

Comprehensive Annual Financial Report

of the

*Borough of Spotswood
School District*

in the

*County of Middlesex
New Jersey*

for the

*Fiscal Year Ended
June 30, 2018*

Comprehensive Annual Financial Report

of the

Spotswood Borough School District

County of Middlesex

Spotswood, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

**Spotswood Borough, Board of Education
Finance Department**

TABLE OF CONTENTS

	PAGE
INTRODUCTORY SECTION	
Letter of Transmittal	1-7
Roster of Officials	8
Consultants and Advisors	9
Organizational Chart	10
FINANCIAL SECTION	
Independent Auditor's Report	11-13
REQUIRED SUPPLEMENTARY INFORMATION - Part I	14
Management's Discussion and Analysis (Unaudited)	15-25
BASIC FINANCIAL STATEMENTS	26
A. District-Wide Financial Statements	27
A-1 Statement of Net Position	28
A-2 Statement of Activities	29
B. Major Fund Financial Statements	30
Governmental Funds:	
B-1 Balance Sheet	31-32
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance	33
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	34
Other Funds:	35
Propriety Funds:	
B-4 Statement of Net Position	36
B-5 Statement of Revenues, Expenses, and Changes in Net Position	37
B-6 Statement of Cash Flows	38
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	39
B-8 Statement of Changes in Fiduciary Net Position	40
Notes to the Financial Statements	41-89

TABLE OF CONTENTS (CONTINUED)

	PAGE
REQUIRED SUPPLEMENTARY INFORMATION - PART II	90
C. Budgetary Comparison Schedules	91
C-1 General Fund	92-103
C-1a General Fund - Education Jobs Fund	N/A
C-2 Special Revenue Fund	104
C-3 Budget to GAAP Reconciliation	105
REQUIRED SUPPLEMENTARY INFORMATION – Part III	106
L. Schedules Related to Accounting and Reporting for Pension (GASB 68)	107
L-1 Schedule of the District’s Proportionate Share of the Net Pension Liability – Public Employees Retirement System – Last Ten Years	108
L-2 Schedule of the District’s Contributions – Public Employees Retirement System – Last Ten Years	109
L-3 Schedule of the District’s Proportionate Share of the Net Pension Liability Teachers Pension and Annuity Fund – Last Ten Years	110
L-4 Schedules Related to Accounting and Reporting for Pension (GASB 68) Note to RSI III for the Fiscal Year Ended June 30, 2018	111
M. Schedule Related to accounting and Reporting for Postemployment Benefits Other than Pensions (GASB 75)	112
M-1 Schedule of Changes in the Total OPEB Liability and Related Ratios – Last Ten Years	113
OTHER SUPPLEMENTARY INFORMATION	114
D. School Level Schedules	N/A
E. Special Revenue Fund	115
E-1 Combining Schedule of Revenues and Expenditures - Budgetary Basis	116-118
E-2 Demonstrably Effective Program Aid Schedule of Expenditures - Budgetary Basis	N/A
E-3 Early Childhood Program Aid Schedule of Expenditures - Budgetary Basis	N/A
E-4 Distance Learning Network Aid Schedule of Expenditures - Budgetary Basis	N/A
E-5 Instructional Supplement Aid Schedule of Expenditures - Budgetary Basis	N/A
F. Capital Projects Fund	119
F-1 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis	120
F-1a Summary Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis – HVAC/Server Room Spotswood High School	121
F-1b Summary Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis – Roof Replacement High School	122

TABLE OF CONTENTS (CONTINUED)

	PAGE
F. Capital Projects Fund (Continued)	
F-1c Summary Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis – Roof Replacement Memorial Middle School	123
F-1d Summary Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis – School Improvements	124
F-1e Summary Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis – Security Cameras and Server Upgrades	125
F-1f Summary Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis – Bleacher and Press Box Replacement	126
F-1g Summary Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis – Fire Alarm Upgrades	127
F-1h Summary Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis	128
F-2 Summary Statement of Project Expenditures - Budgetary Basis	129
G. Proprietary Funds	130
Enterprise Fund:	
G-1 Combining Statement of Net Position	131
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Position	132
G-3 Combining Statement of Cash Flows	133
H. Fiduciary Fund	134
H-1 Combining Statement of Fiduciary Net Position	135
H-2 Combining Statement of Changes in Fiduciary Net Position	136
H-3 Schedule of Receipts and Disbursements - Student Activity Fund	137
H-4 Schedule of Receipts and Disbursements - Payroll Agency Fund	138
H-5 Schedule of Receipt and Disbursements - Other Agency Funds	N/A
I. Long-Term Liabilities	139
I-1 Schedule of Serial Bonds	140
I-2 Schedule of Obligations Under Capital Leases	141
I-3 Budgetary Comparison Schedule	142

TABLE OF CONTENTS (CONTINUED)

PAGE

STATISTICAL SECTION - UNAUDITED

J-1	Net Position by Component	143
J-2	Changes in Net Position	144-145
J-3	Fund Balances – Governmental Funds	146
J-4	Changes in Fund Balances – Governmental Funds	147
J-5	General Fund Other Local Revenue by Source	148
J-6	Assessed Value and Actual Value of Taxable Property	149-150
J-7	Direct and Overlapping Property Tax Rates	151-152
J-8	Principal Property Tax Payers – Current Year and Nine Years Ago	153-154
J-9	Property Tax Levies and Collections	155
J-10	Ratios of Outstanding Debt by Type	156
J-11	Ratios of Net Bonded Debt Outstanding	157
J-12	Direct and Overlapping Governmental Activities Debt	158
J-13	Legal Debt Margin Information	159-160
J-14	Demographic and Economic Statistics	161
J-15	Principal Employers – Current Year and Nine Years Ago	162
J-16	Full-Time Equivalent District Employees by Function/Program	163
J-17	Operating Statistics	164-165
J-18	School Building Information	166
J-19	Schedule of Required Maintenance	167
J-20	Insurance Schedule	168-169

SINGLE AUDIT SECTION

K-1	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards	170-171
K-2	Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal and State Financial Assistance Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance and New Jersey OMB Circular 15-08	172-173
K-3	Schedule of Expenditures of Federal Awards, Schedule A	174
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	175-176
K-5	Notes to the Schedules of Expenditures of Awards and Financial Assistance	177-178
K-6	Schedule of Findings and Questioned Costs	179-180
K-7	Schedule of Prior Audit Findings	181

INTRODUCTORY SECTION



Spotswood Board of Education

ADMINISTRATIVE OFFICES
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*Vita Marino, Business Administrator/
Board Secretary*
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February 7, 2019

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, 2018, 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, 2018 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 Division of Finance, Department of Education, State of NJ, the audit requirements of Title 2 U.S. Code of Federal Regulations part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the State of New Jersey OMB Circular 15-08 "Single Audit Policy for Recipients of Federal Grants,

State Grants and State Aid.” 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 Preschool through 12. These include regular, vocational, as well as special education for handicapped youngsters. The District completed the 2017-2018 fiscal year with an average daily enrollment of 1,704 students, which is approximately a 2.5% 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 six years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2018	1704	(2.5)
2017	1,748	(1.79)
2016	1,780	1.05
2015	1,762	(1.45)
2014	1,788	(0.94)
2013	1,805	1.35
2012	1,781	(1.87)

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 School district faces difficult economic conditions since the primary funding source of revenues is property taxes. Spotswood receives 22% of its funding from State Aid, 15% from tuition received from Milltown School District, and the balance from the local tax levy. The School District closely monitors the cost of operations and looks for new funding sources in order to maintain the quality educational services it provides to its students.

3. Initiatives

The Spotswood School District initiatives for the 2018/2019 school year will be as follows:

- Assessment for Compliance

The 2018-19 school year will see much effort from the district regarding the assessment and documentation of compliance to State mandates and initiatives.

Specifically, the district will be assessed through the New Jersey Quality Single Accountability Continuum (NJQSAC) is the Department of Education's monitoring and district self-evaluation system for public school districts. QSAC is a single comprehensive accountability system that consolidates and incorporates the monitoring requirements of applicable state laws and programs and complements federally required improvements. The system focuses on monitoring and evaluating school districts in five key components that, based on research, have been identified to be key factors in effective school districts. These components are Instruction & Program, Fiscal, Governance, Operations, and Personnel.

