Comprehensive Annual Financial Report

of the

Borough of Garwood School District

County of Union

Garwood, New Jersey

For the Fiscal Year Ended June 30, 2014

Prepared by

Borough of Garwood School District
Business Office

TABLE OF CONTENTS

INTRODUCTORY SECTION	Page
Letter of Transmittal	1-5
Roster of Officials	6
Consultants and Advisors	7
FINANCIAL SECTION	
Independent Auditor's Report	8-10
REQUIRED SUPPLEMENTARY INFORMATION – Part I	11
Management's Discussion and Analysis (Unaudited)	12-21
BASIC FINANCIAL STATEMENTS	22
A. District-Wide Financial Statements	23
A-1 Statement of Net Position	24
A-2 Statement of Activities	25
B. Major Fund Financial Statements	26
Governmental Funds:	
B-1 Balance Sheet	27-28
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance	29
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Other Funds	31
Propriety Funds:	
B-4 Statement of Net Position	32
B-5 Statement of Revenues, Expenses, and Changes in Net Position	33
B-6 Statement of Cash Flows	34
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	35
B-8 Statement of Changes in Fiduciary Net Position	36
Notes to the Financial Statements	37-65

TABLE OF CONTENTS (Continued)

		Page
REQUIRED SUPPLEMENTARY INFORMATION – Part II		66
C. Budgetary Comparison Schedules		67
C-1	General Fund	68-74
C-2	Special Revenue Fund	75
C-3	Budget to GAAP Reconciliation	76
OTHER SUPPLEMENTARY INFORMATION		77
D. School Level Schedules		N/A
E. Special Revenue Fund		78
E-1	Combining Schedule of Revenues and Expenditures Special Revenue Fund - Budgetary Basis	79
F. Capital Projects Fund		80
F-1	Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis	81
F-1A	Schedule of Project Revenues, Expenditures, Project Balance, and Project Status – Budgetary Basis-Lincoln/Franklin School Improvements	82
F-1B	Schedule of Project Revenues, Expenditures, Project Balance, and Project Status – Budgetary Basis-Washington School Improvements	83
F-1C	Schedule of Project Revenues, Expenditures, Project Balance, and Project Status – Budgetary Basis-Lincoln/Franklin School Improvements	84
F-2	Summary Statement of Project Expenditures – Budgetary Basis	85
G. Proprietary Funds		N/A

TABLE OF CONTENTS (Continued)

		Page
H. Fiduciary Fund		86
H-1	Combining Statements of Fiduciary Net Position	87
H-2	Combining Statement of Changes in Fiduciary Net Position	88
H-3	Schedule of Receipts and Disbursements-Student Activity Agency Fund	89
H-4	Schedule of Receipts and Disbursements-Payroll Agency Funds	90
H-5	Schedule of Receipt and Disbursements-Other Agency Funds	N/A
I. Long-Term Liabilities		91
I-1	Schedule of Serial Bonds	92
I-2	Schedule of Obligations under Capital Leases	93
I-3	Comparative Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	94

STATISTICAL SECTION - UNAUDITED

Financial Trends

J-1	Net Position by Component	95
J-2	Changes in Net Position	96-97
J-3	Fund Balances – Governmental Funds	98
J-4	Changes in Fund Balances – Governmental Funds	99
J-5	General Fund Other Local Revenue by Source	100

Revenue Capacity

J-6	Assessed Value and Actual Value of Taxable Property	101
J-7	Direct and Overlapping Property Tax Rates	102
J-8	Principal Property Taxpayers - Current Year and Ten Years Ago	103
J-9	Property Tax Levies and Collections	104

Debt Capacity

J-10	Ratios of Outstanding Debt by Type	105
J-11	Ratios of Net Bonded Debt Outstanding	106
J-12	Direct and Overlapping Governmental Activities Debt	107
J-13	Legal Debt Margin Information	108

Demographic and Economic Information

J-14	Demographic and Economic Statistics	109
J-15	Principal Employers – Current Year and Ten Years Ago	110

Operating Information

J-16	Full-Time Equivalent District Employees by Function/Program	111
J-17	Operating Statistics	112
J-18	School Building Information	113
J-19	Schedule of Required Maintenance	114
J-20	Insurance Schedule	115-118

TABLE OF CONTENTS (Continued)

		Page
SINGLE AUDIT SECTION		
K-1	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards	119-120
K-2	Independent Auditor's Report on Compliance with Requirements Applicable to Each Major State Financial Assistance Program and on Internal Control Over Compliance in Accordance with New Jersey OMB Circular 04-04	121-122
K-3	Schedule of Expenditures of Federal Awards, Schedule A	123
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	124
K-5	Notes to the Schedules of Federal Awards and State Financial Assistance	125-126
K-6	Schedule of Findings and Questioned Costs	127-128
K-7	Schedule of Prior Audit Findings	129

INTRODUCTORY SECTION

GARWOOD PUBLIC SCHOOLS

Eric Larson
School Business Administrator/Board Secretary
400 Second Avenue
Garwood, New Jersey 07027

www.garwoodschools.org

Telephone (908) 789-0331
Fax (908) 789-2970

November 10, 2014

Honorable President and
Members of the Board of Education
Garwood School District
County of Union
Garwood, New Jersey 07027

Dear Board Members:

The comprehensive annual financial report of the Garwood School District for the fiscal year ended June 30, 2014 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 Garwood Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the previsions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations", and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES**: Garwood School District is an independent reporting entity with the criteria adopted by the GASB as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The Garwood Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-kindergarten through grade 8. These include regular, as well as special education for handicapped youngsters. The following details the changes in the student enrollment of the District over the last ten years.

Fiscal Year	Average Daily Enrollment Student Enrollment	Percent Change
2013-2014	372.0	(3.37)
2012-2013	385.0	(1.28)
2011-2012	390.0	(1.23)
2010-2011	395.0	(4.60)
2009-2010	405.0	(.73)
2008-2009	408.0	4.60
2007-2008	418.0	2.70
2006-2007	407.0	(.097)
2005-2006	411.0	5.38
2004-2005	390.0	3.15

2) **ECONOMIC CONDITION AND OUTLOOK**: Garwood is a small borough attempting to deal with a variety of evolving factors that could impact its future development and the already burdened taxpayers. The most pressing issues include the loss of major industries, large vacant industrial properties, flat state aid and state/federal mandates that do not come with implementation funding.

3) **MAJOR INITIATIVES**: Helping prepare pupils for life in the twenty-first century continues to be a major area of focus. For our students to excel in a world we can not yet imagine, they must have the ability as adults to teach themselves and others the information to solve the future's problems. Critical thinking and problem solving skills are among the most essential skills we can nurture. Our students will need to be able to adapt to the rapid changes they will see in their lifetime and it will be essential that they have the knowledge of "how to learn." Articulation, planning and implementation activities revolved around learning "how to learn" while addressing the N.J. Core Curriculum Content Standards, and using an integrated language arts program, hands-on social studies and science, presenting an inquiry based mathematics program in K-8.

The primary level program in grades Pre-kindergarten – Grade 2 continues to focus on the use of developmentally appropriate strategies and resources. Strategies to provide a gradual transition toward giving pupils more responsibility for their own learning are being implemented in the intermediate grades (3-5). The district continues to refine its middle school concept in grades 6-8 by clustering pupils into small instructional groups for language arts literacy and mathematics and exploring areas of curriculum integration. A gifted and talented academic program is available for pupils in grades K-8 and a gifted and talented academic, music and art program is available for pupils in grades 6-8 who meet the appropriate qualifications. The needs of at-risk pupils are met through a basic skills program, an ELS (English Language Service) program and special education programs (with in-district and out-of-district placements).

Standardized testing results indicate that our pupils continue to score in the advanced proficient and proficient range on the New Jersey Assessment of Skills and Knowledge (NJASK).

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

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

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

5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. The voters of the municipality adopt annual appropriated budgets. Annual appropriated budgets are adopted for the general fund and the special revenue 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 re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance on June 30, 2014.

6) **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7) **FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

8) **CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute and detailed in "Notes to the financial statements", Note 2. The District requires that all public funds be deposited in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The SBA/BS has established a Risk Management Committee made up of the SBA, Principal, School Nurse, Supervisor of Building and Grounds and the SAIF Insurance Agent.

10) **OTHER INFORMATION:**

a. Independent Audit – State statutes requires an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Suplee, Clooney, and Company, CPA's, was selected by the Board of Education. 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 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and combining and individual funds statement and schedules is included in the financial

section of this report. The auditor's reports related specifically to the single audit and included in the single audit section of this report.

b. It must also be noted that the district was awarded full certification for a seven-year period as a result of monitoring activities conducted by the New Jersey Department of Education.

11) **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Garwood 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.

Respectfully submitted,

Dr. Teresa Quigley, Ed.D
Superintendent of Schools

Eric Larson
School Business Administrator/Board Secretary

GARWOOD BOARD OF EDUCATION
GARWOOD, NJ

ROSTER OF OFFICIALS
JUNE 30, 2014

Members of the Board of Education	**Term Expires**
Christine Guerriero – President	2014
Linda Koenig	2014
Aaron Watkins	2014
Barbara Greet	2015
Amanda Langston	2015
Adele Lewis	2015
Kimberly Ficarra	2014
Susan Groning – Vice President	2016
Brendan McDermott	2016

Other Officials:

Dr. Teresa Quigley – Superintendent

Eric Larson, School Business Administrator/Board Secretary
Raymond Krov – Treasurer

GARWOOD BOARD OF EDUCATION

Consultants & Advisors

Architect
Solutions Architecture, LLC
81 Clay Street
Newark, NJ 07104

Audit Firm
Suplee, Clooney & Company
308 East Broad Street
Westfield, New Jersey 07090

Attorney
Schwartz Simon Edelstein & Celso LLC
100 Jefferson Road Suite 200
Whippany, New Jersey 07981

Official Depository
Investors Savings Bank
South Avenue
Garwood, New Jersey 07027

FINANCIAL SECTION

SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
308 East Broad Street, Westfield, New Jersey 07090-2122
Telephone 908-789-9300 Fax 908-789-8535
E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Borough of Garwood School District
County of Union
Garwood, New Jersey 07027

Report on the Financial Statements

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 Borough of Garwood School District, County of Union, New Jersey as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, the provisions of U.S. Office of Management and Budget (OMB) *Circular A-133* "Audits of States, Local Governments and Non-Profit Organizations" and State of New Jersey *OMB Circular 04-04* "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Garwood School District, County of Union, New Jersey as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information in Exhibit C-1 through C-3 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Garwood School District's basic financial statements. The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by New Jersey's OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by New Jersey's OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, such as the introductory and statistical sections, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express on opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2014 on our consideration of the Borough of Garwood School 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Garwood School District's internal control over financial reporting and compliance.

Suplee, Clooney & Company
CERTIFIED PUBLIC ACCOUNTANTS

November 10, 2014

PUBLIC SCHOOL ACCOUNTANT NO. 93

REQUIRED SUPPLEMENTARY INFORMATION – Part I

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

BOROUGH OF GARWOOD SCHOOL DISTRICT
GARWOOD, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED

The Management's Discussion and Analysis of the Borough of Garwood School District (the "District") offers readers of the District's financial statements a narrative overview of the financial activities for the fiscal year ended June 30, 2014. The intent of this discussion is to look at the District's financial performance as a whole; therefore readers should also review the transmittal letter at the front of this report, along with the District's financial statements and notes to the financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the Required Supplementary Information (RSI) specified in the Governmental Accounting Standards Board's (GASB) Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis of State and Local Governments issued in June 1999.

Financial Highlights

- Revenue from governmental activities accounted for $8,623,051.32 or 98.6 percent of total school district revenue. The other 1.4 percent of revenue was generated by the business type activities.

- The unrestricted portion of the District's net position decreased by $177,296.97.

Overview of the Financial Statements

This Comprehensive Annual Financial Report ("CAFR") consists of three parts: Management's Discussion and Analysis (this section), The Basic Financial Statements, and Required Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District, District–wide Financial Statements and Fund Financial Statements.

- District-wide Financial Statements provide both short-term and long-term information about the District's overall financial status.

- Fund Financial Statements report the District's operations in more detail than the District-wide statements on individual parts of the District, the Governmental Funds, Proprietary Funds and Fiduciary Funds.

- Governmental Funds Statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

- Proprietary Funds Statements offer short and long-term financial information about the activities the District operates like a business, which include food services.

- Fiduciary Funds Statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The notes to financial statements are also included, which are an integral part of the financial statements. The information in the notes provides detailed data on the District's financial operations.

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year. Exhibit A-1 reflects how the various parts of this annual report are arranged and related to one another.

District-wide Financial Statements

The District-wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net positions includes all of the District's assets and liabilities. All current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or disbursed.

The District-wide Financial Statements report the District's net positions and how they have changed. Net positions, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net positions are an indicator of whether its financial position has improved or diminished. The causes of this change may be a result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the District-wide Financial Statements, the District's activities are divided into two categories, governmental and business-type activities.

- Governmental activities - All of the District's programs and services are reported here including, but not limited to regular and special education instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities. Property taxes and state formula aid finance most of these activities.

- Business-type activities - These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. District charges fees to help it cover the costs of certain services it provided. The food service activities (i.e. food, commodities and supplies) are reported as business activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on major funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (i.e. long-term debt) or to show that it is properly using certain restricted revenues (i.e. entitlement grants).

The District maintains three financial funds:

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

- Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide financial statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flow.

- Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

BOROUGH OF GARWOOD SCHOOL DISTRICT
GARWOOD, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED

Financial Analysis of the District as a Whole

The District's combined net positions have decreased from the 2012-2013 fiscal year. The net positions from governmental funds decreased $989,142.03. Net positions from business-type activities decreased $21,604.45. Table A-1 below reflects the District's net positions as a whole. Table A-2 reflects the changes in net positions from operating results.

Table A-1
Condensed Statement of Net Positions

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	Change
Current and Other Assets	$1,177,636.64	$1,279,406.87	$57,375.16	$76,290.46	$1,235,011.80	$1,355,697.33	-8.90%
Capital Assets	6,698,340.22	7,676,730.87	21,981.08	25,212.57	6,720,321.30	7,701,943.44	-12.75%
Total Assets	7,875,976.86	8,956,137.74	79,356.24	101,503.03	7,955,333.10	9,057,640.77	-12.17%
Long-Term Liabilities	7,114,467.35	7,203,302.50			7,114,467.35	7,203,302.50	-1.23%
Short-Term Liabilities	511,569.44	362,999.95	1,703.63	2,245.97	513,273.07	365,245.92	40.53%
Total Liabilities	7,626,036.79	7,566,302.45	1,703.63	2,245.97	7,627,740.42	7,568,548.42	0.78%
Net Positions:							
Net Investment In Capital Assets	(465,395.65)	400,805.68	21,981.08	25,212.57	(443,414.57)	426,018.25	-204.08%
Restricted	802,545.65	766,562.34			802,545.65	766,562.34	4.69%
Unrestricted	63,543.26	222,467.27	55,671.53	74,044.49	119,214.79	296,511.76	-59.79%
Total Net Positions	$400,693.26	$1,389,835.29	$77,652.61	$99,257.06	$478,345.87	$1,489,092.35	-67.88%

Table A-2
Changes in Net Positions from Operating Results

	FY 2014	FY 2013
Revenue:		
Program Revenue:		
Charges for Services	$81,891.34	$69,042.50
Operating Grants and Contributions	621,557.95	665,518.34
General Revenue:		
Property Taxes	7,417,880.00	7,258,780.00
Federal and State Aid	522,192.00	524,546.00
Other	105,755.35	127,102.34
Total Revenue	8,749,276.64	8,644,989.18
Expenses/Indirect Allocations:		
Instruction	6,075,560.29	5,981,029.02
Student & Instructional Related Services	650,855.38	646,257.82
Administrative and Business	606,427.39	595,539.54
Maintenance & Operations	555,695.66	647,667.78
Transportation	291,064.13	346,793.50
Other	1,215,234.99	1,073,009.54
Total Expenses	9,394,837.84	9,290,297.20
Increase/(Decrease) in Net Positions	($645,561.20)	($645,308.02)

Sources of Revenue for Fiscal Year 2014

The District's total revenue for the 2013-2014 school year was $8,749,276.64 as reflected in Table A-3 below. Property taxes accounted for 84.8 percent of the total revenue with the other 15.2 percent consisting of federal & state aid, charges for service, operating grants & contributions, and miscellaneous sources.

Table A-3
Sources of Revenue

	FY 2014		FY 2013	
Sources of Revenue	Amount	Percentage	Amount	Percentage
Property Taxes	$7,417,880.00	84.79%	$7,258,780.00	83.97%
Federal & State Aid Unrestricted	522,192.00	5.97%	524,546.00	6.07%
Operating Grants & Contributions	621,557.95	7.10%	665,518.34	7.70%
Charges for Services	81,891.34	0.94%	69,042.50	0.80%
Other Sources	105,755.35	1.21%	127,102.34	1.47%
	$8,749,276.64	100.00%	$8,644,989.18	100.00%

Expenses & Indirect Costs Allocated for the Fiscal Year 2014

The total expenditures for the 2013-2014 fiscal year for all programs and services were $9,394,837.84. Table A-4 below summarizes these program costs. The District's expenses are predominantly related to instructing, providing services and transporting students, grades kindergarten through twelve, which accounts for 84.55 percent of the total District costs. Administrative and business expenses account for the costs of the Office of the Superintendent of Schools, the Business Office, and the Principal's Offices in both school buildings. Maintenance and operations account for the costs of keeping the school buildings and grounds safe, clean and in good operating condition, and includes all the utility costs related to the school facilities. Other costs include interest on long-term debt, unallocated depreciation expense and the costs of the business-type activities of the proprietary funds.

