

School District
of
SPOTSWOOD
BOROUGH

Spotswood Borough
Board of Education
County of Middlesex
New Jersey

*Comprehensive Annual Financial Report
Year Ended June 30, 2015*

**School District of
Spotswood Borough**

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

Comprehensive Annual Financial Report
Year Ended June 30, 2015

Prepared by

Spotswood Borough School District
Business Division

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION – Other Information	
Letter of Transmittal	1
Organizational Chart	7
Roster of Officials	8
Independent Auditor and Advisors	9
FINANCIAL SECTION	
Independent Auditors’ Report	10
Required Supplementary Information – Part I	
Management’s Discussion and Analysis	13
Basic Financial Statements	
Government-wide Financial Statements:	
A-1 Statement of Net Position	21
A-2 Statement of Activities	22
Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	23
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances	24
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Proprietary Funds:	
B-4 Statement of Net Position	26
B-5 Statement of Revenues, Expenses and Changes in Fund Net Position	27
B-6 Statement of Cash Flows	28
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	29
B-8 Statement of Changes in Fiduciary Net Position	30
Notes to the Basic Financial Statements	31

Table of Contents (continued)

	Page
FINANCIAL SECTION (continued)	
Required Supplementary Information – Part II	
Schedule of the District’s Proportionate Share of the Net Pension Liability – Public Employee’s Retirement System	68
Schedule of District Contributions – Public Employee’s Retirement System	69
Schedule of State’s Proportionate Share of the Net Pension Liability associated with the District – Teacher’s Pension and Annuity Fund	70
Required Supplementary Information – Part III	
Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund – Budgetary Basis	71
C-1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis– Not Applicable	N/A
C-1b Community Development Block Grant – Budget and Actual (Budgetary Basis)	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund – Budgetary Basis	79
Note to Required Supplementary Information	
C-3 Budget to GAAP Reconciliation	80
Supplementary Information	
D School Based Budget Schedules – Not Applicable	N/A
Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis	81
E-2 Schedule of Preschool Education Aid Expenditures – Budgetary Basis – Not Applicable	N/A
Capital Projects Fund:	
F-1 Summary Schedule of Project Revenues, Expenditures, Project Balance and Project Status-Budgetary Basis	82
F-1a Schedule of Project Revenues, Expenditures, Project Balance And Project Status – Budgetary Basis – School Energy Savings	83
F-2 Summary Schedule of Project Expenditures	84

Table of Contents (continued)

	<u>Page</u>	
FINANCIAL SECTION (continued)		
Supplementary Information (continued)		
Enterprise Fund:		
G-1	Combining Statement of Net Position – Not Applicable	N/A
G-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Not Applicable	N/A
G-3	Combining Statement of Cash Flows – Not Applicable	N/A
Fiduciary Funds:		
H-1	Combining Statement of Fiduciary Net Position	85
H-2	Combining Statement of Changes in Fiduciary Net Position	86
H-3	Schedule of Cash Receipts and Cash Disbursements – Student Activity Agency Fund	87
H-4	Schedule of Cash Receipts and Cash Disbursements – Payroll Agency Fund	88
Long-Term Debt:		
I-1	Schedule of Serial Bonds Payable	89
I-2	Schedule of Obligations Under Capital Leases	90
I-3	Budgetary Comparison Schedule – Debt Service Fund	91

Table of Contents (continued)

STATISTICAL SECTION (Unaudited) – OTHER INFORMATION

	Financial Trends Information/Schedules	
J-1	Net Position by Component	92
J-2	Changes in Net Position	93
J-3	Fund Balances, Governmental Funds	95
J-4	Changes in Fund Balances – Governmental Funds	96
J-5	General Fund Other Local Revenue by Source	97
	Revenue Capacity Information	
J-6	Assessed Value and Actual Value of Taxable Property	98
J-7	Direct and Overlapping Property Tax Rates	99
J-8	Principal Property Tax Payers	101
J-9	Property Tax Levies and Collections	103
	Debt Capacity Information	
J-10	Ratios of Outstanding Debt by Type	104
J-11	Ratios of Net General Bonded Debt Outstanding	105
J-12	Ratios of Overlapping Governmental Activities Debt	106
J-13	Legal Debt Margin Information	107
	Demographic and Economic Information	
J-14	Demographic and Economic Statistics	109
J-15	Principal Employers	110
	Operating Information	
J-16	Full-Time Equivalent District Employees by Function/Program	111
J-17	Operating Statistics	113
J-18	School Building Information	115
J-19	Schedule of Required Maintenance for School Facilities	116
J-20	Insurance Schedule	117

Table of Contents (continued)

	<u>Page</u>
SINGLE AUDIT SECTION	
K-1 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	119
K-2 Report on Compliance For Each Major Federal and State Program and Report on Internal Control Over Compliance Required by OMB A-133 and New Jersey OMB 15-08	121
K-3 Schedule A – Schedule of Expenditures of Federal Awards – Supplementary Information	124
K-4 Schedule B – Schedule of Expenditures of State Financial Assistance – Supplementary Information	125
K-5 Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	126
K-6 Schedule of Findings and Questioned Costs	129
K-7 Summary Schedule of Prior Year Audit Findings	133

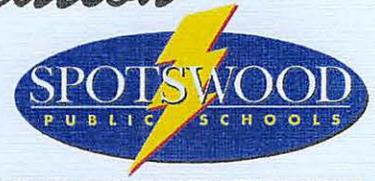
Introductory Section



Spotswood Board of Education

ADMINISTRATIVE OFFICES
105 SUMMERHILL ROAD
SPOTSWOOD, NEW JERSEY 08884

732-723-2240 • FAX: 732-251-7666
WWW.SPSD.US



Dr. Scott R. Rocco, Superintendent

E-MAIL: SROCCO@SPSD.US

*Vita Marino, Business Administrator/
Board Secretary*

E-MAIL: VMARINO@SPSD.US

December 16, 2015

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

Dear Board Members and Constituents:

The comprehensive annual financial report of the Spotswood Borough School District (the "District") as of and for the year ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information at June 30, 2015 and the respective changes in financial position, and where applicable, cash flows for the year then ended. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's organizational chart, a listing of consultants, independent auditor and advisors, and roster of officials. The financial section includes Management's Discussion and Analysis (immediately following the report of independent auditors), basic financial statements, required supplementary information and supplementary information, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis and is unaudited. The District is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget Circular A133, "Audits of States, Local Governments and Non-Profit Organizations," and the New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid

Payments.” Information related to this Single Audit, including the auditors’ report on internal control over compliance and on compliance with applicable laws and regulations, if applicable, are included in the Single Audit section of this report.

1. Reporting Entity and its Services

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

The District provides a full range of educational services appropriate to grade levels PreK through 12. These include regular, vocational, as well as special education for handicapped youngsters. The District completed the 2014-2015 fiscal year with an average daily enrollment of 1,762 students, which is approximately a 1% decrease from the prior year’s average daily enrollment. The following details the changes in the average daily enrollment of the District over the last five years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2015	1,762	(1.45)
2014	1,788	(0.94)
2013	1,805	1.35
2012	1,781	(1.87)
2011	1,815	0.39

2. Economic Condition and Outlook

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

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

3. Initiatives

The Spotswood School District’s initiatives for the 2015/2016 school year will be as follows:

- **Accountability**

Alignment of all subjects to common core and state standards continue in term of instructional technique, activity development and assessment refinement. Decisions based on this work continue to drive program revision as seen in a shift in Science sequencing (Biology offered to all Freshman), the adoption of Google Apps for Education, and the development of skill-based SGO's in all content areas.

- **Staff Development**

The District continues to devote ample resources, especially time, to the development and renewal of teacher and administrator preparation. Our goal in providing these programs and resources is simple. Believing that learning is the foundation of individual and organizational improvement and that learning requires reflection, we desire to create a dynamic environment in which everyone is a teacher, everyone is a learner, and as a result, everyone gets smarter every day.

To that end, three houses or tiers have been created to coordinate this desire: they include Tier 1 Programming - Development for staff new to the district (Summer Orientation, Induction Workshops, Mentoring, Peer Visitation and Reflection, Formative Evaluation and Reflection); Tier 2 Programming - Refinement for all district staff (PD Academy, In-Service Programming, Focused Professional Learning Cohorts, Structured Independent Studies, Portfolio Reflection Groups); Tier 3 Programming - Renewal for administration/future educational leaders (Leadership Team, Leadership Seminar, Administrator Induction, Mentor Administrator Cohort, Principal Power Hour).

- **Facility Upgrades**

The District continues to improve our facilities and has worked with our school architect to develop a referendum for vote in November 2015 that, if it passes, will allow the district to use ROD grants and debt service aide to offset 37% of the total cost of repairs and upgrades. Items on this referendum address the District's roofs, critical life safety, HVAC, facility and site needs.

4. Service Efforts and Accomplishments

The District's achievement continues to be highly competitive with the District Factor Group as well as state results.

5. Major Operational or Financial Concerns

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

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

6. Internal Control

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

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

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

7. Budgetary Controls

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as appropriations of fund balance in the subsequent year. Those amounts to be appropriated are reported as reservations of fund balance at June 30, 2015.

8. Accounting Systems and Reports

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

9. Debt Administration

At June 30, 2015, the District's outstanding debt issues included \$7,745,000 of bonds. During the 2014 fiscal year, the District was notified that its bond rating was AA-, but enhanced by the School Bond Reserve Act with an underlying rating for the District of A+. The legal debt margin and the debt per capita can be found in the Statistical section, schedules J-13 and J-11, respectively.

10. Cash Management

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

11. 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.

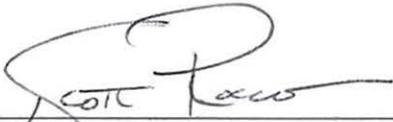
12. Other Information

Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The independent accounting firm of Wiss and Company, LLP was selected by the Board to perform the audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A133 and New Jersey OMB Circular 15-08. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the Single Audit are included in the Single Audit section of this report.

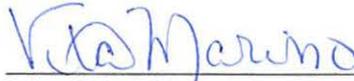
13. Acknowledgments

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

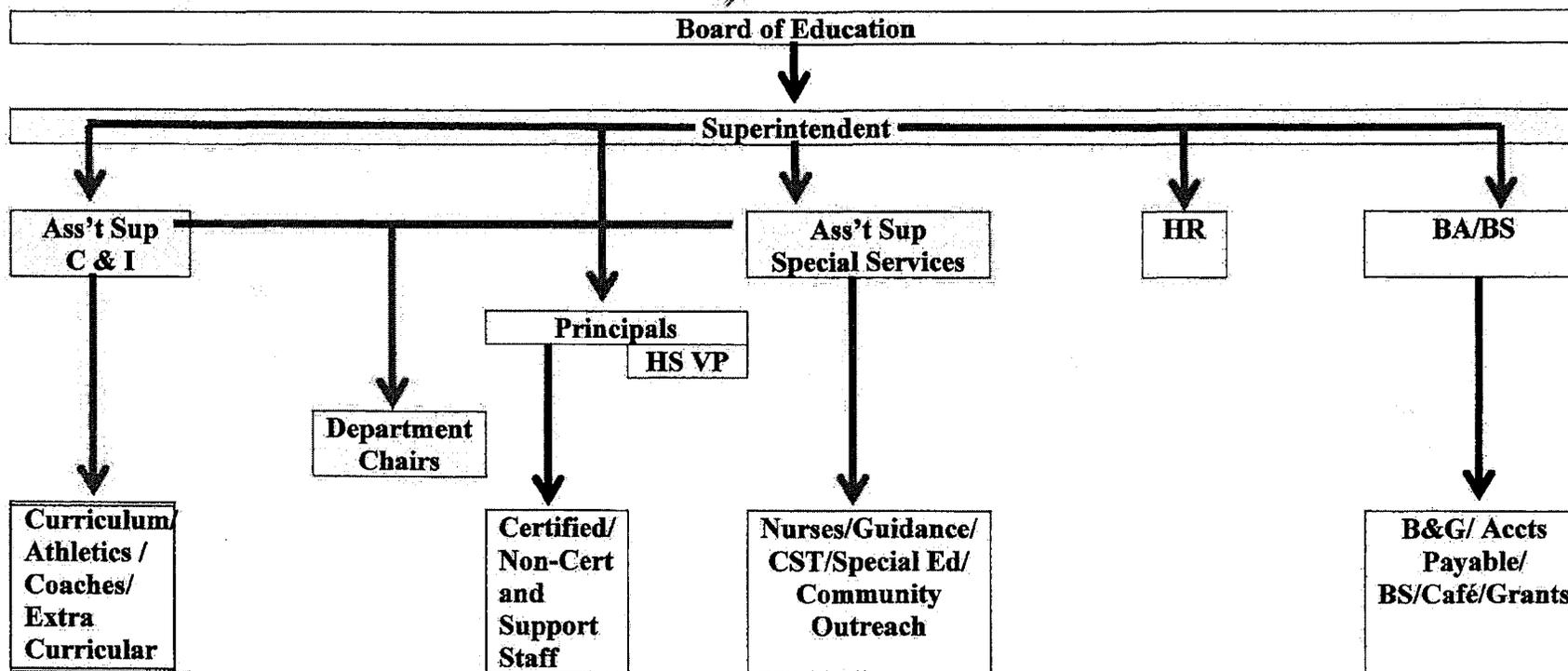
Respectfully Submitted,



Dr. Scott Rocco
Superintendent of Schools



Mrs. Vita Marino
School Business Administrator
Board Secretary



Spotswood Borough School District
Spotswood, New Jersey

Roster of Officials

June 30, 2015

Members of the Board of Education

Term Expires

Dulce Branco-Rivera, President	December – 2015
William Smith, Vice President	December – 2015
Bertrand Louis	December – 2017
William J. Loschiavo	December – 2016
Mariellen Chasan	December – 2015
Felipe Zambrana (Milltown Representative)	

Other Officials

Dr. Scott Rocco, Superintendent of Schools
Vita Marino, School Business Administrator/Board
Secretary
Brian Delucia, Treasurer of School Moneys

Spotswood Borough School District
Spotswood, New Jersey

Independent Auditor and Advisors

Attorney

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

Independent Auditor

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

Official Depository

TD Bank
Route 18 South
East Brunswick, New Jersey 07753

Official Newspapers

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

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

Financial Section

Independent Auditors' Report

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

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 Spotswood Borough School District, County of Middlesex, New Jersey (the "District"), as of and for the year ended June 30, 2015, 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.

Auditors' 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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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.

WISS.COM

354 Eisenhower Parkway
Suite 1850
Livingston, NJ 07039
973.994.9400

485C Route 1 South
Suite 250
Iselin, NJ 08830
732.283.9300

14 Penn Plaza
Suite 1010
New York, NY 10122
212.594.8155

5 Bartles Corner Road
Flemington, NJ 08822
908.782.7300

60 West Broad Street
Suite 102
Bethlehem, PA 18018
484.821.5735

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.T. to the financial statements, during the fiscal year ended June 30, 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68* which represents a change in accounting principle. As discussed in Note 17, as of July 1, 2014 the District's net position was restated to reflect the impact of this change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of the District's proportionate share of the net pension liability-PERS, schedule of District contributions, schedule of the State's proportionate share of the net pension liability associated with the District-TPAF and budgetary comparison information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

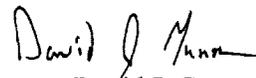
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which consists of the combining and individual fund financial statements, long-term debt schedules and schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and the other information such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information identified above 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 and other 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting compliance.



David J. Gannon

Licensed Public School Accountant

No. 2305



WISS & COMPANY, LLP

December 16, 2015
Iselin, New Jersey

Required Supplementary Information
Part I

Management's Discussion and Analysis

Spotswood Borough School District
Management's Discussion and Analysis
Year ended June 30, 2015
(Unaudited)

As management of the Spotswood Borough School District (the "District"), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District as of and for the year ended June 30, 2015. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

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

Overview of the Financial Statements

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

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

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

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

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental Activities — All of the District's programs and services are reported here including, instruction, support services, operation and maintenance of plant facilities, pupil transportation, extracurricular activities, construction and facilities improvements, and debt repayment.

Business-Type Activities — The District charges fees for certain services it provides. The Food service and Community Programs are reported here.

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

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

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

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

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

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

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

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

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

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

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

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 31-68 of this report.

Other information. The combining statements referred to earlier in connection with governmental funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found on pages 71-91 of this report.

Financial Highlights

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, the total Government-wide assets exceeded liabilities by \$5,398,961 (net position) at the close of 2015.

The following table provides a summary of net position relating to the District's governmental and business-type activities as of June 30, 2015 and 2014:

Spotswood Borough School District						
Spotswood, New Jersey						
Net Position						
June 30,						
	2015			2014		
	Governmental	Business -		Governmental	Business -	
	Activities	type	Total	Activities	type	Total
	Activities	Activities	Total	Activities	Activities	Total
Current and other assets	\$ 2,710,094	\$ 494,306	\$ 3,204,400	\$ 1,784,528	\$ 598,350	\$ 2,382,878
Capital assets, net	18,283,587	7,642	18,291,229	19,209,763	2,592	19,212,355
Total assets	20,993,681	501,948	21,495,629	20,994,291	600,942	21,595,233
Deferred outflows of resources	698,640		698,640	229,663		229,663
Current liabilities	1,619,652	112,657	1,732,309	1,433,457	193,504	1,626,961
Net pension liability	6,370,747		6,370,747			
Long-term liabilities outstanding	8,042,660		8,042,660	8,592,491		8,592,491
Total liabilities	16,033,059	112,657	16,145,716	10,025,948	193,504	10,219,452
Deferred inflow of resources	649,592		649,592			
Net position						
Net investment in capital assets	10,474,046	7,642	10,481,688	10,472,674	2,592	10,475,266
Restricted	1,835,627		1,835,627	1,125,861		1,125,861
Unrestricted (deficit)	(7,300,003)	381,649	(6,918,354)	(400,529)	404,846	4,317
Total net position	\$ 5,009,670	\$ 389,291	\$ 5,398,961	\$ 11,198,006	\$ 407,438	\$ 11,605,444

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

The remaining (deficit) balance of unrestricted net position of the governmental activities reflects the District's obligations, such as compensated absences and net pension liability that are not invested in capital assets.

The net pension liability, as well as the deferred inflow of resources, increase in deferred outflows of resources and decrease in unrestricted net position (deficit) were all a result of the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*.

The increase in restricted net position is the result of deposits of \$600,000 being placed into capital and maintenance reserves by Board action at its June 2015 meeting.