- Assessment for Accreditation

While assessment for compliance is necessary to ensure fidelity to our mission, assessment for accreditation sets benchmarks that continue to advance and align our programs to best practices and rigorous external standards. Specifically, select buildings will work with external organizations, including:

- Middle States, Early Childhood Education -

Middle States is an accreditation process that provides affirmation that a school is providing the level of quality in its educational programs, services, activities, and/or resources expected by its community of stakeholders and endorsed by the education world.

When it comes to evaluating schools and school systems, the Middle States Association looks at the whole school realizing that improving outcomes requires a comprehensive approach. When we assess whether a school should be accredited we look at how the school performs in 12 key areas that make up our Standards for Accreditation, including Mission, Governance and Leadership, School Improvement Planning, Finances, Facilities, School Organization and Staff, Health and Safety, Educational Program, Assessment and Evidence of Student Learning, Student Services, Student Life and Activities, and Information Resources.

Specifically, the Early Childhood Education Program of Distinction recognizes a school's dedication to early childhood education through a

rich, child-centered philosophy and best practices focusing on exploration, questioning, creativity and social-emotional development as well as literacy and numeracy.

- School of Character -

Providing leadership and advocacy for character education, Character.org offers an evidence-based framework for implementing and evaluating character development through our 11 Principles of Effective Character Education.

Using this model, this organization offers a path to school improvement by providing a proven framework, professional feedback, and model of excellence.

- Future Ready -

Future Ready Schools (FRS) is a bold effort to maximize digital learning opportunities and help school districts move quickly toward preparing students for success in college, a career, and citizenship. FRS is led by the Alliance for Excellent Education in collaboration with a vast coalition of organizations.

FRS provides districts with resources and support to ensure that local technology and digital learning plans align with instructional best practices, are implemented by highly trained teachers, and lead to personalized learning experiences for all students.

- Social Emotional Learning

Social Emotional Learning (SEL) is the process by which we acquire and effectively apply the knowledge, skills, and attitudes necessary to understand and manage emotions, set and achieve goals, establish and maintain positive relationships and make responsible decisions.

While a district initiative, this year our tiered implementation will begin with our youngest learners. This year, Schoenly School is embarking on an important and exciting journey. As an entire school community, they are embracing SEL at the individual, classroom, and building level. Research indicates that a focus on SEL in schools directly correlates with higher levels of academic success. The Collaborative for Academic, Social, and Emotional Learning (CASEL) identifies the following five core competencies to help individuals become positive and productive citizens: self awareness, self management, social awareness, relationship skills, and responsible decision making. Their goal as educators is to provide a nurturing and productive educational environment that supports growth in each of these competencies.

- District Security

Continually monitoring our preparedness in terms of school security and safety, the need for vestibules have been identified as a way to best bolster our preparations. A secure entrance can prevent unauthorized entry by presenting a more positive security image. When prevention fails, the entrance should mitigate an intruder's ability to enter the school creating a delay that provides staff time to respond and implement intruder response plans.

4. Service Efforts and Accomplishments

The District's academic achievement continues to be highly competitive with comparisons to state and national results as provided by the New Jersey Department of Education for the PARCC assessment, SAT, PSAT and AP scores provided by College Board.

5. Major Operational or Financial Concerns

Financial concerns have lessened for FY19 since there was an increase of state aid in the amount of \$313,943. This increase has enabled Spotswood to maintain the amount of programs and personnel budgeted in FY19 for the upcoming school year and will help address security concerns. Facility and structural repairs and systems up keep are one of the primary focuses of the District. The Maintenance Reserve Account that has been established will assist in this goal.

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, 2018.

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, 2018, the District's outstanding debt issues included \$13,583,000 of bonds. During the 2016 fiscal year, the District was notified by Standard & Poor's Ratings Services that its bond rating was A+. Moody's rating for the district as of June 2018 was Aa3. 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.

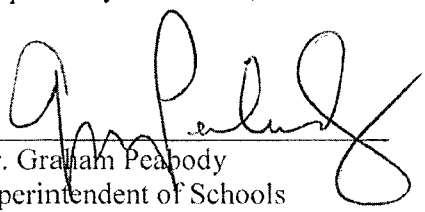
12. Other Information

Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The independent accounting firm of Suplee, Clooney & Company 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 Uniform Guidance 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.

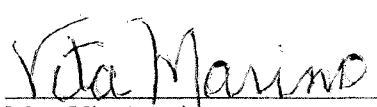
13. Acknowledgments

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,



Mr. Graham Peabody
Superintendent of Schools



Mrs. Vita Marino
School Business Administrator
Board Secretary

SPOTSWOOD BOROUGH SCHOOL DISTRICT

SPOTSWOOD, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2018

Members of the Board of Education

Term Expires

Dulce Branco-Rivera, President

2018

William Smith, Vice President

2019

Bertrand Louis

2019

William J. Loschiavo

2019

Mariellen Chasan

2018

Dawn Millburn (Milltown Representative)

Other Officials

Mr. Graham Peabody, Superintendent of Schools

Vita Marino, School Business Administrator/Board Secretary

Brian Delucia, Treasurer of School Monies

SPOTSWOOD BOROUGH SCHOOL DISTRICT

SPOTSWOOD, NEW JERSEY

CONSULTANTS AND ADVISORS

JUNE 30, 2018

Auditor/Audit Firm

Suplee, Clooney and Company
308 East Broad Street
Westfield, New Jersey 07090-2122

Attorney

David B. Rubin, Esquire
44 Bridge Street
P.O. Box 4579
Metuchen, New Jersey 08840