Table A-4
Expenses & Indirect Costs Allocated

	FY 2014		FY 2013	
Expense Category	Amount	Percentage	Amount	Percentage
Instruction	$6,075,560.29	64.67%	$5,981,029.02	64.39%
Student & Instructional Related Services	650,855.38	6.93%	646,257.82	6.96%
Administrative and Business	606,427.39	6.45%	595,539.54	6.41%
Maintenance & Operations	555,695.66	5.91%	647,667.78	6.97%
Transportation	291,064.13	3.10%	346,793.50	3.73%
Other	1,215,234.99	12.94%	1,073,009.54	11.55%
	$9,394,837.84	100.00%	$9,290,297.20	100.00%

Governmental Activities

Table A-5 presents the net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs) of six major District activities: instruction, student and instructional services, administration and business, maintenance and operations, transportation, and other. The net cost shows the financial burden placed on the District's taxpayers and the state by each of these functions.

Table A-5
Net Cost of Governmental Activities

	FY 2014		FY 2013	
Function/Program	Amount	Percentage	Amount	Percentage
Instruction	$5,629,047.88	64.76%	$5,488,846.55	64.14%
Student & Instruction Related Services	576,624.36	6.63%	568,056.28	6.64%
Administrative and Business	552,637.33	6.36%	539,963.43	6.31%
Maintenance & Operations	555,695.66	6.39%	647,667.78	7.57%
Transportation	288,373.65	3.32%	344,036.30	4.02%
Other	1,089,009.67	12.53%	967,166.02	11.30%
	$8,691,388.55	100.00%	$8,555,736.36	100.00%

General Fund Budgeting Highlights

The District's budget is prepared according to New Jersey Statutes and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting.

Over the course of the year, the Board of Education approved revisions to the general fund budget as needed. These budget amendments were necessary for the following reasons:

- Realign budgeted salary accounts as needed to account for staff transfers to various programs.
- Realigned appropriations in accordance with the prescribed chart of accounts as modified by the comprehensive educational improvement and financing act.
- Transferred from unexpended appropriations to purchase teaching materials and equipment to meet various program needs.

Capital Assets

Table A-6 reflects the comparative balances of capital assets net of depreciation. The detail of the changes in capital assets is reflected in Note 3 to the financial statements.

Table A-6
Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	Change
Land and Site Improvements	$210,806.00	$210,806.00			$210,806.00	$210,806.00	0.000%
Building and Building Improvements	6,407,155.58	7,181,381.82			6,407,155.58	7,181,381.82	-10.781%
Machinery and Equipment	80,378.64	58,547.67	$21,981.08	$25,212.57	102,359.72	83,760.24	22.206%
Total Assets	$6,698,340.22	$7,450,735.49	$21,981.08	$25,212.57	$6,720,321.30	$7,475,948.06	-10.107%

Debt Administration

At June 30, 2014 the District had $7,383,214.06 of outstanding long-term debt, consisting of bonds payable, capital leases payable and compensated absences. The District will continue to pay down its debt, as the obligations are due. Table A-7 reflects the comparison of outstanding debt for the past two fiscal years. More information of the District's long-term debt is presented in Note 4 to the financial statements.

Table A-7
Outstanding Long-term Debt

	Total School Debt		Total
	FY 2014	FY 2013	Percentage Change
Capital Leases	$29,489.06	$42,562.59	-30.72%
Compensated Absences	68,725.00	75,750.00	-9.27%
Bonds Payable	7,285,000.00	7,530,000.00	-3.25%
	$7,383,214.06	$7,648,312.59	-3.47%

The District's Future

The Garwood School District is currently in an acceptable financial position. The District has experienced a State mandated reduction in surplus and a 2% budget cap which limits the Board of Education's ability to expand programs for children. In addition, continual increases in fixed costs above the rate of inflation have forced a shifting of the burden to the local level. Garwood is a small borough attempting to deal with a variety of evolving factors that could impact its future development and the already burdened taxpayers. Some of the most pressing issues include loss of major industries, large vacant industrial properties, and state/federal mandates that do not come with implementation funding. Yet, with all of the above challenges, the Garwood School District continues to provide a quality education experience preparing students to be lifelong learners, good citizens and involved community members.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Business Administrator/Board Secretary's office, Garwood Board of Education, 400 Second Avenue, Garwood, New Jersey 07027. Also, please visit our website to learn more about our School District.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2014.

DISTRICT-WIDE FINANCIAL STATEMENTS

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

EXHIBIT "A-1"

BOROUGH OF GARWOOD SCHOOL DISTRICT
STATEMENT OF NET POSITIONS
JUNE 30, 2014

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$ 512,222.80	$ 53,524.56	$ 565,747.36
Receivables, net	279,755.00	3,850.60	283,605.60
Restricted assets:			
Restricted cash and cash equivalents	385,658.84		385,658.84
Capital assets:			
Land	210,806.00		210,806.00
Other capital assets, net	6,487,534.22	21,981.08	6,509,515.30
Total assets	$ 7,875,976.86	$ 79,356.24	$ 7,955,333.10
DEFERRED OUTFLOWS			
Deferred amount on refunding bonds	$ 150,753.19	$	$ 150,753.19
	$ 150,753.19	$	$ 150,753.19
LIABILITIES			
Accounts payable	$ 126,666.82	$ 21.25	$ 126,688.07
Unearned revenue	976.74	1,682.38	2,659.12
Accrued interest payable	115,179.17		115,179.17
Noncurrent liabilities:			
Due within one year	268,746.71		268,746.71
Due beyond one year	7,114,467.35		7,114,467.35
Total liabilities	$ 7,626,036.79	$ 1,703.63	$ 7,627,740.42
NET POSITIONS			
Net investment in capital assets	$ (465,395.65)	$ 21,981.08	$ (443,414.57)
Restricted for:			
Capital projects	179,455.09		179,455.09
Other purposes	623,090.56		623,090.56
Unrestricted	63,543.26	55,671.53	119,214.79
Total net positions	$ 400,693.26	$ 77,652.61	$ 478,345.87

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT "A-2"

BOROUGH OF GARWOOD SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2014

FUNCTIONS/PROGRAMS	EXPENSES	INDIRECT EXPENSES ALLOCATION	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: GOVERNMENTAL ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: BUSINESS-TYPE ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: TOTAL
Governmental Activities:							
Instruction:							
Regular	$ 3,728,707.55	$ 539,546.37	$	$ 200,688.00	$ (4,067,565.92)	$	$ (4,067,565.92)
Special education	1,504,966.35	246,310.20		240,261.36	(1,511,015.19)		(1,511,015.19)
Other	40,839.63	15,190.19		5,563.05	(50,466.77)		(50,466.77)
Support services:							
Student and instruction related services	471,034.98	179,820.40		74,231.02	(576,624.36)		(576,624.36)
General administrative services	190,532.27	53,110.99		19,533.41	(224,109.85)		(224,109.85)
School administrative services	161,003.79	55,956.86		20,579.09	(196,381.56)		(196,381.56)
Central services	97,063.47	37,158.38		13,677.56	(120,544.29)		(120,544.29)
Administration information technology	10,114.51	1,487.12			(11,601.63)		(11,601.63)
Plant operations and maintenance	494,019.36	61,676.30			(555,695.66)		(555,695.66)
Student transportation services	287,377.57	3,686.56		2,690.48	(288,373.65)		(288,373.65)
Unallocated benefits	1,193,943.37	(1,193,943.37)					
Unallocated depreciation	795,670.27				(795,670.27)		(795,670.27)
Interest on long term debt	271,734.95				(271,734.95)		(271,734.95)
Total governmental activities	$ 9,247,008.07	$	$	$ 577,223.97	$ (8,669,784.10)	$	$ (8,669,784.10)
Business-type activities:							
Food Service Fund	$ 147,829.77	$	$ 81,891.34	$ 44,333.98	$	$ (21,604.45)	$ (21,604.45)
Total business-type activities	$ 147,829.77	$	$ 81,891.34	$ 44,333.98	$	$ (21,604.45)	$ (21,604.45)
Total primary government	$ 9,394,837.84	$	$ 81,891.34	$ 621,557.95	$ (8,669,784.10)	$ (21,604.45)	$ (8,691,388.55)
General Revenues:							
Taxes:							
Property taxes - general					$ 7,114,684.00	$	$ 7,114,684.00
Property taxes - debt service					303,196.00		303,196.00
Federal and state aid not restricted					522,192.00		522,192.00
Miscellaneous income					105,755.35		105,755.35
Total general revenues					$ 8,045,827.35	$	$ 8,045,827.35
Change in net position					$ (623,956.75)	$ (21,604.45)	$ (645,561.20)
Net position - beginning					1,024,650.01	99,257.06	1,123,907.07
Net position - ending					$ 400,693.26	$ 77,652.61	$ 478,345.87

The accompanying Notes to the Financial Statements are an integral part of this statement.

MAJOR FUND FINANCIAL STATEMENTS

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

EXHIBIT "B-1"
SHEET #1

BOROUGH OF GARWOOD SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

ASSETS AND OTHER DEBITS:	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
Assets:					
Cash and cash equivalents	$ 479,397.44	$ 470.74	$ 50.09	$ 32,304.53	$ 512,222.80
Capital reserve account	385,658.84				385,658.84
Accounts receivable:					
State	93,525.36		179,405.00		272,930.36
Federal		6,381.00			6,381.00
Interfund	443.64				443.64
Total assets	$ 959,025.28	$ 6,851.74	$ 179,455.09	$ 32,304.53	$ 1,177,636.64
FUND BALANCES:					
Liabilities:					
Accounts payable	$ 120,791.82	$ 5,875.00	$	$	$ 126,666.82
Deferred revenue		976.74			976.74
Total liabilities	$ 120,791.82	$ 6,851.74	$	$	$ 127,643.56
Fund balances:					
Restricted for:					
Capital reserve	$ 590,659.56	$	$	$	$ 590,659.56
Tuition adjustment reserve	500.00				500.00
Capital projects fund			179,455.09		179,455.09
Debt service fund				373.53	373.53
Assigned for:					
Year-end encumbrances	1,664.90				1,664.90
Committed for:					
Designated for subsequent years expenditures				31,931.00	31,931.00
Unassigned:					
General Fund	245,409.00				245,409.00
Total fund balances	$ 838,233.46	$	$ 179,455.09	$ 32,304.53	$ 1,049,993.08
Total liabilities and fund balances	$ 959,025.28	$ 6,851.74	$ 179,455.09	$ 32,304.53	$ 1,177,636.64

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT "B-1"
SHEET #2

BOROGH OF GARWOOD SCHOOL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

Total Fund Balances (Brought Forward)		$ 1,049,993.08
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.		
Cost of Assets	$ 12,556,486.58	
Accumulated Depreciation	(5,858,146.36)	
		6,698,340.22
Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Serial bonds payable	$ (7,285,000.00)	
Original Issue Premium, net	(402,266.56)	
Deferred Amount on Refunding Bonds, net	553,019.75	
Capital leases payable	(29,489.06)	
Compensated absences payable	(68,725.00)	
		(7,232,460.87)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accrued Interest Payable		(115,179.17)
Net Positions of Governmental Activities		$ 400,693.26

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT "B-2"

BOROUGH OF GARWOOD SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local sources:					
Local tax levy	$ 7,114,684.00	$	$	$ 303,196.00	$ 7,417,880.00
Miscellaneous revenues	105,382.79	2,854.71		372.56	108,610.06
Total revenues-local sources	$ 7,220,066.79	$ 2,854.71	$	$ 303,568.56	$ 7,526,490.06
State sources	$ 941,818.26	$	$	$	$ 941,818.26
Federal sources		154,743.00			154,743.00
Total revenues	$ 8,161,885.05	$ 157,597.71	$	$ 303,568.56	$ 8,623,051.32
EXPENDITURES:					
Current expense:					
Instruction:					
Regular	$ 1,424,484.61	$	$	$	$ 1,424,484.61
Special education	563,627.12	149,286.71			712,913.83
Other instruction	40,839.63				40,839.63
Support services:					
Tuition	3,071,712.52				3,071,712.52
Student and instruction related services	462,723.98	8,311.00			471,034.98
General administrative services	190,532.27				190,532.27
School administrative services	161,003.79				161,003.79
Central services	97,063.47				97,063.47
Administration information technology	10,114.51				10,114.51
Plant operations and maintenance	494,019.36				494,019.36
Student transportation services	287,377.57				287,377.57
Employee benefits	1,200,968.37				1,200,968.37
Capital outlay	80,911.47				80,911.47
Debt service:					
Principal				245,000.00	245,000.00
Interest				265,315.64	265,315.64
Total expenditures	$ 8,085,378.67	$ 157,597.71	$	$ 510,315.64	$ 8,753,292.02
Excess (deficiency) of revenues over (under) expenditures	$ 76,506.38	$	$	$ (206,747.08)	$ (130,240.70)
Other financing sources (uses):					
Operating transfer out	$	$	$ (203,084.00)	$	$ (203,084.00)
Operating transfer in				203,084.00	203,084.00
Total financing sources(uses):	$	$	$ (203,084.00)	$ 203,084.00	$
Net change in fund balances	$ 76,506.38	$	$ (203,084.00)	$ (3,663.08)	$ (130,240.70)
Fund balances, July 1, 2013	761,727.08	-0-	382,539.09	35,967.61	1,180,233.78
Fund balances, June 30, 2014	$ 838,233.46	$ -0-	$ 179,455.09	$ 32,304.53	$ 1,049,993.08

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT "B-3"

BOROUGH OF GARWOOD SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Total net change in fund balances - governmental funds (from B-2)		$ (130,240.70)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.		
Depreciation expense	$ (795,670.27)	
Capital outlays (Net, excl. uncapitalized outlays)	43,275.00	
		(752,395.27)
Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position and is not reported in the statements of activities.		
Paid - principal on bond		245,000.00
Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.		
Original issue premium on refunding bonds	$ 17,862.94	
Deferred amount on refunding bond payments to escrow agent	(24,557.25)	
		(6,694.31)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		
Payment of capital leases payable		13,073.53
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.		275.00
In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
Decrease in compensated absences payable	$ 7,025.00	
		7,025.00
Change in net position of governmental activities		$ (623,956.75)

The accompanying Notes to the Financial Statemets are an integral part of this statement.

OTHER FUNDS

EXHIBIT "B-4"

BOROUGH OF GARWOOD SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2014

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND NON-MAJOR FUND FOOD SERVICE
ASSETS:	
Current assets:	
Cash and cash equivalents	$ 53,524.56
Accounts receivable:	
State	120.14
Federal	3,017.95
Inventories	712.51
Total current assets	$ 57,375.16
Noncurrent assets:	
Furniture, machinery & equipment	$ 50,892.39
Less accumulated depreciation	(28,911.31)
Total noncurrent assets	$ 21,981.08
Total assets	$ 79,356.24
LIABILITIES	
Current liabilities:	
Accounts Payable	$ 21.25
Prepaid lunch fees	1,590.41
Deferred revenue	91.97
Total current liabilities	$ 1,703.63
Total liabilities	$ 1,703.63
NET POSITION	
Net investment in capital assets	$ 21,981.08
Unrestricted	55,671.53
Total net position	$ 77,652.61

EXHIBIT "B-5"

BOROUGH OF GARWOOD SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND NON-MAJOR FUND FOOD SERVICE
OPERATING REVENUES:	
Charges for services:	
Lunch sales	$ 81,891.34
Total operating revenues	$ 81,891.34
OPERATING EXPENSES:	
Cost of sales	$ 59,913.77
Salaries	63,229.47
Employee benefits	6,677.65
Other purchased services	7,455.00
Miscellaneous	7,322.39
Depreciation	3,231.49
Total operating expenses	$ 147,829.77
Operating income (loss)	$ (65,938.43)
NONOPERATING REVENUES:(EXPENSES)	
State sources	
State school lunch program	$ 1,384.43
Federal sources	
National school lunch program	33,942.22
National food distribution commodities	8,875.23
Interest revenue	132.10
Total nonoperating revenues (expenses)	$ 44,333.98
Change in net position	$ (21,604.45)
Total net position - July 1	99,257.06
Total net position - June 30	$ 77,652.61

EXHIBIT "B-6"

BOROUGH OF GARWOOD SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND NON-MAJOR FUND FOOD SERVICE
Cash flows from operating activities:	
Receipts from customers	$ 81,582.84
Payments to employees	(58,973.22)
Payments to employee benefits	(6,677.65)
Payment to suppliers	(74,183.90)
Net cash provided (used for) by operating activities	$ (58,251.93)
Cash flows from noncapital financing activities:	
State sources	$ 1,340.56
Federal sources	41,342.36
Net cash provided by (used for) noncapital financing activities	$ 42,682.92
Cash flows from investing activities:	
Interest on investments	$ 132.10
Net cash provided by (used for) investing activities	$ 132.10
Net increase (decrease) in cash and cash equivalents	$ (15,436.91)
Cash and cash equivalents- July 1	68,961.47
Cash and cash equivalents- June 30	$ 53,524.56
Operating income (loss)	$ (65,938.43)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	3,231.49
Change in assets and liabilities:	
(Increase) Decrease in inventory	486.01
(Increase) Decrease in accounts receivable	4,256.25
Increase (Decrease) in accounts payable	21.25
Increase (Decrease) in prepaid sales	(308.50)
Net cash provided (used) by operating activities	$ (58,251.93)

EXHIBIT "B-7"

BOROUGH OF GARWOOD SCHOOL DISTRICT
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014

	AGENCY FUNDS		STATE UNEMPLOYMENT COMPENSATION TRUST
	STUDENT ACTIVITY	PAYROLL & AGENCY	
ASSETS			
Cash and cash equivalents	$ 18,564.39	$ 264.06	$ 31,442.84
Total assets	$ 18,564.39	$ 264.06	$ 31,442.84
LIABILITIES			
Due to student groups	$ 18,564.39	$	$
Payroll deductions and withholdings		(179.58)	
Interfund payable		443.64	
Total liabilities	$ 18,564.39	$ 264.06	$
NET POSITION			
Held in trust for state unemployment	$	$	$ 31,442.84
Total net position	$ -0-	$ -0-	$ 31,442.84

EXHIBIT "B-8"

BOROUGH OF GARWOOD SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	STATE UNEMPLOYMENT COMPENSATION TRUST
ADDITIONS:	
Contributions:	
Withholdings	$ 5,178.01
Board contribution	30,000.00
Total contributions	$ 35,178.01
Investment earnings:	
Interest	$ 11.37
Net investment earnings	$ 11.37
Total additions	$ 35,189.38
DEDUCTIONS:	
Trust expenditures	
Unemployment claims	$ 9,548.85
Total deductions	$ 9,548.85
Change in net position	$ 25,640.53
Net position - July 1	$ 5,802.31
Net position - June 30	$ 31,442.84

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Borough of Garwood School District is a Type II District located in Union County, New Jersey. The District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected official and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

The primary criterion for including activities within the District's reporting entity are set forth in Statement No. 39 of the Governmental Accounting Standards Board entitled *"Determining Whether Certain Organizations are Component Units"* (GASB 14) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Organizations that are legally separate, tax-exempt entities and that meet *all* of the following criteria should be discreetly presented as component units. These criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government.