The decrease in business type activities is the result of the District's CARES operating loss in the District's 2014-2015 year due to a facility charge implemented in 2014-15.

District activities. The key elements of the District's changes in net position for the years ended June 30, 2015 and 2014 are as follows:

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

Years ended June 30,

	2015			2014		
	Governmental Activities	Business Type- Activities	Total	Governmental Activities	Business Type- Activities	Total
Revenues						
Program revenues:						
Charges for services	\$ 4,940,108	\$ 762,789	\$ 5,702,897	\$ 4,653,700	\$ 712,143	\$ 5,365,843
Operating grants and contributions	673,059	141,889	814,948	701,268	130,366	831,634
General revenues:						
Property taxes	15,304,848		15,304,848	15,005,900		15,005,900
State aid not restricted to a specific purpose	11,520,005		11,520,005	8,346,221		8,346,221
Federal aid not restricted to a specific purpose	28,046		28,046	28,789		28,789
Investment Income	34		34	40		40
Miscellaneous	231,030		231,030	129,048		129,048
Total revenue	32,697,130	904,678	33,601,808	28,864,966	842,509	29,707,475
Expenses:						
Instructional services	20,115,485		20,115,485	17,813,904		17,813,904
Support services	11,641,444		11,641,444	10,422,542		10,422,542
Charter school	30,204		30,204	29,988		29,988
Interest and Other Charges	275,587		275,587	451,126		451,126
Business Type Activities		922,825	922,825		949,348	949,348
Total expenses	32,062,720	922,825	32,985,545	28,717,560	949,348	29,666,908
Change in net position	634,410	(18,147)	616,263	147,406	(106,839)	40,567
Net position - beginning of Restatement	11,198,006	407,438	11,605,444	11,050,600	514,277	11,564,877
	(6,822,746)		(6,822,746)			
Net position - beginning of year (as restated)	4,375,260	407,438	4,782,698	11,050,600	514,277	11,564,877
Net position - end of year	\$ 5,009,670	\$ 389,291	\$ 5,398,961	\$ 11,198,006	\$ 407,438	\$ 11,605,444

State aid not restricted increased from the prior year mainly as the result of the State of New Jersey paying more on behalf of the District for retiree pension contributions, as well as a result of the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*.

Business-type revenue increased as the result of an increase in enrollment in the preschool program in the CARES fund in the current year.

Financial Analysis of the District's Funds

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

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The fund balance is divided between restricted, assigned and unassigned balances.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2015, and the increases and decreases in relation to the prior year.

Revenue	Amount	Percent of Total	Increase (Decrease) from 2014	Percent of Increase (Decrease)
Local sources	\$ 20,488,795	68.25%	\$ 687,905	3.47%
State sources	8,938,410	29.77	489,292	5.79
Federal sources	593,722	1.98	(21,236)	(3.45)
Total	<u>\$ 30,020,927</u>	<u>100.00%</u>	<u>\$ 1,155,961</u>	<u>4.00%</u>

The increase in local sources is the result of an increase in the local tax levy and from tuition received from another school district. The increase in state sources is mainly the result of an increase in TPAF pension contributions made by the State of New Jersey on-behalf of the District during 2014/2015 as compared to the prior year.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2015 and the increases related to the prior year:

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2014	Percent of Increase (Decrease)
Current expenditures:				
Instruction	\$ 12,231,156	41.81%	\$ 263,669	2.20%
Undistributed expenditures	15,674,703	53.58	631,136	4.20
Capital outlay	150,835	.52	(134,280)	(47.10)
Debt service:				
Principal	915,000	3.13	(85,000)	(8.50)
Interest	284,626	.97	(35,799)	(11.17)
Total	<u>\$ 29,256,320</u>	<u>100.00%</u>	<u>\$ 639,726</u>	<u>2.24%</u>

The decrease in capital outlay is mainly attributed to the completion of capital projects in the 2014-2015 year.

The decrease in principal and interest expense is attributable to the required annual debt payment obligations.

General Fund Budgetary Highlights

During the 2015 fiscal year, the District budgeted \$534,148 of prior year fund balance. During the year, both revenues and expenditures were within budgetary estimates, thus eliminating the need to draw upon existing fund balance.

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

- Undistributed instruction - regular programs – Other salaries for instruction – an increase of \$155,145 is attributable to an increase in the number of aides provided to students with special needs to keep those students within the District.
- Undistributed instruction - regular programs – Other purchased services – an increase of \$102,000 is attributable to the outsourcing of long term substitutes.
- Undistributed instruction - regular programs – General supplies – an increase of \$111,195 is attributable to the needs related to an increase in enrollment and additional aides.
- Undistributed expenditures – instruction – Tuition to private schools for the handicapped – within state – a decrease of \$165,758 related to keeping more students within the District instead of sending them out of district.

Capital Assets and Debt Administration

Capital Assets. The District has governmental type capital assets, net of depreciation of \$18,283,587 at June 30, 2015, including land, construction in progress, site improvements, buildings and building improvements, machinery, equipment and vehicles. (More detailed information about capital assets can be found in Note 4 to the basic financial statements.)

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

	June 30,	
	2015	2014
Land	\$ 197,617	\$ 197,617
Site improvements	181,208	192,752
Buildings and building improvements	17,598,412	18,450,928
Machinery, equipment and vehicles	306,350	368,466
Total capital assets, net	<u>\$ 18,283,587</u>	<u>\$ 19,209,763</u>

Debt Administration and Long-Term Liabilities.

At June 30, 2015 and 2014, the District's governmental activity long-term liabilities consisted of:

	June 30,	
	2015	2014
Bonds payable	\$ 7,745,000	\$ 8,660,000
Unamortized premium on bonds	236,491	261,462
Compensated absences payable	985,379	843,748
Capital leases payable	34,456	45,290
Total long-term liabilities	<u>\$ 9,001,326</u>	<u>\$ 9,810,500</u>

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

Economic Factors and Next Year's Budget

- Continued attention is being given to the levy calculation resulting from the Department of Education merging the Helmetta District in 2009 which is based on equalized valuation.
- With a 2% levy cap passed by the State Legislature, and dwindling revenues, alternative revenue sources are being considered along with a strong hard look at expenditures in all areas.

All of these factors were considered in preparing the District's budget for the 2015-2016 fiscal year. The reduction and/or stabilization of state aid will make future budgets difficult.

Requests for Information

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

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2015.

Spotswood Borough School District

Statement of Net Position

June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 708,323	\$ 467,074	\$ 1,175,397
Accounts receivable	755,584	20,612	776,196
Internal balances	650	(650)	-
Inventories		7,270	7,270
Restricted assets:			
Cash and cash equivalents	1,245,537		1,245,537
Capital assets, non-depreciable	197,617		197,617
Capital assets, depreciable, net	18,085,970	7,642	18,093,612
Total assets	<u>20,993,681</u>	<u>501,948</u>	<u>21,495,629</u>
Deferred Outflows of Resources			
Deferred loss on defeasance of debt	206,406		206,406
Pension deferrals	492,234		492,234
Total deferred outflows of resources	<u>698,640</u>		<u>698,640</u>
Liabilities			
Accounts payable	493,349	23,340	516,689
Accrued interest payable	108,610		108,610
Intergovernmental payables - state	22,616		22,616
Unearned revenue	36,411	89,317	125,728
Net pension liability	6,370,747		6,370,747
Current portion of long-term obligations	958,666		958,666
Noncurrent portion of long-term obligations	8,042,660		8,042,660
Total liabilities	<u>16,033,059</u>	<u>112,657</u>	<u>16,145,716</u>
Deferred Inflows of Resources			
Pension deferrals	<u>649,592</u>		<u>649,592</u>
Net position			
Net investment in capital assets	10,474,046	7,642	10,481,688
Restricted for:			
Maintenance reserve	634,070		634,070
Capital reserve	611,467		611,467
Excess surplus - current year	590,090		590,090
Unrestricted (deficit)	(7,300,003)	381,649	(6,918,354)
Total net position	<u>\$ 5,009,670</u>	<u>\$ 389,291</u>	<u>\$ 5,398,961</u>

See accompanying notes to the basic financial statements.

Spotswood Borough School District

Statement of Activities

Year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities						
Instruction	\$ 20,115,485	\$ 4,940,108	\$ 475,037	\$ (14,700,340)		\$ (14,700,340)
Support services:						
Health services	620,382			(620,382)		(620,382)
Other support services	3,321,425		190,700	(3,130,725)		(3,130,725)
Improvement of instruction	545,589			(545,589)		(545,589)
School library	111,115			(111,115)		(111,115)
Instructional staff training	20,121			(20,121)		(20,121)
General administration	488,596			(488,596)		(488,596)
School administration	1,329,599		7,322	(1,322,277)		(1,322,277)
Central services	573,945			(573,945)		(573,945)
Administrative information technology	369,463			(369,463)		(369,463)
Required maintenance of plant services	621,343			(621,343)		(621,343)
Operation of plant	2,532,670			(2,532,670)		(2,532,670)
Student transportation	1,107,196			(1,107,196)		(1,107,196)
Transfer to charter schools	30,204			(30,204)		(30,204)
Interest on long-term debt	275,587			(275,587)		(275,587)
Total governmental activities	32,062,720	4,940,108	673,059	(26,449,553)		(26,449,553)
Business-type activities						
Food service	421,676	319,583	141,889		\$ 39,796	39,796
C.A.R.E.S	501,149	443,206			(57,943)	(57,943)
Total business-type activities	922,825	762,789	141,889		(18,147)	(18,147)
Total primary government	\$ 32,985,545	\$ 5,702,897	\$ 814,948	(26,449,553)	(18,147)	(26,467,700)
General revenues						
Property taxes, levied for general purposes				14,332,953		14,332,953
Property taxes, levied for debt service				971,895		971,895
State sources				11,520,005		11,520,005
Federal sources				28,046		28,046
Miscellaneous income				231,064		231,064
Total general revenues				27,083,963		27,083,963
Change in net position				634,410	(18,147)	616,263
Net position—beginning of year (as restated)				4,375,260	407,438	4,782,698
Net position—end of year				\$ 5,009,670	\$ 389,291	\$ 5,398,961

Fund Financial Statements

Governmental Funds

Spotswood Borough School District
Governmental Funds

Balance Sheet

June 30, 2015

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Assets					
Cash and cash equivalents	\$ 464,196	\$ 54,166	\$ 189,961		\$ 708,323
Accounts receivable:					
State	202,273				202,273
Federal		42,774			42,774
Other	469,773	4,641			474,414
Interfund	226,734				226,734
Restricted assets:					
Cash and cash equivalents	1,245,537				1,245,537
Total assets	<u>\$ 2,608,513</u>	<u>\$ 101,581</u>	<u>\$ 189,961</u>	<u>\$ -</u>	<u>\$ 2,900,055</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 149,691	\$ 51,754			\$ 201,445
Intergovernmental payables:					
State		22,616			22,616
Interfunds payable			\$ 189,961		189,961
Unearned revenue	9,200	27,211			36,411
Total liabilities	<u>158,891</u>	<u>101,581</u>	<u>189,961</u>		<u>450,433</u>
Fund balances:					
Restricted for:					
Excess surplus-current year	590,090				590,090
Capital reserve	611,467				611,467
Maintenance reserve	634,070				634,070
Assigned to:					
Designated for subsequent years expenditures	534,148				534,148
Other purposes	67,258				67,258
Designated for subsequent years expenditures - ARRA SEMI	9,575				9,575
Unassigned	3,014				3,014
Total fund balances	<u>2,449,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,449,622</u>
Total liabilities and fund balances	<u>\$ 2,608,513</u>	<u>\$ 101,581</u>	<u>\$ 189,961</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$34,633,424 and the accumulated depreciation is \$16,349,837	18,283,587
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(108,610)
Losses arising from the issuance of refunding bonds that are a result of the difference in the carrying value of the refunded bonds and the new bonds are deferred and amortized over the life of the new bonds.	206,406
Long-term liabilities, including bonds payable, compensated absences and unamortized premium on bonds are not due and payable in the current period and therefore are not reported as liabilities in the funds and unamortized deferred interest costs are not reported as an asset in the funds.	(9,001,326)
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	(157,358)
Accrued pension contributions for the June 30, 2015 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.	(291,904)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(6,370,747)
Net Position of governmental activities	<u>\$ 5,009,670</u>

Spotswood Borough School District
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2015

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Revenues					
Local sources:					
Local tax levy	\$ 14,332,953			\$ 971,895	\$ 15,304,848
Tuition from other LEA's	4,710,732				4,710,732
Tuition from individuals	229,376				229,376
Interest earned on capital reserve funds	16				16
Miscellaneous	231,048	\$ 12,775	-		243,823
Total local sources	19,504,125	12,775	-	971,895	20,488,795
State sources	8,787,759	94,608		56,043	8,938,410
Federal sources	28,046	565,676			593,722
Total revenues	28,319,930	673,059	-	1,027,938	30,020,927
Expenditures					
Current:					
Instruction	11,756,119	475,037			12,231,156
Undistributed-current:					
Instruction	1,070,019				1,070,019
Health services	452,068				452,068
Other support services	2,101,693	177,925			2,279,618
Improvement of instruction	342,396				342,396
Educational media services / school library	70,263				70,263
Instructional staff training	19,174				19,174
General administration	350,596				350,596
School administration	825,228	7,322			832,550
Central services	423,924				423,924
Administrative information technology	245,002				245,002
Required maintenance of plant services	487,424				487,424
Operation of plant	1,802,140				1,802,140
Student transportation	979,594				979,594
Unallocated benefits	3,721,522				3,721,522
On-behalf TPAF social security and pension contributions	2,568,209				2,568,209
Transfer to charter schools	30,204				30,204
Capital outlay	138,060	12,775			150,835
Debt Service:					
Principal	105,000			810,000	915,000
Interest	66,688			217,938	284,626
Total expenditures	27,555,323	673,059	-	1,027,938	29,256,320
Excess/(Deficit) of revenues over/(under) expenditures	764,607	-	-	-	764,607
Other financing sources (uses)					
Transfers in	184,961				184,961
Transfers out	-		\$ (184,961)		(184,961)
Total other financing sources	184,961	-	(184,961)	-	-
Net change in fund balances	949,568	-	(184,961)	-	764,607
Fund balances, July 1	1,500,054		184,961	-	1,685,015
Fund balances, June 30	<u>\$ 2,449,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,449,622</u>

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

See accompanying notes to the basic financial statements.

Spotswood Borough School District
Governmental Funds

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

Year ended June 30, 2015

Total net change in fund balances - governmental funds (from B-2) \$ 764,607

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital additions exceeded depreciation in the period.

Depreciation expense	\$ (958,783)	
Capital additions	<u>32,607</u>	(926,176)

The issuance of long-term debt for general and refunding purposes provides current financial resources to governmental funds, however has no effect on net position.

Capital Leases		-
----------------	--	---

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

7,325

Repayments of bond principal are expenditures 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.

Serial Bonds Payable	915,000	
Obligations under Capital Lease	<u>10,834</u>	925,834

Governmental funds report the effect on premiums and similar items when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This represents the current year amortization related to the deferred loss of refunding.

Amortization of Premium on Bonds	24,971	
Amortization of Bond Interest Costs	<u>(23,257)</u>	1,714

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid).

(141,631)

Certain expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Pension expense		2,737
-----------------	--	-------

Change in net position of governmental activities (A-2) \$ 634,410

See accompanying notes to the basic financial statements.

Proprietary Funds

Spotswood Borough School District
Enterprise Funds

Statement of Net Position

June 30, 2015

	Major Enterprise Funds		
	Food Service	C.A.R.E.S.	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 89,261	\$ 377,813	\$ 467,074
Accounts receivable:			
State	343		343
Federal	9,166		9,166
Other	11,103		11,103
Inventories	7,270		7,270
Total current assets	<u>117,143</u>	<u>377,813</u>	<u>494,956</u>
Capital assets:			
Equipment	154,336		154,336
Accumulated depreciation	(146,694)		(146,694)
Total capital assets, net	<u>7,642</u>		<u>7,642</u>
Total assets	<u>124,785</u>	<u>377,813</u>	<u>502,598</u>
Liabilities			
Current liabilities:			
Accounts payable	14,332	9,008	23,340
Interfund payable		650	650
Unearned revenue		89,317	89,317
Total current liabilities	<u>14,332</u>	<u>98,975</u>	<u>113,307</u>
Net position			
Net investment in capital assets	7,642		7,642
Unrestricted	102,811	278,838	381,649
Total net position	<u>\$ 110,453</u>	<u>\$ 278,838</u>	<u>\$ 389,291</u>

See accompanying notes to the basic financial statements.

Spotswood Borough School District
Proprietary Funds

Statement of Revenues, Expenses and
Changes in Fund Net Position

Year ended June 30, 2015

	<u>Major Enterprise Funds</u>		<u>Totals</u>
	<u>Food Service</u>	<u>C.A.R.E.S.</u>	
Operating revenues:			
Local sources:			
Daily sales reimbursable programs	\$ 303,207		\$ 303,207
Program fees		\$ 443,206	443,206
Special functions	16,376		16,376
Total operating revenues	<u>319,583</u>	<u>443,206</u>	<u>762,789</u>
Operating expenses:			
Salaries	132,208	318,313	450,521
Employee benefits	40,394		40,394
Purchase professional services	1,824		1,824
Supplies and materials	12,785	7,308	20,093
Repairs and maintenance	8,040		8,040
Cost of sales	178,078		178,078
Depreciation	2,739		2,739
Management Fee	16,670		16,670
Other objects	28,938	175,528	204,466
Total operating expenses	<u>421,676</u>	<u>501,149</u>	<u>922,825</u>
Operating (loss) income	(102,093)	(57,943)	(160,036)
Nonoperating revenues:			
State sources:			
State school lunch program	4,552		4,552
Federal sources:			
National school lunch program	120,681		120,681
Food donation program	16,656		16,656
Total nonoperating revenues	<u>141,889</u>	<u>-</u>	<u>141,889</u>
Change in net position	39,796	(57,943)	(18,147)
Total net position, beginning of year	70,657	336,781	407,438
Total net position, end of year	<u>\$ 110,453</u>	<u>\$ 278,838</u>	<u>\$ 389,291</u>

See accompanying notes to the basic financial statements.

