	5.4%
2007	8,179	n/a	41,050	4.0%
2008	8,179	n/a	41,050	5.4%
2009	8,145	n/a	46,674	4.7%
2010	8,180	n/a	46,674	8.9%
2011	8,257	n/a	n/a	7.2%
2012	n/a	n/a	n/a	n/a

**Helmetta Borough**

Year	Population <sup>a</sup>	Personal Income <sup>c</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2003	1,949	\$ 75,069,633	\$ 38,517	5.9%
2004	2,009	79,598,589	39,621	4.9%
2005	2,037	83,472,186	40,978	3.8%
2006	2,015	88,704,330	44,022	4.8%
2007	2,012	n/a	n/a	4.2%
2008	1,825	48,705,600	26,688	5.7%
2009	2,008	53,589,504	26,688	5.1%
2010	2,008	53,589,504	26,688	8.8%
2011	2,178	n/a	33,022	8.6%
2012	n/a	n/a	n/a	n/a

**Source:**

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

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

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

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

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

n/a: Information is not available.

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

**Spotswood/ Helmetta Boroughs**

Information is not available.

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

Spotswood Borough

<u>Function/Program</u>	<u>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	101	104	107	108	113	122	125	123	128	132
Special education	31	28	27	27	27	28	22	22	22	22
Vocational	13	13	14	14	14	13	11	11	11	11
Other instruction	7	6	8	7	7	6	6	6	6	6
Support Services:										
Student & instruction related services	39	46	48	48	44	44	44	44	29	29
a General administrative services	2	2	2	2	2	2	2	2	11	13
School administrative services	13	14	14	14	14	14	14	14	10	10
Business administrative services	10	10	10	10	10	10	10	10	5	7
Plant operations and maintenance	21	25	24	24	23	22	22	22	23	33
Pupil transportation	1	1	1	1	1	1	1	1	1	1
Food Service	10	4	2	2	-	-	-	-	-	-
Total	<u>248</u>	<u>253</u>	<u>257</u>	<u>257</u>	<u>255</u>	<u>262</u>	<u>257</u>	<u>255</u>	<u>246</u>	<u>264</u>

Source: District Personnel Records.

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

Spotswood Borough School District  
Operating Statistics  
Last Ten Fiscal Years  
Unaudited

**Spotswood Borough**

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures<sup>a</sup></u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff<sup>b</sup></u>	<u>Average Daily Enrollment (ADE)<sup>c</sup></u>	<u>Average Daily Attendance (ADA)<sup>c</sup></u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2003	1,664	\$ 18,086,483	\$ 10,869	10.89%	171	1,664	1,576	-0.24%	94.71%
2004	1,681	18,594,200	11,061	1.77%	169	1,681	1,590	1.01%	94.59%
2005	1,734	20,407,965	11,769	6.40%	169	1,734	1,634	3.06%	94.23%
2006	1,764	21,361,781	12,110	2.89%	169	1,752	1,690	1.03%	96.46%
2007	1,772	22,508,278	12,702	4.89%	171	1,777	1,676	1.43%	94.32%
2008	1,767	23,529,937	13,316	4.83%	173	1,767	1,678	-0.56%	94.96%
2009	1,760	24,929,149	14,164	6.37%	151	1,760	1,672	-0.40%	95.00%
2010	1,818	25,604,186	14,084	-0.57%	143	1,808	1,724	2.73%	95.34%
2011	1,816	24,896,153	13,709	-2.66%	149	1,815	1,748	0.39%	96.31%
2012	1,821	25,872,395	14,208	3.64%	150	1,781	1,703	-1.87%	95.62%

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

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

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Spotswood Borough School District  
Operating Statistics  
Last Ten Fiscal Years  
Unaudited