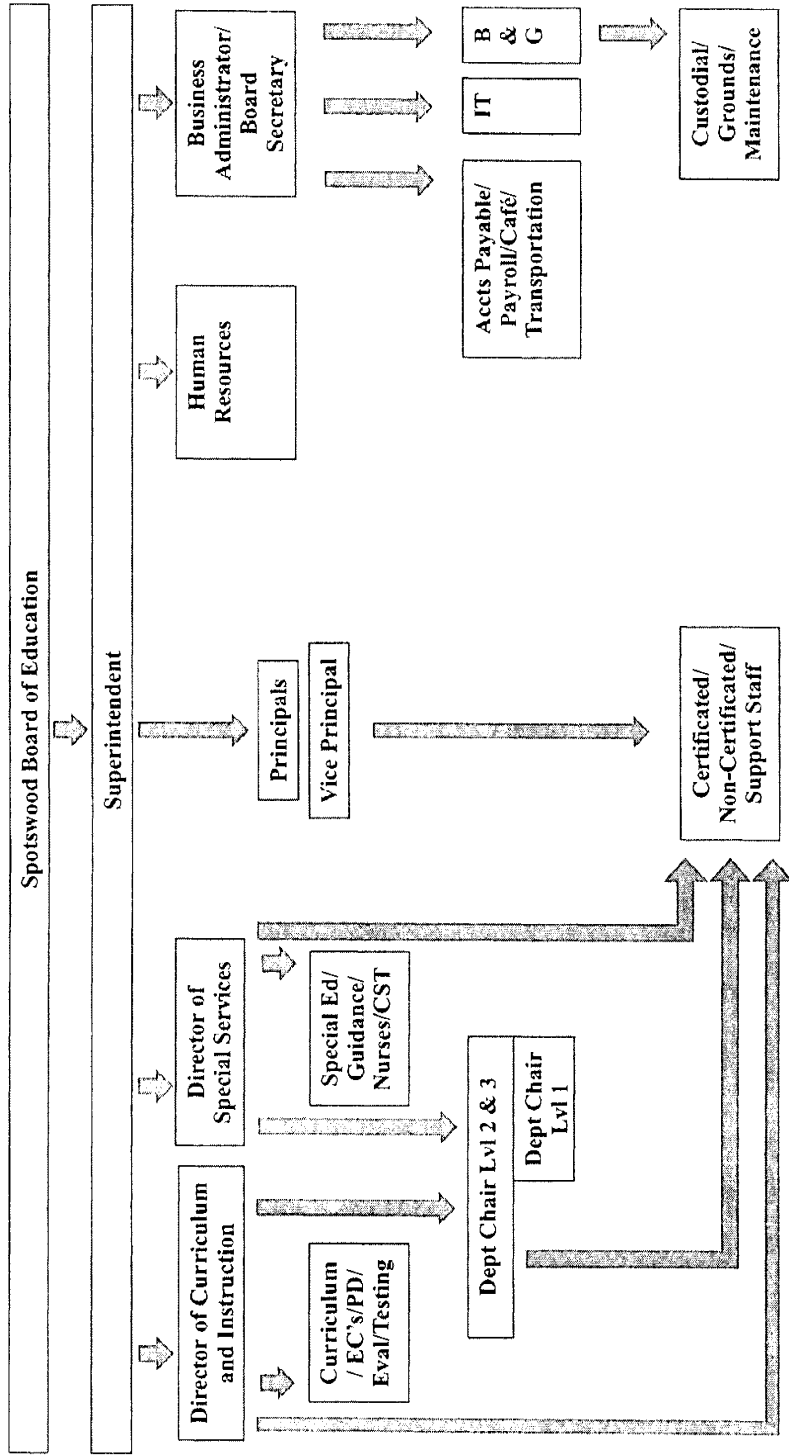
Official Depository

TD Bank
Route 18 South
East Brunswick, New Jersey 08816

Official Newspapers

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

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



Board Adopted January 2, 2018

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Spotswood Borough School District
County of Middlesex
Spotswood, New Jersey 08884

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 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, and State of New Jersey *OMB Circular 15-08* "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

SUPLEE, CLOONEY & COMPANY

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Spotswood Borough School District, County of Middlesex, New Jersey as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 7 to the basic financial statements, in 2018, the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information in Exhibit C-1 through C-3, the schedules related to accounting and reporting for pensions in Exhibit L-1 through L-4 and the schedules related to accounting and reporting for postretirement benefits other than pensions (OPEB) on Exhibit M-1 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.

SUPLEE, CLOONEY & COMPANY

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Spotswood Borough School District's basic financial statements. The accompanying supplementary information schedules such as the introductory section, combining statements and individual fund financial statements, the statistical section and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by the New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by the New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, such as the introductory and statistical sections, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express 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 February 7, 2019 on our consideration of the Spotswood Borough School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of the Spotswood Borough School District's 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 Spotswood Borough School District's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 948

February 7, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

**SPOTSWOOD BOROUGH SCHOOL DISTRICT
SPOTSWOOD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

The discussion and analysis of Spotswood Borough School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2017-2018) and the prior year (2016-2017) is required to be presented in the MD&A. In FY2018 the District Implemented GASB 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Prior Year Information has not been restated.

Financial Highlights

Key financial highlights for 2018 are as follows:

In the District Wide Statements:

- ◆ In total, net position increased \$2,115,434 which represents a 3.67 percent increase from 2017.
- ◆ General revenues accounted for \$23,643,282 in revenue or 60 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$15,333,959 or 40 percent of total revenues of \$36,861,808.
- ◆ The School District had \$36,861,808 in expenses; \$15,333,959 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$23,643,282 were adequate to provide for these programs.

In the Fund Financial Statements:

- ◆ The General Fund had \$30,224,071 in revenues and \$28,290,903 in expenditures.
- ◆ Overall the General Fund's fund balance increased \$1,933,168. from 2017.

Using this Comprehensive Annual Financial Report (CAFR)

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School district, presenting both an aggregate view of the School district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School district's most significant funds with all other non-major funds presented in total in one column. In the case of Spotswood Borough School District, the General Fund is by far the most significant fund.

**SPOTSWOOD BOROUGH SCHOOL DISTRICT
SPOTSWOOD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (Continued)**

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains most of the funds used by the School District to provide programs and activities, the view of the School district as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- ◆ Governmental activities - All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ◆ Business-Type Activity - This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service, Children's After School Recreation and Enrichment Program, and Science, Technology, Engineering, Art & Design and Mathematics Camp (STEAM) enterprise funds are reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's funds. The School District uses many funds to account for a multitude of financial transactions. The School District's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

Governmental Funds

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

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities.

**SPOTSWOOD BOROUGH SCHOOL DISTRICT
SPOTSWOOD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (Continued)**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Net position may serve over time as a useful indicator of a government's financial position. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the School District's net position for 2018. In accordance with GASB Statement 34, net position comparisons to fiscal year 2017 are presented.

**TABLE 1
NET POSITION**

	2018			2017		
	Governmental Activities	Business Activities	Total	Governmental Activities	Business Activities	Total
ASSETS						
Current & Other Assets	\$10,113,770	\$456,695	\$10,570,466	\$7,645,872	\$400,424	\$8,046,296
Capital Assets	25,561,733	60,872	25,622,605	24,913,338	74,257	24,987,594
TOTAL ASSETS	35,675,503	517,568	36,193,071	32,559,209	474,681	33,033,890
DEFERRED OUTFLOWS OF RESOURCES:						
Loss on Refunding of						
Long Term Debt	137,361		137,361	160,255		160,255
Pension Related	2,173,416		2,173,416	2,867,552		2,867,552
TOTAL DEFERRED OUTFLOWS	2,310,777		2,310,777	3,027,807		3,027,807
LIABILITIES						
Long-Term Liabilities	21,075,334		21,075,334	24,288,016		24,288,016
Other Liabilities	4,167,069	211,938	4,379,007	2,221,209	85,872	2,307,081
TOTAL LIABILITIES	25,242,403	211,938	25,454,341	26,509,225	85,872	26,595,097
DEFERRED INFLOWS OF RESOURCES:						
Pension Related	1,814,119		1,814,119	346,646		346,646
NET POSITION						
Net investment in capital assets	11,578,552	60,872	11,639,425	11,336,481	74,257	11,410,738
Restricted	7,162,784		7,162,784	4,775,510		4,775,510
Unrestricted:						
Pension related (deficit)	(7,702,862)		(7,702,862)	(7,526,010)		(7,526,010)
Other (deficit)	(108,716)	244,757	136,041	145,165	314,552	459,717
TOTAL NET POSITION	\$10,929,758	\$305,629	\$11,235,388	\$8,731,146	\$388,809	\$9,119,954

The District's combined net position were \$11,235,388 on June 30, 2018.

**SPOTSWOOD BOROUGH SCHOOL DISTRICT
SPOTSWOOD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (Continued)**

Table 2 shows changes in net assets for fiscal year 2018. In accordance with GASB Statement 34, revenue and expense comparisons to fiscal year 2017 is presented to comparatively analyze district-wide data.

**TABLE 2
CHANGES IN NET POSITION**

	2018			2017		
	Governmental Activities	Business Activities	Total	Governmental Activities	Business Activities	Total
Revenues:						
Program Revenues:						
Operating Grants & Contributions	\$10,376,790	\$162,963	\$10,539,753	\$9,562,293	\$138,649	\$9,700,941
Charges for Services	4,116,091	678,116	4,794,206	4,563,401	681,513	5,244,914
Capital Grants and Contributions				473,957		473,957
General Revenues						
Property Taxes	16,636,194		16,636,194	16,232,413		16,232,413
Grants (includes State Aid) and Entitlements	6,404,596		6,404,596	6,312,041		6,312,041
Other Revenues	602,493		602,493	72,533	92,008	164,541
	<u>38,136,163</u>	<u>841,078</u>	<u>38,977,242</u>	<u>37,216,637</u>	<u>912,170</u>	<u>38,128,807</u>
Expenses:						
Instruction	23,484,224		23,484,224	23,639,518		23,639,518
Pupils and Instructional Staff	4,531,701		4,531,701	4,346,185		4,346,185
General & School Adm, Central Serv & Adm Technology	3,235,844		3,235,844	3,057,599		3,057,599
Maintenance	3,098,832		3,098,832	2,768,742		2,768,742
Transportation	1,054,157		1,054,157	934,100		934,100
Interest on Long-Term Debt	461,800		461,800	510,094		510,094
Other	70,992		70,992	40,187		40,187
Business-Type		924,257	924,257		834,521	834,521
Total Expenses	<u>35,937,551</u>	<u>924,257</u>	<u>36,861,808</u>	<u>35,296,425</u>	<u>834,521</u>	<u>36,130,946</u>
Change in Net Position	2,198,613	(83,179)	2,115,434	1,920,212	77,649	1,997,861
Net Position July 1,	<u>8,731,146</u>	<u>388,809</u>	<u>9,119,954</u>	<u>6,810,934</u>	<u>311,160</u>	<u>7,122,093</u>
Net Position June 30,	<u>10,929,758</u>	<u>305,629</u>	<u>11,235,388</u>	<u>8,731,146</u>	<u>388,809</u>	<u>9,119,954</u>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