2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources of the organization.

3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include one elementary school. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting

The District's basic financial statements consist of District-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Basis of Presentation

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay sub-fund.

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund – The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed 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 expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the State to offset the cost of approved capital projects.

Debt Service Fund – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

Enterprise Fund - The enterprise 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 to the students on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Fund Types -

Agency Funds - The agency funds are used to account for assets held by the district on behalf of others and are custodial in nature. The agency funds included in this category are as follows:

Unemployment Compensation Insurance Trust Fund - A trust fund used to account for assets to finance the costs of unemployment benefits. Since the Board has adopted the direct reimbursement method, the District is under obligation to appropriate sufficient funds out of its general fund and hold them in trust for this purpose.

Payroll and Student Activities Funds (Agency) - These are agency funds 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting - Measurement Focus

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

District-wide, Proprietary, and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Account Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 School Board election to the date of the November general election thereby eliminating the vote on the annual base budget unless required by the mandated State budget CAP. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(f)1. Expenditures may not legally exceed budgeted appropriations at the line item level. All budget amendments and transfer must be approved by School Board resolution. Budget amendments during the year ended June 30, 2014 totaled zero. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

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

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 records.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund and capital projects fund for which the District has received advances are reflected in the balance sheet as unearned revenues at fiscal year-end.

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

Interfunds

Interfund receivables and payables arise from transactions between particular funds and are considered short term in duration. The interfund transactions are recorded by all funds affected in the period in which the transactions are executed and are part of the district's available expendable resources.

Inventories and Prepaid Expenses

Inventories of materials and supplies held for consumption in the governmental funds are recorded as expenditures at the time of purchase and year end balances are not reported in the financial statements.

Inventories of food and/or supplies in the food service fund are recorded at cost on a first-in, first-out basis or, in the case of Food Distribution Commodities, at stated value which approximates market.

Prepaid expenses which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure in the year of purchase.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The District has an established formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated in the district-wide statements using the straight-line method over the following estimated useful lives:

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

Compensated Absences

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

District employees are granted varying amounts of sick days in accordance with the District's employment contract and personnel policy. Upon retirement, employees with accumulated sick days are eligible to be compensated up to $9,000. The rate of compensation is $50.00 per day in accordance with the contract.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick days that are expected to become eligible for payment upon retirement. The District estimates its accrued compensated absences liability based on the accumulated sick days at the balance sheet date by those employees who are currently eligible to receive retirement payments.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

Fund balance restrictions are used to indicate that portion of the fund balance that is not available for expenditures or is legally segregated for a specific future use. Designations of portions of the fund balances are established to indicate tentative plans for financial utilization in a future period. The unreserved fund balances represent the amount available for future budgetary operations.

Unrestricted retained earnings represent the remains of the District's equity in the cumulative earnings of the food service fund.

Unearned Revenue

Unearned revenue in the special revenue and capital projects funds represents funds which have been received but not yet earned. A corresponding accounts receivable has also been established for any open encumbrances at year end which is an allowable under generally accepted accounting principles.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

Net Position

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Restrictions

The restricted fund balance classification includes amounts that are subject to externally enforceable legal restriction such as by constitutional provision, enabling legislation or other government imposed restrictions. The committed fund balance classification includes amounts constrained for a specific purpose by a government using its highest decision-making authority. The assigned fund balance classification includes amounts for all funds, other than the general fund with any remaining positive balances not already classified as restricted or committed. For the general fund, amounts constrained with the intent to be used for a specific purpose by the governing board or an official delegated authority by the board. The unassigned fund balance classification includes for the general fund, amounts not classified as restricted, committed or assigned. The general fund is the only fund that will report a positive unassigned fund balance. For all other governmental funds the amount of a residual deficit would be classified as unassigned. Fund balance restrictions have been established for excess surplus, excess surplus-designated for subsequent year's expenditures, capital reserve and emergency reserve.

Revenues Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues Exchange and Non-Exchange Transactions (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from property taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, interest, and tuition.

Proprietary Funds Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District enterprise funds are charges to customers for sales of food service. Operating expenses for enterprise funds include the cost of sales and services, administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Allocation of Indirect Expenses

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent of occurrence. Special items are transactions or events that are within control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

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.

Recent Accounting Pronouncements

On July 1 2013 the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"). This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Board considers petty cash, change funds, cash in banks, certificates of deposits, deposits in the New Jersey Cash Management Fund, deposits in the governmental money market fund, deposits in the New Jersey Asset and Rebate Management Program and short term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a Banking Institution that is a member of the Federal Reserve System, and has capital funds of not less than $25,000,000.00. Under (GUDPA), 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 the deposits to the governmental unit.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

The Borough of Garwood School District had the following cash and cash equivalents at June 30, 2014:

	Cash in Bank	Reconciling Items	Reported Total
General Fund	$ 1,669,253.23	($804,196.95)	$ 865,056.28
Special Revenue Fund	470.74		470.74
Capital Projects Fund	50.09		50.09
Debt Service Fund	32,304.53		32,304.53
Enterprise Fund	53,524.56		53,524.56
Trust & Agency Fund	119,969.28	(69,697.99)	50,271.29
	$ 1,875,572.43	($873,894.94)	$ 1,001,677.49

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2014, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, $250,000.00 was covered by Federal Depository Insurance and $1,625,572.43 was covered under the provisions of NJGUDPA.

Investments

The purchase of investments by the Board is strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Districts. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.

5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by School Districts;

6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or

8. Agreements for the repurchase of fully collateralized securities if:

    a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
    b. the custody of collateral is transferred to a third party;
    c. the maturity of the agreement is not more than 30 days;
    d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
    e. a master repurchase agreement providing for the custody and security of collateral is executed.

At June 30, 2014 the District had no outstanding investments. Based upon the limitation set forth by New Jersey Statutes 18A:20-37 and its existing investment practices, the District is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risks for its deposits and investments.

NOTE 3: CHANGE IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance	Additions	Subtractions	Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 210,806.00	$	$	$ 210,806.00
Total capital assets that are not depreciated	$ 210,806.00	$	$	$ 210,806.00
Capital assets being depreciated:				
Building and building improvements	$ 12,081,707.55	$	$	$ 12,081,707.55
Machinery and equipment	220,698.03	43,275.00		263,973.03
Total capital assets being depreciated	$ 12,302,405.58	$ 43,275.00	$	$ 12,345,680.58
Total gross assets	$ 12,513,211.58	$ 43,275.00	$	$ 12,556,486.58
Less: accumulated depreciation for:				
Building and building improvements	$ (4,900,325.73)	$ (774,226.24)	$	$ (5,674,551.97)
Machinery and equipment	(162,150.36)	(21,444.03)		(183,594.39)
	$ (5,062,476.09)	$ (795,670.27)	$	$ (5,858,146.36)
Governmental activities capital assets, net	$ 7,450,735.49	$ (752,395.27)	$	$ 6,698,340.22
Business type activities:				
Machinery and equipment	$ 50,892.39	$	$	$ 50,892.39
Less: accumulated depreciation	(25,679.82)	(3,231.49)		(28,911.31)
Proprietary fund capital assets, net	$ 25,212.57	$ (3,231.49)	$	$ 21,981.08

NOTE 4: LONG-TERM LIABILITIES

Bonds are issued by the District pursuant to the provisions of Title 18A, Education, of the New Jersey Statutes and are required to be approved by the voters of the municipality through referendum. The proceeds of bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond referendum. All bonds are retired in annual installments within the statutory period of usefulness.

School Bonds issued by the District are entitled to and benefit from the provision of the New Jersey School Board Reserve Act P.L. 1980 c.72. Basically, funds are held by the State of New Jersey within its State Fund for the Support of Free Public Schools as a school bond reserve pledged by law to secure payment of principal and interest due on such bonds in the event of the inability of the issuer to make payments.

At June 30, 2014, the District had no bonds or notes authorized but not issued.

The following is a summary of changes in liabilities that effect other long-term obligations for the year ended June 30, 2014.

	Balance 6/30/2013	Decreased	Balance 6/30/2014	Due Within One Year
Bonds	$7,530,000.00	$245,000.00	$7,285,000.00	$255,000.00
Capital Leases	42,562.59	13.073.53	29,489.06	13,746.71
Compensated Absences	75,750.00	7,025.00	68,725.00	
	$7,648,312.59	$265,098.53	$7,383,214.06	$268,746.71

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

Capital Leases Payable:

The Board has entered into a capital lease for copier equipment. The following is a schedule of the future minimum lease payments under capital lease, and the present value of the net minimum lease payments at June 30, 2014.

Year	Amount
2015	$14,987.00
2016	14,988.00
2017	1,249.00
Total Minimum Lease Payments	$31,224.00
Less: Amounts Representing Interest	1,734.94
Present Value of Minimum Lease Payments	$29,489.06

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

The annual requirements to amortize all debt outstanding as of June 30, 2014, including interest payments on issued debt, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2015	$ 255,000.00	$ 255,640.63	$ 510,640.63
2016	270,000.00	246,650.00	516,650.00
2017	280,000.00	238,400.00	518,400.00
2018	290,000.00	229,850.00	519,850.00
2019	305,000.00	220,925.00	525,925.00
2020	315,000.00	211,625.00	526,625.00
2021	330,000.00	200,300.00	530,300.00
2022	345,000.00	186,800.00	531,800.00
2023	360,000.00	172,700.00	532,700.00
2024	375,000.00	159,875.00	534,875.00
2025	390,000.00	148,400.00	538,400.00
2026	405,000.00	136,475.00	541,475.00
2027	420,000.00	124,100.00	544,100.00
2028	440,000.00	109,000.00	549,000.00
2029	460,000.00	91,000.00	551,000.00
2030	480,000.00	72,200.00	552,200.00
2031	500,000.00	52,600.00	552,600.00
2032	530,000.00	32,000.00	562,000.00
2033	535,000.00	10,700.00	545,700.00
	$ 7,285,000.00	$ 2,899,240.63	$ 10,184,240.63

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

The bonds issued and outstanding at year end are comprised of the following issue:

School Bonds

$8,839,000.00 of 2002 School Bonds, one installment of $225,000.00 due July 2014 at an interest rate of 4.125%	$ 225,000.00
$7,140,000.00 of 2012 School Bonds, due in annual installments of $270,000.00 to $535,000.00 through July 2032 at variable interest rates of 2.0% to 4.0%	$ 7,060,000.00
	$ 7,285,000.00

Under New Jersey Statutes the District may incur debt in an amount not to exceed 3% of the averaged equalized valuation basis of real property. For the fiscal year ended June 30, 2014, the District borrowing capacity under N.J.S. 18A:24-19 would be as follows:

Year	Equalized Valuation Of Real Property
2014	$640,334,213.00
2013	640,671,967.00
2012	650,345,029.00
	$1,931,351,209.00
Average equalized valuation of property	$643,783,736.30
School borrowing margin (3% of above)	$19,313,512.09
Net bonded school debt and authorized but not issued as of June 30, 2014	$7,285,000.00
School borrowing power available	$12,028,512.09

NOTE 5: PENSION PLANS

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

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

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

Defined Contribution Retirement Program (DCRP) The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

NOTE 5: PENSION PLANS (CONTINUED)

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PFRS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Vesting and Benefit Provisions The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

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

Contribution Requirements The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

NOTE 5: PENSION PLANS (CONTINUED)

Contribution Requirements

Effective June 28, 2011, P.L. 2011, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of TPAF (*i.e.* the State of New Jersey makes the employer contribution on behalf of public school districts).

Three-Year Trend Information for PERS

Year June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	$53,279.00	100.00%	$53,279.00
2013	55,402.00	100.00%	55,402.00
2012	66,472.00	100.00%	66,472.00

During the fiscal years ended June 30, 2014, 2013, and 2012, the State of New Jersey contributed $98,673.00, $142,430.00, and $71,845.00 respectively, excluding post-retirement medical, to the TPAF pension system on behalf of the District.

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District $157,813.26 during the year ended June 30, 2014 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

NOTE 6: GASB 45 – OTHER POST-RETIREMENT BENEFITS

For eligible retired employees, the School District participates in the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 *et seq.*, to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on state disability retirement. P.L. 2007, Chapter 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, 2013, there were 100,134 retirees eligible for post-retirement medical benefits, and the state contributed $1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. 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 Chapter 126, P.L. 1992, 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 $173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

NOTE 6: GASB 45 – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a 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 State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2014, 2013, and 2012 were $161,788.00, $161,052.00, and $144,427.00, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 7: LITIGATION

The Board attorney's letter advises that there is no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the Board of Education and which might materially affect the Board's financial position.

NOTE 8: CONTINGENCIES

The Board receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2013-2014 fiscal year were subject to the U.S. OMB A-133 and New Jersey OMB Circular 04-04 which mandates that grant revenues and expenditures be audited in conjunction with the Board's annual audit. Findings and questioned costs, if any, relative to federal awards and state financial assistance programs will be discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. Further, the School Child Nutrition Program is a recipient of federal reimbursements and is subject to certain related federal regulations. These federal reimbursements are subject to subsequent audit and interpretation by the New Jersey Department of Education. The Board management does not believe such an audit would result in material amounts of disallowed costs.

NOTE 9: 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. The District maintains commercial coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

Fiscal Year	Interest Earned	Board &Employee Contributions	Amount Reimbursed	Ending Balance
2013-14	$ 11.37	$ 35,178.01	$ 9,548.85	$ 31,442.84
2012-13	14.71	53,055.75	47,368.38	5,802.31
2011-12	17.43	27,169.68	31,867.06	100.23

NOTE 10: FUND BALANCE APPROPRIATED

General Fund - Of the $879,059.46 in General Fund Balance at June 30, 2014, $1,664.90 has been assigned for encumbrances; $590,659.56 has been restricted in the Capital Reserve Account; $500.00 has been restricted for Tuition Adjustment Reserve; and $286,235.00 is unassigned.

NOTE 11: CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A.18A:7F-7, as amended by P.L. 2004, c73 (S1701), the Restricted Fund Balance Excess Surplus is a required calculation pursuant to the New Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance resulting from the year ended June 30, 2014 is $-0-.

NOTE 11: CALCULATION OF EXCESS SURPLUS (CONTINUED)

General Fund Expenditures Fiscal Year Ended June 30, 2014	$8,085,378.67
Less:	
On-Behalf TPAF Pension and Social Security Reimbursement	418,274.26
Adjusted General Fund Expenditures	$7,667,104.41
Excess Surplus Percentage	2.00%
2% of Adjusted 2013-14 General Fund Expenditures	$153,342.09
Greater of line above or $250,000.00	250,000.00
Add: Allowable Adjustments	36,235.00
Maximum Unreserved/Undesignated Fund Balance	$286,235.00
Total Unreserved/Undesignated Fund Balance	286,235.00
General Fund Expenditures:	
Excess Surplus	$0.00

NOTE 12: CAPITAL RESERVE ACCOUNT

A capital reserve account was originally established by the Borough of Garwood School District by inclusion of $180,005.00 in the fiscal year 2001 budget, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget. The balance remaining in the reserve as of June 30, 2014 is $590,659.56.

NOTE 12: CAPITAL RESERVE ACCOUNT (CONTINUED)

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2013 to June 30, 2014 fiscal year is as follows:

Beginning balance, July 1, 2013	$384,023.25
Increased by:	
Board approved transfer	205,000.72
Interest earnings	1,635.59
Ending balance, June 30, 2014	$590,659.56

NOTE 13: DEFERRED COMPENSATION

The District offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans 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. Since the District does not have any property or rights to the plan assets and no fiduciary relationship exists between the District and the deferred compensation plan, the plan assets are not included in the District's financial statements as of June 30, 2014.

NOTE 14: INTERFUNDS

The following interfund balances remained on the District's balance sheet at June 30, 2014:

FUND	INTERFUND RECEIVABLE	INTERFUND PAYABLE
General Fund	$ 443.64	
Fiduciary Fund		$ 443.64
	$ 443.64	$ 443.64

All balances resulted from the time lag between the dates that short term loans were disbursed and payment between funds was received.