**Helmetta Borough**

<b>Fiscal Year</b>	<b>Enrollment</b>	<b>Operating Expenditures<sup>a</sup></b>	<b>Cost Per Pupil</b>	<b>Percentage Change</b>	<b>Average Daily Enrollment (ADE)<sup>c</sup></b>	<b>Average Daily Attendance (ADA)<sup>c</sup></b>	<b>% Change in Average Daily Enrollment</b>	<b>Student Attendance Percentage</b>
2003	273	3,190,915	11,688	7.43%	273	238	100.00%	87.18%
2004	256	3,340,505	13,049	11.64%	256	239	-6.64%	93.36%
2005	259	3,175,282	12,260	-6.05%	259	245	1.16%	94.59%
2006	273	3,518,494	12,888	5.13%	273	259	5.13%	94.87%
2007	273	3,903,784	14,300	10.95%	273	259	0.00%	94.87%
2008	287	4,002,408	13,946	-2.47%	287	274	4.88%	95.47%
2009	288	4,202,163	14,591	4.63%	288	274	0.35%	95.14%
2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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

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

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

n/a: Information is not available.

Spotswood Borough School District  
School Building Information  
Last Ten Fiscal Years

Unaudited

	<u>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>
<b><u>DISTRICT</u></b>										
<b>Appleby Elementary</b>										
Square Feet	48,843	49,643	49,643	49,643	49,643	49,643	49,643	49,643	49,643	49,643
Capacity	684	684	684	684	684	684	684	684	684	684
Enrollment	554	404	426	441	445	443	443	459	427	427
<b>Schoenly School</b>										
Square Feet	18,234	34,680	34,680	34,680	34,680	34,680	34,680	34,680	34,680	34,680
Capacity	216	620	620	620	620	620	620	620	620	620
Enrollment	199	221	256	244	248	236	236	255	228	270
<b>Memorial Middle School</b>										
Square Feet	25,211	48,216	48,216	48,216	48,216	48,216	48,216	48,216	48,216	48,216
Capacity	183	527	527	527	527	527	527	527	527	527
Enrollment	377	341	316	332	331	343	343	330	338	364
<b>High School</b>										
Square Feet	139,537	144,080	144,080	144,080	144,080	144,080	144,080	144,080	144,080	144,080
Capacity	720	984	984	984	984	984	984	984	984	984
Enrollment	750	768	751	747	748	745	745	772	743	726

Sources: District records, ASSA.

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

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

School Facilities	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Spotswood High School	\$ 131,015	\$ 261,066	\$ 227,713	\$ 226,715	\$ 316,222	\$ 290,549	\$ 258,499	\$ 205,766	\$ 338,303	\$ 270,818
E. Raymond Appleby	95,567	94,016	120,718	96,258	97,365	177,550	58,121	77,442	117,011	94,796
G. Austin Schoenly	79,912	84,920	50,938	145,633	57,464	61,734	41,588	101,691	41,650	35,389
Memorial School	71,694	84,903	69,483	53,394	87,875	68,762	50,734	116,242	70,294	48,930
Grand Total	<u>\$ 378,188</u>	<u>\$ 524,905</u>	<u>\$ 468,852</u>	<u>\$ 522,000</u>	<u>\$ 558,926</u>	<u>\$ 598,595</u>	<u>\$ 408,942</u>	<u>\$ 501,141</u>	<u>\$ 567,258</u>	<u>\$ 449,933</u>

Source: District records of required maintenance; QAAR

Spotswood Borough School District  
Insurance Schedule  
Year Ended June 30, 2012  
Unaudited

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

Spotswood Borough School District  
Insurance Schedule  
Year Ended June 30, 2012  
Unaudited

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Spotswood Borough School District, in the County of Middlesex, New Jersey (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

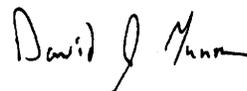
We noted certain matters involving internal control over financial reporting that we have reported to the District in the separate *Auditors' Management Report on Administrative Findings* dated November 12, 2012.

#### 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 Office of School Finance, Department of Education, State of New Jersey.

We noted certain matters of noncompliance that we have reported to the District in the separate *Auditors' Management Report on Administrative Findings* dated November 12, 2012.