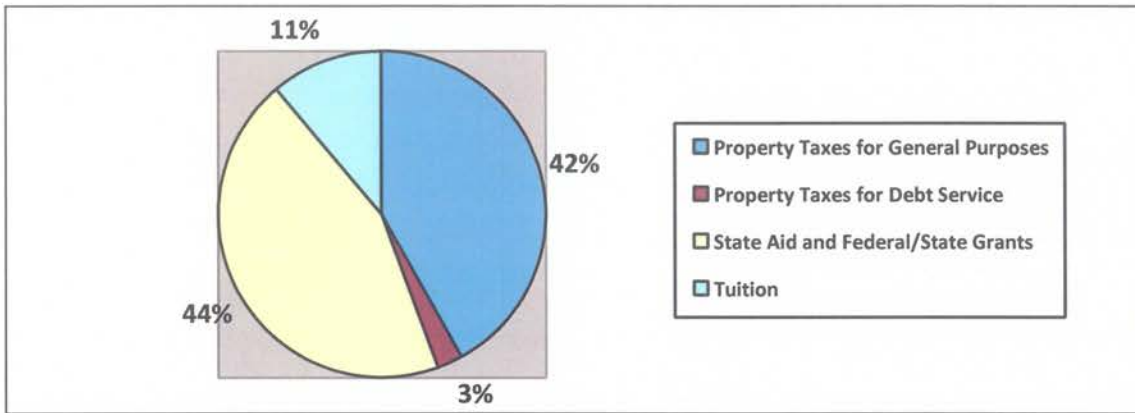
Variances in both the revenues and expenditures are significantly affected by fluctuations in the actuarial revenue/expenses for TPAF and PERS Pension under GASB 68 and Postemployment Benefits under GASB 75.

**SPOTSWOOD BOROUGH SCHOOL DISTRICT
SPOTSWOOD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (Continued)**

Governmental Activities

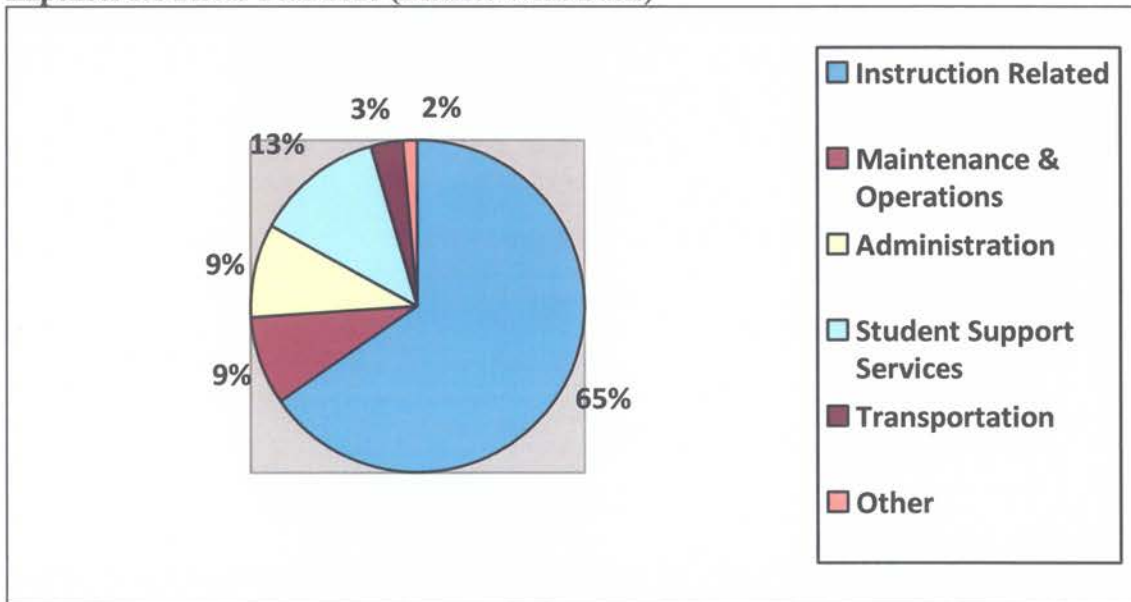
As shown in Table 2 the District's total revenue from Governmental Activities was \$36,136,163 Property taxes made up 42 percent of these revenues. Federal, state, and local grants and state aid accounted for 44 percent of revenue and Tuition accounted for another 12%

Sources of Revenue for Fiscal Year 2018 (District-Wide Basis)



Also on Table 2, the total cost of Governmental programs and services was \$35,937,550. Direct instruction comprises 65 percent of District expenses.

Expenses for Fiscal Year 2018 (District-Wide Basis)



**SPOTSWOOD BOROUGH SCHOOL DISTRICT
SPOTSWOOD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (Continued)**

Business-Type Activities

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

- ◆ Business Type expenses exceeded revenues by \$83,179.06
- ◆ Charges for services represent \$678,116 of revenue. This represents amounts paid by patrons for the various program services.
- ◆ Federal and state reimbursement for meals, including payments for free and reduced lunches, and donated commodities was \$162,963

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The total costs include compensating absences, unallocated benefits, and depreciation and is reduced by grants and specific state aid. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. In accordance with GASB Statement 34, a comparison to fiscal year 2017 is presented.

**TABLE 3
NET COST OF SERVICES**

	Total Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2018</u>	Net Cost of Services <u>2017</u>
Instruction	23,484,224	\$23,639,518	\$11,156,354	\$10,804,481
Pupils and Instructional Staff	4,531,701	4,346,185	3,883,915	3,982,617
Gen. & School Adm, Central Serv & Adm Technology	3,235,844	3,057,599	2,184,006	2,212,744
Maintenance	3,098,832	2,768,742	2,772,831	2,294,785
Transportation	1,054,157	934,100	943,998	870,662
Interest on Long-Term Debt	461,800	510,094	432,573	491,300
Business-Type	924,257	834,521	83,179	14,359
Other	70,992	40,187	70,992	40,187
Total Expenses	<u>\$36,861,808</u>	<u>\$36,130,946</u>	<u>\$21,527,849</u>	<u>\$20,711,134</u>

Instruction expenses include the activities involving the interaction between teachers and students in a school classroom, another location such as a home or hospital, and in other learning situations such as those involving co-curricular activities.

Support Services includes expenses for pupils and instructional staff providing administrative, technical, and logistical support to facilitate and enhance instruction. This area includes Attendance and Social Work Services, Health Services, Child Study Team Services, Curriculum Development, Staff Training, and School Library Services.

**SPOTSWOOD BOROUGH SCHOOL DISTRICT
SPOTSWOOD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (Continued)**

School Administration, General Administration, Central Service & Administrative Technology includes expenses associated with administrative responsibility for the schools: Supervision of the schools, evaluation of school staff members, fiscal services, human resources, strategic planning, purchasing, payroll, and management of the district's information technology system.

Operation and Maintenance of Facilities involve keeping the physical plant open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in effective working condition.

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

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

Business Type Activities involves the transactions associated with the operation of the Food Service, CARES program and STEAM program.

Other includes charter school contributions and unallocated depreciation.

The School District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$32,128,141 and expenditures were \$31,596,180 The net change in fund balance for the year was \$531,960.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the general fund, special revenue fund and debt service fund for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to prior year revenues.