NOTE 15: INVENTORY

Inventory in the Food Service Fund at June 30, 2014 consisted of the following:

Food, Commodities and Supplies	$712.51

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

NOTE 16: SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the financial statement date through November 10, 2014 which is the date the financial statements were available to be issued. Based upon this evaluation, the District has determined that there are no subsequent events needed to be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION – Part II

BUDGETARY COMPARISON SCHEDULES

EXHIBIT "C-1"
Sheet #1

BOROUGH OF GARWOOD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
Local sources:					
Local tax levy	$ 7,114,684.00	$	$ 7,114,684.00	$ 7,114,684.00	$
Other local government units	12,000.00		12,000.00	12,000.00	
Tuition from other LEA's within state	59,668.00		59,668.00	68,618.23	8,950.23
Unrestricted miscellaneous revenues	39,700.00		39,700.00	23,128.97	(16,571.03)
Interest earned on capital reserve				1,635.59	1,635.59
Total revenues-local sources	$ 7,226,052.00	$	$ 7,226,052.00	$ 7,220,066.79	$ (5,985.21)
State sources:					
Extraordinary aid	$ 49,282.00	$	$ 49,282.00	$ 84,165.00	$ 34,883.00
Categorical special education aid	311,043.00		311,043.00	311,043.00	
Equalization aid	80,233.00		80,233.00	80,233.00	
Categorical security aid	9,695.00		9,695.00	9,695.00	
Adjustment aid	3,963.00		3,963.00	3,963.00	
Other state aids	1,805.00		1,805.00	3,157.00	1,352.00
Categorical transportation aid	31,288.00		31,288.00	31,288.00	
On-behalf TPAF pension & prm contribution (non-budgeted)				260,461.00	260,461.00
Reimbursed TPAF social security cont. (non-budgeted)				157,813.26	157,813.26
Total - state sources	$ 487,309.00	$	$ 487,309.00	$ 941,818.26	$ 454,509.26
Total revenues	$ 7,713,361.00	$	$ 7,713,361.00	$ 8,161,885.05	$ 448,524.05
EXPENDITURES:					
CURRENT EXPENSE:					
Instruction - regular programs:					
Salaries of teachers:					
Kindergarten	$ 146,294.00	$ 1,340.00	$ 147,634.00	$ 142,154.00	$ 5,480.00
Grades 1-5	791,136.00	(137,035.00)	654,101.00	635,196.60	18,904.40
Grades 6-8	444,907.00	7,490.00	452,397.00	451,340.54	1,056.46
Regular programs - home instruction:					
Salaries of teachers	2,000.00	(1,000.00)	1,000.00		1,000.00
Purchased professional service		6,000.00	6,000.00	3,894.00	2,106.00
Regular programs - undistributed instruction:					
Other salaries for instruction		12,155.00	12,155.00	12,153.49	1.51
Purchased technical service		1,300.00	1,300.00	1,252.08	47.92
General supplies	60,270.00	70,288.56	130,558.56	127,825.44	2,733.12
Textbooks	70,582.02	(24,812.87)	45,769.15	45,769.15	
Other objects	5,000.00	(100.69)	4,899.31	4,899.31	
Total regular programs - instruction	$ 1,520,189.02	$ (64,375.00)	$ 1,455,814.02	$ 1,424,484.61	$ 31,329.41

EXHIBIT "C-1"
Sheet #2

BOROUGH OF GARWOOD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Learning and language disabilities					
Salaries of teachers	$ 56,626.00	$ 21,790.00	$ 78,416.00	$ 77,959.25	$ 456.75
Other salaries for instruction	24,816.00		24,816.00	15,259.36	9,556.64
General supplies	500.00	61.00	561.00	555.35	5.65
Total learning and language disabilities	$ 81,942.00	$ 21,851.00	$ 103,793.00	$ 93,773.96	$ 10,019.04
Special education instruction:					
Resource room/resource center:					
Salaries of teachers	$ 290,166.00	$ 58,635.00	$ 348,801.00	$ 342,899.91	$ 5,901.09
Other salaries for instruction	66,340.00	31,660.00	98,000.00	97,997.53	2.47
General supplies	1,500.00	(61.00)	1,439.00	578.81	860.19
Total resource room/resource center:	$ 358,006.00	$ 90,234.00	$ 448,240.00	$ 441,476.25	$ 6,763.75
Preschool disabilities - part time:					
Salaries of teachers	$ 31,476.00	$	$ 31,476.00	$ 15,704.65	$ 15,771.35
Other salaries for instruction	6,034.00		6,034.00		6,034.00
General supplies	250.00		250.00	43.91	206.09
Total preschool disabilities - part time	$ 37,760.00	$	$ 37,760.00	$ 15,748.56	$ 22,011.44
Preschool disabilities - full time:					
Salaries of teachers	$	$ 12,630.00	$ 12,630.00	$ 12,628.35	$ 1.65
Total preschool disabilities - full time	$	$ 12,630.00	$ 12,630.00	$ 12,628.35	$ 1.65
Total special education	$ 477,708.00	$ 124,715.00	$ 602,423.00	$ 563,627.12	$ 38,795.88
Basic skills/ remedial - instruction					
General supplies	$ 100.00	$	$ 100.00	$ 19.96	$ 80.04
Total basic skills/ remedial - instruction	$ 100.00	$	$ 100.00	$ 19.96	$ 80.04
Bilingual education - instruction:					
General supplies	$ 100.00	$	$ 100.00	$	$ 100.00
Total bilingual education - intruction	$ 100.00	$	$ 100.00	$	$ 100.00
School-spon. Co/extra curr. Actvts.- inst:					
Salaries	$ 19,000.00	$ (300.00)	$ 18,700.00	$ 17,372.38	$ 1,327.62
Total school-spon. Co/extra curr. Actvts.-inst	$ 19,000.00	$ (300.00)	$ 18,700.00	$ 17,372.38	$ 1,327.62

EXHIBIT "C-1"
Sheet #3

BOROUGH OF GARWOOD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
School-sponsored athletics- instruction:					
Salaries	$ 16,375.00	$ 765.00	$ 17,140.00	$ 17,135.40	$ 4.60
Purchased services (300-500 series)	5,500.00		5,500.00	5,500.00	
Supplies and Materials	500.00	315.00	815.00	811.89	3.11
Total school sponsored athletics - instruction	$ 22,375.00	$ 1,080.00	$ 23,455.00	$ 23,447.29	$ 7.71
Undistributed expenditures:					
Instruction (tuition):					
Tuition to other LEAs within the state-regular	$ 2,320,360.00	$ (36,400.00)	$ 2,283,960.00	$ 2,279,660.00	$ 4,300.00
Tuition to other LEAs within the state-special	654,650.00	(214,565.00)	440,085.00	435,074.51	5,010.49
Tuition to priv.sch. For the disabled W/I state	212,996.00	143,990.00	356,986.00	356,978.01	7.99
Total undistributed expenditures - instruction (tuition)	$ 3,188,006.00	$ (106,975.00)	$ 3,081,031.00	$ 3,071,712.52	$ 9,318.48
Health services:					
Salaries	$ 58,887.00	$ 990.00	$ 59,877.00	$ 59,876.20	$ 0.80
Purchased professional and technical services	30,000.00	(29,165.00)	835.00	195.00	640.00
Other purchased services (400-500 series)	600.00		600.00	590.00	10.00
Supplies and materials	800.00	2,165.00	2,965.00	2,960.48	4.52
Total health services	$ 90,287.00	$ (26,010.00)	$ 64,277.00	$ 63,621.68	$ 655.32
Speech, OT, PT, and related SVCS:					
Salaries	$ 113,142.00	$	$ 113,142.00	$ 106,075.84	$ 7,066.16
Purchased professional - educational services	500.00	45,635.00	46,135.00	42,469.50	3,665.50
Supplies and Materials	1,500.00	100.00	1,600.00	1,591.02	8.98
Total speech, OT, PT, and related SVCS	$ 115,142.00	$ 45,735.00	$ 160,877.00	$ 150,136.36	$ 10,740.64
Guidance:					
Salaries of other professional staff	$ 38,791.00	$ 5.00	$ 38,796.00	$ 38,791.20	$ 4.80
Supplies and materials	1,000.00	130.00	1,130.00	1,127.59	2.41
Total guidance	$ 39,791.00	$ 135.00	$ 39,926.00	$ 39,918.79	$ 7.21
Child study teams:					
Salaries of other professional staff	$ 158,857.00	$ 1,405.00	$ 160,262.00	$ 160,258.78	$ 3.22
Salaries of secretarial and clerical assistance	20,252.00	(6,000.00)	14,252.00	13,265.70	986.30
Purchased professional - educational services	2,500.00	2,675.00	5,175.00	5,175.00	
Other purchased prof. and tech. services	1,500.00	(955.00)	545.00	260.00	285.00
Misc pur serv (400-500 series o/than resid costs)	300.00	(300.00)			
Supplies and materials	500.00	1,760.00	2,260.00	740.59	1,519.41
Other objects	200.00	(120.00)	80.00	60.00	20.00
Total child study teams	$ 184,109.00	$ (1,535.00)	$ 182,574.00	$ 179,760.07	$ 2,813.93

EXHIBIT "C-1"
Sheet #4

BOROUGH OF GARWOOD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Improvment of instuctional services:					
Salary of supervisor of instruction	$ 25,704.00	$ 515.00	$ 26,219.00	$ 26,218.08	$ 0.92
Supplies and materials	2,100.00		2,100.00		2,100.00
Total Improvment of instructional services	$ 27,804.00	$ 515.00	$ 28,319.00	$ 26,218.08	$ 2,100.92
Education media serv./library:					
Salaries	$ 1,600.00	$	$ 1,600.00	$	$ 1,600.00
Supplies and materials	500.00		500.00		500.00
Total education media serv./library	$ 2,100.00	$	$ 2,100.00	$	$ 2,100.00
Instructional staff training services:					
Salaries of other professional staff	$ 1,500.00	$ 1,570.00	$ 3,070.00	$ 3,069.00	$ 1.00
Other purchased services (400-500 series)	650.00		650.00		650.00
Total Instructional staff training services	$ 2,150.00	$ 1,570.00	$ 3,720.00	$ 3,069.00	$ 651.00
Support service - general administration:					
Salaries	$ 114,306.00	$ 6,480.00	$ 120,786.00	$ 120,780.73	$ 5.27
Legal services	35,000.00	(9,200.00)	25,800.00	21,394.52	4,405.48
Audit fees	16,100.00	2,200.00	18,300.00	18,300.00	
Other purchased professional services	3,400.00		3,400.00	3,400.00	
Communications / telephone	17,450.00		17,450.00	15,521.92	1,928.08
BOE other purchased services	1,850.00		1,850.00	557.98	1,292.02
Misc. purch serv (400-500) [other than 530 & 585]	5,000.00		5,000.00	3,588.00	1,412.00
General supplies	1,500.00	1.00	1,501.00	1,442.50	58.50
Miscellaneous expenditures	4,000.00		4,000.00	1,103.47	2,896.53
BOE membership dues and fees	5,500.00		5,500.00	4,443.15	1,056.85
Total support service - general administration	$ 204,106.00	$ (519.00)	$ 203,587.00	$ 190,532.27	$ 13,054.73
Support services - school administration:					
Salaries of principals/ assitant principals / program director	$ 90,583.00	$ 1,815.00	$ 92,398.00	$ 92,394.06	$ 3.94
Salaries of secretarial and clerical assistants	32,987.00	1,780.00	34,767.00	34,763.99	3.01
Purchased professional and technical services	8,000.00		8,000.00	7,850.00	150.00
Other purchased services (400-500 series)	24,000.00		24,000.00	23,495.39	504.61
Supplies and materials	1,500.00	274.00	1,774.00	1,752.07	21.93
Other objects	1,500.00	(275.00)	1,225.00	748.28	476.72
Total support services - school administration	$ 158,570.00	$ 3,594.00	$ 162,164.00	$ 161,003.79	$ 1,160.21

EXHIBIT "C-1"
Sheet #5

BOROUGH OF GARWOOD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Central services:					
Salaries	$ 79,876.00	$ 5,540.00	$ 85,416.00	$ 84,471.28	$ 944.72
Purchased professional services	5,000.00		5,000.00	4,421.76	578.24
Miscellaneous purchased services	7,700.00		7,700.00	7,615.24	84.76
Supplies and materials	2,000.00		2,000.00	555.19	1,444.81
Miscellaneous expenditures	2,000.00		2,000.00		2,000.00
Total central services	$ 96,576.00	$ 5,540.00	$ 102,116.00	$ 97,063.47	$ 5,052.53
Administration information technology:					
Salaries	$ 14,622.00	$	$ 14,622.00	$ 5,408.55	$ 9,213.45
Purchased technical services	7,350.00		7,350.00	4,705.96	2,644.04
Total administration information technology	$ 21,972.00	$	$ 21,972.00	$ 10,114.51	$ 11,857.49
Required maintenance for school facilities:					
Salaries	$ 24,281.00	$ 490.00	$ 24,771.00	$ 24,766.66	$ 4.34
Cleaning, repair, and maintenance services	50,500.00	3,080.00	53,580.00	51,903.08	1,676.92
General supples	8,050.00	(4,310.00)	3,740.00	2,242.22	1,497.78
Total required maintenance for school facilities	$ 82,831.00	$ (740.00)	$ 82,091.00	$ 78,911.96	$ 3,179.04
Custodial services:					
Salaries	$ 230,814.00	$ 11,970.00	$ 242,784.00	$ 196,947.52	$ 45,836.48
Purchased professional and technical services	700.00	2,205.00	2,905.00	2,905.00	
Cleaning, repair, and maintenance services	3,145.00	6,505.00	9,650.00	9,648.50	1.50
Other purchased property services	8,000.00		8,000.00	5,418.03	2,581.97
Insurance	42,000.00	(3,010.00)	38,990.00	34,318.00	4,672.00
Miscellaneous purchased services	1,500.00		1,500.00	1,315.00	185.00
General supplies	26,404.00	650.00	27,054.00	24,542.10	2,511.90
Energy (natural gas)	85,000.00	(47,850.89)	37,149.11	30,219.84	6,929.27
Energy (electricity)	95,000.00	12,907.36	107,907.36	107,904.02	3.34
Fuel		1,490.00	1,490.00	1,489.39	0.61
Miscellaneous Expenditures		400.00	400.00	400.00	
Total custodial services	$ 492,563.00	$ (14,733.53)	$ 477,829.47	$ 415,107.40	$ 62,722.07
Total operation and maintenance of plant services	$ 575,394.00	$ (15,473.53)	$ 559,920.47	$ 494,019.36	$ 65,901.11

EXHIBIT "C-1"
Sheet #6

BOROUGH OF GARWOOD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Student transportation services:					
Salaries for pupil transportation (bet home & sch)-reg.	$ 14,400.00	$	$ 14,400.00	$ 8,304.30	$ 6,095.70
Cleaning, repair, & maintenance services	12,050.00	(1,835.00)	10,215.00	10,212.11	2.89
Contract service (bet.home & sch)-vendors	179,338.00	(179,000.00)	338.00		338.00
Special education joint agreements		102,950.00	102,950.00	102,947.30	2.70
Contract service regular education		71,179.83	71,179.83	70,000.00	1,179.83
Contract service (spl.ed.students)- ESCs & CTSAs	78,144.00	6,307.17	84,451.17	84,451.17	
Contract service aid in lieu of payments - nonpublic school	10,000.00	343.00	10,343.00	9,458.80	884.20
Fuel		2,910.00	2,910.00	2,003.89	906.11
Total student transportation services	$ 293,932.00	$ 2,855.00	$ 296,787.00	$ 287,377.57	$ 9,409.43
Unallocated benefits - employee benefits:					
Social security contributions	$ 75,000.00	$ 509.28	$ 75,509.28	$ 58,469.84	$ 17,039.44
Other retirement contributions - PERS	70,000.00	(22,151.96)	47,848.04	47,848.04	
Unemployment compensation	30,000.00		30,000.00	30,000.00	
Workmen's compensation	47,500.00	(10,495.00)	37,005.00	37,005.00	
Health benefits	575,193.00	39,535.21	614,728.21	601,595.23	13,132.98
Tuition reimbursement	10,000.00	(2,224.00)	7,776.00	7,776.00	
Other employee benefits	19,000.00	(19,000.00)			
Total unallocated benefits - employee benefits	$ 826,693.00	$ (13,826.47)	$ 812,866.53	$ 782,694.11	$ 30,172.42
On-behalf TPAF pension (non-budgeted)				$ 98,673.00	$ (98,673.00)
On-behalf TPAF post retirement cont. (non-budgeted)				161,788.00	(161,788.00)
Reimbursed TPAF social security cont. (non-budgeted)				157,813.26	(157,813.26)
				$ 418,274.26	$ (418,274.26)
TOTAL UNDISTRIBUTED EXPENDITURES	$ 5,826,632.00	$ (104,395.00)	$ 5,722,237.00	$ 5,975,515.84	$ (253,278.84)
TOTAL EXPENDITURES - CURRENT EXPENSE	$ 7,866,104.02	$ (43,275.00)	$ 7,822,829.02	$ 8,004,467.20	$ (181,638.18)

EXHIBIT "C-1"
Sheet #7

BOROUGH OF GARWOOD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
CAPITAL OUTLAY:					
Equipment:					
School buses - special	$ 7,960.00	$	$ 7,960.00	$ 7,959.47	$ 0.53
Total equipment	$ 7,960.00	$	$ 7,960.00	$ 7,959.47	$ 0.53
Facilities acquisition and construction services:					
Construction services	$ 45,760.00	$ (2,485.00)	$ 43,275.00	$ 43,275.00	$
SDA assessment		45,760.00	45,760.00	29,677.00	16,083.00
Total facilities acquisition and construction services	$ 45,760.00	$ 43,275.00	$ 89,035.00	$ 72,952.00	$ 16,083.00
TOTAL CAPITAL OUTLAY	$ 53,720.00	$ 43,275.00	$ 96,995.00	$ 80,911.47	$ 16,083.53
TOTAL EXPENDITURES	$ 7,919,824.02	$	$ 7,919,824.02	$ 8,085,378.67	$ (165,554.65)
Excess (deficiency) of revenues Over (under) expenditures	$ (206,463.02)	$	$ (206,463.02)	$ 76,506.38	$ 282,969.40
Fund balance, July 1	$ 802,553.08	$	$ 802,553.08	$ 802,553.08	$
Fund balance, June 30	$ 596,090.06	$	$ 596,090.06	$ 879,059.46	$ 282,969.40