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



David J. Gannon

Licensed Public School Accountant  
No. 2305



WISS & COMPANY, LLP

November 12, 2012  
Iselin, New Jersey

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

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

Compliance

We have audited the Spotswood Borough School District's, County of Middlesex, State of New Jersey (the "District") compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that 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 Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Those standards, OMB Circular A-133 and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

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

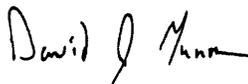
#### Internal Control Over Compliance

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 OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

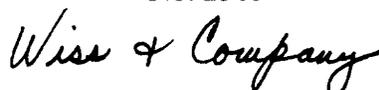
This report is intended solely for the information and use of the District's management and Board, others within the entity, the New Jersey Department of Education, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these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



David J. Gannon

Licensed Public School Accountant

No. 2305



WISS & COMPANY, LLP

November 12, 2012  
Iselin, New Jersey

Spotswood Borough School District

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011	Adjustments	Cash Received	Budgetary Expenditures	Adjustments	Repayment of prior years balances	(Accounts receivable) at June 30, 2012	Deferred Revenue at June 30, 2012	Due to Grantor at June 30, 2012
General Fund:													
U.S. Department of Health and Human Services - Passed Through State Department of Education													
Medical Assistance Program (SEMI)	93.778	N/A	7/1/11 - 6/30/12	\$ 22,401			\$ 22,401	\$ (22,401)					
U.S. Department of Education - Passed Through State Department of Education													
Education Jobs	84.410	N/A	7/1/10 - 9/30/12	220,808	\$ (795)		130,755	(165,079)		\$ (35,119)			
Total General Fund					(795)		153,156	(187,480)		(35,119)			
Special Revenue Fund:													
U.S. Department of Education: Passed Through State Department of Education: NCLB Consolidated Programs:													
Title I	84.010A	NCLB4970-12	9/1/11 - 8/31/12	114,661				(110,380)		(110,380)			
Title I, Part A, Carryover	84.010A	NCLB4970-11	9/1/10 - 8/31/11	90,316	\$ (13,766)		28,893	(15,976)		(849)			
Title III	84.365	NCLB4970-12	9/1/11 - 8/31/12	32,570				(26,695)		(26,695)			
Title III, Carryover	84.365	NCLB4970-10	9/1/10 - 8/31/11	63,591	(13,153)		13,153	(173)		(173)			
Title II, Part A	84.367	NCLB4970-12	9/1/11 - 8/31/12	30,186				(26,468)		(26,468)			
Title II, Part A, Carryover	84.367	NCLB4970-11	9/1/10 - 8/31/11	32,863	(5,011)		5,209	(4,022)		(3,824)			
Title II Part D	84.318	NCLB4970-10	9/1/09 - 8/31/12	867			886	(166)			\$ 720		
Title IV	84.186A	NCLB4970-10	9/1/09 - 8/31/11	3,984			956					956	
IDEA, Preschool	84.173	IDEA497012C	9/1/11 - 8/31/12	19,166			10,020	(15,607)		(5,587)			
IDEA, Preschool, Carryover	84.173	IDEA497010C	9/1/09 - 8/31/12	18,598	(486)		6,053	(2,899)			2,668		
ARRA-IDEA, Preschool	84.392	IDEA497010C	9/1/09 - 8/31/11	14,596	(724)		724						
ARRA-IDEA, Part B, Carryover	84.391	IDEA497010C	9/1/10 - 8/31/11	403,827	(8,926)		9,187	(261)					
IDEA, Part B	84.027	IDEA497012C	9/1/11 - 8/31/12	367,964			331,185	(349,104)		(17,919)			
IDEA, Part B	84.027	IDEA497011C	9/1/10 - 8/31/11	365,471	(3,009)		33,566	(30,557)					
Total U.S. Department of Education and Special Revenue Fund					(45,075)		439,832	(582,308)		(191,895)		4,344	
Enterprise Fund:													
U.S. Department of Agriculture: Passed Through State Department of Education:													
National School Lunch Program	10.555	N/A	7/1/11 - 6/30/12	122,587			100,886	(122,587)		(21,701)			
Food Donation Program (NC)	10.555	N/A	7/1/11 - 6/30/12	31,815			31,815	(30,052)				1,763	
National School Lunch Program	10.555	N/A	7/1/10 - 6/30/11	122,587	(21,144)		21,144						
Food Donation Program (NC)	10.555	N/A	7/1/10 - 6/30/12	30,769	3,393			(3,393)					
Total U.S. Department of Agriculture and Enterprise Fund					(17,751)		153,845	(156,032)		(21,701)		1,763	
Total Federal Awards					\$ (63,621)	\$ -	\$ 746,833	\$ (925,820)	\$ -	\$ -	\$ (248,715)	\$ 6,107	\$ -