Spotswood Borough School District
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2015

	<u>Major Enterprise Funds</u>		
	<u>Food Service</u>	<u>C.A.R.E.S.</u>	<u>Totals</u>
Cash flows from operating activities			
Receipts from customers	\$ 308,480	\$ 438,046	\$ 746,526
Payment of interfunds	(177,304)		(177,304)
Payments to employees and for employee benefits	(172,602)	(318,313)	(490,915)
Payments to suppliers	(332,741)	(173,828)	(506,569)
Net cash (used in) operating activities	<u>(374,167)</u>	<u>(54,095)</u>	<u>(428,262)</u>
Cash flows from noncapital financing activities			
Cash received from state and federal reimbursements	147,845		147,845
Receipts from food donation program	14,893		14,893
Net cash provided by noncapital financing activities	<u>162,738</u>	-	<u>162,738</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	<u>(7,789)</u>		<u>(7,789)</u>
Net cash (used in) capital and related financing activities	<u>(7,789)</u>		<u>(7,789)</u>
Net (decrease) in cash and cash equivalents	(219,218)	(54,095)	(273,313)
Cash and cash equivalents, beginning of year	<u>308,479</u>	<u>431,908</u>	<u>740,387</u>
Cash and cash equivalents, end of year	<u>\$ 89,261</u>	<u>\$ 377,813</u>	<u>\$ 467,074</u>
Reconciliation of operating (loss) to net cash (used in) operating activities:			
Operating (loss)	\$ (102,093)	\$ (57,943)	\$ (160,036)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:			
Depreciation	2,739		2,739
Change in assets and liabilities:			
Decrease in inventory	(3,474)		(3,474)
(Decrease) increase in accounts payable	(82,932)	9,008	(73,924)
Decrease in interfunds payable	(177,304)		(177,304)
Decrease in unearned revenue		(5,160)	(5,160)
Net cash (used in) operating activities	<u>\$ (374,167)</u>	<u>\$ (54,095)</u>	<u>\$ (428,262)</u>

Noncash noncapital financing activities

The District received \$16,656 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2015.

See accompanying notes to the basic financial statements.

Fiduciary Funds

Spotswood Borough School District
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2015

	Unemployment Compensation Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	\$ 62,130	\$ 941,591
Interfund receivable	60,518	
Total assets	122,648	\$ 941,591
Liabilities		
Accounts payable	788	
Payroll deductions and withholdings payable and summer escrow payable		\$ 627,362
Interfund payable		96,641
Due to student groups		217,588
Total liabilities	788	\$ 941,591
Net position		
Held in trust for unemployment claims	\$ 121,860	

See accompanying notes to the basic financial statements.

Spotswood Borough School District
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2015

	<u>Unemployment Compensation Trust Fund</u>
Additions	
Contributions from plan members	\$ 27,650
Total additions	<u>27,650</u>
Deductions	
Unemployment benefit claims paid	<u>27,180</u>
Total deductions	<u>27,180</u>
Change in net position	470
Net position, beginning of the year	<u>121,390</u>
Net position, end of the year	<u><u>\$ 121,860</u></u>

See accompanying notes to the basic financial statements.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

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

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

The District has reported the following major governmental funds:

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

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

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

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

The District reports the following major proprietary funds:

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

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

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

Additionally, the District reports the following fiduciary fund types:

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

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

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

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

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

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

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

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

The District reports unearned revenue on its balance sheet and statements of net position. Unearned revenue arises when resources are received by the District before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and statements of net position and revenue is recognized.

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

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

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the April school Board election to the date of the November general election thereby eliminating the vote on the annual base budget. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referred in N.J.A.C. 6A:23. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2015 were insignificant and consistent with prior years. The over-expenditures related to on-behalf payments in the general fund are due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-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 accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the last state aid payments for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

E. Cash, Cash Equivalents and Investments

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

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

F. Interfund Receivables/Payables

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

G. Inventories

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. At June 30, 2015, the District had inventories in the Food Service Enterprise Fund of \$7,270. There were no unused Food Donation Program commodities included in inventory and reported as unearned revenue in the Food Service Enterprise Fund at June 30, 2015.

H. Capital Assets

Capital assets, which include land, property, plant and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair value on the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

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

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

I. Accrued Salaries and Wages

Certain District employees who provided services to the District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but not disbursed amounts be retained in a separate bank account. As of June 30, 2015, the amount earned by these employees but not disbursed was \$512,024 and is included in liabilities – payroll deductions and withholdings payable and summer escrow payable in the fiduciary fund.

J. Compensated Absences

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

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

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, a liability existed for compensated absences in the government-wide financial statements in the amount of \$985,379 and no liability existed for compensated absences in the enterprise funds.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

K. Unearned Revenue

Unearned revenue in the special revenue fund represents cash, which has been received but not yet earned and outstanding encumbrances. Unearned revenue in the food service enterprise fund represents the value of unused U.S.D.A. commodities. Unearned revenue in the general fund represents cash received in advance for the 2015-2016 tax levy prior to June 30, 2015.

L. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

District's management estimates that there is no arbitrage rebate liability at June 30, 2015.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has two items that qualify for reporting in this category, including deferred amounts from the refunding of debt and deferred amounts related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amounts related to pensions.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

N. Fund Balances

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

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

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

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

Of the \$2,449,622 of fund balance in the General Fund at June 30, 2015, \$611,467 has been restricted in the capital reserve account, \$634,070 has been restricted in the maintenance reserve account and \$590,090 has been restricted for excess surplus- current year. Additionally there is assigned fund balance which represents year end encumbrances of \$67,258, \$9,575 designated for subsequent year's expenditures – Semi ARRA and \$534,148 has been designated for subsequent year's expenditures and \$3,014 is unassigned.

O. Deferred Loss on Refunding of Debt

Deferred loss on refunding arising from the issuance of the refunding bonds is recorded as a deferred outflow of resources. It is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense. As of June 30, 2015, the District has recorded an unamortized balance of \$206,406 as a deferred outflow of resources. This amount had previously been recorded as a reduction of bonds payable.

P. Net position

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The adoption of this statement resulted in a change in the presentation of the statement of net assets to what is now referred to as the statement of net position and the term "net assets" was changed to "net position" throughout the financial statements. Net position represents the difference between assets, deferred inflows of resources, deferred outflows of resources and liabilities in the Government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net positions are reported as restricted in the Government-wide and fund financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

Q. 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.

R. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security and post-retirement pension contributions for certified teachers and other members of the New Jersey Teacher's Pension and Annuity Fund. Additionally, revenues and expenses related to on-behalf pension contributions in the government-wide financial statements have been increased by \$2,676,203 to adjust for the full accrual basis expense incurred by the State of New Jersey during the most recent measurement period. The amounts are not required to be included in the District's annual budget.

S. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for restricted fund balance - excess surplus is a required calculation. New Jersey school districts are required to reserve General Fund fund balance in the General Fund at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2015 is \$590,090, which relates to the 2015 excess surplus and will be designated in the 2015-2016 budget.

T. GASB Pronouncements

GASBs Implemented in the 2015 Fiscal Year

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB No. 68"). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency in employer and governmental

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement replaces the requirement of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68* (“GASB 71”). The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68 concerning the transition provisions related to certain pension contributions made to defined benefit pension plans prior to the implementation of that Statement by employers and nonemployer contributing entities. The requirements of this Statement will eliminate the source of a potential understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions,

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

U. Subsequent Events

Management has reviewed and evaluated all events and transactions from June 30, 2015 through December 16, 2015, the date that the financial statements were issued, for possible disclosure and recognition in the accompanying financial statements, and no items have come to the attention of the District which would require disclosure or recognition.

2. Reconciliation of Government-wide and Fund Financial Statements

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

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

The details of this \$9,001,326 difference are as follows:

Bonds payable	\$ 7,745,000
Capital lease payable	34,456
Premium on bonds	236,491
Compensated absences payable	985,379
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 9,001,326</u>

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

3. Deposits and Investments

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

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

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

Deposits

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

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

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

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

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

3. Deposits and Investments (continued)

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

At June 30, 2015, the carrying amount of the District's deposits for all funds was \$3,193,690 and the bank balance was \$3,638,565, not including funds held with NJARM. Of the bank balances, \$250,000 of the District's cash deposits on June 30, 2015 were secured by federal depository insurance and \$2,304,266 was covered by the New Jersey Governmental Unit Deposit Protection Act (GUDPA). \$1,084,299 held in the District's agency accounts are not covered by GUDPA.

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

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

Investments

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

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

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

3. Deposits and Investments (continued)

In order to maximize liquidity, the District utilizes the NJARM as its sole investment. The District invests funds in the New Jersey Asset and Rebate Management Fund, which is an investment pool managed by Public Financial Management Company. NJARM allows governments within the state to pool their funds for investment purposes and the Securities and Exchange Commission (SEC) does not restrict the pool. Earnings are allocated to all participants based upon shares held in the pool and distributed on the last day of each month. In addition, the fair value of the District's portion of the pool is the same as the value of its shares. Agencies that participate in the NJARM typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the NJARM on a daily basis without penalty. At June 30, 2015, the District's balance was \$230,965.

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

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

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2015, all of the District's investments were invested in NJARM.

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

All of the District's investments are classified as cash equivalents at June 30, 2015 due to their short-term nature.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

4. Capital Assets

The following is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2015:

	Beginning Balance	Increases	Ending Balance
Governmental activities:			
Capital assets, not being depreciated:			
Land	\$ 197,617		\$ 197,617
Total capital assets, not being depreciated	197,617	-	197,617
Capital assets, being depreciated:			
Site improvements	1,517,940		1,517,940
Buildings and building improvements	30,206,686		30,206,686
Machinery, equipment and vehicles	2,678,574	\$ 32,607	2,711,181
Total capital assets being depreciated	34,403,200	32,607	34,435,807
Less accumulated depreciation for:			
Site improvements	(1,325,188)	(11,544)	(1,336,732)
Buildings and building improvements	(11,755,758)	(852,516)	(12,608,274)
Machinery, equipment and vehicles	(2,310,108)	(94,723)	(2,404,831)
Total accumulated depreciation	(15,391,054)	(958,783)	(16,349,837)
Total capital assets, being depreciated, net	19,012,146	(926,176)	18,085,970
Governmental activities capital assets, net	\$ 19,209,763	\$ (926,176)	\$ 18,283,587

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

4. Capital Assets (continued)

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

Instruction	\$	543,272
Undistributed current:		
Instruction		47,527
Health services		20,080
Other support services		101,254
Improvement of instruction		15,208
School library		3,121
Instructional staff training		852
General administration		15,572
School administration		36,979
Central services		18,829
Administration technology		10,882
Required maintenance of plant services		21,650
Operation of plant		80,046
Student transportation		43,511
	<u>\$</u>	<u>958,783</u>

The following is a summarization of business-type activities changes in capital assets for the year ended June 30, 2015:

Business-type activities:	Beginning Balance	Increases	Ending Balance
Capital assets, being depreciated:			
Equipment	\$ 146,547	\$ 7,789	\$ 154,336
Less accumulated depreciation for:			
Equipment	(143,955)	(2,739)	(146,694)
Total business-type activities capital assets, net	<u>\$ 2,592</u>	<u>\$ 5,050</u>	<u>\$ 7,642</u>

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

5. Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences payable	\$ 843,748	\$ 216,407	\$ 74,776	\$ 985,379	\$ 237,542
Premium on bonds	261,462		24,971	236,491	24,971
Bonds payable	8,660,000		915,000	7,745,000	685,000
Capital lease payable	45,290		10,834	34,456	11,153
Governmental activity long-term liabilities	<u>\$9,810,500</u>	<u>\$ 222,472</u>	<u>\$ 1,025,581</u>	<u>\$ 9,001,326</u>	<u>\$ 958,666</u>

The District expects to liquidate the compensated absences and capital leases payable with payments made from the District's general fund. Bonds payable are liquidated by expenditures charged to the debt service fund and the general fund for the School Energy Savings Obligation Refunding Bonds.

Bonds Payable

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

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

	Principal	Interest	Total
Year ending June 30:			
2016	\$ 685,000	\$ 266,325	\$ 951,325
2017	705,000	246,925	951,925
2018	730,000	227,025	957,025
2019	750,000	208,700	958,700
2020	770,000	187,650	957,650
2021-2025	3,365,000	456,850	3,821,850
2026-2027	740,000	56,813	796,813
	<u>\$ 7,745,000</u>	<u>\$ 1,650,288</u>	<u>\$ 9,395,288</u>

All bonds outstanding are presented on schedule I-1 in this report, which reflects amount outstanding as of June 30, 2015, annual maturities and interest rates.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

5. Long-Term Liabilities (continued)

Capital Lease Obligations

The District entered into a Capital Lease Obligation on October 8, 2013 for a school bus lease in the amount of \$57,314, which is due in five annual installments and for which the final payment is due November 15, 2017. Interest is at 2.95%.

6. Pension Plans

Description of Systems

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

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% of employees' annual compensation. An additional increase is to be phased in over the next seven years that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the 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 the TPAF.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

During the year ended June 30, 2015, the State of New Jersey contributed \$1,694,490 to the TPAF for post-retirement medical and pension benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$873,719 during the year ended June 30, 2015 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the government-wide and fund financial statements.

The District's actuarially determined contributions to PERS for each of the years ended June 30, 2015, 2014 and 2013 were \$280,512, \$268,983 and \$275,418, respectively, equal to the required contributions for each year.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employee's Retirement System (PERS)

At June 30, 2015, the District reported a liability of \$6,370,747 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2013, which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.0340267962 percent, which was a decrease of 0.0016719817 from its proportion measured as of June 30, 2013.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

For the year ended June 30, 2015, the District recognized full accrual pension expense of \$277,775 in the government-wide financial statements. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	200,330	-
Net difference between projected and actual earnings on pension plan investments	-	379,662
Changes in proportion and differences between District contributions and proportionate share of contributions	-	269,930
District contributions subsequent to the measurement date	291,904	-
	<u>\$ 492,234</u>	<u>\$ 649,592</u>

\$291,904 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (100,006)
2017	(100,006)
2018	(100,006)
2019	(100,004)
2020	(5,090)
Thereafter	(44,150)
	<u>\$ (449,262)</u>

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.01%
Salary increases	
2012-2021	2.15 - 4.40%
	based on age
Thereafter	3.15 - 5.40%
	based on age
Investment rate of return	7.90%

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Markets	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%
	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability as of June 30, 2014 calculated using the discount rate as disclosed above as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	At 1% Decrease (4.39%)	At Current Discount Rate (5.39%)	At 1% Increase (6.39%)
District's proportionate share of the net pension liability	\$ 8,014,617	\$ 6,370,747	\$ 4,990,315

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Additional Information

Collective balances at June 30, 2014 are as follows:

Collective deferred outflows of resources	\$ 1,452,705,538
Collective deferred inflows of resources	\$ 2,146,719,012
Collective net pension liability - Local Group	\$ 18,722,735,003

District's Proportion 0.0340267962%

Collective pension expense for the Local Group for the measurement period ended June 30, 2014 is \$968,532,408.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2013 (the beginning of the measurement period ended June 30, 2014) is 6.44 years.

Teachers Pensions and Annuity Fund (TPAF)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2014 was \$61,905,138. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2014, the State's proportionate share of the TPAF net pension liability associated with the District was 0.1158258323 percent, which was a decrease of 0.0010999706 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized on-behalf pension expense and revenue in the government wide financial statements of \$3,331,078 for contributions incurred by the State.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Actuarial assumptions

The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.50%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

Mortality Rates

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Fund / Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%
	<u>100.00%</u>	

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.68% as of June 30, 2014. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.90%, and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the State's proportionate share of the net pension liability associated with the District to changes in the discount rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (3.68 percent) or 1-percentage-point higher (5.68 percent) than the current rate:

	At 1% Decrease (3.68%)	At Current Discount Rate (4.68%)	At 1% Increase (5.68%)
State's proportionate share of the net pension liability associated with the District	\$ 74,455,620	\$ 61,905,138	\$ 51,466,420

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Additional Information

Collective balances at June 30, 2014 are as follows:

Collective deferred outflows of resources	\$	2,389,959,068
Collective deferred inflows of resources	\$	1,846,540,800
Collective net pension liability - Local Group	\$	53,813,067,539

State's proportionate share associated with the District	0.1158258323%
---	---------------

Collective pension expense for the plan for the measurement period ended June 30, 2014 is \$2,906,835,786.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2013 (the beginning of the measurement period ended June 30, 2014) is 8.5 years.

7. Post-Retirement Benefits

Plan Description

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

Funding Policy

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

7. Post-Retirement Benefits (continued)

medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994. The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in fiscal year 2014.

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2015, 2014 and 2013 were \$1,039,615, \$803,401 and \$854,305, respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

8. Interfund Receivables and Payables

The total interfund receivable and payable for the District at June 30, 2015 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 226,734	
Capital Projects Fund		\$ 189,961
C.A.R.E.S Fund		650
Fiduciary Fund - Payroll Agency Fund		96,641
Fiduciary Fund - Unemployment Compensation Trust Fund		60,518
	<u>\$ 287,252</u>	<u>\$ 287,252</u>

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

8. Interfund Receivables and Payables (continued)

A portion of the interfund payable in the payroll agency fund represents funds to be transferred to the general fund for employee health contributions. The remaining balance of the payroll agency interfund payable is due to the unemployment compensation trust fund for deductions not yet transferred over. The interfund payable in capital projects fund is payable to the general fund and represents the balance of funds in capital projects after all projects were completed. The interfund payable in the C.A.R.E.S fund represents revenues recorded in the C.A.R.E.S fund that relates to general fund tuition revenues. All interfunds are expected to be repaid within one year.

9. Economic Dependency

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

10. Contingent Liabilities

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations or final eligible cost requirements governing the respective grants or funding; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

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

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

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

11. Risk Management

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

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

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

12. Deferred Compensation

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

13. Restricted Assets

Reservations of fund balances of governmental funds are created to (1) either satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures. The District has \$611,467 of capital reserve and \$634,070 of maintenance reserve that are classified as restricted assets (cash and cash equivalents) on the statement of net position.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

14. Capital Reserve Account

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

The activity of the capital reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning balance, July 1, 2014	\$	311,451
Deposit June 2015 Board meeting		300,000
Interest earnings		16
Ending balance, June 30, 2015	\$	<u>611,467</u>

The June 30, 2015 LRFP balance of local support costs of uncompleted capital projects exceeded the amount in the capital reserve.