REVENUES (FUND-BASED FINANCIAL STATEMENTS):

	<u>Amount</u>	<u>Percentage</u>	<u>Increase/Decrease from 2017</u>	<u>Percentage Change</u>
Local Sources	\$21,402,465	66.62%	\$513,741	2.46%
State Sources	10,154,590	31.61%	567,659	5.92%
Federal Sources	<u>571,087</u>	<u>1.78%</u>	<u>(35,420)</u>	<u>-5.84%</u>
	<u>\$32,128,141</u>	<u>100.01%</u>	<u>\$1,045,980</u>	<u>3.37%</u>

The increase in State Sources is due largely to an increase in the States contribution for On-behalf pensions and post-retirement contributions.

**SPOTSWOOD BOROUGH SCHOOL DISTRICT
SPOTSWOOD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (Continued)**

The following schedule represents a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2018, and the percentage of increases and decreases in relation to prior year amounts.

EXPENDITURES (FUND BASED FINANCIAL STATEMENTS)

	<u>Amount</u>	<u>Percentage</u>	<u>Increase/(Decrease) from 2017</u>	<u>Percentage Change</u>
Current Expense:				
Instruction	\$11,746,715	38.99%	(\$258,951)	-2.16%
Undistributed	16,479,799	54.71%	824,306	5.27%
Capital Outlay	477,819	1.59%	302,519	172.57%
Debt Service:				
Principal	995,000	3.30%	290,000	41.13%
Interest	424,709	1.41%	(45,366)	-9.65%
Total	<u>\$30,124,042</u>	<u>100.00%</u>	<u>\$1,112,508</u>	<u>3.83%</u>

Changes in expenditures were the results of varying factors. The increase in Capital Outlay is the result of the completion of certain capital projects.

General Fund Budgeting Highlights

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

Over the course of the year, the District revised the annual operating budget as needed. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts. Several of these revisions bear notation:

- ◆ The District received \$78,477 in extraordinary aid, which is state aid for special education students whose individual program cost exceeds program guidelines; this was \$21,523 less than anticipated. There was no guarantee from the Department of Education that these funds would be available.
- ◆ TPAF, which is the state's contribution to the pension fund, is neither a revenue item nor an expenditure item to the District but is required to be reflected in the financial statements. This number is reflective of the amount of money the New Jersey Department of Education pays on-behalf of certified staff for pension and FICA purposes. Salaries of regular instruction continue to increase in proportion with negotiated contracts.
- ◆ The District's philosophy is to include special education students in regular academic classes whenever possible but with additional services. Students who may have been originally scheduled for Resource Room classes were scheduled for Inclusion classes. This necessitates the cost for additional instructional aides and teachers to accommodate resource students.

**SPOTSWOOD BOROUGH SCHOOL DISTRICT
SPOTSWOOD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (Continued)**

Capital Assets

At the end of the fiscal year 2018, the School District had \$25,561,733 invested in land, building, furniture and equipment, and vehicles. Table 4 shows fiscal year 2018 balances compared to 2017.

**Table 4
Capital Assets (Net of Depreciation) at June 30**

	<u>2018</u>	<u>2017 (As Restated)</u>
Land	\$195,905	\$195,905
Construction in Progress	1,453,869	4,936,889
Site Improvements	1,268,847	1,371,591
Building & Building Improvements	21,105,864	17,072,790
Machinery & Equipment	<u>1,537,248</u>	<u>1,336,162</u>
 Total	 <u><u>\$25,561,733</u></u>	 <u><u>\$24,913,338</u></u>

Overall capital assets increased \$648,395. from fiscal year 2017 to fiscal year 2018. The increase in capital assets is due primarily to from on-going capital projects of the District. For more detailed information, please refer to the Notes to the Financial Statements.

Debt Administration

At June 30, 2018, the School District had \$22,374,606 of outstanding debt. Of this amount, \$672,241. is for compensated absences; \$202,738 for various capital leases; \$13,583,000 of serial bonds; \$164,516 in unamortized bond premium and \$7,752,111.in net pension liability.

Table 5 illustrates the balances of the District's various bonds issues outstanding at June 30, 2018 and June 30, 2017.

**Table 5
Outstanding Debt at June 30,**

	2018	2017
2007 Refunding Bonds	\$3,835,000	4,430,000
2012 School Energy Savings Refunding Bonds	1,790,000	1,925,000
2016 School Bonds	7,958,000	8,223,000
Total	<u><u>\$13,583,000</u></u>	<u><u>\$14,578,000</u></u>

**SPOTSWOOD BOROUGH SCHOOL DISTRICT
SPOTSWOOD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (Continued)**

For the Future

The Spotswood Borough School District is in good financial condition presently. The School District is proud of its community support of the public schools. During the 2017-2018 school year, the state slightly increased state aid. There is uncertainty regarding the method and amount of funding the states portion of educational aid in the future. The Board and Administration continue to find creative means to fill the gap between funding, and the cost to provide education to Spotswood's students.

In addition, the School District's system for financial planning, budgeting and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future. In conclusion, the Spotswood Borough School District has committed itself to financial excellence for many years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Ms. Vita Marino, Business Administrator/Board Secretary at Spotswood Borough Board of Education, Administration Building, 105 Summerhill Road., Spotswood, NJ 08884. Please visit our website at www.spotswood.k12.nj.us.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2018

DISTRICT-WIDE FINANCIAL STATEMENTS

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash and cash equivalents	\$5,239,157.03	\$443,034.67	\$5,682,191.70
Receivables, net	476,786.70	8,126.80	484,913.50
Inventory		5,533.95	5,533.95
Restricted assets:			
Restricted cash and cash equivalents	4,397,826.59		4,397,826.59
Capital assets:			
Land and Construction in progress	1,649,773.91		1,649,773.91
Other Capital Assets net of depreciation	23,911,958.92	60,872.25	23,972,831.17
Total Assets	35,675,503.15	517,567.67	36,193,070.82
DEFERRED OUTFLOWS OF RESOURCES:			
Premium and Loss on Refunding of Long Term Debt	137,361.00		137,361.00
Pension Related	2,173,416.00		2,173,416.00
Total Deferred Outflow of Resources	2,310,777.00		2,310,777.00
LIABILITIES:			
Accounts payable	851,997.78	27,065.30	879,063.08
Note Payable	1,734,000.00		1,734,000.00
Payable to state government	10,651.00		10,651.00
Interfunds Payable		100,000.00	100,000.00
Unearned revenue	106,122.80	84,872.90	190,995.70
Accrued Interest Payable	165,025.01		165,025.01
Noncurrent liabilities:			
Due within one year:			
Compensated absences payable	184,564.44		184,564.44
Bonds and capital leases payable	1,114,708.14		1,114,708.14
Due beyond one year:			
Net Pension Liability	7,752,111.00		7,752,111.00
Compensated absences payable	487,676.68		487,676.68
Bonds and capital leases payable	12,835,545.91		12,835,545.91
Total liabilities	25,242,402.76	211,938.20	25,454,340.96
DEFERRED INFLOWS OF RESOURCES:			
Related to pensions	1,814,119.00		1,814,119.00
NET POSITION:			
Net investment in capital assets	11,578,552.41	60,872.25	11,639,424.66
Restricted for:			
Debt service fund	85,494.64		85,494.64
Other purposes	7,077,289.33		7,077,289.33
Unrestricted (deficit)	(7,811,577.99)	244,757.22	(7,566,820.77)
Total net position	\$10,929,758.39	\$305,629.47	\$11,235,387.86