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

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

Spotswood Borough School District  
Schedule of Expenditures of State Financial Assistance  
Year ended June 30, 2012

State Grantor/ Pass-Through Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011	Carryover/ Walkover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of prior years balances	Balance June 30, 2012			Memo		
										(Accounts receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivables	Cumulative Expenditures	
<b>State Department of Education</b>															
<b>General Funds:</b>															
Equalization Aid	495-034-5120-078	7/01/11 - 6/30/12	\$ 4,750,182			\$ 4,281,510	\$ (4,750,182)							\$ (468,672)	\$ (4,750,182)
Special Education Categorical Aid	495-034-5120-089	7/01/11 - 6/30/12	856,032			771,573	(856,032)							(84,459)	(856,032)
Extraordinary Aid	495-034-5120-044	7/01/11 - 6/30/12	57,226				(57,226)			\$ (57,226)					(57,226)
Additional Non Public Transportation Aid		7/01/11 - 6/30/12	7,251				(7,251)			(7,251)					(7,251)
Reimbursed TPAF - Social Security	495-034-5095-002	7/01/11 - 6/30/12	871,806			828,683	(871,806)			(43,123)					(871,806)
Equalization Aid	495-034-5120-078	7/01/10 - 6/30/11	4,179,625	\$ (405,899)		405,899									
Special Education Categorical Aid	495-034-5120-089	7/01/10 - 6/30/11	856,032	(83,133)		83,133									
Extraordinary Aid	495-034-5120-473	7/01/10 - 6/30/11	73,335	(73,335)		73,335									
Additional Non Public Transportation Aid		7/01/10 - 6/30/11	6,160	(6,160)		6,160									
Reimbursed TPAF - Social Security	495-034-5095-002	7/01/10 - 6/30/11	856,623	(42,659)		42,659									
<b>Total General Funds</b>				(611,186)		6,492,952	(6,542,497)			(107,600)				(553,131)	(6,542,497)
<b>Special Revenue Funds:</b>															
<b>New Jersey Non-Public Aid:</b>															
Textbook Aid	100-034-5120-064	7/01/11 - 6/30/12	14,175			14,175	(13,270)						\$ 905		(13,270)
Nursing Services	100-034-5120-070	7/01/11 - 6/30/12	20,248			20,248	(20,189)						59		(20,189)
Martin Luther King Jr.	07MLKJ109AVF	Indefinite	2,069	1,308							\$ 1,308				
<b>Non-Public Handicapped Services:</b>															
Examination and Classification	100-034-5120-066	7/01/11 - 6/30/12	12,877			12,877	(5,796)						7,081		(5,796)
Supplemental Instruction		7/01/11 - 6/30/12	8,418			8,418	(5,612)						2,806		(5,612)
Corrective Speech		7/01/11 - 6/30/12	26,855			26,855	(17,377)						9,478		(17,377)
Examination and Classification		7/01/10 - 6/30/11	8,775	3,987					\$ (3,987)						
Supplemental Instruction		7/01/10 - 6/30/11	7,643	2,084					(2,084)						
Corrective Speech		7/01/10 - 6/30/11	25,817	7,824					(7,824)						
<b>Non-Public Auxiliary Services:</b>															
Basic Skills/Comp Educ	100-034-5120-067	7/01/11 - 6/30/12	40,576			40,576	(15,216)						25,360		(15,216)
Basic Skills/Comp Educ		7/01/10 - 6/30/11	63,633	51,074					(51,074)						
Transportation		7/01/11 - 6/30/12	6,734			6,734	(6,734)								(6,734)
<b>Total Special Revenue Funds</b>				66,277		129,883	(84,194)			(64,969)		1,308	45,689		(84,194)
<b>Capital Projects Fund:</b>															
<b>NJSDA:</b>															
School Construction Projects	4970-090-09-0ZAA	7/01/09 - completion	61,472	(56,274)		56,274									(56,274)
Total capital projects fund				(56,274)		56,274									(56,274)
<b>Debt Service Fund:</b>															
Debt Service Aid - Type II	495-034-5120-017	7/01/11 - 6/30/12	65,985			65,985	(65,985)								(65,985)
Total Debt Service Fund						65,985	(65,985)								(65,985)
<b>Enterprise Funds:</b>															
National School Lunch Program (State Share)	100-034-5120-122	7/01/11 - 6/30/12	5,737			4,732	(5,737)					(1,005)			(5,737)
National School Lunch Program (State Share)	100-034-5120-122	7/01/10 - 6/30/11	5,772	(1,359)		1,359									
Total Enterprise Funds				(1,359)		6,091	(5,737)					(1,005)			(5,737)
<b>Total State Financial Assistance</b>				\$ (602,542)	\$ -	\$ 6,751,185	\$ (6,698,413)	\$ -	\$ (64,969)	\$ (108,605)	\$ 1,308	\$ 45,689	\$ (553,131)	\$ (6,754,687)	