Recapitulation:	
Reserve for encumbrances	$ 1,664.90
Capital reserve	590,659.56
Restricted - Tuition Adjustment Reserve	500.00
Unassigned fund balance	286,235.00
	$ 879,059.46
Reconciliation to Government Fund Statements	
Last state aid payments not recognized on GAAP basis	$ (40,826.00)
fund balance per governmental funds (GAAP)	$ 838,233.46

EXHIBIT "C-2"

BOROUGH OF GARWOOD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR FISCAL YEARS ENDED JUNE 30, 2014

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
Federal sources	$ 122,109.00	$ 32,634.00	$ 154,743.00	$ 154,743.00	$
Other sources		3,831.45	3,831.45	2,854.71	(976.74)
Total revenues	$ 122,109.00	$ 36,465.45	$ 158,574.45	$ 157,597.71	$ (976.74)
EXPENDITURES:					
Instruction:					
Salaries of teachers	$ 30,506.00	$ 3,596.00	$ 34,102.00	$ 34,102.00	$
Other purchased services	91,603.00	21,052.00	112,655.00	112,655.00	
General supplies		3,506.45	3,506.45	2,529.71	976.74
Total instruction	$ 122,109.00	$ 28,154.45	$ 150,263.45	$ 149,286.71	$ 976.74
Support services:					
Purchased professional & technical services	$	$ 1,222.00	$ 1,222.00	$ 1,222.00	$
Personal services - employee benefits		7,089.00	7,089.00	7,089.00	
Total support services	$	$ 8,311.00	$ 8,311.00	$ 8,311.00	$
Total expenditures	$ 122,109.00	$ 36,465.45	$ 158,574.45	$ 157,597.71	$ 976.74

EXHIBIT "C-3"

BOROUGH OF GARWOOD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	$ 8,161,885.05	$ 157,597.71
Difference - budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and related revenue is recognized.		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	40,826.00	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(40,826.00)	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	$ 8,161,885.05	$ 157,597.71
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules	$ 8,085,378.67	$ 157,597.71
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	$ 8,085,378.67	$ 157,597.71

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

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

EXHIBIT "E-1"

BOROUGH OF GARWOOD SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	IDEA Basic	IDEA Preschool	Title I A	Title II A	EFG Grant	COMPARATIVE TOTALS (MEMORANDUM ONLY) TOTAL 2014	TOTAL 2013
REVENUES:							
Federal sources	$ 112,330.00	$ 3,281.00	$ 23,959.00	$ 15,173.00	$	$ 154,743.00	$ 162,811.00
Other sources					2,854.71	2,854.71	1,802.74
Total revenues	$ 112,330.00	$ 3,281.00	$ 23,959.00	$ 15,173.00	$ 2,854.71	$ 157,597.71	$ 164,613.74
EXPENDITURES:							
Instruction:							
Salaries of teachers	$	$ 3,281.00	$ 18,485.00	$ 12,336.00	$	$ 34,102.00	$ 32,835.00
Other purchased services	112,330.00				325.00	112,655.00	118,586.00
General supplies					2,529.71	2,529.71	1,802.74
Total instruction	$ 112,330.00	$ 3,281.00	$ 18,485.00	$ 12,336.00	$ 2,854.71	$ 149,286.71	$ 153,223.74
Support services:							
Other salaries	$	$	$	$	$	$	$ 3,551.00
Personal services - employee benefits			4,252.00	2,837.00		7,089.00	6,567.00
Purchased professional & technical services			1,222.00			1,222.00	1,272.00
Total support services	$	$	$ 5,474.00	$ 2,837.00	$	$ 8,311.00	$ 11,390.00
Total expenditures	$ 112,330.00	$ 3,281.00	$ 23,959.00	$ 15,173.00	$ 2,854.71	$ 157,597.71	$ 164,613.74

CAPITAL PROJECTS FUND DETAIL STATEMENTS

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

EXHIBIT "F-1"

BOROUGH OF GARWOOD SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

EXPENDITURES AND OTHER FINANCING USES:	
Other Financing Uses:	
Operating transfers out - debt service fund	$ 203,084.00
Total expenditures and other financing uses	$ 203,084.00
Excess (deficiency) of revenues over (under) expenditures	$ (203,084.00)
Fund balance - July 1	382,539.09
Fund balance - June 30	$ 179,455.09

EXHIBIT "F-1A"

BOROUGH OF GARWOOD SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS
BUDGETARY BASIS - LINCOLN/FRANKLIN SCHOOL IMPROVEMENTS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
REVENUES AND OTHER FINANCING SOURCES:				
State sources - Grant	$ 3,117,364.77	$	$ 3,117,364.77	$ 3,147,835.00
Bond proceeds and transfers	8,370,400.00		8,370,400.00	8,370,400.00
Total revenues and other financing sources	$ 11,487,764.77	$	$ 11,487,764.77	$ 11,518,235.00
EXPENDITURES AND OTHER FINANCING USES:				
Purchased professional and technical services	$ 1,172,484.22	$	$ 1,172,484.22	$ 1,918,235.00
Construction services	9,565,086.43		9,565,086.43	9,600,000.00
Transfer to debt service	452,368.00	203,084.00	655,452.00	
Total expenditures and other financing uses	$ 11,189,938.65	$ 203,084.00	$ 11,393,022.65	$ 11,518,235.00
Excess (deficiency) of revenues over (under) expenditures	$ 297,826.12	$ (203,084.00)	$ 94,742.12	

ADDITIONAL PROJECT INFORMATION:	
Project number	SP# 232027
Grant date	3/20/02
Bond authorization date	9/15/02
Bonds authorized	$8,370,400.00
Bonds issued	$8,370,400.00
Original authorized cost	$11,518,235.00
Additonal authorized cost	N/A
Revised authorized cost	$11,518,235.00
Percentage increase over original authorized cost	N/A
Percentage completion	99.18%
Original target completion date	8/31/03

EXHIBIT "F-1B"

BOROUGH OF GARWOOD SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS
BUDGETARY BASIS - WASHINGTON SCHOOL IMPROVEMENTS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
REVENUES AND OTHER FINANCING SOURCES:				
State sources - Grant	$ 312,400.00	$	$ 312,400.00	$ 312,400.00
Bond proceeds and transfers	468,600.00		468,600.00	468,600.00
Total revenues and other financing sources	$ 781,000.00	$	$ 781,000.00	$ 781,000.00
EXPENDITURES AND OTHER FINANCING USES:				
Purchased professional and technical services	$ 83,307.79	$	$ 83,307.79	$ 83,307.79
Construction services	614,712.11		614,712.11	697,692.21
Total expenditures and other financing uses	$ 698,019.90	$	$ 698,019.90	$ 781,000.00
Excess (deficiency) of revenues over (under) expenditures	$ 82,980.10	$	$ 82,980.10	

ADDITIONAL PROJECT INFORMATION:	
Project number	SP# 222027
Grant date	3/20/02
Bond authorization date	9/15/02
Bonds authorized	$468,600.00
Bonds issued	$468,600.00
Original authorized cost	$781,000.00
Additonal authorized cost	N/A
Revised authorized cost	$781,000.00
Percentage increase over original authorized cost	N/A
Percentage completion	89.38%
Original target completion date	12/31/02

EXHIBIT "F-1C"

BOROUGH OF GARWOOD SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS
BUDGETARY BASIS - LINCOLN/FRANKLIN SCHOOL IMPROVEMENTS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
REVENUES AND OTHER FINANCING SOURCES:				
State sources - Grant	$ 171,405.00	$	$ 171,405.00	$ 171,405.00
Transfer from capital outlay	257,108.00		257,108.00	257,108.00
Total revenues and other financing sources	$ 428,513.00	$	$ 428,513.00	$ 428,513.00
EXPENDITURES AND OTHER FINANCING USES:				
Purchased professional and technical services	$ 94,513.00	$	$ 94,513.00	$ 94,513.00
Construction services	332,267.13		332,267.13	334,000.00
Total expenditures and other financing uses	$ 426,780.13	$	$ 426,780.13	$ 428,513.00
Excess (deficiency) of revenues over (under) expenditures	$ 1,732.87	$	$ 1,732.87	

ADDITIONAL PROJECT INFORMATION:	
Project number	SP# 1710-050-09-1001
Grant date	7/1/09
Bond authorization date	N/A
Bonds authorized	N/A
Bonds issued	N/A
Original authorized cost	$428,513.00
Additonal authorized cost	N/A
Revised authorized cost	$428,513.00
Percentage increase over original authorized cost	N/A
Percentage completion	99.60%
Original target completion date	6/30/10

EXHIBIT "F-2"

BOROUGH OF GARWOOD SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

ISSUE / PROJECT TITLE	ORIGINAL DATE	APPROPRIATION	EXPENDITURES TO DATE PRIOR YEARS	EXPENDITURES TO DATE CURRENT YEAR	(MEMO ONLY) UNEXPENDED BALANCE JUNE 30, 2014
Lincoln/Franklin Improvements	3/20/02	$ 11,518,235.00	$ 11,220,408.88	$ 203,084.00	$ 94,742.12
Washington School Improvements	3/20/02	781,000.00	698,019.90		82,980.10
Lincoln/Franklin Improvements	7/1/09	428,513.00	426,780.13		1,732.87
		$ 12,727,748.00	$ 12,345,208.91	$ 203,084.00	$ 179,455.09

FIDUCIARY FUNDS DETAIL STATEMENTS

Fiduciary funds are used to account for assets when a school district is functioning either as a trustee or as an agent for another party.

Unemployment Compensation Insurance Trust Fund:	This trust fund is used to account for board contributions which are utilized to pay unemployment compensation claims as they arise.
Student Activity Fund:	This agency fund is used to account for student funds held at the schools.
Payroll Agency Fund:	This agency fund is used to account for the payroll transactions of the school district including childcare and medical flexible spending.

EXHIBIT "H-1"

BOROUGH OF GARWOOD SCHOOL DISTRICT
COMBINING STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014

	AGENCY FUNDS			TRUST FUNDS	
	STUDENT ACTIVITY	PAYROLL & AGENCY	TOTAL AGENCY	UNEMPLOYMENT COMPENSATION	TOTAL TRUST
ASSETS					
Cash and cash equivalents	$ 18,564.39	$ 264.06	$ 18,828.45	$ 31,442.84	$ 31,442.84
Total assets	$ 18,564.39	$ 264.06	$ 18,828.45	$ 31,442.84	$ 31,442.84
LIABILITIES					
Payroll deductions and withholdings	$	$ (179.58)	$ (179.58)	$	$
Due to student groups	18,564.39		18,564.39		
Interfund payable		443.64	443.64		
Total liabilities	$ 18,564.39	$ 264.06	$ 18,828.45	$	$
NET POSITION					
Held in trust for state unemploymer	$	$	$	$ 31,442.84	$ 31,442.84
Total net position	$ -0-	$ -0-	$ -0-	$ 31,442.84	$ 31,442.84

EXHIBIT "H-2"

BOROUGH OF GARWOOD SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	STATE UNEMPLOYMENT COMPENSATION TRUST	
	2014	2013
ADDITIONS:		
Contributions:		
Withholdings	$ 5,178.01	$ 5,080.68
Board	30,000.00	47,975.07
Total contributions	$ 35,178.01	$ 53,055.75
Investment earnings:		
Interest	$ 11.37	$ 14.71
Net investment earnings	$ 11.37	$ 14.71
Total additions	$ 35,189.38	$ 53,070.46
DEDUCTIONS:		
Trust expenditures:		
Unemployment claims	$ 9,548.85	$ 47,368.38
Total deductions	$ 9,548.85	$ 47,368.38
Change in net position	$ 25,640.53	$ 5,702.08
Net position beginning of year	$ 5,802.31	$ 100.23
Net position end of year	$ 31,442.84	$ 5,802.31

EXHIBIT "H-3"

BOROUGH OF GARWOOD SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	BALANCE JUNE 30, 2013	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2014
ASSETS:				
Cash and cash equivalents	$ 19,182.91	$ 48,727.35	$ 49,345.87	$ 18,564.39
Total assets	$ 19,182.91	$ 48,727.35	$ 49,345.87	$ 18,564.39
LIABILITIES:				
Due student groups:				
General activity fund	$ 18,052.98	$ 43,220.22	$ 44,802.87	$ 16,470.33
Athletic fund	1,129.93	5,507.13	4,543.00	2,094.06
Total liabilities	$ 19,182.91	$ 48,727.35	$ 49,345.87	$ 18,564.39

EXHIBIT "H-4"

BOROUGH OF GARWOOD SCHOOL DISTRICT
PAYROLL AGENCY FUNDS
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	BALANCE JUNE 30, 2013	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2014
ASSETS:				
Cash and cash equivalents	$ 10.33	$ 3,148,632.81	$ 3,148,379.08	$ 264.06
Total assets	$ 10.33	$ 3,148,632.81	$ 3,148,379.08	$ 264.06
LIABILITIES:				
Payroll and deductions	$ (340.82)	$ 1,324,661.48	$ 1,324,500.24	$ (179.58)
Interfund payable	351.15	103.78	11.29	443.64
Total liabilities	$ 10.33	$ 1,324,765.26	$ 1,324,511.53	$ 264.06

LONG-TERM LIABILITY SCHEDULES

The Long-Term schedules are used to reflect the outstanding principal balances of the long-term liabilities of the District. This includes obligations under Serial Bonds and Capital Leases.

EXHIBIT "I-1"

BOROUGH OF GARWOOD SCHOOL DISTRICT
LONG-TERM LIABILITY
SCHEDULE OF SERIAL BONDS
JUNE 30, 2014

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITIES DATE	ANNUAL MATURITIES AMOUNT	INTEREST RATE	BALANCE JUNE 30, 2013	RETIRED	BALANCE JUNE 30, 2014
School Bonds	9/15/02	$ 8,839,000.00	7/15/14	$ 225,000.00	4.125%	$ 440,000.00	$ 215,000.00	$ 225,000.00
School Bonds	8/22/12	7,140,000.00	7/15/14	30,000.00	2.000%			
			7/15/15	270,000.00	3.000%			
			7/15/16	280,000.00	3.000%			
			7/15/17	290,000.00	3.000%			
			7/15/18	305,000.00	3.000%			
			7/15/19	315,000.00	3.000%			
			7/15/20	330,000.00	4.000%			
			7/15/21	345,000.00	4.000%			
			7/15/22	360,000.00	4.000%			
			7/15/23	375,000.00	3.000%			
			7/15/24	390,000.00	3.000%			
			7/15/25	405,000.00	3.000%			
			7/15/26	420,000.00	3.000%			
			7/15/27	440,000.00	4.000%			
			7/15/28	460,000.00	4.000%			
			7/15/29	480,000.00	4.000%			
			7/15/30	500,000.00	4.000%			
			7/15/31	530,000.00	4.000%			
			7/15/32	535,000.00	4.000%	7,090,000.00	30,000.00	7,060,000.00
						$ 7,530,000.00	$ 245,000.00	$ 7,285,000.00

EXHIBIT "I-2"

BOROUGH OF GARWOOD SCHOOL DISTRICT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
AS OF JUNE 30, 2014

PURPOSE	DATE OF LEASE	TERM OF LEASE	AMOUNT OF ORIGINAL LEASE PRINCIPAL	AMOUNT OF ORIGINAL LEASE INTEREST	INTEREST RATE PAYABLE	BALANCE JULY 1, 2013	RETIRED	BALANCE JUNE 30, 2014
Copiers	5/19/11	5	$ 65,675.56	$ 9,295.44	5.32%	$ 42,562.59	$ 13,073.53	$ 29,489.06
						$ 42,562.59	$ 13,073.53	$ 29,489.06

EXHIBIT "I-3"

BOROUGH OF GARWOOD SCHOOL DISTRICT
DEBT SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	BUDGET	ACTUAL	VARIANCE
REVENUES:			
Local Sources:			
Local Tax Levy	$ 303,196.00	$ 303,196.00	$
Miscellaneous Revenue		372.56	372.56
Total Revenues	$ 303,196.00	$ 303,568.56	$ 372.56
EXPENDITURES:			
Regular Debt Service:			
Interest	$ 265,316.00	$ 265,315.64	$ (0.36)
Redemption of Principal	245,000.00	245,000.00	
Total Debt Service	$ 510,316.00	$ 510,315.64	$ (0.36)
Total Expenditures	$ 510,316.00	$ 510,315.64	$ (0.36)
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (207,120.00)	$ (206,747.08)	$ 372.20
Other Financing Sources:			
Operating Transfers In	203,084.00	203,084.00	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	$ (4,036.00)	$ (3,663.08)	$ 372.92
Fund Balance, July 1	4,036.00	35,967.61	31,931.61
Fund Balance, June 30	$	$ 32,304.53	$ 32,304.53

STATISTICAL SECTION

(UNAUDITED)

BOROUGH OF GARWOOD SCHOOL DISTRICT
STATISTICAL SECTION

Contents | Page

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. J-1 to J-5

Revenue Capacity:

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax. J-6 to J-9

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. J-10 to J-13

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. J-14 to J-15

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. J-16 to J-20

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2003; schedules presenting district-wide information include information beginning in that year.