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2018

Functions/Programs	Expenses	Indirect Cost Allocation	Charges for Services	Programs Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
						Governmental Activities Business-type Activities Total
Governmental Activities:						
Instruction:						
Regular	\$ 8,750,060.75	\$ 8,975,627.61	\$ 4,116,090.61	\$ 6,083,846.85		\$ (7,525,750.90)
Special	2,315,476.33	2,319,258.67		1,803,239.13		(2,831,495.87)
Other Instruction	681,178.19	442,622.71		324,693.59		(799,107.31)
Support services:						
Tuition	624,130.29	(624,130.29)				
Student and instruction related services	2,739,550.30	1,792,150.90		1,041,025.43		(3,490,675.77)
General administrative services	384,733.91	59,758.88		51,253.70		(393,239.09)
School administrative services	938,935.19	804,592.20		493,679.76		(1,249,847.63)
Central services/Admin information technology	731,728.03	316,095.43		113,664.66		(934,158.80)
Plant operations and maintenance	2,178,431.29	920,401.05		326,001.40		(2,772,830.94)
Pupil transportation	839,676.73	214,480.51		110,159.06		(943,998.18)
Unallocated benefits	14,116,541.13	(14,116,541.13)				
Transfer to Charter Schools	70,992.00					(70,992.00)
Interest on Long-Term Debt	461,799.97			29,226.90		(432,573.07)
Unallocated Compensated Absence	(119,248.96)	119,248.96				
Unallocated depreciation	1,223,565.50	(1,223,565.50)				
Total governmental activities	35,937,550.65	4,116,090.61	4,116,090.61	10,376,790.48		(21,444,669.56)
Business-type activities						
CARES	460,993.38		381,947.53			(79,045.85)
Food Service	452,622.07		284,168.03	162,962.60		(5,491.44)
STEAM	10,641.77		12,000.00			1,358.23
Total business-type activities	924,257.22	678,115.56	678,115.56	162,962.60		(83,179.06)
Total primary government	\$ 36,861,807.87	\$ 4,794,206.17	\$ 4,794,206.17	\$ 10,539,753.08	\$ (83,179.06)	\$ (21,527,848.62)
General Revenues:						
Taxes:						
Property taxes, levied for general purposes, net						\$ 15,688,283.00
Taxes levied for debt service						947,911.00
Federal and state aid not restricted						6,336,399.47
Federal and state aid restricted						68,196.10
Miscellaneous income						602,492.69
Total general revenues and special items						23,643,282.26
Change in Net Position						2,198,612.70
						(83,179.06)
Net Position - beginning (as restated)						8,731,145.69
Net Position ending						10,929,758.39
						\$ 305,629.47
						\$ 9,119,954.22
						\$ 11,235,387.86

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

MAJOR FUND FINANCIAL STATEMENTS

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 7,422,950.21	\$ 15,549.90	\$ 1,947,963.86	\$ 250,519.65	\$ 9,636,983.62
Other receivables	128,727.20	3,383.00			132,110.20
Due from other funds	131,298.50				131,298.50
Receivables from other governments	88,627.00	83,241.00	44,652.00		216,520.00
Total assets	\$ 7,771,602.91	\$ 102,173.90	\$ 1,992,615.86	\$ 250,519.65	\$ 10,116,912.32
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 109,188.45	\$ 3,858.10	\$ 428,903.23		\$ 541,949.78
Notes Payable			1,734,000.00		1,734,000.00
Due to other funds		3,142.00			3,142.00
Payable to state government		10,651.00			10,651.00
Unearned revenue	21,600.00	84,522.80			106,122.80
Total liabilities	130,788.45	102,173.90	2,162,903.23		2,395,865.58
Fund balances:					
Restricted:					
Capital reserve	2,313,756.59				2,313,756.59
Maintenance reserve	2,084,070.00				2,084,070.00
Excess Surplus designated for subsequent years expenditures	1,001,950.92				1,001,950.92
Excess surplus - Current Year	1,677,511.82				1,677,511.82
Capital projects fund (deficit)			(170,287.37)		(170,287.37)
Debt service fund				250,519.65	250,519.65
Assigned:					
Encumbrances	563,525.13				563,525.13
Total fund balances	7,640,814.46		(170,287.37)	250,519.65	7,721,046.74
Total liabilities and fund balances	\$ 7,771,602.91	\$ 102,173.90	\$ 1,992,615.86	\$ 250,519.65	\$ 10,116,912.32

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Total Fund Balances (Brought Forward)		\$7,721,046.74
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.		
Cost of Assets	\$45,751,835.08	
Accumulated Depreciation	<u>(20,190,102.25)</u>	25,561,732.83
Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Net Pension Liability	(7,752,111.00)	
Compensated Absences	(672,241.12)	
Bonds Payable		
Outstanding at June 30, 2018	(\$13,583,000.00)	
Less: Unamortized Balance of Refunding Bonds	<u>(27,155.00)</u>	(13,610,155.00)
Capital Leases:		
Outstanding at June 30, 2018	<u>(202,738.05)</u>	(202,738.05)
	<u>(202,738.05)</u>	(22,237,245.17)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.		
Pensions:		
Deferred Outflows		
Pension related	1,864,911.00	
Employer Contribution related to pensions	<u>308,505.00</u>	2,173,416.00
Deferred Inflows:		
Pension related		(1,814,119.00)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accounts Payable - Pension Related	(310,048.00)	
Accrued Interest Payable	<u>(165,025.01)</u>	(475,073.01)
Net Position of Governmental Activities		<u><u>\$10,929,758.39</u></u>

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

SPOTSWOOD BOROUGH BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local sources:					
Local tax levy	\$ 15,688,283.00	\$	\$	\$ 947,911.00	\$ 16,636,194.00
Tuition from Individuals	181,380.61				181,380.61
Tuition from other LEAs within the State	3,934,710.00				3,934,710.00
Rents and Royalties	100,000.00				100,000.00
Interest on Capital Reserve	1,372.06				1,372.06
Miscellaneous	287,338.71	10,950.33		250,518.94	548,807.98
Total - local sources	20,193,084.38	10,950.33		1,198,429.94	21,402,464.65
State sources	9,990,496.00	66,671.00		97,423.00	10,154,590.00
Federal sources	40,490.47	530,596.25			571,086.72
Total revenues	30,224,070.85	608,217.58		1,295,852.94	32,128,141.37
EXPENDITURES:					
Current expense:					
Regular instruction	8,750,060.75				8,750,060.75
Special instruction	1,818,752.33	496,724.00			2,315,476.33
Other Instruction	681,178.19				681,178.19
Support services:					
Tuition	624,130.29				624,130.29
Student & instruction related services	2,628,056.72	111,493.58			2,739,550.30
General administrative services	384,733.91				384,733.91
School administrative services	938,935.19				938,935.19
Central service/Admin information technology	731,728.03				731,728.03
Plant operations and maintenance	2,255,122.13				2,255,122.13
Pupil transportation	839,676.73				839,676.73
Unallocated benefits	7,894,930.13				7,894,930.13
Transfer to Charter Schools	70,992.00				70,992.00
Debt Service:					
Principal	135,000.00			860,000.00	995,000.00
Interest	59,787.50			364,921.26	424,708.76
Capital outlay	477,819.28		1,441,885.54		1,919,704.82
Total expenditures	28,290,903.18	608,217.58	1,441,885.54	1,224,921.26	31,565,927.56
Excess (deficiency) of revenues over (under) expenditures	1,933,167.67		(1,441,885.54)	70,931.68	562,213.81
Other financing sources (uses):					
Accounts Receivable Cancelled			(36,737.02)		(36,737.02)
Total other financing sources			(36,737.02)		(36,737.02)
Net change in fund balances	1,933,167.67		(1,478,622.56)	70,931.68	525,476.79
Fund balances, July 1.	\$ 5,707,646.79	\$ -0-	\$ 1,308,335.19	\$ 179,587.97	\$ 7,195,569.95
Fund balances, June 30, (deficit)	\$ 7,640,814.46	\$ -0-	\$ (170,287.37)	\$ 250,519.65	\$ 7,721,046.74

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total net change in fund balances - governmental funds (from B-2)		\$525,476.79
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation expense		(1,223,565.50)
Capital outlays	\$1,919,704.82	
Less: Capital Outlays not capitalized	<u>(47,744.00)</u>	1,871,960.82
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		
Bonds Paid by Budget		995,000.00
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		
Payment of capital lease payable		76,690.84
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.		
		10,044.79
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.		
Amorization of Bond Premium	23,502.00	
Amorization of Deferred Loss	<u>(22,894.00)</u>	608.00
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
District pension contributions	308,505.00	
Less: Pension expense	<u>(485,357.00)</u>	(176,852.00)
In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-). When the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		<u>119,248.96</u>
Change in net position of governmental activities (A-2)		<u><u>\$2,198,612.70</u></u>