N/A - Not available

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

Spotswood Borough School District  
Notes to Schedules of Expenditures of  
Federal Awards and State Financial Assistance  
Year ended June 30, 2012

**1. General**

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

**2. Basis of Accounting**

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

**3. Relationship to Basic Financial Statements**

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

Spotswood Borough School District

Notes to Schedules of Expenditures of  
Federal Awards and State Financial Assistance

Year ended June 30, 2012

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$64,099 for the general fund and \$8,524 for the special revenue fund. See note to required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3). Federal and State award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	<b>Federal</b>	<b>State</b>	<b>Total</b>
General Fund	\$ 187,480	\$ 7,605,779	\$ 7,793,259
Special Revenue Fund	573,784	84,194	657,978
Debt Service Fund		65,985	65,985
Enterprise Food Service Fund	156,032	5,737	161,769
Total award revenues	<u>\$ 917,296</u>	<u>\$ 7,761,695</u>	<u>\$ 8,678,991</u>

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

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

Spotswood Borough School District  
Notes to Schedules of Expenditures of  
Federal Awards and State Financial Assistance  
Year ended June 30, 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 Contributions represent the amount reimbursed by the State for the employer's share of Social Security Contributions for TPAF members for the fiscal year ended June 30, 2012.

The on-behalf post-retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2012 amount to \$1,127,381. Since on-behalf post retirement pension and medical benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB's Circular 04-04 and are not reported on the Schedule of Expenditures of State Financial Assistance, as directed by the funding agency.

Spotswood Borough School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

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

**Financial Statement Section**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Federal Awards Section**

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Type of auditor's report issued on compliance for major programs:	Unqualified
Internal control over major programs:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None Reported
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Identification of major programs:

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

Spotswood Borough School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2012

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

**State Awards Section**

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

\$300,000

Auditee qualified as low-risk auditee?

✓ Yes        No

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

Unqualified

Internal control over major programs:

Material weakness(es) identified?

       Yes ✓ No

Significant deficiency(ies) identified?

       Yes ✓ None Reported

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

       Yes ✓ No

Identification of major programs:

<u>GMIS/Program Number</u>	<u>Name of State Program or Cluster</u>
495-034-5120-078	Equalization Aid
495-034-5120-089	Special Education Categorical Aid
495-034-5095-002	Reimbursed TPAF Social Security Contributions

Spotswood Borough School District  
Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2012

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

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

Spotswood Borough School District  
Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2012

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

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

Spotswood Borough School District  
Summary Schedule of Prior Year Audit Findings  
Year ended June 30, 2012

Not applicable.