EXHIBIT "J-1"

BOROUGH OF GARWOOD SCHOOL DISTRICT
NET POSITION BY COMPONENT
UNAUDITED

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	$ (465,395.65)	$ 400,805.68	$ 883,475.83	$ 1,354,243.59	$ 2,336,871.03	$ 2,245,523.47	$ 2,803,076.00	$ 2,831,189.56	$ 3,341,568.22	$ 680,366.82
Restricted	802,545.65	766,562.34	1,146,466.34	1,122,487.82	943,373.87	1,356,272.76	1,797,749.00	1,789,365.50	2,037,124.22	3,529,842.74
Unrestricted	63,543.26	222,467.27	8,617.70	(20,550.06)	13,520.79	369,984.56	125,609.90	80,234.76	(79,971.35)	848,170.04
Total governmental activities net position	$ 400,693.26	$ 1,389,835.29	$ 2,038,559.87	$ 2,456,181.35	$ 3,293,765.69	$ 3,971,780.79	$ 4,726,434.90	$ 4,700,789.82	$ 5,298,721.09	$ 5,058,379.60
Business-type activities										
Net investment in capital assets	$ 21,981.08	$ 25,212.57	$ 28,605.39	$ 322.74	$ 484.07	$ 645.40	$ 1,129.47	$	$	$
Unrestricted	55,671.53	74,044.49	67,235.11	51,135.32	40,048.82	30,498.64	22,151.06	10,670.45	742.71	(5,291.20)
Total business-type activities net position	$ 77,652.61	$ 99,257.06	$ 95,840.50	$ 51,458.06	$ 40,532.89	$ 31,144.04	$ 23,280.53	$ 10,670.45	$ 742.71	$ (5,291.20)
District-wide										
Net investment in capital assets	$ (443,414.57)	$ 426,018.25	$ 912,081.22	$ 1,354,566.33	$ 2,337,355.10	$ 2,246,168.87	$ 2,804,205.47	$ 2,831,189.56	$ 3,341,568.22	$ 680,366.82
Restricted	802,545.65	766,562.34	1,146,466.34	1,122,487.82	943,373.87	1,356,272.76	1,797,749.00	1,789,365.50	2,037,124.22	3,529,842.74
Unrestricted	119,214.79	296,511.76	75,852.81	30,585.26	53,569.61	400,483.20	147,760.96	90,905.21	(79,228.64)	842,878.84
Total district net position	$ 478,345.87	$ 1,489,092.35	$ 2,134,400.37	$ 2,507,639.41	$ 3,334,298.58	$ 4,002,924.83	$ 4,749,715.43	$ 4,711,460.27	$ 5,299,463.80	$ 5,053,088.40

Source: CAFR Schedule A-1

EXHIBIT "J-2"
SHEET #1

BOROUGH OF GARWOOD SCHOOL DISTRICT
CHANGES IN NET POSITION
UNAUDITED

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
EXPENSES & INDIRECT ALLOCATIONS										
Governmental activities										
Instruction										
Regular	$ 4,268,253.92	$ 4,290,546.56	$ 4,417,789.42	$ 4,326,966.81	$ 4,334,814.70	$ 4,241,412.37	$ 1,974,288.51	$ 1,848,505.09	$ 2,040,656.83	$ 2,013,663.22
Special education	1,751,276.55	1,630,529.42	1,090,932.75	1,138,113.68	1,171,253.34	1,050,694.74	487,250.60	454,237.71	376,387.51	377,864.74
Other instruction	56,029.82	59,953.04	55,833.88	105,058.76	78,674.46	104,160.28	75,508.79	114,898.64	93,195.48	117,901.30
Support Services:										
Tuition							2,800,910.05	2,308,183.02	1,957,461.76	1,776,888.33
Student & instruction related services	650,855.38	646,257.82	649,084.27	570,929.60	684,104.27	754,813.91	533,239.16	547,772.22	632,537.86	633,534.91
General administrative services	243,643.26	230,290.40	220,878.55	219,543.74	267,834.94	278,779.45	293,271.19	351,453.39	309,614.24	348,011.73
School administrative services	216,960.65	220,982.52	201,049.93	189,486.82	234,132.74	190,343.33	232,522.20	219,613.60	144,510.15	193,685.57
Plant operations and maintenance	555,695.66	647,667.78	607,243.78	662,977.76	124,349.39	759,887.06	773,228.41	767,567.63	654,654.17	602,926.09
Student transportation services	291,064.13	346,793.50	264,775.13	309,955.84	39,039.60	243,507.93	239,853.37	273,423.13	221,157.40	226,895.58
Central services	134,221.85	120,659.52	112,796.39	140,559.85	685,628.15	149,478.28	181,939.86	166,419.06	184,331.60	260,311.57
Administration information technology	11,601.63	23,607.10	21,325.76	26,168.05	358,069.30	27,535.28				
Interest on long-term debt	271,734.95	221,713.25	332,725.50	340,738.50	348,119.56	352,490.64	361,645.03	432,197.23	400,120.97	194,757.60
Unallocated depreciation	795,670.27	748,869.33	748,869.33	709,719.35	720,889.36	705,582.09	702,206.89	65,607.12	2,555.43	2,555.43
Total governmental activities expenses	$ 9,247,008.07	$ 9,187,870.24	$ 8,723,304.69	$ 8,740,218.76	$ 9,046,909.81	$ 8,858,685.36	$ 8,655,864.06	$ 7,549,877.84	$ 7,017,183.40	$ 6,748,996.07
Business-type activities:										
Food Service	$ 147,829.77	$ 102,426.96	$ 105,399.55	$ 101,708.74	$ 91,660.17	$ 93,280.05	$ 99,272.34	$ 100,696.01	$ 100,913.33	$ 92,297.65
Total business-type activities expense	$ 147,829.77	$ 102,426.96	$ 105,399.55	$ 101,708.74	$ 91,660.17	$ 93,280.05	$ 99,272.34	$ 100,696.01	$ 100,913.33	$ 92,297.65
Total district expenses	$ 9,394,837.84	$ 9,290,297.20	$ 8,828,704.24	$ 8,841,927.50	$ 9,138,569.98	$ 8,951,965.41	$ 8,755,136.40	$ 7,650,573.85	$ 7,118,096.73	$ 6,841,293.72
PROGRAM REVENUES										
Governmental activities:										
Operating grants and contributions	$ 577,223.97	$ 628,717.32	$ 537,905.43	$ 537,444.56	$ 672,050.35	$ 641,635.73	$ 637,866.82	$ 634,505.75	$ 475,556.93	$ 445,557.61
Total governmental activities program revenues	$ 577,223.97	$ 628,717.32	$ 537,905.43	$ 537,444.56	$ 672,050.35	$ 641,635.73	$ 637,866.82	$ 634,505.75	$ 475,556.93	$ 445,557.61
Business-type activities:										
Charges for services										
Food Service	$ 81,891.34	$ 69,042.50	$ 77,244.57	$ 74,487.37	$ 65,748.44	$ 77,043.42	$ 85,729.79	$ 84,694.51	$ 62,455.88	$ 54,492.84
Operating grants and contributions	44,333.98	36,801.02	40,861.96	38,146.54	35,300.58	24,422.88	26,443.65	25,929.24	33,391.36	32,130.94
Total business type activities program revenues	$ 126,225.32	$ 105,843.52	$ 118,106.53	$ 112,633.91	$ 101,049.02	$ 101,466.30	$ 112,173.44	$ 110,623.75	$ 95,847.24	$ 86,623.78
Total district program revenues	$ 703,449.29	$ 734,560.84	$ 656,011.96	$ 650,078.47	$ 773,099.37	$ 743,102.03	$ 750,040.26	$ 745,129.50	$ 571,404.17	$ 532,181.39
NET (EXPENSE)/REVENUE										
Governmental activities	$ (8,669,784.10)	$ (8,559,152.92)	$ (8,185,399.26)	$ (8,202,774.20)	$ (8,374,859.46)	$ (8,217,049.63)	$ (8,017,997.24)	$ (6,915,372.09)	$ (6,541,626.47)	$ (6,303,438.46)
Business-type activities	(21,604.45)	3,416.56	12,706.98	10,925.17	9,388.85	8,186.25	12,901.10	9,927.74	(5,066.09)	(5,673.87)
Total district-wide net expense	$ (8,691,388.55)	$ (8,555,736.36)	$ (8,172,692.28)	$ (8,191,849.03)	$ (8,365,470.61)	$ (8,208,863.38)	$ (8,005,096.14)	$ (6,905,444.35)	$ (6,546,692.56)	$ (6,309,112.33)

EXHIBIT "J-2"
SHEET #2

BOROUGH OF GARWOOD SCHOOL DISTRICT
CHANGES IN NET POSITION
UNAUDITED

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Property taxes levied for general purposes, net	$ 7,114,684.00	$ 6,922,412.00	$ 6,786,679.00	$ 6,521,505.00	$ 6,279,668.00	$ 6,074,104.00	$ 5,840,485.00	$ 5,240,944.00	$ 5,328,019.00	$ 5,328,019.00
Taxes levied for debt service	303,196.00	336,368.00	336,368.00	465,634.00	465,634.00	514,316.00	506,774.00	505,580.00	448,232.00	367,552.00
Federal and state aids not restricted	522,192.00	524,546.00	447,421.00	291,656.77	637,908.00	533,221.00	602,115.00	577,633.00	565,511.00	507,870.00
Disposal of capital assets								(576,058.90)		
Transfers									(11,100.00)	
Miscellaneous income	105,755.35	127,102.34	124,827.01	86,394.10	313,634.36	340,754.52	1,037,597.83	569,342.72	451,305.96	455,782.22
Total governmental activities	$ 8,045,827.35	$ 7,910,428.34	$ 7,695,295.01	$ 7,365,189.87	$ 7,696,844.36	$ 7,462,395.52	$ 7,986,971.83	$ 6,317,440.82	$ 6,781,967.96	$ 6,659,223.22
Business-type activities:										
Transfers	$	$	$	$	$	$	$	$	$ 11,100.00	$
Total business-type activities	$	$	$	$	$	$	$	$	$ 11,100.00	$
Total district-wide	$ 8,045,827.35	$ 7,910,428.34	$ 7,695,295.01	$ 7,365,189.87	$ 7,696,844.36	$ 7,462,395.52	$ 7,986,971.83	$ 6,317,440.82	$ 6,793,067.96	$ 6,659,223.22
CHANGE IN NET POSITION										
Governmental activities	$ (623,956.75)	$ (648,724.58)	$ (490,104.25)	$ (837,584.33)	$ (678,015.10)	$ (754,654.11)	$ (31,025.41)	$ (597,931.27)	$ 240,341.49	$ 355,784.76
Business-type activities	(21,604.45)	3,416.56	12,706.98	10,925.17	9,388.85	8,186.25	12,901.10	9,927.74	6,033.91	(5,673.87)
Total district	$ (645,561.20)	$ (645,308.02)	$ (477,397.27)	$ (826,659.16)	$ (668,626.25)	$ (746,467.86)	$ (18,124.31)	$ (588,003.53)	$ 246,375.40	$ 350,110.89

Source: CAFR Schedule A-2

EXHIBIT "J-3"

BOROUGH OF GARWOOD SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
UNAUDITED

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Reserved	$	$	$	$	$ 313,537.36	$ 1,259,627.31	$ 1,578,275.39	$ 1,104,935.34	$ 1,370,014.22	$ 1,128,089.04
Unreserved					499,196.63	450,023.73	276,370.00	268,995.00	97,978.89	138,875.41
Restricted	591,159.56	384,023.25	567,178.25	348,199.73						
Committed		160,881.00	37,480.88	4,197.60						
Assigned	1,664.90	45,582.02								
Unassigned	245,409.00	171,240.81	214,493.00	232,346.80						
Total general fund	$ 838,233.46	$ 761,727.08	$ 819,152.13	$ 584,744.13	$ 812,733.99	$ 1,709,651.04	$ 1,854,645.39	$ 1,373,930.34	$ 1,467,993.11	$ 1,266,964.45
All Other Governmental Funds										
Reserved	$	$	$	$	$ 23,376.00	$	$	$	$ 169,045.66	$ 1,775,225.48
Restricted:										
Capital projects fund	179,455.09	382,539.09	579,288.09	774,288.09						
Debt service fund	373.53	31,931.61	4,036.36	1,765.12						
Committed:										
Debt service fund	31,931.00	4,036.00								
Unreserved, reported in:										
Capital projects fund					872,423.82	1,128,221.95	1,177,554.28	1,177,554.28	1,089,619.48	1,465,667.20
Debt service fund					4,095.13	64,714.05	69,427.96	26,587.51	33,024.00	88,666.29
Total all other governmental funds	$ 211,759.62	$ 418,506.70	$ 583,324.45	$ 776,053.21	$ 899,894.95	$ 1,192,936.00	$ 1,246,982.24	$ 1,204,141.79	$ 1,291,689.14	$ 3,329,558.97

Source: CAFR Schedule B-1

EXHIBIT "J-4"

BOROUGH OF GARWOOD SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
UNAUDITED

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Tax levy	$ 7,417,880.00	$ 7,258,780.00	$ 7,123,047.00	$ 6,987,139.00	$ 6,745,302.00	$ 6,588,420.00	$ 6,347,259.00	$ 5,746,524.00	$ 5,776,251.00	$ 5,695,571.00
Miscellaneous	108,610.06	128,905.08	124,827.01	87,846.63	315,302.24	346,618.33	1,039,627.98	571,624.68	455,531.00	455,782.22
State sources	941,818.26	988,649.58	802,066.43	641,798.03	1,033,056.47	976,377.47	1,097,185.60	1,059,682.83	887,608.00	802,774.61
Federal sources	154,743.00	162,811.00	183,260.00	216,321.00	275,234.00	192,615.45	140,766.07	150,173.96	149,235.00	150,653.00
Total revenue	$ 8,623,051.32	$ 8,539,145.66	$ 8,233,200.44	$ 7,933,104.66	$ 8,368,894.71	$ 8,104,031.25	$ 8,624,838.65	$ 7,528,005.47	$ 7,268,625.00	$ 7,104,780.83
Expenditures										
Instruction										
Regular Instruction	$ 1,424,484.61	$ 1,440,894.90	$ 1,697,264.08	$ 1,747,721.43	$ 1,878,718.81	$ 1,738,364.99	$ 1,644,246.68	$ 1,510,166.95	$ 1,922,576.00	$ 1,492,416.17
Special education instruction	712,913.83	644,817.17	388,170.47	357,922.14	286,787.49	277,913.42	406,917.89	376,049.72	356,140.00	371,567.92
Other instruction	40,839.63	42,893.22	41,052.42	77,137.12	59,543.09	77,010.00	63,059.70	95,121.12	89,821.00	74,569.23
Support Services:										
Tuition	3,071,712.52	2,959,744.32	2,649,608.16	2,619,471.79	2,714,563.64	2,628,309.87	2,339,125.69	1,910,875.20	1,856,223.00	1,742,743.29
Student & instruction related services	471,034.98	473,802.53	488,667.34	423,466.09	516,466.81	573,674.46	445,324.34	453,484.12	598,792.00	460,039.00
General administrative services	190,532.27	178,677.03	175,593.88	175,612.32	224,946.00	236,353.44		289,798.66	291,341.00	287,086.76
School Administrative services	161,003.79	161,116.08	149,672.11	141,826.62	179,660.74	137,495.79	189,509.67	176,843.08	131,759.00	132,356.70
Administration Information Technology	10,114.51	19,955.28	17,933.98	21,584.92	110,632.81	24,058.49				
Central services	97,063.47	86,927.58	99,180.92	118,842.29	35,830.38	126,833.61	243,750.56	137,773.33	174,581.00	202,021.49
Plant operations and maintenance	494,019.36	566,746.72	533,453.82	585,446.53	616,964.28	675,414.08	643,342.14	633,062.46	618,029.00	555,748.54
Student transportation services	287,377.57	344,116.38	261,458.73	308,504.52	358,069.30	243,507.93	200,308.89	226,358.77	211,034.00	218,097.76
Unallocated employee benefits	1,200,968.37	1,292,323.15	1,128,514.29	1,081,770.70	985,754.33	1,032,311.87	1,249,165.01	1,207,914.09	340,154.00	1,000,490.80
Capital outlay	80,911.47	37,636.47	29,583.47	66,070.50	1,064,626.13	100,259.95		81,110.86	1,982,228.00	2,364,147.99
Debt service:										
Principal	245,000.00	255,000.00	195,000.00	185,000.00	175,000.00	165,000.00	160,000.00	150,000.00	145,000.00	135,000.00
Interest and other charges	265,315.64	256,737.63	336,367.53	344,089.06	351,289.00	358,089.00	364,589.03	461,057.23	376,689.00	382,289.00
Payment of refund escrow agent		577,577.00								
Cost of issuance of refunding bonds		98,552.50								
Total expenditures	$ 8,753,292.02	$ 9,437,517.96	$ 8,191,521.20	$ 8,254,466.03	$ 9,558,852.81	$ 8,394,596.90	$ 8,101,283.15	$ 7,709,615.59	$ 9,094,367.00	$ 9,418,574.65
Excess (Deficiency) of revenues over (under) expenditures	$ (130,240.70)	$ (898,372.30)	$ 41,679.24	$ (321,361.37)	$ (1,189,958.10)	$ (290,565.65)	$ 523,555.50	$ (181,610.12)	$ (1,825,742.00)	$ (2,313,793.82)
Other Financing sources (uses)										
Refunding bond proceeds		7,140,000.00								
Payment to refunding bonds escrow		(6,884,000.00)								
Original issue premium		420,129.50								
Total other financing sources (uses)	$ 0.00	$ 676,129.50	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Net change in fund balances	$ (130,240.70)	$ (222,242.80)	$ 41,679.24	$ (321,361.37)	$ (1,189,958.10)	$ (290,565.65)	$ 523,555.50	$ (181,610.12)	$ (1,825,742.00)	$ (2,313,793.82)
Debt service as a percentage of noncapital expenditures	5.88%	6.49%	6.51%	6.46%	6.20%	6.31%	6.48%	8.01%	7.34%	7.33%