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

OTHER FUNDS

SPOTSWOOD BOROUGH SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2018

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>			
	<u>C.A.R.E.S.</u>	<u>FOOD SERVICE</u>	<u>S.T.E.A.M.</u>	<u>TOTAL</u>
ASSETS:				
Current assets:				
Cash and cash equivalents	\$341,259.57	\$89,426.88	\$12,348.22	\$443,034.67
Accounts receivable:				
State		324.37		324.37
Federal		7,802.43		7,802.43
Intrafunds		475.00		475.00
Inventories		5,533.95		5,533.95
	<u>341,259.57</u>	<u>103,562.63</u>	<u>12,348.22</u>	<u>457,170.42</u>
Total current assets				
Noncurrent assets:				
Furniture, machinery and equipment		303,265.00		303,265.00
Less accumulated depreciation		(242,392.75)		(242,392.75)
		<u>60,872.25</u>		<u>60,872.25</u>
Total noncurrent assets				60,872.25
	<u>341,259.57</u>	<u>164,434.88</u>	<u>12,348.22</u>	<u>518,042.67</u>
Total assets				518,042.67
LIABILITIES:				
Current liabilities:				
Interfunds	100,000.00			100,000.00
Intrafunds	475.00			475.00
Unearned revenue	72,949.70	3,223.20	8,700.00	84,872.90
Accounts payable	555.00	26,510.30		27,065.30
	<u>173,979.70</u>	<u>29,733.50</u>	<u>8,700.00</u>	<u>212,413.20</u>
Total current liabilities				212,413.20
	<u>173,979.70</u>	<u>29,733.50</u>	<u>8,700.00</u>	<u>212,413.20</u>
Total liabilities				212,413.20
NET POSITION:				
Net investment in capital assets		60,872.25		60,872.25
Unrestricted	167,279.87	73,829.13	3,648.22	244,757.22
	<u>167,279.87</u>	<u>73,829.13</u>	<u>3,648.22</u>	<u>244,757.22</u>
Total net position	<u>\$167,279.87</u>	<u>\$134,701.38</u>	<u>\$3,648.22</u>	<u>\$305,629.47</u>

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND			<u>TOTAL</u>
	<u>C.A.R.E.S.</u>	<u>FOOD SERVICE</u>	<u>S.T.E.A.M.</u>	
OPERATING REVENUES:				
Charges for services:				
Daily sales - reimbursable programs		\$198,651.99		\$198,651.99
Daily sales - non-reimbursable programs		75,375.24		75,375.24
Special Functions		10,140.80		10,140.80
Tuition - individuals	\$381,947.53		\$12,000.00	393,947.53
Total operating revenues	381,947.53	284,168.03	12,000.00	678,115.56
OPERATING EXPENSES:				
Cost of sales - reimbursable		160,102.86		160,102.86
Cost of sales - non-reimbursable		8,798.29		8,798.29
Salaries	323,802.21	157,677.53	9,725.50	491,205.24
Employee benefits		66,556.74		66,556.74
Other purchase services	589.00	12,240.00		12,829.00
Supplies and materials	22,095.94	1,454.48	916.27	24,466.69
Repairs		1,431.76		1,431.76
Management Fee		8,160.56		8,160.56
Depreciation		13,384.50		13,384.50
Miscellaneous	114,506.23	22,815.35		137,321.58
Total operating expenses	460,993.38	452,622.07	10,641.77	924,257.22
Operating income (loss)	(79,045.85)	(168,454.04)	1,358.23	(246,141.66)
NONOPERATING REVENUES (EXPENSES):				
State Sources				
State School Lunch Program		4,905.54		4,905.54
Federal Sources:				
National School Lunch Program		111,561.29		111,561.29
Supplemental Nutrition Assistance Program		5,713.62		5,713.62
National food distribution commodities		37,783.15		37,783.15
Commissions / Rebates		2,999.00		2,999.00
Total nonoperating revenues (expenses)		162,962.60		162,962.60
Excess (deficiency) of revenues over (under) expenditures	(79,045.85)	(5,491.44)	1,358.23	(83,179.06)
Total net position - beginning	246,325.72	140,192.82	2,289.99	388,808.53
Total net position - ending	\$167,279.87	\$134,701.38	\$3,648.22	\$305,629.47

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND			
	<u>C.A.R.E.S.</u>	<u>FOOD SERVICE</u>	<u>S.T.E.A.M.</u>	<u>TOTAL</u>
Cash flows from operating activities:				
Receipts from customers	\$388,566.23	\$281,988.47	\$10,700.00	\$681,254.70
Payments to employees	(323,802.21)	(157,677.53)	(9,725.50)	(491,205.24)
Payments to employee benefits		(66,556.74)		(66,556.74)
Payments to suppliers	(136,791.88)	(155,917.60)	(916.27)	(293,625.75)
Net cash provided by (used for) operating activities	(72,027.86)	(98,163.40)	58.23	(170,133.03)
Cash flows from noncapital financing activities:				
State sources		4,825.65		4,825.65
Federal sources		116,101.00		116,101.00
Net cash provided by noncapital financing activities	100,000.00	188,011.37		288,011.37
Net increase (decrease) in cash and cash equivalents	27,972.14	89,847.97	58.23	117,878.34
Cash and cash equivalents, July 1, 2017	313,287.43	(421.09)	12,289.99	325,156.33
Cash and cash equivalents, June 30, 2018	\$341,259.57	\$89,426.88	\$12,348.22	\$443,034.67
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	(\$79,045.85)	(\$168,454.04)	\$1,358.23	(\$246,141.66)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation		13,384.50		13,384.50
Federal commodities		37,783.15		37,783.15
Change in assets and liabilities:				
Increase (decrease) in unearned revenue	6,618.70	(50.98)	(1,300.00)	5,267.72
Increase (decrease) in accounts payable	399.29	20,820.05		21,219.34
(Increase) decrease in inventories		(1,646.08)		(1,646.08)
	7,017.99	70,290.64	(1,300.00)	76,008.63
Net cash provided by (used for) operating activities	(72,027.86)	(98,163.40)	\$58.23	(170,133.03)

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	STATE UNEMPLOYMENT COMPENSATION <u>TRUST FUND</u>	<u>AGENCY FUNDS</u>
ASSETS:		
Cash and cash equivalents	\$ <u>221,803.66</u>	\$ <u>785,458.63</u>
Total assets	\$ <u><u>221,803.66</u></u>	\$ <u><u>785,458.63</u></u>
LIABILITIES:		
Interfund payable	\$	\$ 28,156.50
Payroll deductions and withholdings		18,204.49
Wages payable - summer payroll		541,274.66
Due to student groups		<u>197,822.98</u>
Total liabilities	\$	\$ <u>785,458.63</u>
NET POSITION:		
Held in trust for unemployment claims and other purposes	\$ <u>221,803.66</u>	<u></u>
Total net position	\$ <u><u>221,803.66</u></u>	<u><u>-0-</u></u>

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		STATE UNEMPLOYMENT COMPENASTION <u>TRUST FUND</u>
ADDITIONS:		
Contributions:		
From employees	\$	27,565.84
Total contributions		27,565.84
Total additions		27,565.84
DEDUCTIONS:		
Unemployment claims		36,667.00
Total deductions		36,667.00
Change in net position		(9,101.16)
Net position beginning of year	\$	230,904.82
Net position end of year	\$	221,803.66

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

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 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:

Reporting Entity

The Spotswood Borough School District is a Type II District located in Middlesex County, New Jersey. The School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board of Education of the Spotswood Borough School District, comprised of six elected individuals, is the primary governing authority of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

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

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

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government
2. The primary government, or its component unit, is entitled to, or has the ability to otherwise access, a majority of the economic resources of the organization
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

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

Basis of Presentation

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

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

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

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

Governmental Funds

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

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. U.S. Generally Accepted Accounting Principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes, and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to the current expense by Board resolution; in certain instances approval by the County Superintendent of Schools may also be required.

Special Revenue Fund The special revenue fund is used to account for the proceeds of specific revenue sources from State and Federal Government (other than those for major capital projects, debt service or proprietary funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Projects Funds The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund The debt service fund is used to account for the accumulation of resources for, and the payment of principal and interest on debt issued to finance major property acquisition, construction and improvement programs.