15. Maintenance Reserve Account

On November 23, 2010, the District elected to establish a reserve to be used to accumulate funds for the required maintenance of a facility, and in accordance with N.J.S.A. 18A:7G-9, as amended by P.L. 2004, c. 73 (S1701), passed a board resolution authorizing the establishment of a maintenance reserve account in the District's General Fund. As allowed by N.J.S.A. 18A:F-41 and N.J.A.C. 6A:23A-14.3 the District can pass a board resolution to deposit funds into a maintenance reserve account between June 1 and June 30 of each budget year. The District deposited funds in the amount of \$300,000 during its June 2015 Board meeting leaving \$634,070 available in the maintenance reserve at June 30, 2015.

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

16. Commitments

The District has contractual commitments at June 30, 2015 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$67,258.

17. Change in Accounting Principle / Restatement

Effective in the fiscal year ended June 30, 2015, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*.

The implementation of the Statements required a restatement of prior year net position in the government-wide financial statements.

	Governmental Activities
Beginning Net Position - June 30, 2014	<u>\$ 11,198,006</u>
Adjustments:	
Recognition of Net Pension Liability	(6,822,746)
Deferred outflow for PERS FY2015 Pension Payment	280,512
Accounts Payable for PERS FY2015 Pension Payment	<u>(280,512)</u>
Adjustment	<u>(6,822,746)</u>
Beginning Net Position - June 30, 2014 (as restated)	<u>\$ 4,375,260</u>

Required Supplementary Information
Part II

Spotswood Borough School District
 Schedule of the District's Proportionate Share of the Net Pension Liability
 Public Employee's Retirement System

Last Ten Fiscal Years*

	Year Ended June 30, 2015
District's proportion of the net pension liability (asset) - Local Group	0.0340267962%
District's proportionate share of the net pension liability (asset)	\$ 6,370,747
District's covered-employee payroll	\$ 2,362,225
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	269.69%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	52.08%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

- * This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Notes to Required Supplementary Information:

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014.

Spotswood Borough School District
 Schedule of District Contributions
 Public Employee's Retirement System

Last Ten Fiscal Years *

	Year Ended June 30, 2015
Contractually required contribution	\$ 291,904
Contributions in relation to the contractually required contribution	(291,904)
Contribution deficiency (excess)	\$ -
 District's covered-employee payroll	\$ 2,362,225
 Contributions as a percentage of covered-employee payroll	12.36%

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Spotswood Borough School District
 Schedule of the State's Proportionate Share of the Net Pension Liability Associated With the District
 Teachers' Pension and Annuity Fund

Last Ten Fiscal Years*

	<u>Year Ended June 30,</u>
	<u>2015</u>
State's proportionate share of the net pension liability (asset) associated with the District - Local Group	0.1158258323%
District's proportionate share of the net pension liability (asset)	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 61,905,138
Total proportionate share of the net pension liability (asset) associated with the District	\$ 61,905,138
Plan fiduciary net position as a percentage of the total pension liability	33.64%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Notes to Required Supplementary Information:

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014.

Required Supplementary Information
Part III

Budgetary Comparison

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Local tax levy	\$ 14,332,953		\$ 14,332,953	\$ 14,332,953	
Tuition from other LEA's within the state	4,710,732		4,710,732	4,710,732	
Tuition from individuals	338,000		338,000	229,376	\$ (108,624)
Interest earned on capital reserve funds				16	16
Miscellaneous	335,720		335,720	231,048	(104,672)
Total revenues - local sources	<u>19,717,405</u>		<u>19,717,405</u>	19,504,125	(213,280)
State sources:					
Equalization aid	5,037,971		5,037,971	5,037,971	
Special education categorical aid	910,803		910,803	910,803	
Transportation aid	54,800		54,800	54,800	
Security aid	31,878		31,878	31,878	
Extraordinary aid	50,000		50,000	147,355	97,355
Additional non public transportation aid				6,518	6,518
Under adequacy aid	6,761		6,761	6,761	-
PARCC Readiness	14,750		14,750	14,750	-
Per Pupil Growth Aid	14,750		14,750	14,750	-
On-behalf TPAF pension contributions (non-budgeted)				1,694,490	1,694,490
Reimbursed TPAF social security contributions (non-budgeted)				873,719	873,719
Total - state sources	<u>6,121,713</u>		<u>6,121,713</u>	8,793,795	2,672,082
Federal sources:					
Medicaid reimbursement	17,077		17,077	28,046	10,969
Total - federal sources:	<u>17,077</u>		<u>17,077</u>	28,046	10,969
Total revenues	<u>25,856,195</u>		<u>25,856,195</u>	28,325,966	2,469,771
Expenditures					
Current expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Preschool	351,930	\$ 4,020	355,950	355,950	-
Kindergarten	658,331	14,440	672,771	672,002	769
Grades 1-5	1,555,409	4,220	1,559,629	1,537,810	21,819
Grades 6-8	1,572,183	(68,655)	1,503,528	1,479,072	24,456
Grades 9-12	4,065,643	(33,420)	4,032,223	3,994,014	38,209
Home instruction - regular programs:					
Salaries of teachers	35,000	6,266	41,266	41,266	
Purchased Professional-Educational Services	20,000	2,023	22,023	9,345	12,678
Undistributed instruction - regular programs:					
Other salaries for instruction	272,159	155,145	427,304	380,032	47,272
Other purchased services	22,836	102,000	124,836	118,947	5,889
General supplies	536,322	111,195	647,517	602,294	45,223
Textbooks	16,614	1,063	17,677	5,493	12,184
Other objects	2,600		2,600	1,100	1,500
Total instruction - regular programs	<u>9,109,027</u>	<u>298,297</u>	<u>9,407,324</u>	9,197,325	209,999

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Special education:					
Resource room/center:					
Salaries of teachers	\$ 1,453,321	\$ (33,700)	\$ 1,419,621	\$ 1,344,012	\$ 75,609
Other salaries for instruction	321,939	(22,340)	299,599	272,677	26,922
Purchased professional-educational services	4,500		4,500	-	4,500
General supplies	6,921	-	6,921	6,253	668
Textbooks	3,000	-	3,000	2,160	840
Total resource room/center	1,789,681	(56,040)	1,733,641	1,625,102	108,539
Preschool disabilities - part time:					
Other salaries for instruction	156,977	9,600	166,577	166,577	-
General supplies		-	-	-	-
Total preschool disabilities - part time	156,977	9,600	166,577	166,577	-
Total special education	1,946,658	(46,440)	1,900,218	1,791,679	108,539
Basic skills/remedial - instruction:					
Salaries of teachers	138,319	24,785	163,104	163,057	47
General supplies	1,750		1,750	80	1,670
Textbooks	1,150		1,150	-	1,150
Total basic skills/remedial - instruction	141,219	24,785	166,004	163,137	2,867
Bilingual education - instruction:					
Salaries of teachers	82,620		82,620	82,000	620
Total bilingual education - instruction	82,620	-	82,620	82,000	620
School - sponsored cocurricular activities:					
Salaries	157,080	(2,472)	154,608	138,775	15,833
Supplies and materials	1,150		1,150	875	275
Total school - sponsored cocurricular activities	158,230	(2,472)	155,758	139,650	16,108

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
School - sponsored athletics - instruction:					
Salaries	\$ 279,671	\$ 13,210	\$ 292,881	\$ 285,433	\$ 7,448
Purchased services	71,300	(971)	70,329	51,718	18,611
Supplies and materials	32,277	-	32,277	29,954	2,323
Other objects	17,660	-	17,660	15,225	2,435
Total school - sponsored athletics - instruction	400,908	12,239	413,147	382,330	30,817
Total instruction	11,838,662	286,409	12,125,071	11,756,121	368,950
Undistributed expenditures:					
Instruction:					
Tuition to county special services	379,360	61,665	441,025	411,383	29,642
Tuition to state facilities	31,294	(16,571)	14,723	-	14,723
Tuition to private schools for the hand - w/in state	825,002	(165,758)	659,244	658,636	608
Total instruction	1,235,656	(120,664)	1,114,992	1,070,019	44,973
Health services:					
Salaries	265,520	(5,680)	259,840	258,730	1,110
Purchased professional and technical services	143,485	72,583	216,068	191,524	24,544
Supplies and materials	2,022	-	2,022	1,814	208
Total health services	411,027	66,903	477,930	452,068	25,862
Speech, OT, PT & related services:					
Salaries	477,307	(56,330)	420,977	400,985	19,992
Personal professional educational services	30,000	-	30,000	18,181	11,819
Supplies and materials	-	-	-	(13)	13
Total speech, OT, PT & related services	507,307	(56,330)	450,977	419,153	31,824

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Other support services - students - extra services:					
Purchased professional - educational services	\$ 122,325	\$ (2,700)	\$ 119,625	\$ 119,625	
Total other support services - students - extra services	122,325	(2,700)	119,625	119,625	-
Guidance:					
Salaries of other professional staff	383,002	(41,950)	341,052	332,826	\$ 8,226
Salaries of secretarial and clerical assistants	87,104	9,640	96,744	96,744	-
Purchased professional - educational services	25,666	15,700	41,366	24,845	16,521
Other purchased professional and technical services	1,470		1,470	25	1,445
Total guidance	497,242	(16,610)	480,632	454,440	26,192
Child study teams:					
Salaries of other professional staff	686,326	7,640	693,966	693,961	5
Salaries of secretarial and clerical assistants	118,469	3,880	122,349	122,329	20
Purchased professional educational services	279,192	55,612	334,804	279,679	55,125
Other purchased professional services	3,000	-	3,000	2,675	325
Supplies and materials	7,004	2,700	9,704	9,632	72
Other objects	11,200	(8,700)	2,500	199	2,301
Total child study teams	1,105,191	61,132	1,166,323	1,108,475	57,848
Improvement of instructional services:					
Salaries of supervisors of instruction	460,675	(40,940)	419,735	326,905	92,830
Salaries of secretarial and clerical assist	5,732	-	5,732	858	4,874
Other salaries	17,903	-	17,903	2,385	15,518
Purchased professional educational services	8,000	-	8,000	4,600	3,400
Other purchased services	6,800	(2,802)	3,998	3,941	57
Supplies and materials	4,000	1,000	5,000	3,708	1,292
Other objects	8,600	(8,600)	-	-	-
Total improvement of instructional services	511,710	(51,342)	460,368	342,397	117,971
Educational media services/school library:					
Salaries	66,303	3,075	69,378	66,251	3,127
Supplies and materials	7,288	-	7,288	4,011	3,277
Total educational media services/school library	73,591	3,075	76,666	70,262	6,404

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Instructional staff training services:					
Purchased professional - educational services		\$ 1,000	\$ 1,000	\$ 720	\$ 280
Other salaries	\$ 400	-	400.00	-	400
Other purchased services	34,500	-	34,500	15,290	19,210
Supplies and materials	17,469	(4,730)	12,739	2,038	10,701
Other objects	4,000	1,290	5,290	1,125	4,165
Total instructional staff training services	56,369	(2,440)	53,929	19,173	34,756
Support services-general administration:					
Salaries	219,639	-	219,639	213,888	5,751
Other purchased professional services	86,000	-	86,000	65,746	20,254
Purchased technical services	1,385	-	1,385	-	1,385
Communications/telephone	38,760	8,300	47,060	46,753	307
General supplies	8,100	73	8,173	5,156	3,017
Judgments against the school district	-	-	-	-	-
Other purchased services	2,360	3,000	5,360	1,420	3,940
BOE other purchased professional services	3,450	(3,000)	450	119	331
Miscellaneous expenditures	8,700	-	8,700	5,060	3,640
BOE membership dues and fees	14,300	-	14,300	12,454	1,846
Total support services-general administration	382,694	8,373	391,067	350,596	40,471
Support services-school administration:					
Salaries of principals/ assistant principals	543,252	10	543,262	524,194	19,068
Salaries of secretarial and clerical assistants	293,804	(6,351)	287,453	283,850	3,603
Other purchased services	20,600	-	20,600	4,666	15,934
Supplies and materials	11,018	-	11,018	6,585	4,433
Other objects	8,000	-	8,000	5,933	2,067
Total support services-school administration	876,674	(6,341)	870,333	825,228	45,105
Central services:					
Salaries	266,499	(25,000)	241,499	228,775	12,724
Purchased technical services	10,890	74,080	84,970	79,026	5,944
Purchased professional services	61,541	19,015	80,556	77,646	2,910
Miscellaneous purchased services	900	-	900	600	300
Supplies and materials	37,185	1,000	38,185	36,211	1,974
Other objects	2,635	-	2,635	1,666	969
Total central services	379,650	69,095	448,745	423,924	24,821
Administrative information technology:					
Salaries	158,378	41,190	199,568	199,136	432
Purchased technical services	45,100	(4,500)	40,600	32,618	7,982
Supplies and materials	-	-	-	-	-
Other objects	13,249	-	13,249	13,249	-
Total administrative information technology	216,727	36,690	253,417	245,003	8,414
Required maintenance for school facilities:					
Salaries	188,274	6,570	194,844	194,677	167
Cleaning, repair and maintenance services	220,575	33,600	254,175	186,565	67,610
Travel	-	-	-	-	-
General supplies	125,000	648	125,648	79,512	46,136
Other objects	25,000	1,669	26,669	26,669	-
Total required maintenance for school facilities	558,849	42,487	601,336	487,423	113,913

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Custodial services:					
Salaries	\$ 972,034	\$ 1,520	\$ 973,554	\$ 893,174	\$ 80,380
Salaries of non instructional aides	53,640	8,150	61,790	55,893	5,897
Purchased professional and technical services	2,000	-	2,000	-	2,000
Rental of land and building	-	-	-	-	-
Other purchased property services	19,540	-	19,540	17,583	1,957
General supplies	73,770	-	73,770	44,305	29,465
Energy - natural gas	85,676	19,490	105,166	93,418	11,748
Energy - electric	432,244	(32,690)	399,554	331,709	67,845
Other objects	600	-	600	600	-
Interest - energy savings bonds	66,688	-	66,688	66,688	-
Total custodial services	1,706,192	(3,530)	1,702,662	1,503,370	199,292
Care and upkeep of grounds:					
Salaries	99,238	11,760	110,998	110,992	6
Cleaning, repair and maintenance services	45,200	7,784	52,984	39,523	13,461
General supplies	31,424	3,073	34,497	27,752	6,745
Total care and upkeep of grounds	175,862	22,617	198,479	178,267	20,212
Security:					
Salaries	73,987	3,180	77,167	76,906	261
Purchased professional and technical services	35,000	5,000	40,000	40,000	-
General supplies	2,020	1,836	3,856	3,597	259
Total security	111,007	10,016	121,023	120,503	520
Student transportation services:					
Salaries for pupil transportation:					
Between home and school - sp. ed.	68,483	-	68,483	60,440	8,043
Between home and school - regular	45,363	2,225	47,588	47,587	1
Other than between home and school	38,102	-	38,102	32,369	5,733
Contracted services:					
Between home & school - regular	275,000	24,412	299,412	280,500	18,912
Other between home & school - regular	53,652	21,095	74,747	73,987	760
Vendors - special ed	400,000	26,970	426,970	426,890	80
Aid in lieu payments - nonpublic schools	36,172	(9,124)	27,048	23,441	3,607
Cleaning, repair and maintenance services	-	8,900	8,900	3,814	5,086
Lease purch payments - school buses	12,170	500	12,670	12,657	13
Miscellaneous purchased services	26,862	(8,900)	17,962	17,909	53
Total student transportation services	955,804	66,078	1,021,882	979,594	42,288
Unallocated benefits:					
Social security contributions	358,195	-	358,195	351,810	6,385
Other retirement contributions - ERIP	3,850	-	3,850	3,777	73
Other retirement contributions - regular	388,037	4,645	392,682	316,956	75,726
Group insurance	192,114	-	192,114	185,439	6,675
Unemployment compensation	-	-	-	-	-
Worker's compensation	135,620	31,324	166,944	166,935	9
Health insurance	3,161,246	(298,189)	2,863,057	2,655,057	208,000
Tuition reimbursement	50,000	650	50,650	41,548	9,102
Total unallocated benefits	4,289,062	(261,570)	4,027,492	3,721,522	305,970

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
On-behalf TPAF pension contributions (non-budgeted)				\$ 1,694,490	\$ (1,694,490)
Reimbursed TPAF social security (non-budgeted)				873,719	(873,719)
Total on-behalf and reimbursed contributions				2,568,209	(2,568,209)
Total undistributed expenditures	\$ 14,172,939	\$ (135,061)	\$ 14,037,878	15,459,251	(1,421,373)
Total current expenditures	26,011,601	151,348	26,162,949	27,215,372	(1,052,423)
Capital outlay:					
Equipment:					
Regular programs - instruction:					
Kindergarten	15,000	-	15,000	10,385	4,615
Grades 1-5	22,730		22,730	19,328	3,402
Grades 6-8	21,000	-	21,000	14,968	6,032
Grades 9-12	53,962	-	53,962	42,908	11,054
Undistributed expenditures:					
Instruction	28,506	-	28,506	28,506	-
Support services - students - special	15,800	(1,000)	14,800	8,301	6,499
Required maintenance school facilities	39,000	-	39,000	32,607	6,393
Total equipment	195,998	(1,000)	194,998	157,003	37,995
Facilities acquisition and construction services:					
Lease purchase agreements - principal	105,000	-	105,000	105,000	-
Other objects	47,744	4,774	52,518	47,744	4,774
Total facilities acquisition and construction services	152,744	4,774	157,518	152,744	4,774
Total expenditures - capital outlay	348,742	3,774	352,516	309,747	42,769
Transfer of funds to charter schools	30,000	758	30,758	30,204	554
Total expenditures	26,390,343	155,880	26,546,223	27,555,323	(1,009,100)
(Deficiency) excess of revenues (under) over expenditures	(534,148)	(155,880)	(690,028)	770,643	1,460,671
Other financing sources:					
Transfers in				184,961	184,961
Total other financing sources	-	-	-	184,961	184,961
(Deficiency) excess of revenues (under) over expenditures and other financing sources	(534,148)	(155,880)	(690,028)	955,604	1,645,632
Fund balances, July 1	2,094,619		2,094,619	2,094,619	
Fund balances, June 30	\$ 1,560,471	\$ (155,880)	\$ 1,404,591	\$ 3,050,223	\$ 1,645,632
Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing sources					
Budgeted fund balance	\$ (534,148)	\$ -	\$ (534,148)	\$ 1,111,484	\$ 1,645,632
Adjustment for prior year encumbrances		(155,880)	(155,880)	(155,880)	
Total	\$ (534,148)	\$ (155,880)	\$ (690,028)	\$ 955,604	\$ 1,645,632