Source: CAFR Schedule B-2

EXHIBIT "J-5"

BOROUGH OF GARWOOD SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
UNAUDITED

Fiscal Year Ended June 30,	Interest on Investments	Insurance Surplus Refunds	Regional High School Close-Out	Miscellaneous	Total
2014	$ 3,141.31	$	$	$ 19,987.66	$ 23,128.97
2013	5,104.61			38,197.58	43,302.19
2012	8,031.24			26,050.00	34,081.24
2011	6,253.15			79,634.90	85,888.05
2010	2,391.46			41,295.68	43,687.14
2009	37,539.00	23,160.89	181,555.32	91,198.30	333,453.51
2008	32,444.64		919,611.74	13,954.53	966,010.91
2007	81,065.92		363,110.18	15,119.26	459,295.36
2006	53,670.00		363,110.00	8,419.25	425,199.25
2005	30,589.91		411,384.10	9,676.19	451,650.20

Source: District Records

EXHIBIT "J-6"

BOROUGH OF GARWOOD SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
UNAUDITED

Year	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax Exempt Property	Public Utilities (a)	Net Valuation Taxable	Est. Actual (County Equalized Value)	Total Direct School Tax Rate (b)
2014	$ 780,700	$ 134,059,600	$ 43,514,000	$ 6,556,800	$ 2,092,000	$ 187,003,100	$	$ 131,885	$ 187,134,985	$ 29.28%	$ 4.016
2013	744,100	134,238,700	43,514,000	6,556,800	2,092,000	187,145,600		134,057	187,279,657	28.93%	3.952
2012	717,900	134,756,700	43,809,500	6,634,800	2,200,000	188,118,900		89,585	188,208,485	27.99%	*
2011	754,900	134,704,000	43,832,400	6,634,800	2,200,000	188,126,100	11,905,300	98,957	176,319,757	27.76%	3.709
2010	1,024,100	133,906,600	43,779,600	6,634,800	2,200,000	187,545,100		158,145	187,703,245	26.89%	3.668
2009	1,467,800	133,619,500	43,600,800	6,634,800	2,200,000	187,522,900		193,311	187,716,211	27.00%	3.636
2008	3,962,100	131,712,300	42,240,600	6,815,600	2,200,000	186,930,600		82,903	187,013,503	28.33%	3.499
2007	3,729,900	127,568,600	40,993,100	7,353,700	2,200,000	181,845,300	11,815,300	279,098	170,309,098	*	3.195
2006	3,796,900	127,008,700	41,245,000	7,503,700	2,200,000	181,754,300	11,922,000	92,777	169,925,077	*	3.213
2005	*	*	*	*	*	*	*	*	*	*	*

* = Not available at time of audit
Source: District records Tax list summary & Municipal Tax Assessor
Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.
Reassessment occurs when ordered by the County Board of Taxation
(a): Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies
(b): Tax rates are per $100

EXHIBIT "J-7"

BOROUGH OF GARWOOD SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
UNAUDITED

Fiscal Year Ended June 30,	Township of Garwood			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	Total Direct School Tax Rate	Borough of Garwood	Union County	
2014	$3.852	$0.164	$4.016	$3.013	$1.818	8.847
2013	3.769	0.183	3.952	2.974	1.750	8.676
2012	3.675	0.182	3.857	2.878	1.665	8.400
2011	3.462	0.247	3.709	2.772	1.559	8.040
2010	3.415	0.253	3.668	*	*	3.668
2009	3.352	0.284	3.636	*	*	3.636
2008	3.220	0.279	3.499	*	*	3.499
2007	3.327	*	3.327	2.424	1.156	6.907
2006	3.195	*	3.195	2.286	1.213	6.694
2005	3.213	*	3.213	2.171	1.149	6.533

* = Not available at time of audit

Source: District Records and Municipal Tax Collector
(Rates are per $100 of assessed value)

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

(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.

EXHIBIT "J-8"

BOROUGH OF GARWOOD SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS - CURRENT YEAR AND TEN YEARS AGO
UNAUDITED

	2014				2005		
Taxpayer	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value		Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
A C P Partnership	$ 5,042,700	1	2.69%		$ 5,231,800.00	1	*
Garwood Mall Assoc	4,090,800	2	2.19%		4,090,800.00	2	*
Village Supermarket, Inc	3,728,300	3	1.99%		3,728,300.00	3	*
Lofts At Garwood LLC	2,781,200	4	1.49%				
Garwood LLC Home Depot 6903	2,246,100	5	1.20%		3,019,200.00	4	*
Gator Garwood Prtnrs Ltd	2,200,000	6	1.18%				
Casale Industries, Inc	1,539,100	7	0.82%		1,640,100.00	9	*
Westwood Lanes, Inc	1,460,800	8	0.78%		2,216,500.00	7	*
Petro Plastics	1,279,100	9	0.68%				
Garwood Plaza, LLC	1,257,600	10	0.67%		2,029,900.00	8	*
Burskin Supermarkets General					2,500,000.00	5	*
Garwood Realty					2,494,300.00	6	*
Kalis Realty Inc.					1,374,300.00	10	*
Total	$ 25,625,700		13.69%	Total	$ 28,325,200		12.47%

* Not available
Source: Municipal Tax Assessor

EXHIBIT "J-9"

BOROUGH OF GARWOOD SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy (a)		Collections in Subsequent Years
		Amount	Percentage of Levy	
2014	$ 7,417,880	$ 7,417,880	100.00%	$
2013	7,258,780	7,258,780	100.00%	
2012	7,123,047	7,123,047	100.00%	
2011	6,987,139	6,443,681	92.22%	543,458.00
2010	6,745,302	6,221,997	92.24%	523,305.00
2009	6,588,420	6,588,420	100.00%	
2008	6,347,259	6,347,259	100.00%	
2007	5,746,524	5,746,524	100.00%	
2006	5,776,251	5,776,251	100.00%	
2005	5,695,571	5,695,571	100.00%	

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

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

EXHIBIT "J-10"

BOROUGH OF GARWOOD SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities: General Obligation Bonds	Governmental Activities: Capital Leases	Governmental Activities: Bond Anticipation Notes	Total District	Percentage of Personal Income (a)	Per Capita (a)
2014	$ 7,285,000.00	$ 29,489.06	$	$ 7,314,489.06	*	$ 1,702.63
2013	7,530,000.00	42,562.59		7,572,562.59	*	1,674.98
2012	7,529,000.00	13,124.37		7,542,124.37	0.71%	1,774.62
2011	7,724,000.00	23,743.18		7,747,743.18	0.67%	1,830.32
2010	7,909,000.00	33,811.74		7,942,811.74	0.63%	1,753.38
2009	8,084,000.00	43,358.53		8,127,358.53	0.61%	1,851.33
2008	8,249,000.00			8,249,000.00	0.63%	1,934.11
2007	8,409,000.00			8,409,000.00	0.60%	2,027.73
2006	8,559,000.00		2,000,000.00	10,559,000.00	0.46%	2,592.44
2005	8,704,000.00			8,704,000.00	0.52%	2,121.89

* = Not available at time of audit
Source: District CAFR Schedules I-1, I-2
Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.
(a) See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

EXHIBIT "J-11"

BOROUGH OF GARWOOD SCHOOL DISTRICT
RATIOS OF NET BONDED DEBT OUTSTANDING
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding: General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value (a) of Property	Per Capita (b)
2014	$7,285,000.00		$7,285,000.00	3.89%	1,695.76
2013	7,530,000.00		7,530,000.00	4.02%	1,665.56
2012	7,529,000.00		7,529,000.00	4.00%	1,771.53
2011	7,724,000.00		7,724,000.00	4.38%	1,824.71
2010	7,909,000.00		7,909,000.00	4.21%	1,745.92
2009	8,084,000.00		8,084,000.00	4.31%	1,841.46
2008	8,249,000.00		8,249,000.00	4.41%	1,934.11
2007	8,409,000.00		8,409,000.00	4.94%	2,027.73
2006	8,559,000.00		8,559,000.00	5.04%	2,101.40
2005	8,704,000.00		8,704,000.00	4.85%	2,121.89

* = Not available at time of audit
Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.
(a) See Exhibit NJ J-6 for property tax data.
(b) Population data can be found in Exhibit NJ J-14.

EXHIBIT "J-12"

BOROUGH OF GARWOOD SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2013
UNAUDITED

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Borough of Garwood	$4,126,212.81	100.00%	$4,126,212.81
Other debt			
Union County	567,631,566.18	0.80%	4,541,052.53
Subtotal, overlapping debt			$8,667,265.34
Borough of Garwood School District Direct Debt			7,285,000.00
Total direct and overlapping debt			$15,952,265.34

Source: Municipal Chief Financial Officer, County Treasurer's 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 the district. 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.

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

EXHIBIT "J-13"

BOROUGH OF GARWOOD SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
UNAUDITED

Legal Debt Margin Calculation

Equalized Valuation Basis

Calendar Year	
2013	$640,537,910.00
2012	650,255,444.00
2011	672,118,971.00
	1,962,912,325.00
Average Equalized Valuation of Taxable Property	$654,304,108.33
Debt Limit (3% (a) of average equalization value)	19,629,123.25
Total Net Debt Applicable to Limit	7,285,000.00
Legal Debt Margin	$12,344,123.25

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt Limit	$19,629,123.25	$19,706,616.60	$20,450,841.10	$20,571,525.46	$20,234,402.62	$19,167,565.72	$18,374,299.16	$17,581,032.59	$15,962,430.12	$14,285,974.00
Total Net Debt Applicable To Limit	7,285,000.00	7,530,000.00	7,529,000.00	7,724,000.00	7,909,000.00	8,084,000.00	8,249,000.00	8,409,765.00	8,559,000.00	8,704,000.00
Legal Debt Margin	$12,344,123.25	$12,847,525.46	$12,847,525.46	$12,325,402.62	$11,083,565.72	$10,125,299.16	$9,171,267.59	$7,403,430.12	$5,581,974.00	$4,054,257.00
Total Net Debt Applicable to the Limit as a % of Debt Limit	37.11%	38.21%	36.82%	39.09%	42.18%	44.89%	47.83%	53.62%	60.93%	68.56%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation
(a) Limit set by N.J.S.A. 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types.

EXHIBIT "J-14"

BOROUGH OF GARWOOD SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
UNAUDITED

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d) Garwood
2014	4,296	$ *	$ *	*
2013	4,521	*	*	8.60%
2012	4,250	228,718,000	53,816	5.70%
2011	4,233	221,305,473	52,281	5.60%
2010	4,530	226,191,960	49,932	5.70%
2009	4,390	216,045,070	49,213	5.60%
2008	4,265	220,291,515	51,651	3.20%
2007	4,147	210,240,459	50,697	*
2006	4,073	198,627,991	48,767	*
2005	4,102	183,880,354	44,827	4.70%

* = Not available at time of audit

Source:
(a) Population information provided by the NJ Dept. of Labor and Workforce Development.
(b) Personal income has been estimated based upon the municipal population and per capita personal income presented.
(c) Per capita personal income by municipality estimated based upon the census published by the US Bureau of Economic Analysis.
(d) Unemployment data provided by the NJ Dept. of Labor and Workforce Development.

EXHIBIT "J-15"

BOROUGH OF GARWOOD SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - CURRENT YEAR AND TEN YEARS AGO
UNAUDITED

	2014 *			2005 *		
Employer	# of Employees	Rank (Optional)	Percentage of Total Employment	# of Employees	Rank (Optional)	Percentage of Total Employment
	*	1	*	*	1	*
	*	2	*	*	2	*
	*	3	*	*	3	*
	*	4	*	*	4	*
	*	5	*	*	5	*
	*	6	*	*	6	*
	*	7	*	*	7	*
	*	8	*	*	8	*
	*	9	*	*	9	*
	*	10	*	*	10	*
	0		0.00%	0		0.00%

Source: Municipal Records
* - Data Not Available

EXHIBIT "J-16"

BOROUGH OF GARWOOD SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
UNAUDITED

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Instruction:										
Regular	21.3	23.0	24.0	*	26.0	26.0	*	*	*	*
Special education	8.5	9.3	5.2	*	4.0	4.0	*	*	*	*
Support Services:										
Student & instruction related services	13.2	11.0	10.0	*	5.0	5.0	*	*	*	*
General administrative services	1.4	4.0	4.0	*	2.0	2.0	*	*	*	*
School administrative services	1.8	2.5	3.0	*	3.0	3.0	*	*	*	*
Plant operations and maintenance	5.7	6.0	6.0	*	6.0	6.0	*	*	*	*
Pupil transportation	0.4	1.0	0.3	*	2.0		*	*	*	*
Business administrative services	1.0	1.5	1.5	*		2.0	*	*	*	*
Total	53.3	58.3	54.0	0.0	48.0	48.0	0.0	0.0	0.0	0.0

* = Not available at time of audit

Source: District Personnel Records

EXHIBIT "J-17"

BOROUGH OF GARWOOD SCHOOL DISTRICT
OPERATING STATISTICS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	% Change	Teaching Staff (b)	Pupil/Teacher Ratio	Average Daily Enrollment (c)	Average Daily Attendance (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2014	383	$ 8,162,064.91	$ 21,310.87	0.49%	38	10.1	383	365	-0.52%	95.30%
2013	389	8,249,650.83	21,207.33	13.67%	32	12.2	385	365	-0.77%	94.81%
2012	409	7,630,570.20	18,656.65	-0.62%	29	14.1	388	383	-1.52%	98.71%
2011	408	7,659,306.47	18,772.81	-3.87%	29	14.0	394	393	-0.25%	99.75%
2010	408	7,967,937.68	19,529.26	4.98%	30	13.6	395	375	0.77%	94.94%
2009	408	7,590,100.00	18,603.19	4.60%	30	13.6	392	370	*	94.44%
2008	418	7,433,897.90	17,784.44	7.07%	30	13.9	*	*	*	*
2007	406	6,743,687.00	16,610.07	2.07%	32	12.7	*	*	*	*
2006	405	6,590,450.00	16,272.72	-1.16%	34	11.9	*	*	*	*
2005	397	6,535,964.66	16,463.39	----	36	11.0	390	371	----	95.21%

* = Not available at time of audit
Sources: District records
Note: Enrollment based on annual October district count.
(a) Operating expenditures equal total expenditures less debt service and capital outlay.
(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).

EXHIBIT "J-18"

BOROUGH OF GARWOOD SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
UNAUDITED

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District Buildings										
Elementary School(s):										
Washington School (Building Not Used)										
Square Feet	---	---	---	---	11,856	11,856	11,856	11,856	11,856	11,856
Capacity (students)	---	---	---	---	*	*	*	*	*	*
Enrollment	---	---	---	---	83	73	68	72	72	69
Elementary/Middle School(s):										
Lincoln Franklin School										
Square Feet	67,487	67,487	67,487	67,487	67,487	67,487	67,487	67,487	67,487	67,487
Capacity (students)	*	*	*	*	*	*	*	*	*	*
Enrollment	383	389	409	408	325	335	350	334	333	328

Number of Schools at June 30, 2014
Elementary/Middle = 1
Source: District records
Note: Year of original construction is shown in parentheses, if available. Increases in square footage and capacity are the result of additions. Enrollment is based on the annual October district count.

EXHIBIT "J-19"

BOROUGH OF GARWOOD SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
UNAUDITED

Undistributed expenditures - Required maintenance for school facilities - 11-000-261-XXX

	Total	Washington School	Lincoln Franklin School
2014	$ 78,911.96	$ --------	$ 78,911.96
2013	77,108.41	--------	77,108.41
2012	78,646.10	--------	78,646.10
2011	93,033.00	15,668.00	77,365.00
2010	86,652.29	12,997.84	73,654.45
2009	84,450.57	5,048.49	79,402.08
2008	81,018.00	6,669.00	74,349.00
2007	84,686.00	12,500.68	72,185.32
2006	68,509.68	17,292.94	51,216.74
2005	80,394.54	16,426.97	63,967.57
Total	$ 657,390.18	$ 86,603.92	$ 726,806.63

Source: District records

BOROUGH OF GARWOOD SCHOOL DISTRICT
INSURANCE SCHEDULE
UNAUDITED

Property Includes Inland Marine, Automobile Physical Damage and Boiler & Machinery

COVERAGE	SAIF
Blanket Limit	$250,000,000 per occurrence
Property Valuation (Buildings & Business Personal Property)	Replacement Cost, Blanket Basis, No Coinsurance. ACV if useless to insured or not replaced.
Property Deductible	$2,500
Property Valuation (Mobile Equipment & Autos)	Replacement Cost
Newly Acquired Location	$25,000,000
Business Personal Property At Newly Acquired Location	Included in Limit
Personal Effects Of Others	Included in Limit
Improvements & Betterments -Leased Premises	Included in Limit
Builders Risk	$25,000,000[1]
Contractors Mobile Equipment	Per schedule
Auto Physical Damage	Per schedule
Auto Physical Damage Deductible	$1,000
Property Off Premises	Included in Limit
Unnamed Locations	$25,000,000
Demolition Cost & Increased Cost of Construction	$25,000,000
Earthquake	$25,000,000 per occurrence/annual aggregate
Flood (Zones A or V)	$25,000,000 per occurrence/per member/$50,000,000 fund aggregate
Flood (All Other Zones)	$10,000,000 per occurrence/per member/$100,000,000 fund aggregate all covered zones
Terrorism	$100,000,000 per occurrence/ $200,000,000aggregate
Off Premises Services	$25,000,000
Sewer Backup	Included in Limit
Trees, Plants, Shrubs	$5,000,000 scheduled $1,000,000 unscheduled
Property In Exhibition/Auto	Included in Limit
Appurtenant Structure	Included in Limit
Interior Water Damage	Included in Limit
Property In Transit	$25,000,000
Glass	Included in Limit
Debris Removal	Included in Limit
Spoilage	Included in Limit
Loss Of Rents	$100,000,000 per occurrence if reported $500,000 per occurrence if not reported
Extra Expense	$50,000,000
Business Income (includes Rental Value and Tuition Fees)	$100,000,000 per occurrence if reported $500,000 per occurrence if not reported
Lock Replacement	Included in Limit
Fire Department Service Charge	Included in Limit
Fire Extinguisher Recharge	Included in Limit
Arson Reward	$25,000
Athletic Facilities	$5,000,000 scheduled $1,000,000 unscheduled
Underground Pipes & Flues	Included in Limit
Underground Property	Included in Limit
Pollution And Contamination Cleanup	$250,000 per occurrence/ $500,000 aggregate
Gutters & Downspouts	Included in Limit

BOROUGH OF GARWOOD SCHOOL DISTRICT
INSURANCE SCHEDULE
UNAUDITED

Valuable Papers	Included in Limit
Signs	Included in Limit
Equipment Breakdown	Included in Limit
Accounts Receivable	Included in Limit
Fine Arts	$2,500,000 unscheduled
Watercraft up to 27 ft	$2,500,000
Musical Instruments	Included in Limit
Audio-Visual Equipment	Included in Limit
Misc. Equip. Not Sch.	Included in Limit
Permanently Installed Communication Equipment	Included in Limit
Data Processing Equipment	Included in Limit
Data and Media Coverage	$100,000,000 sublimit if Fire or Explosion
Data Processing Extra Expense	Included in Limit
Boiler & Machinery Limit	$100,000,000
B&M Extra Expense Limit	$25,000,000
B&M off premises	$10,000,000
B&M service interrupt	$10,000,000
B&M cont bus income	$10,000,000
B&M data restore	$2,000,000
B&M newly acquired loc	$25,000,000
Repair Or Replacement	Included in Limit
Spoilage & Contamination	Included in Limit
Expediting Expense	$50,000,000
Debris Removal	Included in Limit
Hazardous Substances	$1,000,000

General and Auto Liability Coverage

Coverage	ACE
Primary Limit of Liability	$5,000,000 Per Occurrence/50,000,000 Fund Aggregate.[2]
Premises Medical Payments	$5,000 per person
Additional Insured	Obligated By Contract Or Resolution And/Or On File With The Fund
Student Teachers Volunteers Student Organizations	Yes Yes If Authorized By Board Or On File
Athletic Trainers	Yes
Limit of Liability - Sexual Misconduct	$3,000,000 per Occurrence $3,000,000 Aggregate Per Member
Fire Legal Liability	$2,500,000
Employee Benefit Coverage	Claims Made with $5,000,000 Per Occurrence/Annual Aggregate.
Incidental Medical Malpractice	Included
Corporal Punishment	Included
Athletic Participation	Included
Owned & Non-Owned Watercraft	Included - Under 35' Length
Host Liquor Liability	Yes If Reported To Fund Prior To Event
BI To Fellow Employees	$25,000
Garagekeepers Legal	$100,000
Executive Auto Liability (specifically identified auto provided a specific employee for business and personal use)	UM/UIM - $1,000,000 Med Payments - $500,000 PIP Option 8
Auto Medical Payments	None
No Fault PIP	Basic (Statutory Minimum)
Uninsured/Underinsured Motorist Liability	BI - $15,000 per Occ/$30,000 per Accident PD - $5,000 per Accident

Workers' Compensation

COVERAGE	ACE
Workers' Compensation	Statutory

BOROUGH OF GARWOOD SCHOOL DISTRICT
INSURANCE SCHEDULE
UNAUDITED

Employers' Liability	$5,000,000 per occurrence/aggregate
Repatriation Coverage	$100,000
Payroll Audit	None

[2] $5,000,000/per Occ./aggregate, excess general liability and auto liability is included for all SAIF members with package coverage. Members may also elect higher limits of excess liability.

Crime

COVERAGE	AIG
Employee Dishonesty	$400,000 per loss
Money & Securities (in & out)	$2,500,000
Faithful Performance	$400,000 per loss
Depositors Forgery	$50,000 per loss
Computer Fraud	$50,000 per loss
Deductible	$1,000

Critical Incident Management

COVERAGE

Critical Incident Management

Pollution Liability

COVERAGE	SAIF- ACE
Pollution Liability	$1,000,000 each claim/$25,000,000 pool aggregate
Third-Party (BI) Mold Sublimit	$250,000 per claim ($100,000 SIR)/$250,000 aggregate per district/$2,000,000 pool aggregate Members attending seminars will be subject to a $50,000 SIR and $500,000 aggregate per district
Pesticides, Herbicides and Fertilizer Contractors Application	$1,000,000 each claim/$25,000,000 pool aggregate
Member District Deductible	$10,000 ($5,000 for members with this coverage thru SAIF prior to July 1, 2005)
Mold Remediation (1st Party)	$200,000 per occurrence subject to $100,000 deductible; $1,000,000 pool limit.

Excess Liability

COVERAGE	SAIF
Limit	$5,000,000 over Auto and General Liability

School Board Legal Liability

COVERAGE	Chartis/SAIF
Limit	$5,000,000
A.M Best Rating	A+ XV
Who is Insured	School Entity, the Board of Education, all past and present trustees, directors, members of the Board of Regents, employees, student teachers, and volunteers acting for or on behalf of the School entity solely within the scope of services contemplated by the School Entity. (Interim superintendents and business administrators are covered, regardless of employment status)
Claim Definition	1. Written demand for monetary damage or non-monetary or injunctive relief 2. Civil proceeding seeking monetary damage or non-monetary or injunctive relief 3. Criminal proceeding against any insured. 4. Arbitration proceeding against any insured 5. Civil, administrative or regulatory proceeding against any insured 6. Civil, administrative or regulatory investigation against any insured 7. Criminal defense legal expense reimbursement
Deductibles	Student Population - 2,000 or less: $5,000 per claim Student Population - Over 2,000: $10,000 per claim
Defense costs	Paid in addition to the limit of liability to a separate limit of $1,000,000

BOROUGH OF GARWOOD SCHOOL DISTRICT
INSURANCE SCHEDULE
UNAUDITED

Employment Related Claims seeking monetary Damages	Covered for defense costs and damages. Claims for back pay/front pay and benefits are included for policy limits.
Civil Rights and Discrimination Claims	Not Specifically Excluded
Non-Monetary Relief	Defense costs only covered
Sexual Abuse or Molestation	Excluded
Sexual Harassment A-Employee vs. Employee B-Employee vs. Student C-Student vs. Student	A-Covered B-Covered C-Covered
Insured vs. Insured	Excluded
Breach of Contract	Excluded except employment contracts
Cross & Counter Claims	Covered for wrongful employment practices
Dishonest, fraudulent or criminal acts	Included in Cost of Defense
Administrative Hearings	Defense costs only
Bodily injury, property damage and personal injury	Excluded
Coverage for failure to comply with administrative requirements of the Asbestos Hazard Emergency Response Act	Defense costs only
Fungi Claims	Non-BI claims expenses are covered up to an agg limit of $500K

SINGLE AUDIT SECTION

SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
308 East Broad Street, Westfield, New Jersey 07090-2122
Telephone 908-789-9300 Fax 908-789-8535
E-mail info@scnco.com

EXHIBIT "K-1"

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable President and Members
of the Board of Education
Borough of Garwood School District
County of Union
Garwood, New Jersey 07027

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Borough of Garwood School District (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Garwood School District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*. However we noted immaterial instances of noncompliance that we have reported to the Board of Education of the Borough of Garwood School District in a separate Auditor's Management Report on Administrative Findings – Financial and Compliance dated November 10, 2014.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Suplee, Clooney & Company
CERTIFIED PUBLIC ACCOUNTANTS

November 10, 2014

PUBLIC SCHOOL ACCOUNTANT NO. 93

SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
308 East Broad Street, Westfield, New Jersey 07090-2122
Telephone 908-789-9300 Fax 908-789-8535
E-mail info@scnco.com

EXHIBIT "K-2"

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE FOR EACH MAJOR STATE FINANCIAL ASSISTANCE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04

Honorable President and Members
of the Board of Education
Borough of Garwood School District
County of Union
Garwood, New Jersey 07027

Report on Compliance for Each Major State Program

We have audited the Borough of Garwood School District's compliance with the types of compliance requirements described in the New Jersey *OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the Borough of Garwood School District's major state programs for the year ended June 30, 2014. The District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Garwood School District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and New Jersey *OMB 04-04*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Garwood School 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 on compliance for each major state program. However, our audit does not provide a legal determination of the Borough of Garwood School District's compliance.

Opinion on Each Major State Program

In our opinion, the Borough of Garwood School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Borough of Garwood School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Borough of Garwood School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey *OMB 04-04*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Garwood School 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 state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of State of New Jersey *OMB 04-04*. Accordingly, this report is not suitable for any other purpose.

Suplee, Clooney & Company
CERTIFIED PUBLIC ACCOUNTANTS

November 10, 2014

PUBLIC SCHOOL ACCOUNTANT NO. 93

EXHIBIT "K-3"
SCHEDULE A

BOROUGH OF GARWOOD SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2013	CASH RECEIVED	BUDGETARY EXPENDITURES	BALANCE AT JUNE 30, 2014 (ACCOUNTS RECEIVABLE)	BALANCE AT JUNE 30, 2014 DEFERRED REVENUE
Enterprise Fund									
U.S. Department of Agriculture									
Passed-through State Department of Education:									
Food Distribution Program	10.550	N/A	7/1/12-6/30/13	$ 6,917.60	$ 347.06	$	$ (347.06)	$	$
Food Distribution Program	10.550	N/A	7/1/13-6/30/14	8,620.14		8,620.14	(8,528.17)		91.97
Healthy Hunger Free Kids Act	10.551	N/A	7/1/12-6/30/13	1,543.62	(103.02)	103.02			
Healthy Hunger Free Kids Act	10.551	N/A	7/1/13-6/30/14	1,864.68		1,703.58	(1,864.68)	(161.10)	
National School Lunch Program	10.555	N/A	7/1/12-6/30/13	27,133.25	(1,694.93)	1,694.93			
National School Lunch Program	10.555	N/A	7/1/13-6/30/14	27,133.25		29,220.69	(32,077.54)	(2,856.85)	
Total U.S. Department of Agriculture					$ (1,450.89)	$ 41,342.36	$ (42,817.45)	$ (3,017.95)	$ 91.97
Special Revenue Fund									
U.S. Department of Education									
Passed-through State Department of Education:									
Title I - Part A	84.010	NCLB171013	9/1/12-8/31/13	25,445.00	$ (1,272.00)	$ 1,272.00	$	$	$
Title I - Part A	84.010	NCLB171014	9/1/13-8/31/14	23,959.00		20,132.00	(23,959.00)	(3,827.00)	
Title II - Part A	84.367	NCLB171014	9/1/13-8/31/14	15,173.00		12,619.00	(15,173.00)	(2,554.00)	
I.D.E.A. Part B - Basic	84.027	NCLB171013	9/1/12-8/31/13	118,586.00	(11,864.00)	11,864.00			
I.D.E.A. Part B - Basic	84.027	NCLB171014	9/1/13-8/31/14	112,330.00		112,330.00	(112,330.00)		
I.D.E.A. Part B - Preschool	84.173	NCLB171013	9/1/13-8/31/14	3,281.00		3,281.00	(3,281.00)		
Total U.S. Department of Education					$ (13,136.00)	$ 161,498.00	$ (154,743.00)	$ (6,381.00)	$
Total Federal Financial Assistance					$ (14,586.89)	$ 202,840.36	$ (197,560.45)	$ (9,398.95)	$ 91.97

See accompanying notes to schedules of financial assistance.

EXHIBIT "K-4"
SCHEDULE B

BOROUGH OF GARWOOD SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2013 DEFERRED REVENUE (ACCTS.REC.)	BALANCE AT JUNE 30, 2013 DUE TO GRANTOR	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS/ REPAYMENT OF PRIOR YEAR BALANCES	BALANCE AT JUNE 30, 2014 DEFERRED REVENUE (ACCTS.REC.)	BALANCE AT JUNE 30, 2014 DUE TO GRANTOR	MEMO BUDGETARY RECEIVABLE	MEMO CUMULATIVE TOTAL EXPENDITURES
General Fund:												
Transportation Aid	495-034-5120-014	$ 31,288.00	7/1/13-6/30/14	$	$	$ 28,159.20	$ (31,288.00)	$ 3,128.80	$	$	$ 3,128.80	$ 31,288.00
Equalization Aid	495-034-5120-078	80,233.00	7/1/13-6/30/14			75,186.40	(80,233.00)	5,046.60			5,046.60	80,233.00
Special Education Aid	495-034-5120-089	311,043.00	7/1/13-6/30/14			279,938.70	(311,043.00)	31,104.30			31,104.30	311,043.00
Security Aid	495-034-5120-084	9,695.00	7/1/13-6/30/14			8,725.50	(9,695.00)	969.50			969.50	9,695.00
Adjustment Aid	495-034-5120-085	5,768.00	7/1/13-6/30/14			5,191.20	(5,768.00)	576.80			576.80	5,768.00
Extraordinary Special Education Costs Aid	14-495-034-5120-044	84,165.00	7/1/13-6/30/14				(84,165.00)		(84,165.00)		84,165.00	84,165.00
Extraordinary Special Education Costs Aid	13-495-034-5120-044	90,620.00	7/1/12-6/30/13	(90,620.00)		90,620.00						
Nonpublic School Transportation Costs Aid	Not Available	1,352.00	7/1/13-6/30/14				(1,352.00)		(1,352.00)		1,352.00	1,352.00
Nonpublic School Transportation Costs Aid	Not Available	1,218.00	7/1/12-6/30/13	(1,218.00)		1,218.00						
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	157,813.26	7/1/13-6/30/14			149,804.90	(157,813.26)		(8,008.36)		8,008.36	157,813.26
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	158,881.58	7/1/12-6/30/13	(16,463.56)		16,463.56						
				$ (108,301.56)	$	$ 655,307.46	$ (681,357.26)	$ 40,826.00	$ (93,525.36)	$	$ 134,351.36	$ 681,357.26
Enterprise Fund:												
National School Lunch Program (State Share)	13-100-010-3360-067	1,210.58	7/1/12-6/30/13	$ (76.27)	$	$ 76.27	$	$	$	$	$	$ 1,210.58
National School Lunch Program (State Share)	14-100-010-3360-067	1,384.43	7/1/13-6/30/14			1,264.29	(1,384.43)		(120.14)		120.14	1,384.43
				$ (76.27)	$	$ 1,340.56	$ (1,384.43)	$	$ (120.14)	$	$ 120.14	$ 2,595.01
Total State Financial Assistance Subject to Single Audit Testing				$ (108,377.83)	$	$ 656,648.02	$ (682,741.69)	$ 40,826.00	$ (93,645.50)	$	$ 134,471.50	$ 683,952.27
On Behalf amounts utilized for determination of single audit:												
On-behalf TPAF pension contributions						$ 142,430.00	$ (98,673.00)					
On-behalf TPAF post retirement medical						161,052.00	(161,788.00)					
Total State Financial Assistance						$ 960,130.02	$ (943,202.69)					

See accompanying notes to schedules of financial assistance.

EXHIBIT "K-5"

Borough of Garwood School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2014

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is $0.00 for the general fund and $0.00 for the special revenue fund. See the notes to the required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal awards and state financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund		$941,818.26	$941,818.26
Special Revenue Fund	$154,743.00		154,743.00
Food Service Fund	42,817.45	1,384.43	44,201.88
Total Awards & Financial Assistance	$197,560.45	$943,202.69	$1,140,763.14

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

Revenues and expenditures reported in the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF pension contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2014. 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 year ended June 30, 2014.

EXHIBIT "K-6"

Borough of Garwood School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section I – Summary of Auditor's Results

Financial Statements

(1)	Type of Auditor's Report Issued:	Unmodified
(2)	Internal Control Over Financial Reporting:	
	(a) Material weakness identified?	No
	(b) Significant deficiencies identified that are not considered to be material weaknesses?	No
(3)	Noncompliance material to basic financial statements noted?	No

Federal Program(s) – Not Applicable

State Program(s)

(1)	Internal Control Over Major State Programs:	
	(a) Material weakness identified?	No
	(b) Significant deficiencies identified that are not considered to be material weaknesses?	No
(2)	Type of Auditor's Report issued on compliance for major state program(s)?	Unmodified
(3)	Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04?	None Reported

(4) Identification of Major State Program(s):

Program	Grant Number
State Aid Cluster:	
Equalization Aid	495-034-5120-078
Special Education Aid	495-034-5120-089
Security Aid	495-034-5120-084
Adjustment Aid	495-034-5120-085

EXHIBIT "K-6"

Borough of Garwood School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section I – Summary of Auditor's Results

State Programs (continued)

(5) Program Threshold Determination:
Type A State Program Threshold > $300,000.00
Type B State Program Threshold <= $300,000.00

(6) Auditee qualified as a low-risk auditee under OMB Circular A-133? Yes

Section II – Financial Statement Audit – Reported Findings Under Government Auditing Standards

Internal Control Findings

None Reported

Compliance Findings

None Reported

Section III – Findings and Questioned Costs Relative to Major Federal and State Programs

Federal Programs – None Reported
State Programs – None Reported

EXHIBIT "K-7"

Borough of Garwood School District

Schedule of Prior Year Audit Findings

Not Applicable