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Recapitulation of fund balance:					
Restricted for:					
Capital reserve				\$ 611,467	
Maintenance reserve				634,070	
Excess surplus - current year				590,090	
Assigned to:					
Other purposes				67,258	
Designated for subsequent years expenditures				534,148	
Designated for subsequent years expenditures - ARRA SEMI				9,575	
Unassigned				603,615	
				<u>3,050,223</u>	
Reconciliation to Government Funds Statements GAAP:					
Last state aid payments not recognized on GAAP basis				(600,601)	
Fund balance per Government Funds (GAAP) (B-1)				<u>\$ 2,449,622</u>	

Spotswood Borough School District
Special Revenue Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
State sources	\$ 86,940	\$ 28,840	\$ 115,780	\$ 94,608	\$ (21,172)
Federal sources	461,572	109,133	570,705	540,315	(30,390)
Other sources		40,865	40,865	12,775	(28,090)
Total revenues	<u>548,512</u>	<u>178,838</u>	<u>727,350</u>	<u>647,698</u>	<u>(79,652)</u>
Expenditures:					
Current expenditures:					
Instruction:					
Salaries of teachers	548,512	(427,801)	120,711	116,711	4,000
Tuition		329,500	329,500	329,500	-
Supplies and materials		-	-	11,171	(11,171)
Textbooks		32,763	32,763	13,870	18,893
Other objects		14,597	14,597	-	14,597
Miscellaneous expenditures		1,650	1,650	-	1,650
Total instruction	<u>548,512</u>	<u>(49,291)</u>	<u>499,221</u>	<u>471,252</u>	<u>27,969</u>
Support services:					
Personnel services—employee benefits		28,412	28,412	26,861	1,551
Purchased professional technical services		53,062	53,062	45,072	7,990
Purchased professional educational services		93,861	93,861	77,416	16,445
Supplies and materials		7,270	7,270	7,000	270
Total support services	<u>-</u>	<u>182,605</u>	<u>182,605</u>	<u>156,349</u>	<u>26,256</u>
Support services - School Administration:					
Salaries		7,322	7,322	7,322	-
Total support services - school administration	<u>-</u>	<u>7,322</u>	<u>7,322</u>	<u>7,322</u>	<u>-</u>
Support services - other:					
Miscellaneous Expenditures		2,000	2,000		2,000
Total support services - other	<u>-</u>	<u>2,000</u>	<u>2,000</u>		<u>2,000</u>
Capital outlay:					
Equipment - Instructional		10,000	10,000		10,000
Equipment - Non Instructional		26,202	26,202	12,775	13,427
Total capital outlay	<u>-</u>	<u>36,202</u>	<u>36,202</u>	<u>12,775</u>	<u>23,427</u>
Total expenditures	<u>548,512</u>	<u>178,838</u>	<u>727,350</u>	<u>647,698</u>	<u>79,652</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Spotswood Borough School District
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2015

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 28,325,966	\$ 647,698
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current year		
Prior year (net of cancellations)		25,361
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.		
Prior year	594,565	
Current year	(600,601)	
<hr/>		
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 28,319,930</u>	<u>\$ 673,059</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 27,555,323	\$ 647,698
Differences - budget to GAAP		
Encumbrances (net) for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current year		
Prior year (net of cancellations)		25,361
<hr/>		
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 27,555,323</u>	<u>\$ 673,059</u>

Supplementary Information

Special Revenue Fund

Spotswood Township School District
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures
Budgetary Basis

Year ended June 30, 2015

	Title I Regular Part A	Title II Part A Regular	Title III Regular	I.D.E.A.		Non Public Programs Auxiliary Services	
				Part B Regular	Preschool Regular	Transportation	Compensatory Education
Revenues:							
State sources						\$ 5,049	\$ 13,304
Federal sources	\$ 112,914	\$ 7,567	\$ 3,178	\$ 398,109	\$ 18,547		
Other sources							
Total revenues	<u>\$ 112,914</u>	<u>\$ 7,567</u>	<u>\$ 3,178</u>	<u>\$ 398,109</u>	<u>\$ 18,547</u>	<u>\$ 5,049</u>	<u>\$ 13,304</u>
Expenditures:							
Current expenditures:							
Instruction:							
Salaries of teachers	\$ 88,900			\$ 11,612	\$ 16,199		
Tuition to other LEAs within the State				329,500			
Supplies and materials	900		\$ 3,178	5,984	1,109		
Textboks							
Total instruction	<u>89,800</u>		<u>3,178</u>	<u>347,096</u>	<u>17,308</u>		
Support services:							
Personnel services-employee benefits	\$ 23,114			2,508	1,239		
Purchased professional and technical services		\$ 3,567		41,505			
Purchased professional educational services		4,000				\$ 5,049	\$ 13,304
Supplies and materials				7,000			
Total support services	<u>23,114</u>	<u>7,567</u>		<u>51,013</u>	<u>1,239</u>	<u>5,049</u>	<u>13,304</u>
Capital outlay:							
Non-instructional equipment							
Total capital outlay							
Total expenditures	<u>\$ 112,914</u>	<u>\$ 7,567</u>	<u>\$ 3,178</u>	<u>\$ 398,109</u>	<u>\$ 18,547</u>	<u>\$ 5,049</u>	<u>\$ 13,304</u>

Spotswood Township School District
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures
Budgetary Basis

Year ended June 30, 2015

	Non Public Programs							Local Programs	Totals
	Textbooks	Nursing	Technology	Handicapped Services			Bully Prevention		
				Exam and Classification	Supplemental Instruction	Corrective Speech			
Revenues:									
State sources	\$ 13,870	\$ 22,125	\$ 7,328	\$ 8,827	\$ 7,064	\$ 9,719	\$ 7,322		\$ 94,608
Federal sources									540,315
Other sources								\$ 12,775	12,775
Total revenues	\$ 13,870	\$ 22,125	\$ 7,328	\$ 8,827	\$ 7,064	\$ 9,719	\$ 7,322	\$ 12,775	647,698
Expenditures:									
Current expenditures:									
Instruction:									
Salaries of teachers									116,711
Tuition to other LEAs within the State									329,500
Supplies and materials									11,171
Textbooks	\$ 13,870								13,870
Total instruction	13,870							-	471,252
Support services:									
Personnel services—employee benefits									26,861
Purchased professional and technical services									45,072
Purchased professional educational services		\$ 22,125	\$ 7,328	\$ 8,827	\$ 7,064	\$ 9,719			77,416
Supplies and materials									7,000
Total support services		22,125	7,328	8,827	7,064	9,719	-	-	156,349
Support services - school administration:									
Salaries							\$ 7,322		7,322
Total support services - school administration							7,322		7,322
Capital outlay:									
Non-instructional equipment								\$ 12,775	12,775
Total capital outlay								12,775	12,775
Total expenditures	\$ 13,870	\$ 22,125	\$ 7,328	\$ 8,827	\$ 7,064	\$ 9,719	\$ 7,322	\$ 12,775	647,698

Capital Projects Fund

Spotswood Township School District
Capital Projects Fund

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

(Budgetary Basis)

Year ended June 30, 2015

Other financing sources (uses)	
Transfers out	\$ (184,961)
Total other financing sources	<u>(184,961)</u>
 Fund Balance, July 1	 <u>184,961</u>
 Fund Balance, June 30	 <u><u>\$ -</u></u>

Spotswood Township School District
Capital Projects Fund

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

School Energy Savings

From Inception and for the year ended June 30, 2015

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Bond proceeds	\$ 2,630,000		\$ 2,630,000	\$ 2,630,000
Premium on bonds	75,415		75,415	75,415
Total revenues	<u>2,705,415</u>	-	<u>2,705,415</u>	<u>\$ 2,705,415</u>
Expenditures and Other Financing Uses				
Purchased professional and technical services	83,095		83,095	
Construction services	2,372,383		2,372,383	
Transfer out		\$ 184,961	184,961	
Other	64,976		64,976	
Total expenditures	<u>2,520,454</u>	<u>184,961</u>	<u>2,705,415</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 184,961</u>	<u>\$ (184,961)</u>	<u>\$ -</u>	

Additional project information

Project number	N/A
Grant date	N/A
Bond authorization date	2/21/2012
Bonds Authorized	\$ 2,630,000
Bonds Issued	2,630,000
Original Authorized Cost	2,705,415
Additional Authorized Cost	-
Revised Authorized Cost	2,705,415
Percentage Increase over Original	
Authorized Cost	0.00%
Percentage completion	100.00%
Original target completion date	9/30/2012
Revised target completion date	8/31/2013

Spotswood Township School District
 Capital Projects Fund

Summary Schedule of Project Expenditures
 (Budgetary Basis)

From Inception and for the year ended June 30, 2015

Issue/Project Title	Appropriations	Expenditures to Date		Transfers Out	Unexpended Balance
		Prior Years	Current Year		
School Energy Savings	\$ 2,705,415	\$2,520,454	\$ -	\$ 184,961	\$ -
	<u>\$ 2,705,415</u>	<u>\$2,520,454</u>	<u>\$ -</u>	<u>\$ 184,961</u>	<u>\$ -</u>
<u>Components of appropriations</u>					
Bonds	\$ 2,630,000				
Premium on Bonds	75,415				
	<u>\$ 2,705,415</u>				

Fiduciary Funds

Spotswood Borough School District
Trust and Agency Funds

Combining Statement of Fiduciary Net Position

June 30, 2015

	<u>Trust</u>	<u>Agency</u>		
	<u>Unemployment Compensation</u>	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency</u>
Assets				
Cash and cash equivalents	\$ 62,130	\$ 217,588	\$ 724,003	\$ 941,591
Interfund receivable	60,518			
Total assets	<u>122,648</u>	<u>\$ 217,588</u>	<u>\$ 724,003</u>	<u>\$ 941,591</u>
Liabilities				
Accounts payable	788			
Payroll deductions and withholdings payable and summer escrow payable			\$ 627,362	\$ 627,362
Interfund payable			96,641	96,641
Due to student groups		\$ 217,588		217,588
Total liabilities	<u>788</u>	<u>\$ 217,588</u>	<u>\$ 724,003</u>	<u>\$ 941,591</u>
Net position				
Held in trust for unemployment claims	<u>\$ 121,860</u>			

Spotswood Borough School District
Trust Funds

Combining Statement of Changes in Fiduciary Net Position

Year ended June 30, 2015

	Unemployment Compensation Fund
Additions:	
Contributions from plan members	\$ 27,650
Total additions	27,650
Deductions:	
Unemployment benefits claims paid	27,180
Total deductions	27,180
Change in net position	470
Net position, beginning of year	121,390
Net position, end of year	\$ 121,860

Spotswood Borough School District
Student Activity Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2015

	Balance July 1, 2014	Cash Receipts	Cash Disbursements	Balance June 30, 2015
Elementary Schools				
Appleby	\$ 9,828	\$ 51,851	\$ 46,776	\$ 14,903
Schoenly	14,985	10,633	14,428	11,190
Total Elementary Schools	<u>24,813</u>	<u>62,484</u>	<u>61,204</u>	<u>26,093</u>
Middle School				
Memorial School	21,495	31,954	32,119	21,330
Total Middle School	<u>21,495</u>	<u>31,954</u>	<u>32,119</u>	<u>21,330</u>
Senior High School				
Spotswood High School	122,727	285,212	289,966	117,973
Athletic Fund	65,685	108,720	122,213	52,192
Total Senior High School	<u>188,412</u>	<u>393,932</u>	<u>412,179</u>	<u>170,165</u>
Total all schools	<u>\$ 234,720</u>	<u>\$ 488,370</u>	<u>\$ 505,502</u>	<u>\$ 217,588</u>

Spotswood Borough School District
Payroll Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2015

	Balance July 1, 2014	Cash Receipts	Cash Disbursements	Balance June 30, 2015
Assets				
Cash and cash equivalents	\$ 692,970	\$ 18,930,440	\$ 18,899,407	\$ 724,003
Total assets	<u>\$ 692,970</u>	<u>\$ 18,930,440</u>	<u>\$ 18,899,407</u>	<u>\$ 724,003</u>
Liabilities				
Payroll deductions and withholdings and summer escrow payable	\$ 536,439	\$ 18,900,506	\$ 18,809,583	\$ 627,362
Interfund payable	156,531	29,934	89,824	96,641
Total liabilities	<u>\$ 692,970</u>	<u>\$ 18,930,440</u>	<u>\$ 18,899,407</u>	<u>\$ 724,003</u>

Long-Term Debt

Spotswood Borough School District
Long-Term Debt

Schedule of Serial Bonds Payable

Year ended June 30, 2015

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1, 2014	Retired	Balance June 30, 2015
			Date	Amount				
Refunding School Bonds	12/15/2002	\$ 2,645,000				\$ 250,000	\$ 250,000	
Refunding School Bonds	5/16/2011	7,135,000	1/15/2016	570,000	3.00%	6,140,000	560,000	\$ 5,580,000
			1/15/2017	580,000	3.00			
			1/15/2018	595,000	2.63			
			1/15/2019	605,000	3.00			
			1/15/2020	615,000	3.49			
			1/15/2021	625,000	4.65			
			1/15/2022	650,000	4.00			
			1/15/2023	665,000	4.25			
			1/15/2024	675,000	4.25			
School Energy Savings Obligation Refunding Bonds	4/24/2012	2,630,000	4/1/2016	115,000	2.00	2,270,000	105,000	2,165,000
			4/1/2017	125,000	2.00			
			4/1/2018	135,000	2.00			
			4/1/2019	145,000	2.00			
			4/1/2020	155,000	2.25			
			4/1/2021	165,000	2.25			
			4/1/2022	180,000	2.25			
			4/1/2023	195,000	3.75			
			4/1/2024	210,000	3.75			
			4/1/2025	230,000	3.75			
			4/1/2026	245,000	3.75			
						<u>\$ 8,660,000</u>	<u>\$ 915,000</u>	<u>\$ 7,745,000</u>

Spotswood Borough School District
Long-Term Debt

Schedule of Obligations Under Capital Leases

Year ended June 30, 2015

<u>Series</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Balance July 1, 2014</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2015</u>
2013-2014 Alliance Bus Group - School Bus	2.950%	\$ 57,314	\$ 45,290	\$ -	\$ 10,834	\$ 34,456
			<u>\$ 45,290</u>	<u>\$ -</u>	<u>\$ 10,834</u>	<u>\$ 34,456</u>

Spotswood Borough School District
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local sources:					
Local tax levy	\$ 971,895		\$ 971,895	\$ 971,895	
State sources:					
Debt Service Aid Type II	56,043		56,043	56,043	
Total revenues	<u>1,027,938</u>		<u>1,027,938</u>	<u>1,027,938</u>	<u>-</u>
Expenditures:					
Interest on bonds	217,938		217,938	217,938	
Principal on bonds	810,000		810,000	810,000	
Total expenditures	<u>1,027,938</u>		<u>1,027,938</u>	<u>1,027,938</u>	<u>-</u>
(Deficiency) of revenues (under) expenditures	-		-	-	-
Fund balance, July 1	-		-	-	
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Statistical Section
(Unaudited)

**Statistical Section
Unaudited**

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year.*

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

(accrual basis of accounting)
Unaudited

	2006	2007	2008	2009	June 30, 2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 6,623,975	\$ 7,435,707	\$ 7,754,182	\$ 7,934,811	\$ 8,405,875	\$ 8,730,524	\$ 9,274,773	\$ 10,401,006	\$ 10,472,674	\$ 10,474,046
Restricted	1,034,224	1,203,732	2,129,345	1,802,712	1,464,885	2,050,004	2,338,662	859,010	1,125,861	1,835,627
Unrestricted (deficit)	109,077	297,690	(409,265)	(611,050)	(455,629)	(159,403)	(195,248)	(209,416)	(400,529)	(7,300,003)
Total governmental activities net position	\$ 7,767,276	\$ 8,937,129	\$ 9,474,262	\$ 9,126,473	\$ 9,415,131	\$ 10,621,125	\$ 11,418,187	\$ 11,050,600	\$ 11,198,006	\$ 5,009,670
Business-type activities										
Net investment in capital assets						\$ 9,252	\$ 7,032	\$ 4,812	\$ 2,592	\$ 7,642
Unrestricted	\$ 164,723	\$ 181,104	\$ 214,541	\$ 222,264	\$ 266,616	357,029	468,337	509,465	404,846	381,649
Total business-type activities net position	\$ 164,723	\$ 181,104	\$ 214,541	\$ 222,264	\$ 266,616	\$ 366,281	\$ 475,369	\$ 514,277	\$ 407,438	\$ 389,291
Government-wide										
Net investment in capital assets	\$ 6,623,975	\$ 7,435,707	\$ 7,754,182	\$ 7,934,811	\$ 8,405,875	\$ 8,739,776	\$ 9,281,805	\$ 10,405,818	\$ 10,475,266	\$ 10,481,688
Restricted	1,034,224	1,203,732	2,129,345	1,802,712	1,464,885	2,050,004	2,338,662	859,010	1,125,861	1,835,627
Unrestricted (deficit)	273,800	478,794	(194,724)	(388,786)	(189,013)	197,626	273,089	300,049	4,317	(6,918,354)
Total district net position	\$ 7,931,999	\$ 9,118,233	\$ 9,688,803	\$ 9,348,737	\$ 9,681,747	\$ 10,987,406	\$ 11,893,556	\$ 11,564,877	\$ 11,605,444	\$ 5,398,961

Source: CAFR Schedule A-1

GASB 63 was implemented in the 2013 fiscal year, which required the reclassification of balances previously reported as net assets to net position.

GASB 68 was implemented during the 2015 fiscal year, which required the restatement of beginning net position in the amount of \$6,822,746. This amount is not reflected in the June 30, 2014 Net Position, above.

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

(accrual basis of accounting)
Unaudited

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities										
Instruction	\$ (13,402,236)	\$ (13,816,578)	\$ (14,472,637)	\$ (15,601,128)	\$ (16,411,805)	\$ (16,170,747)	\$ (16,945,523)	\$ (18,078,475)	\$ (17,813,904)	\$ (20,115,485)
Support services:										
Health services	(274,017)	(327,464)	(321,759)	(367,124)	(367,615)	(360,310)	(443,106)	(481,418)	(389,396)	(620,382)
Other support services	(2,327,920)	(2,583,125)	(2,579,440)	(2,786,355)	(2,672,857)	(2,446,934)	(2,590,171)	(2,988,712)	(2,965,175)	(3,321,425)
Improvement of instruction	(605,402)	(532,211)	(603,546)	(517,597)	(551,552)	(385,422)	(443,149)	(462,145)	(633,328)	(545,589)
School library	(204,068)	(209,838)	(218,828)	(224,705)	(224,678)	(98,143)	(97,094)	(95,850)	(97,970)	(111,115)
Instructional staff training	(15,790)	(96,543)	(118,667)	(122,610)	(118,111)	(27,858)	(46,764)	(38,971)	(31,455)	(20,121)
General administration	(475,189)	(497,106)	(539,341)	(488,776)	(509,212)	(443,942)	(462,852)	(452,165)	(451,491)	(488,596)
School administration	(1,213,758)	(1,266,026)	(1,345,116)	(1,141,868)	(1,200,129)	(1,141,675)	(1,159,893)	(1,225,996)	(1,204,169)	(1,329,599)
Support services:										
Central services	(557,619)	(503,311)	(510,976)	(520,339)	(572,572)	(521,992)	(635,231)	(574,314)	(558,885)	(573,945)
Administration and information technology	(122,789)	(145,278)	(153,257)	(200,485)	(223,036)	(236,545)	(234,930)	(253,784)	(284,986)	(369,463)
Required maintenance of plant services	(495,606)	(698,302)	(655,836)	(603,992)	(548,616)	(606,166)	(451,913)	(495,613)	(606,288)	(621,343)
Operation of plant	(1,996,250)	(2,107,054)	(2,268,246)	(2,436,869)	(2,143,438)	(2,372,320)	(2,181,727)	(2,318,083)	(2,229,264)	(2,532,670)
Student transportation	(565,767)	(486,704)	(486,097)	(687,267)	(942,950)	(931,463)	(920,032)	(1,032,159)	(970,135)	(1,107,196)
Transfer to charter schools									(29,988)	(30,204)
Business and other support services & benefits	(125,592)	(132,827)	(150,087)							
Capital outlay	(81,513)	(98,402)								
Interest on long term debt	(544,528)	(510,538)	(482,974)	(444,899)	(412,248)	(263,696)	(299,641)	(312,582)	(451,126)	(275,587)
Total governmental activities expenses	<u>(23,008,044)</u>	<u>(24,011,307)</u>	<u>(24,906,807)</u>	<u>(26,144,014)</u>	<u>(26,898,819)</u>	<u>(26,007,213)</u>	<u>(26,912,026)</u>	<u>(28,810,267)</u>	<u>(28,717,560)</u>	<u>(32,062,720)</u>
Business-type activities:										
Food service	(479,056)	(486,754)	(546,274)	(572,008)	(566,808)	(541,641)	(568,570)	(566,894)	(530,804)	(421,676)
CARES	(314,344)	(323,554)	(280,008)	(345,323)	(279,217)	(314,546)	(312,307)	(343,819)	(418,544)	(501,149)
Printing services				(5,378)	(14,811)	(19,006)	-	-	-	-
Total business-type activities expense	<u>(793,600)</u>	<u>(810,308)</u>	<u>(826,282)</u>	<u>(922,709)</u>	<u>(860,836)</u>	<u>(875,193)</u>	<u>(880,877)</u>	<u>(910,713)</u>	<u>(949,348)</u>	<u>(922,825)</u>
Total district expenses	<u>\$ (23,801,644)</u>	<u>\$ (24,821,615)</u>	<u>\$ (25,733,089)</u>	<u>\$ (27,066,723)</u>	<u>\$ (27,759,655)</u>	<u>\$ (26,882,406)</u>	<u>\$ (27,792,903)</u>	<u>\$ (29,720,980)</u>	<u>\$ (29,666,908)</u>	<u>\$ (32,985,545)</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ 6,760,319	\$ 7,158,656	\$ 6,806,025	\$ 7,271,245	\$ 3,906,064	\$ 4,686,085	\$ 4,192,661	\$ 4,121,660	\$ 4,653,700	\$ 4,940,108
Operating grants and contributions	926,968	862,214	690,748	705,662	1,046,228	685,679	695,364	695,440	701,268	673,059
Capital grants and contributions	25,169	5,661	3,353		56,274					
Total governmental activities program revenues	<u>7,712,456</u>	<u>8,026,531</u>	<u>7,500,126</u>	<u>7,977,907</u>	<u>5,008,566</u>	<u>5,371,764</u>	<u>4,888,025</u>	<u>4,817,100</u>	<u>5,354,968</u>	<u>5,613,167</u>
Business-type activities:										
Charges for services:										
Food service	386,327	400,706	450,268	463,144	430,963	414,931	421,985	401,484	314,119	319,583
CARES	315,308	323,645	299,921	345,363	324,091	367,235	406,177	383,822	398,024	443,206
Printing services				2,729	742	2,243	-	-	-	-
Operating grants and contributions	87,126	95,502	106,518	117,150	147,881	156,428	161,769	164,315	130,366	141,889
Total business type activities program revenues	<u>788,761</u>	<u>819,853</u>	<u>856,707</u>	<u>928,386</u>	<u>903,677</u>	<u>940,837</u>	<u>989,931</u>	<u>949,621</u>	<u>842,509</u>	<u>904,678</u>
Total district program revenues	<u>\$ 8,501,217</u>	<u>\$ 8,846,384</u>	<u>\$ 8,356,833</u>	<u>\$ 8,905,293</u>	<u>\$ 5,912,243</u>	<u>\$ 6,312,601</u>	<u>\$ 5,877,956</u>	<u>\$ 5,766,721</u>	<u>\$ 6,197,477</u>	<u>\$ 6,517,845</u>
Net (Expense)/Revenue										
Governmental activities	\$ (15,295,588)	\$ (15,984,776)	\$ (17,406,681)	\$ (18,167,107)	\$ (21,890,253)	\$ (20,635,449)	\$ (22,024,001)	\$ (23,993,167)	\$ (23,362,592)	\$ (26,449,553)
Business-type activities	(4,839)	9,545	30,425	5,677	42,841	65,644	109,054	38,908	(106,839)	(18,147)
Total district-wide net (expense)/ revenue	<u>\$ (15,300,427)</u>	<u>\$ (15,975,231)</u>	<u>\$ (17,376,256)</u>	<u>\$ (18,161,430)</u>	<u>\$ (21,847,412)</u>	<u>\$ (20,569,805)</u>	<u>\$ (21,914,947)</u>	<u>\$ (23,954,259)</u>	<u>\$ (23,469,431)</u>	<u>\$ (26,467,700)</u>

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

(accrual basis of accounting)
Unaudited

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes	\$ 8,696,492	\$ 9,401,560	\$ 9,979,959	\$ 9,986,751	\$ 13,204,758	\$ 13,566,885	\$ 13,804,809	\$ 13,804,809	\$ 14,053,915	\$ 14,332,953
Property taxes levied for debt service	1,217,715	1,251,937	1,241,884	1,230,839	1,155,039	1,156,464	1,037,781	1,003,113	951,985	971,895
State sources	5,593,023	6,291,664	6,545,839	6,547,882	6,742,727	7,023,008	7,671,764	8,618,571	8,346,221	11,520,005
Federal sources					964,809	70,455	187,480	32,788	28,789	28,046
Investment earnings	81,478	90,936	71,221	35,994	19,588	10,522	3,476	208	40	16
Miscellaneous income	99,491	118,532	104,911	17,852	267,944	47,590	115,753	166,091	129,048	231,048
Transfers	(58,500)					(33,481)				
Cancellation of prior year accounts receivable					(175,954)					
Total governmental activities	<u>15,629,699</u>	<u>17,154,629</u>	<u>17,943,814</u>	<u>17,819,318</u>	<u>22,178,911</u>	<u>21,841,443</u>	<u>22,821,063</u>	<u>23,625,580</u>	<u>23,509,998</u>	<u>27,083,963</u>
Business-type activities:										
Investment earnings	6,270	6,836	3,012	2,046	1,511	540	34			
Transfers	58,500					33,481				
Total business-type activities	<u>64,770</u>	<u>6,836</u>	<u>3,012</u>	<u>2,046</u>	<u>1,511</u>	<u>34,021</u>	<u>34</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district-wide	<u>\$ 15,694,469</u>	<u>\$ 17,161,465</u>	<u>\$ 17,946,826</u>	<u>\$ 17,821,364</u>	<u>\$ 22,180,422</u>	<u>\$ 21,875,464</u>	<u>\$ 22,821,097</u>	<u>\$ 23,625,580</u>	<u>\$ 23,509,998</u>	<u>\$ 27,083,963</u>
Change in Net Position										
Governmental activities	\$ 334,111	\$ 1,169,853	\$ 537,133	\$ (347,789)	\$ 288,658	\$ 1,205,994	\$ 797,062	\$ (367,587)	\$ 147,406	\$ 634,410
Business-type activities	59,931	16,381	33,437	7,723	44,352	99,665	109,088	38,908	(106,839)	(18,147)
Total district	<u>\$ 394,042</u>	<u>\$ 1,186,234</u>	<u>\$ 570,570</u>	<u>\$ (340,066)</u>	<u>\$ 333,010</u>	<u>\$ 1,305,659</u>	<u>\$ 906,150</u>	<u>\$ (328,679)</u>	<u>\$ 40,567</u>	<u>\$ 616,263</u>

Source: CAFR Schedule A-2

GASB 63 was implemented in the 2013 fiscal year, which required the reclassification of balances previously reported as net assets to net position.

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

	2006	2007	2008	2009	June 30, 2010	2011	2012	2013	2014	2015
General Fund										
Reserved										
Encumbrances	\$ 263,843	\$ 155,583	\$ 114,738		\$ 229,548					
Adult school										
Tuition reserve	200,000	450,000	250,000	\$ 250,000						
Capital reserve	938	987	415,027	607,148	609,315					
Maintenance reserve					500,000					
Legally restricted for tax relief										
Excess surplus-current year	249,281	624,316	510,854	215,917	139,652					
Excess surplus-prior year	280,039	249,281	624,316	510,854	215,917					
Unreserved										
Designated for subsequent years	69,961	519,340	275,292	499,521	434,174					
Undesignated (deficit)	225,261	215,017	222,852	(33,545)	(128,851)					
Restricted										
Excess surplus-prior year						\$ 139,652	\$ 460,140	\$ 390,277		
Excess surplus-current year						460,140	390,277		\$ 295,379	\$ 590,090
Capital reserve						709,941	714,684	111,411	311,451	611,467
Maintenance reserve						440,270	440,270	134,070	334,070	634,070
Tuition reserve						300,000	300,000			
Assigned										
Designated for subsequent years						415,348	172,562	520,319	534,148	534,148
Designated for subsequent years - ARRA SEMI										
Other purposes						64,598	270,502			9,575
Unassigned									25,006	67,258
Unassigned										3,014
Total general fund	\$ 1,289,323	\$ 2,214,524	\$ 2,413,079	\$ 2,049,895	\$ 1,999,755	\$ 2,581,156	\$ 2,748,435	\$ 1,156,077	\$ 1,500,054	\$ 2,449,622
All Other Governmental Funds										
Reserved	\$ 592,555									
Unreserved, reported in:										
Capital projects fund (deficit)	222,108	\$ 329,146	\$ 329,146	\$ 218,793						
Debt service fund	18,623	2	2		\$ 1					
Restricted										
Capital projects							\$ 2,047,718	\$ 189,961	\$ 184,961	
Debt service						\$ 1	33,291	33,291		
Total all other governmental funds	\$ 833,286	\$ 329,148	\$ 329,148	\$ 218,793	\$ 1	\$ -	\$ 2,081,009	\$ 223,252	\$ 184,961	\$ -
TOTAL FUND BALANCES	\$ 2,122,609	\$ 2,543,672	\$ 2,742,227	\$ 2,268,688	\$ 1,999,756	\$ 2,581,156	\$ 4,829,444	\$ 1,379,329	\$ 1,685,015	\$ 2,449,622

Source: CAFR Schedule B-1

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

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

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Tax levy	\$ 9,914,207	\$ 10,653,497	\$ 11,221,843	\$ 11,217,590	\$ 14,359,797	\$ 14,723,349	\$ 14,842,590	\$ 14,807,922	\$ 15,005,900	\$ 15,304,848
Tuition charges	6,760,319	7,158,656	6,806,025	7,271,245	3,906,064	4,686,085	4,192,661	4,121,660	4,653,700	4,940,108
Interest earnings	81,478	90,936	71,221	35,994	19,588	10,522	3,476	208	40	34
Miscellaneous	129,527	134,951	107,111	33,362	271,381	53,417	153,139	178,088	141,250	243,805
State sources	5,943,013	6,578,671	6,727,520	6,749,003	6,959,150	7,112,497	7,755,958	8,709,130	8,449,118	8,938,410
Federal sources	572,111	564,449	510,220	489,031	1,847,451	660,818	761,264	625,672	614,958	593,722
Total revenue	23,400,655	25,181,160	25,443,940	25,796,225	27,363,431	27,246,688	27,709,088	28,442,680	28,864,966	30,020,927
Expenditures										
Current										
Instruction	9,314,214	9,571,219	10,097,307	11,491,356	11,844,744	11,190,311	11,621,945	11,973,114	11,967,487	12,231,156
Undistributed - current										
Instruction	480,539	285,271	263,086	426,285	556,431	874,112	1,014,230	1,052,042	1,005,859	1,070,019
Health services	205,947	248,324	237,046	285,426	279,581	262,027	340,765	361,018	297,519	452,068
Support services	1,807,728	1,976,467	1,935,311	2,199,534	2,071,273	1,900,296	1,995,896	2,240,426	2,206,349	2,279,618
Improvement of instruction	456,222	365,982	418,729	383,442	402,949	277,678	317,642	319,706	443,815	342,396
School library	149,762	150,338	159,211	171,070	168,896	73,736	71,920	66,865	69,199	70,263
Instructional staff training	15,214	87,852	102,208	104,111	100,900	26,616	44,923	37,121	29,807	19,174
General administration	367,440	378,820	416,116	400,539	409,226	358,370	370,632	350,652	351,100	350,596
School administration	853,535	873,177	934,079	851,452	876,282	822,073	832,446	847,141	841,402	832,550
Support services										
Central services	427,002	377,050	383,875	427,982	456,939	409,177	497,646	435,944	429,958	423,924
Administrative information technology	89,980	108,564	113,138	156,386	172,483	180,827	180,261	188,159	210,738	245,002
Required maintenance of plant services	408,942	598,595	558,926	522,000	468,852	524,905	378,188	402,249	507,997	487,424
Operation of plant	1,564,779	1,641,601	1,788,205	1,985,867	1,682,635	1,928,999	1,714,747	1,769,791	1,714,734	1,802,140
Student transportation	529,740	450,226	448,233	634,074	876,800	860,500	860,500	939,768	864,983	979,594
Business and other support services and benefits	3,319,548	3,323,462	3,550,683	3,053,805	3,623,469	3,522,241	3,644,388	3,881,396	3,858,108	3,721,522
On-behalf TPAF social security and pension contrib.	1,371,189	2,071,330	2,123,784	1,598,936	1,612,726	1,684,285	1,999,187	2,504,286	2,182,011	2,568,209
Charter schools									29,988	30,204
Capital outlay	527,766	871,927	358,317	236,884	614,245	511,019	1,158,369	3,272,929	285,115	150,835
Debt service										
Principal	770,000	855,000	865,000	883,000	815,000	835,000	875,000	945,000	1,000,000	915,000
Interest and other charges	555,319	524,892	492,131	457,615	422,978	389,634	195,476	305,188	320,425	284,626
Cost of issuance										
Total expenditures	23,214,866	24,760,097	25,245,385	26,269,764	27,456,409	26,733,728	28,166,216	31,892,795	28,616,594	29,256,320
Excess (Deficit) of revenues over (under) expenditures	185,789	421,063	198,555	(473,539)	(92,978)	512,960	(457,128)	(3,450,115)	248,372	764,607
Other financing sources (uses)										
Refunding bonds issued						7,340,000	2,630,000			
Premium on bonds issued						259,263	75,415			
Payment to refunding bond escrow agent						(7,497,341)				
Cancellation of prior year accounts receivable					(175,954)					
Transfers in	728,016	2,614	1,482	281,045	42,972					184,961
Transfers out	(786,516)	(2,614)	(1,482)	(281,045)	(42,972)	(33,481)				(184,961)
Capital leases									57,314	-
Total other financing sources (uses)	(58,500)	-	-	-	(175,954)	68,441	2,705,415	-	57,314	-
Net change in fund balances	\$ 127,289	\$ 421,063	\$ 198,555	\$ (473,539)	\$ (268,932)	\$ 581,401	\$ 2,248,287	\$ (3,450,115)	\$ 305,686	\$ 764,607
Debt service as a percentage of noncapital expenditures	6%	6%	5%	5%	5%	5%	4%	4%	5%	4%

Source: CAFR Schedule B-2

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

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Prior Year Refunds	Helmetta Fund Balance	Misc.	Total
2006	\$ 70,128	\$ 6,760,319			\$ 99,491	\$ 6,929,938
2007	88,322	7,158,656			118,532	7,365,510
2008	69,739	6,806,025			104,911	6980675
2009	35,422	7,271,245			17,852	7324519
2010	19,486	3,906,064		\$ 150,000	117,944	4193494
2011	10,522	4,686,085			47,590	4744197
2012	3,476	4,192,661	\$ 71,345		44,408	4311890
2013	208	4,121,660	53,746		112,345	4287959
2014	40	4,653,700			129,048	4782788
2015	16	4,940,108			231,048	5171172

Source: District Records.

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

Spotswood Borough

Fiscal Year Ended June 30,	Net Valuation Taxable	Estimated Actual (County Equalized Value)	Total Direct School Tax Rate ^b
2006	\$ 739,666,679	\$ 761,738,710	\$ 1.39
2007	746,290,022	875,661,916	1.47
2008	751,746,603	947,878,445	1.49
2009	742,085,200	916,494,010	1.50
2010	741,209,700	881,343,282	1.53
2011	741,209,700	833,194,357	1.56
2012	741,357,090	777,395,907	1.58
2013	743,160,216	756,588,852	1.60
2014	741,621,214	767,576,473	1.63
2015	741,621,214	763,687,429	1.63

Helmetta Borough

Fiscal Year Ended June 30,	Net Valuation Taxable	Estimated Actual (County Equalized Value)	Total Direct School Tax Rate ^b
2006	\$ 64,478,264	\$ 245,640,394	\$ 4.61
2007	64,478,264	245,640,394	4.61
2008	249,543,139 *	241,061,040	1.26
2009	247,741,799	241,061,040	1.26
2010	244,711,722	244,711,722	1.28
2011	246,737,300	237,253,437	1.28
2012	188,045,609	215,981,697	1.67
2013	187,082,101	201,798,247	1.66
2014	186,972,599	199,105,447	1.62
2015	186,972,599	204,530,949	1.62

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

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

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

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

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

n/a: Information is not available.

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

Fiscal Year Ended June 30,	Spotswood Board of Education	Overlapping Rates		Total Direct and Overlapping Tax Rate
	Total Direct	Spotswood Borough	Middlesex County	
2006	\$ 1.39	\$ 0.59	\$ 0.30	\$ 2.28
2007	1.47	0.65	0.30	2.42
2008	1.49	0.74	0.32	2.55
2009	1.50	0.78	0.34	2.62
2010	1.53	0.81	0.37	2.71
2011	1.56	0.87	0.41	2.83
2012	1.58	0.83	0.37	2.78
2013	1.59	0.84	0.37	2.80
2014	1.63	0.89	0.41	2.93
2015	1.63	0.89	0.41	2.93

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

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

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

Fiscal Year Ended June 30,	School District	Overlapping Rates		Total Direct and Overlapping Tax Rate
	Total Direct	Municipality of Helmetta	Middlesex County	
2006	\$ 4.61	\$ 1.46	\$ 1.01	\$ 7.08
2007	4.61	1.46	1.01	7.08
2008	1.26	0.44	0.31	2.01
2009	1.26	0.44	0.28	1.98
2010	1.28	0.45	0.31	2.04
2011	1.28	0.47	0.34	2.09
2012	1.67	0.64	0.37	2.68
2013	1.59	0.65	0.37	2.61
2014	1.62	0.66	0.44	2.72
2015	1.62	0.66	0.43	2.71

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

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

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

Spotswood Borough

Taxpayer	2015		2006	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Spotswood Shopping Center, Inc.	\$ 9,800,000	1.32%	\$ 10,492,400	1.42%
Clearwater Village	9,533,700	1.29%	9,533,700	1.29%
Schweitzer-Mauduit	8,228,800	1.11%	17,747,200	2.41%
Inland Container	6,500,000	0.88%	7,380,000	1.00%
Gillette Enterprises	5,479,900	0.74%	5,479,900	0.74%
Renaissance Properties	5,300,000	0.71%	4,888,800	0.66%
Robert Maglies	4,471,300	0.60%	4,471,300	0.60%
KLIA Properties, LLC	2,943,500	0.40%	4,338,100	0.59%
Summerhill Corners Association	2,860,500	0.38%	3,638,100	0.49%
Bell Atlantic	2,715,314	0.37%	n/a	n/a
Total	\$ 57,833,014	7.80%	\$ 67,969,500	9.20%

Source: District CAFR & Municipal Tax Assessor.

n/a: Information is not available.

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

Helmetta Borough

Taxpayer	2015		2006	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Sutton Plaza Associates	\$ 1,422,600	0.76%	n/a	n/a
Kaplan at Helmetta, LLC	1,282,400	0.69%	n/a	n/a
Buchan, William & Roseann	1,233,000	0.66%	n/a	n/a
Maglies, Robert	877,000	0.47%	n/a	n/a
Aggo LLC	817,100	0.44%	n/a	n/a
Bohinski, Loretta	816,300	0.44%	n/a	n/a
Bohinski, Charles & Sandra	568,600	0.31%	n/a	n/a
Tarantino, David	552,000	0.30%	n/a	n/a
Raczynski, Anthony & Barbara	541,200	0.29%	n/a	n/a
Federal National Bank	520,500	0.28%	n/a	n/a
Total	\$ 8,630,700	4.63%	n/a	n/a

Source: District CAFR & Municipal Tax Assessor.

n/a: Information is not available.

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

Spotswood Borough

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 9,914,207	\$ 9,914,207	100.00%	-
2007	10,653,497	10,653,497	100.00%	-
2008	11,221,843	11,221,843	100.00%	-
2009	11,217,590	11,217,590	100.00%	-
2010	11,217,593	11,217,593	100.00%	-
2011	11,557,816	11,557,816	100.00%	-
2012	11,671,625	11,671,625	100.00%	-
2013	11,660,426	11,660,426	100.00%	-
2014	11,890,990	11,781,309	99.08%	\$ 109,681
2015	12,286,898	12,286,898	100.00%	-

Helmetta Borough

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 4,053,308	\$ 4,053,308	100.00%	\$ -
2007	4,787,617	4,787,617	100.00%	-
2008	3,069,427	3,069,427	100.00%	-
2009	3,069,427	3,069,427	100.00%	-
2010	3,142,204	3,142,204	100.00%	-
2011	3,165,533	3,165,533	100.00%	-
2012	3,170,965	3,170,965	100.00%	-
2013	3,147,496	3,147,496	100.00%	-
2014	3,114,910	3,114,910	100.00%	-
2015	3,017,950	3,017,950	100.00%	-

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

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

Spotswood Borough

Fiscal Year Ended June 30,	Governmental Activities				Total District	Percentage of Personal	
	General Obligation Bonds	School Energy Savings Obligation Refunding Bonds	Obligations Under Capital Leases			Income ^a	Per Capita ^a
2006	\$ 12,958,000				\$ 12,958,000	0.34%	\$ 44,204
2007	12,103,000				12,103,000	0.39%	46,991
2008	11,238,000				11,238,000	0.44%	49,464
2009	10,355,000				10,355,000	0.45%	46,912
2010	9,540,000				9,540,000	0.51%	48,256
2011	8,850,000				8,850,000	0.56%	49,203
2012	7,975,000	\$ 2,630,000			10,605,000	0.49%	\$ 51,730
2013	7,185,000	2,475,000			9,660,000	0.54%	\$ 52,291
2014	6,390,000	2,270,000	\$ 45,290		8,705,290	n/a	n/a
2015	5,580,000	2,165,000	34,456		7,779,456	n/a	n/a

Source: District CAFR Schedules I-1, I-2.

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

Note: Not applicable for Helmetta.

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

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

Spotswood Borough

Fiscal Year Ended June 30,	Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	Bonded Debt	Deduction	Net General Bonded Debt Outstanding		
2006	\$ 12,958,000		\$ 12,958,000	0.02%	\$ 44,204
2007	12,103,000		12,103,000	0.02%	46,991
2008	11,238,000		11,238,000	0.01%	49,464
2009	10,355,000		10,355,000	0.01%	46,912
2010	9,540,000		9,540,000	0.01%	48,256
2011	8,850,000		8,850,000	0.01%	49,203
2012	10,605,000	\$ 2,630,000	7,975,000	0.01%	51,730
2013	9,660,000	2,475,000	7,185,000	0.01%	52,291
2014	8,705,290	2,270,000	6,435,290	0.01%	n/a
2015	7,745,000	2,165,000	5,580,000	0.01%	n/a

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

Note: Not applicable for Helmetta.

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

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

Spotswood Borough School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2015
Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
County of Middlesex			N/A
Spotswood Borough			N/A
Helmetta Borough			N/A
Other debt			
Middlesex County General Obligation Debt			<u>N/A</u>
Subtotal, overlapping debt			N/A
Spotswood Borough School District Direct Debt			<u>N/A</u>
Total direct and overlapping debt			<u><u>N/A</u></u>

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

N/A - Information was not available.

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

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.

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

Spotswood Borough

Legal Debt Margin Calculation for Fiscal Year 2015

Equalized valuation basis

	2015	\$ 763,687,429
	2014	767,576,473
	2013	756,588,852
	[A]	<u>\$ 2,287,852,754</u>
	[A/3]	\$ 762,617,585
Debt limit (4 % of average equalization value)	[B]	30,504,703 ^a
Net bonded school debt	[C]	<u>5,580,000</u>
Legal debt margin	[B-C]	<u>\$ 24,924,703</u>

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 25,443,706	\$ 24,754,086	\$ 34,470,388	\$ 36,952,291	\$ 37,149,120	\$ 36,261,984	\$ 35,080,422	\$ 31,562,388	\$ 30,687,483	\$ 30,504,703
Total net debt applicable to limit	<u>12,958,000</u>	<u>12,103,000</u>	<u>11,238,000</u>	<u>10,355,000</u>	<u>9,540,000</u>	<u>8,850,000</u>	<u>7,975,000</u>	<u>7,185,000</u>	<u>6,390,000</u>	<u>5,580,000</u>
Legal debt margin	<u>\$ 12,485,706</u>	<u>\$ 12,651,086</u>	<u>\$ 23,232,388</u>	<u>\$ 26,597,291</u>	<u>\$ 27,609,120</u>	<u>\$ 27,411,984</u>	<u>\$ 27,105,422</u>	<u>\$ 24,377,388</u>	<u>\$ 24,297,483</u>	<u>\$ 24,924,703</u>
Total net debt applicable to the limit as a percentage of debt limit	50.93%	48.89%	32.60%	28.02%	25.68%	24.41%	22.73%	22.76%	20.82%	18.29%

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

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

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

Helmetta Borough

Legal Debt Margin Calculation for Fiscal Year 2015

Equalized valuation basis	
2015	\$ 204,530,949
2014	199,105,447
2013	<u>201,798,247</u>
[A]	<u>\$ 605,434,643</u>
[A/3]	\$ 201,811,548
[B] a	8,072,462 a
[C]	-
[B-C]	<u>\$ 8,072,462</u>

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 7,145,228	\$ 8,488,242	\$ 9,494,863	\$ 9,352,063	\$ 9,291,005	\$ 9,691,117	\$ 9,640,349	\$ 9,640,349	\$ 8,225,139	\$ 8,072,462
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 7,145,228</u>	<u>\$ 8,488,242</u>	<u>\$ 9,494,863</u>	<u>\$ 9,352,063</u>	<u>\$ 9,291,005</u>	<u>\$ 9,691,117</u>	<u>\$ 9,640,349</u>	<u>\$ 9,640,349</u>	<u>\$ 8,225,139</u>	<u>\$ 8,072,462</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Abstract of Ratables and District Records.

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

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

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

Spotswood Borough

Year	Population ^a	Personal Income ^d	Per Capita Personal Income ^b	Unemployment Rate ^c
2006	8,088	\$ 357,521,952	\$ 44,204	5.4%
2007	8,092	380,251,172	46,991	4.0%
2008	8,142	402,735,888	49,464	5.4%
2009	8,180	383,740,160	46,912	4.7%
2010	8,267	398,932,352	48,256	8.9%
2011	8,301	408,434,103	49,203	7.2%
2012	8,403	n/a	51,730	7.3%
2013	8,417	n/a	52,291	5.5%
2014	8,447	n/a	n/a	5.6%
2015	n/a	n/a	n/a	n/a

Helmetta Borough

Year	Population ^a	Personal Income ^d	Per Capita Personal Income ^b	Unemployment Rate ^c
2006	1,995	\$ 88,186,980	\$ 44,204	4.8%
2007	1,989	93,465,099	46,991	4.2%
2008	2,000	98,928,000	49,464	5.7%
2009	2,008	94,199,296	46,912	5.1%
2010	2,181	105,246,336	48,256	8.8%
2011	2,190	107,754,570	49,203	8.6%
2012	2,192	n/a	51,730	8.7%
2013	2,212	n/a	52,291	6.5%
2014	2,218	n/a	n/a	5.5%
2015	n/a	n/a	n/a	n/a

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development-Population Estimates.

^b Per Capita personal income information provided by the NJ Dept of Labor and Workforce Development-County Facts Sheets.

^c Unemployment data provided by the NJ Dept of Labor and Workforce Development-County Labor Force Estimates.

^d Personal incomes has been estimated based upon the municipal population and per capita personal income presented.

n/a: Information is not available.

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

Spotswood/ Helmetta Boroughs

Information is not available.

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

Spotswood Borough

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Instruction										
Regular	108	113	122	125	123	128	132	136	131	133
Special education	27	27	28	22	22	22	22	23	26	24
Vocational	14	14	13	11	11	11	11	11	11	10
Other instruction	7	7	6	6	6	6	6	7	7	-
Support Services:										
Student & instruction related services	48	44	44	44	44	29	29	37	37	56
a General administrative services	2	2	2	2	2	11	13	11	11	9
School administrative services	14	14	14	14	14	10	10	10	10	10
Business administrative services	10	10	10	10	10	5	7	6	6	10
Plant operations and maintenance	24	23	22	22	22	23	33	23	23	22
Pupil transportation	1	1	1	1	1	1	1	1	2	4
Food Service	2									
Total	<u>257</u>	<u>255</u>	<u>262</u>	<u>257</u>	<u>255</u>	<u>246</u>	<u>264</u>	<u>265</u>	<u>264</u>	<u>278</u>

Source: District Personnel Records.

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

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

Helmetta Borough

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010*</u>	<u>2011*</u>	<u>2012*</u>	<u>2013*</u>	<u>2014*</u>	<u>2015*</u>
Instruction										
Regular	-	-	-	-	-	-	-	-	-	-
Special education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Support Services:										
Student & instruction related services	1	1	1	1	-	-	-	-	-	-
a General administrative services	1	1	1	1	-	-	-	-	-	-
School administrative services	-	-	-	-	-	-	-	-	-	-
Business administrative services	1	1	1	1	-	-	-	-	-	-
Plant operations and maintenance	-	-	-	-	-	-	-	-	-	-
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Food Service	-	-	-	-	-	-	-	-	-	-
Total	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Source: District Personnel Records.

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

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

Spotswood Borough School District
Operating Statistics
Last Ten Fiscal Years
Unaudited

Spotswood Borough

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2006	1,764	\$ 21,361,781	\$ 12,110	2.89%	169	1,752	1,690	1.03%	96.46%
2007	1,772	22,508,278	12,702	4.89%	171	1,777	1,676	1.43%	94.32%
2008	1,767	23,529,937	13,316	4.83%	173	1,767	1,678	-0.56%	94.96%
2009	1,760	24,929,149	14,164	6.37%	151	1,760	1,672	-0.40%	95.00%
2010	1,818	25,604,186	14,084	-0.57%	143	1,808	1,724	2.73%	95.34%
2011	1,816	24,896,153	13,709	-2.66%	149	1,815	1,748	0.39%	96.31%
2012	1,821	25,872,395	14,208	3.64%	150	1,781	1,703	-1.87%	95.62%
2013	1,793	27,369,678	15,265	7.44%	159	1,805	1,717	1.37%	95.12%
2014	1,788	27,011,054	15,107	-1.03%	161	1,788	1,706	-0.91%	95.41%
2015	1,762	27,905,859	15,838	4.84%	151	1,762	1,674	-1.44%	95.01%

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

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

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

Spotswood Borough School District
Operating Statistics
Last Ten Fiscal Years
Unaudited

Helmetta Borough

Fiscal Year	Enrollment	Operating Expenditures^a	Cost Per Pupil	Percentage Change	Average Daily Enrollment (ADE)^c	Average Daily Attendance (ADA)^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2006	273	\$ 3,518,494	\$ 12,888	5.13%	273	259	5.13%	94.87%
2007	273	3,903,784	14,300	10.95%	273	259	0.00%	94.87%
2008	287	4,002,408	13,946	-2.47%	287	274	4.88%	95.47%
2009	288	4,202,163	14,591	4.63%	288	274	0.35%	95.14%
2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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

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

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

n/a: Information is not available.

Spotswood Borough School District
School Building Information
Last Ten Fiscal Years

Unaudited

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>DISTRICT</u>										
Appleby Elementary										
Square Feet	49,643	49,643	49,643	49,643	49,643	49,643	49,643	49,643	49,643	49,643
Capacity	684	684	684	684	684	684	684	684	684	684
Enrollment	441	445	443	443	459	427	427	423	459	457
Schoenly School										
Square Feet	34,680	34,680	34,680	34,680	34,680	34,680	34,680	34,680	34,680	34,680
Capacity	620	620	620	620	620	620	620	620	620	620
Enrollment	244	248	236	236	255	228	270	276	258	258
Memorial Middle School										
Square Feet	48,216	48,216	48,216	48,216	48,216	48,216	48,216	48,216	48,216	48,216
Capacity	527	527	527	527	527	527	527	527	527	527
Enrollment	332	331	343	343	330	338	364	354	317	314
High School										
Square Feet	144,080	144,080	144,080	144,080	144,080	144,080	144,080	144,080	144,080	144,080
Capacity	984	984	984	984	984	984	984	984	984	984
Enrollment	747	748	745	745	772	743	726	755	738	731

Sources: District records, ASSA.

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

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

School Facilities	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Spotswood High School	\$ 155,057	\$ 213,116	\$ 120,917	\$ 131,015	\$ 261,066	\$ 227,713	\$ 226,715	\$ 316,222	\$ 290,549	\$ 258,499
E. Raymond Appleby	114,842	115,896	105,003	95,567	94,016	120,718	96,258	97,365	177,550	58,121
G. Austin Schoenly	93,567	95,238	91,059	79,912	84,920	50,938	145,633	57,464	61,734	41,588
Memorial School	123,957	83,747	85,270	71,694	84,903	69,483	53,394	87,875	68,762	50,734
Grand Total	<u>\$ 487,423</u>	<u>\$ 507,997</u>	<u>\$ 402,249</u>	<u>\$ 378,188</u>	<u>\$ 524,905</u>	<u>\$ 468,852</u>	<u>\$ 522,000</u>	<u>\$ 558,926</u>	<u>\$ 598,595</u>	<u>\$ 408,942</u>

Source: District records of required maintenance; QAAR

Spotswood Borough School District
Insurance Schedule
Year Ended June 30, 2015
Unaudited

	<u>Coverage</u>	<u>Deductible</u>
Commercial General Liability		
Bodily Injury and Property Damage (Combined Single Limit)	\$ 11,000,000	
Bodily Injury from Products and Completed Operations	11,000,000	
Sexual Abuse	11,000,000 Per Occurrence	
	17,000,000 Annual Pool Agg	
Personal Injury and Advertising Injury	11,000,000 Per Occurrence	
Medical Expense	11,000,000 Annual Aggregate	
Employee Benefits Liability	11,000,000	\$ 1,000
Premises Medical Payments	10,000 Per Accident	
	5,000 Limit Per Person	
Terrorism	1,000,000 Per Occurrence/ Annual NJSB Agg	
Property - NJSBAIG		
Blanket Building & Contents	58,429,044	5,000
Blanket Extra Expense	50,000,000	5,000
Blanket Valuable Papers and Records	10,000,000	5,000
Demolition and Increased Cost of Construction	10,000,000 Per Occurrence	5,000
Environmental Package	1,000,000	10,000
EDP	500,000	1,000
Fire Department Service Charge	100,000	5,000
Pollutant Cleanup and Removal	250,000	5,000
Earthquake	50,000,000 Per Occurrence	5,000
	50,000,000 NJSBAIG Ann Agg	
Flood Zones (SFHA)	10,000,000 Per Occurrence	500,000
	10,000,000 NJSBAIG Ann Agg	500,000
All Other Flood Zones	50,000,000 Per Occurrence/ NJSBAIG Ann Agg	10,000
Arson Reward	10,000	1,000
Newly Acquired Property	10,000,000	5,000
Up to 120 Days After Acquisition		
Debris Removal	2,500,000	5,000
(Or 25% of the Amount of Physical Damage)		
Utility Services - Direct Damage	250,000	5,000
Gym Floor Coverage	20,000	5,000
Terrorism	1,000,000 Per Occurrence	
	1,000,000 NJSBAIG Ann Agg	
Lawns, Shrubs, Plants for Fire and Explosion	1,000,000	5,000
New Construction, Additions and Refurbishments		
Automatic Coverage for 30 Days		
Mold, Wet or Dry Rot and Bacteria Clean Up	250,000	5,000
Limited Mold Cleanup & Removal	25,000,000	5,000
When caused by fire or lightning, reported within 30 days		
EDP - Computer Virus	250,000	1,000

Spotswood Borough School District
Insurance Schedule
Year Ended June 30, 2015
Unaudited

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

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

Single Audit Section



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Spotswood Borough School District, in the County of Middlesex, New Jersey (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal 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 District's internal control.

wiss.com

354 Eisenhower Parkway
Suite 1850
Livingston, NJ 07039
973.994.9400

485C Route 1 South
Suite 250
Iselin, NJ 08830
732.283.9300

14 Penn Plaza
Suite 1010
New York, NY 10122
212.594.8155

5 Bartles Corner Road
Flemington, NJ 08822
908.782.7300

60 West Broad Street
Suite 102
Bethlehem, PA 18018
484.821.5735

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.

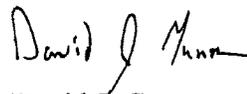
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

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.



David J. Gannon
Licensed Public School Accountant
No. 2305



WISS & COMPANY, LLP

December 16, 2015
Iselin, New Jersey

Report on Compliance For Each Major Federal and State Program and
Report on Internal Control Over Compliance Required by OMB A-133
and New Jersey OMB 15-08

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Spotswood Borough School District's, in the County of Middlesex, New Jersey (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2015. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and 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; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133, *Audits of States and Local Governments and Non-Profit Organizations*; and

wiss.com

354 Eisenhower Parkway
Suite 1850
Livingston, NJ 07039
973.994.9400

485C Route 1 South
Suite 250
Iselin, NJ 08830
732.283.9300

14 Penn Plaza
Suite 1010
New York, NY 10122
212.594.8155

5 Bartles Corner Road
Flemington, NJ 08822
908.782.7300

60 West Broad Street
Suite 102
Bethlehem, PA 18018
484.821.5735

New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to previously that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

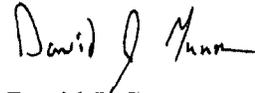
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and 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 federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Purpose of this Report

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 OMB Circular A-133 and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purposes.



David J. Gannon
Licensed Public School Accountant
No. 2305



WISS & COMPANY, LLP

December 16, 2015
Iselin, New Jersey

Spotswood Borough School District

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014	Cash Received	Budgetary Expenditures	Adjustments	Repayment of prior years balances	(Accounts receivable) at June 30, 2015	Unearned Revenue at June 30, 2015	Due to Grantor at June 30, 2015
General Fund:												
U.S. Department of Health and Human Services - Passed Through State Department of Education												
Medical Assistance Program (SEMI)	93.778	N/A	7/1/13-6/30/14	\$ 28,789	\$ (3,841)	\$ 3,841						
Medical Assistance Program (SEMI)	93.778	N/A	7/1/14-6/30/15	28,046		28,046	\$ 28,046					
Total General Fund					(3,841)	31,887	28,046					
Special Revenue Fund:												
U.S. Department of Education: Passed Through State Department of Education: NCLB Consolidated Programs:												
Title I, Carryover	84.010A	NCLB4970-13	7/1/13-6/30/14	166,826	(166,273)	166,273						
Title I	84.010A	NCLB4970-14	7/1/14-6/30/15	129,466		112,914	112,914				\$ -	
Title II, Part A, Carryover	84.367	NCLB4970-13	7/1/13-6/30/14	26,123	(26,123)	26,123						
Title II, Part A	84.367	NCLB4970-14	7/1/14-6/30/15	13,587		6,767	7,567		\$ (800)			
Title III, Carryover	84.365	NCLB4970-13	7/1/13-6/30/14	34,797	(27,600)	27,600						
Title III	84.365	NCLB4970-14	7/1/14-6/30/15	7,197		577	3,178			(2,601)		
IDEA, Preschool, Carryover	84.173	IDEA497014C	7/1/13-6/30/14	18,201	(13,267)	13,267						
IDEA, Preschool	84.173	IDEA497013C	7/1/14-6/30/15	18,547			18,547			(18,547)		
IDEA, Part B, Carryover	84.027	IDEA497014C	7/1/13-6/30/14	351,566	(38,740)	38,740						
IDEA, Part B	84.027	IDEA497013C	7/1/14-6/30/15	403,819		377,283	398,109			(20,826)		
Race to the Top	84.395		7/1/14-6/30/15	1,058		1,058					1,058	
Total Special Revenue Fund					(272,003)	770,602	540,315	-	-	(42,774)	1,058	-
Enterprise Fund:												
U.S. Department of Agriculture: Passed Through State Department of Education:												
National School Lunch Program	10.555	N/A	7/1/13 - 6/30/14	108,506	(30,713)	30,713						
National School Lunch Program	10.555	N/A	7/1/14 - 6/30/15	117,299		108,436	117,299			(8,863)		
National School Breakfast Program	10.553	N/A	7/1/14 - 6/30/15	3,382		3,079	3,382			(303)		
Food Donation Program (NC)	10.555	N/A	7/1/13 - 6/30/15	17,149		1,763						
Food Donation Program (NC)	10.555	N/A	7/1/14 - 6/30/15	14,893		14,893	14,893					
Total U.S. Department of Agriculture and Enterprise Fund					(28,950)	157,121	137,337			(9,166)		
Total Federal Awards					\$ (304,794)	\$ 959,610	\$ 705,698	\$ -	\$ -	\$ (51,940)	\$ 1,058	\$ -

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

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

Spotswood Borough School District
Schedule of Expenditures of State Financial Assistance
Year ended June 30, 2015

State Grantor/ Pass-Through Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014	Carryover/ Walkover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of prior years balances	Balance June 30, 2015			Memo		
										(Accounts receivable)	Unearned Revenue	Due to Grantor	Budgetary Receivables	Cumulative Expenditures	
State Department of Education															
General Fund:															
Extraordinary Aid	495-034-5120-473	7/01/13 - 6/30/14	\$ 58,279	\$ (58,279)		\$ 58,279									
Additional Non Public Transportation Aid	Not available	7/01/13 - 6/30/14	7,099	(7,099)		7,099									
Reimbursed TPAF - Social Security	495-034-5094-003	7/01/13 - 6/30/14	888,619	(43,018)		43,018									
Equalization Aid	495-034-5120-078	7/01/14 - 6/30/15	5,037,971			4,539,626	\$ 5,037,971						\$ (498,345)	\$ 5,037,971	
Special Education Categorical Aid	495-034-5120-089	7/01/14 - 6/30/15	910,803			820,708	910,803						(90,095)	910,803	
Transportation Aid	495-034-5120-014	7/01/14 - 6/30/15	54,800			49,379	54,800						(5,421)	54,800	
Security Aid	495-034-5120-084	7/01/14 - 6/30/15	31,878			28,725	31,878						(3,153)	31,878	
Extraordinary Aid	495-034-5120-473	7/01/14 - 6/30/15	147,355				147,355				\$ (147,355)			147,355	
Educational Adequacy Aid	495-034-5120-083	7/01/14 - 6/30/15	6,761			6,092	6,761						(669)	6,761	
Per Pupil Growth	495-034-5120-097	7/01/14 - 6/30/15	14,750			13,291	14,750						(1,459)	14,750	
PARCC Readiness	495-034-5120-098	7/01/14 - 6/30/15	14,750			13,291	14,750						(1,459)	14,750	
Additional Non Public Transportation Aid	Not available	7/01/14 - 6/30/15	6,518				6,518				(6,518)			6,518	
On-Behalf TPAF Pension and Medical Contributions	495-034-5095-001/006/007	7/01/14 - 6/30/15	1,694,490			1,694,490	1,694,490							1,694,490	
Reimbursed TPAF - Social Security	495-034-5095-002	7/01/14 - 6/30/15	868,315	-		825,319	873,719				(48,400)			873,719	
Total General Funds				(108,396)		8,099,317	8,793,795				(202,273)		(600,601)	8,793,795	
Special Revenue Funds:															
Martin Luther King Jr.	07MLKJ109AVF	Indefinite	2,069	1,308							\$ 1,308				
New Jersey Non-Public Aid:															
Textbook Aid	100-034-5120-064	7/01/13 - 6/30/14	14,097	619					\$ 619						
Textbook Aid	100-034-5120-064	7/01/14 - 6/30/15	14,597			14,597	13,870					\$ 727		13,870	
Nursing Services	100-034-5120-070	7/01/13 - 6/30/14	19,841	276							276				
Nursing Services	100-034-5120-070	7/01/14 - 6/30/15	23,238			23,238	22,125					1,113		22,125	
Technology Services	100-034-5120-373	7/01/13 - 6/30/14	5,140	76							76			-	
Technology Services	100-034-5120-373	7/01/14 - 6/30/15	7,840			7,840	7,328						512	7,328	
Non-Public Handicapped Services:															
Examination and Classification	100-034-5120-066	7/01/13 - 6/30/14	7,166	2,222							2,222				
Corrective Speech		7/01/13 - 6/30/14	15,624	3,906							3,906				
Examination and Classification		7/01/14 - 6/30/15	13,865			13,865	8,827						5,038	8,827	
Supplemental Instruction		7/01/14 - 6/30/15	7,064			7,064	7,064							7,064	
Corrective Speech		7/01/14 - 6/30/15	19,437			19,437	9,719						9,718	9,719	
Non-Public Auxiliary Services:															
Basic Skills/Comp Educ	100-034-5120-067	7/01/14 - 6/30/15	18,812			18,812	13,304						5,508	13,304	
Transportation		7/01/14 - 6/30/15	5,049			5,049	5,049							5,049	
Bully Prevention	Not available	Indefinite	7,322	7,322			7,322							7,322	
Total Special Revenue Fund				15,729		109,902	94,608			7,099		1,308	22,616	94,608	
Debt Service Fund:															
Debt Service Aid - Type II	495-034-5120-017	7/01/14 - 6/30/15	56,043			56,043	56,043							56,043	
Total Debt Service Fund						56,043	56,043							56,043	
State Department of Agriculture															
Enterprise Funds:															
National School Lunch Program (State Share)	100-010-3360-023	7/01/13 - 6/30/14	4,360	(1,408)		1,408								4,552	
National School Lunch Program (State Share)	100-010-3360-023	7/01/14 - 6/30/15	4,553	-		4,209	4,552				(343)			4,552	
Total Enterprise Fund				(1,408)		5,617	4,552				(343)			4,552	
Total State Financial Assistance				\$ (94,075)	\$ -	\$ 8,270,879	\$ 8,948,998	\$ -	\$ 7,099	\$ (202,616)	\$ 1,308	\$ 22,616	\$ (600,601)	\$ 8,948,998	
State Financial Assistance Not Subject to															
Single Audit Determination:															
On-Behalf TPAF Pension and Medical Contributions	495-034-5095-001/006/007	7/01/14 - 6/30/15	1,694,490			1,694,490	1,694,490							\$ 1,694,490	
Total State Financial Assistance Subject to															
Single Audit Determination				\$ (94,075)	\$ -	\$ 6,576,389	\$ 7,254,508	\$ -	\$ 7,099	\$ (202,616)	\$ 1,308	\$ 22,616	\$ (600,601)	\$ 7,254,508	

N/A - Not available

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

Spotswood Borough School District

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

Year ended June 30, 2015

1. General

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

2. Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the modified accrual basis of accounting with the exception of programs recorded in the enterprise fund, which is presented using the accrual basis of accounting, and those recorded in the special revenue fund, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. The information in these schedules are presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some of the amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Relationship to Basic Financial Statements

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

Spotswood Borough School District

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

Year ended June 30, 2015

3. Relationship to Basic Financial Statements (continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$6,036 for the general fund and \$25,361 for the special revenue fund. See the Note to Required Supplementary Information (C-3) for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general fund and special revenue fund. For the special revenue fund, there were no encumbrances recognized as expenditures on the budgetary basis, therefore there was no adjustment necessary to reconcile from budgetary basis accounts receivable to GAAP basis accounts receivable for the special revenue fund.

Additionally, as discussed further in footnote 5, the State of New Jersey makes contributions on-behalf of the District for TPAF post-retirement medical and pension contributions. The total amount of these contributions during the 2015 fiscal year was \$1,694,490.

Spotswood Borough School District

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

Year ended June 30, 2015

3. Relationship to Basic Financial Statements (continued)

Financial award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ 28,046	\$ 8,787,759	\$ 8,815,805
Special Revenue Fund	565,676	94,608	660,284
Debt Service Fund		56,043	56,043
Enterprise Food Service Fund	137,337	4,552	141,889
Total award revenues	\$ 731,059	\$ 8,942,962	\$ 9,674,021

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.

5. Other

Revenues and expenditures reported under the Food Donation Program represent current year value received and current year distributions, respectively.

TPAF Social Security Contributions represent the amount reimbursed by the State for the employer's share of Social Security Contributions for TPAF members for the fiscal year ended June 30, 2015.

The State of New Jersey also makes TPAF post-retirement medical and pension contribution expenditures on behalf of the District. These expenditures are not subject to New Jersey OMB Circular 15-08 because the contributions are made by the State directly and do not have any compliance related requirements.

6. Adjustments

The adjustments presented on exhibit K-3 represent the cancellation of various prior year liabilities and accounts receivable.

Spotswood Borough School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Part I - Summary of Auditors' Results

Financial Statement Section

Type of auditors' report issued:	Unmodified				
Internal control over financial reporting:					
Material weakness(es) identified?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; border-bottom: 1px solid black;"></td> <td style="width: 10%; text-align: center;">Yes</td> <td style="width: 10%; text-align: center; border-bottom: 1px solid black;">✓</td> <td style="width: 50%; text-align: center;">No</td> </tr> </table>		Yes	✓	No
	Yes	✓	No		
Significant deficiency(ies) identified?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; border-bottom: 1px solid black;"></td> <td style="width: 10%; text-align: center;">Yes</td> <td style="width: 10%; text-align: center; border-bottom: 1px solid black;">✓</td> <td style="width: 50%; text-align: center;">None Reported</td> </tr> </table>		Yes	✓	None Reported
	Yes	✓	None Reported		
Noncompliance material to financial statements noted?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; border-bottom: 1px solid black;"></td> <td style="width: 10%; text-align: center;">Yes</td> <td style="width: 10%; text-align: center; border-bottom: 1px solid black;">✓</td> <td style="width: 50%; text-align: center;">No</td> </tr> </table>		Yes	✓	No
	Yes	✓	No		

Federal Awards Section

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000				
Auditee qualified as low-risk auditee?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; text-align: center; border-bottom: 1px solid black;">✓</td> <td style="width: 10%; text-align: center;">Yes</td> <td style="width: 10%; text-align: center; border-bottom: 1px solid black;"></td> <td style="width: 50%; text-align: center;">No</td> </tr> </table>	✓	Yes		No
✓	Yes		No		
Type of auditors' report issued on compliance for major programs:	Unmodified				
Internal control over major programs:					
Material weakness(es) identified?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; border-bottom: 1px solid black;"></td> <td style="width: 10%; text-align: center;">Yes</td> <td style="width: 10%; text-align: center; border-bottom: 1px solid black;">✓</td> <td style="width: 50%; text-align: center;">No</td> </tr> </table>		Yes	✓	No
	Yes	✓	No		
Significant deficiency(ies) identified?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; border-bottom: 1px solid black;"></td> <td style="width: 10%; text-align: center;">Yes</td> <td style="width: 10%; text-align: center; border-bottom: 1px solid black;">✓</td> <td style="width: 50%; text-align: center;">None Reported</td> </tr> </table>		Yes	✓	None Reported
	Yes	✓	None Reported		
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; border-bottom: 1px solid black;"></td> <td style="width: 10%; text-align: center;">Yes</td> <td style="width: 10%; text-align: center; border-bottom: 1px solid black;">✓</td> <td style="width: 50%; text-align: center;">No</td> </tr> </table>		Yes	✓	No
	Yes	✓	No		

Identification of major programs:

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

Spotswood Borough School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2015

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

State Awards Section

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

\$300,000

Auditee qualified as low-risk auditee?

✓ Yes No

Type of auditors' report on compliance for major programs:

Unmodified

Internal control over major programs:

Material weakness(es) identified?

 Yes ✓ No

Significant deficiency(ies) identified?

 Yes ✓ None Reported

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

 Yes ✓ No

Identification of major programs:

GMIS/Program Number	Name of State Program or Cluster
495-034-5120-078	Equalization Aid
495-034-5120-089	Special Education Categorical Aid
495-034-5120-084	Security Aid
495-034-5120-083	Educational Adequacy Aid
495-034-5120-097	Per Pupil Growth Aid
495-034-5120-098	PARCC Readiness
495-034-5094-003	Reimbursed TPAF Social Security Contributions

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

Year ended June 30, 2015

Part II - Schedule of Financial Statement Findings

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

Spotswood Borough School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2015

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required by U.S. OMB Circular A-133.

Federal Award Programs

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

State Award Programs

No compliance or internal control findings noted that are required to be reported in accordance with New Jersey State OMB Circular 15-08.

Spotswood Borough School District
Summary Schedule of Prior Year Audit Findings
Year ended June 30, 2015

Not applicable.