Proprietary Funds

Enterprise Fund The enterprise fund accounts for all revenues and expenses pertaining to the District's Food Service, Science, Technology, Engineering, Art & Design and Mathematics Camp (STEAM) and Children's After School Recreation and Enrichment (CAREs) programs operations. These funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (*i.e.* expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Funds

Agency Funds The 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. The agency funds included are as follows:

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

Unemployment Insurance Trust Funds An expendable trust fund used to account for unemployment compensation claims as they arise.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting-Measurement Focus

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

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

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

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval. 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. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(f)1. Expenditures may not legally exceed budgeted appropriations at the line item level. All budget amendments and transfers must be approved by School Board resolution. Budget amendments in the amount of \$148,571.00 were approved during the year ended June 30, 2018.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures. Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the legally mandated (NJSA 18A:22-44.2) revenue recognition of one or more deferred State Aid payments for budgetary purposes only due to the State deferral of such payments into the subsequent budget year and the accounting treatment of encumbrances in the special revenue fund as described 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.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

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 recognized encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial records.

Encumbrance Accounting

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

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

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

Interfunds

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

Inventories and Prepaid Expenses

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

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

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

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The District has an established formal system of accounting for its capital assets. Capital Assets used for governmental purposes, which include land, buildings and improvements and furniture and equipment, are only reported in the district-wide financial statements. The District generally defines capital assets as assets with an initial cost of \$2,000.00 or more and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	<u>Estimated Life</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	10
Instructional Equipment	10
Grounds Equipment	15

Compensated Absences

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

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

For the district-wide statements, the current portion is the amount estimated to be used in the following year. For the governmental funds in the fund financial statements, a liability is reported only for to the extent of the amount actually due at year end as a result of employee resignations/retirements. Compensated absences are a reconciling item between the fund level and district-wide presentations.

Fund Equity

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

Unearned Revenue

Unearned revenue in the special revenue and proprietary funds represents funds which have been received but not yet earned. A corresponding accounts receivable has also been established for any open encumbrances at year end which is an allowable practice under generally accepted accounting principles. Unearned revenue in the Proprietary Fund represents deposits from students for future program fees.

Accrued Liabilities and Long-Term Obligations

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

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

Fund Balance Restrictions

GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions" modifies fund balance reporting and clarifies fund type definitions. This Statement aims to enhance the usefulness of fund balance information by providing clearer fund balance clarifications that can be applied more consistently.

Under the standard, in the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation. The District reports the Capital Reserve, Maintenance Reserve and Excess Surplus as Restricted Fund Balance.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator. The District reports Year End Encumbrances and Amounts Designated for Subsequent Years Expenditures as Assigned Fund Balance.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Restrictions (Continued)

Unassigned - is the residual classification for 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 should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Revenues Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from property taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues Exchange and Non-exchange Transactions (Continued)

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales in the Enterprise Funds. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses

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

Extraordinary and Special Items

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

Management Estimates

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

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions

In the District-Wide Financial Statements 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 the District's proportionate share of the New Jersey Public Employees Retirement System ("PERS") and the Teachers' Pension and Annuity Fund ("TPAF") and the additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they were reported by PERS and TPAF. For this 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.

In the Governmental Fund Financial Statements the year end Net pension liability is not required to be reflected. Pension related revenues and expenditures are reflected based on amounts that are normally expected to be liquidated with available financial resources for required pension contributions. Expenditures for PERS are recognized based upon billings made by the State of New Jersey due April 1st of each fiscal year. TPAF contributions are paid on the District's behalf by the State of New Jersey. The Governmental Fund Financial Statements reflects both a revenue and expenses for this pension contribution.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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, deferred amounts from refunding debt and deferred items that are pension related.

In addition to liabilities, the statement of financial 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the District has only one item that qualifies for reporting in this category, deferred amounts that are pension related.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Board considers petty cash, change funds, cash in banks, and short term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. Each depository participating in the GUDPA system must pledge collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds. No collateral is required for amounts covered by FDIC insurance. The collateral which may be pledged to support these deposits includes obligations of the State and federal governments, insured securities and other collateral approved by the Department. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department of Banking and Insurance requires additional collateral to be pledged. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit

The Spotswood Borough School District had the following cash and cash equivalents at June 30, 2018:

<u>Fund Type</u>	<u>Amount</u>
Cash in Bank:	
Governmental Funds	\$ 10,266,650.05
Proprietary Funds	325,778.14
Fiduciary Funds	<u>1,228,170.88</u>
Total Cash in Bank	\$ 11,820,599.07
Less: Reconciling Items	<u>(733,318.49)</u>
	<u>\$ 11,087,280.58</u>

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

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

Deposits

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2018, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank of \$11,820,599.07, \$250,000.00 was covered by Federal Depository Insurance, \$11,335,319.26 was covered under the provisions of NJGUDPA and \$235,279.81 was on deposit with the New Jersey Assets and Rebate management Fund (NJARM).

Investments

The types of investments which may be purchased by the District are strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Districts. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a1 et seq., and operated in accordance with 17 C.F.R. § 270.2a7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:2037. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

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

Investments (Continued)

4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by School Districts;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:2037. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 C. 17:1941); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2018, the District has \$235,279.81 on deposit with NJARM. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1, and existing investment practices of NJARM, the District is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 3: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance <u>(As Restated)</u>	<u>Additions</u>	Deletions & <u>Transfers</u>	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$195,905.00			\$195,905.00
Construction in Progress	4,936,889.26	\$1,441,885.54	(4,924,905.89)	1,453,868.91
Total Capital Assets not being depreciated	<u>5,132,794.26</u>	<u>1,441,885.54</u>	<u>(4,924,905.89)</u>	<u>1,649,773.91</u>
Site improvements	3,261,729.00			3,261,729.00
Buildings & Building Improvements	33,033,844.00	47,283.92	4,924,905.89	38,006,033.81
Machinery & Equipment	2,451,507.00	382,791.36		2,834,298.36
Totals at historical cost	<u>38,747,080.00</u>	<u>430,075.28</u>	<u>4,924,905.89</u>	<u>44,102,061.17</u>
Gross Assets (Memo only)	<u>43,879,874.26</u>	<u>1,871,960.82</u>		<u>45,751,835.08</u>
Less: Accumulated Depreciation				
Site improvements	(1,890,138.00)	(102,744.00)		(1,992,882.00)
Buildings & Building Improvements	(15,961,054.00)	(939,116.00)		(16,900,170.00)
Machinery & Equipment	(1,115,344.75)	(181,705.50)		(1,297,050.25)
Total Depreciation	<u>(18,966,536.75)</u>	<u>(1,223,565.50)</u>		<u>(20,190,102.25)</u>
Total capital assets being depreciated, net of depreciation	<u>19,780,543.25</u>	<u>(793,490.22)</u>	<u>4,924,905.89</u>	<u>23,911,958.92</u>
Total Governmental Fund Activities	<u>\$24,913,337.51</u>	<u>\$648,395.32</u>		<u>\$25,561,732.83</u>

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 3: CAPITAL ASSETS (CONTINUED)

	Beginning Balance <u>(As Restated)</u>	<u>Additions</u>	Ending Balance
Proprietary Activities:			
Machinery & Equipment	\$303,265.00		\$303,265.00
Totals at historical cost	303,265.00		303,265.00
Less: Accumulated Depreciation			
Machinery & Equipment	(229,008.25)	(13,384.50)	(242,392.75)
Total Depreciation	(229,008.25)	(13,384.50)	(242,392.75)
Total Proprietary Fund Activities	\$74,256.75	(\$13,384.50)	\$60,872.25

Depreciation expense was charged to functional expenses areas of the District for Governmental Funds as follows:

Instruction	\$672,180.93
Support services:	
Student & Instruction Related Services	226,083.11
General Administration	18,987.67
School Administration	48,278.88
Central Service/Adm Tech	35,292.84
Plant Operations & Maintenance	122,374.07
Pupil transportation	100,368.00
	\$1,223,565.50

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 4: LONG-TERM LIABILITIES

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

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

The following is a summary of transactions that affect long-term liabilities for the year ended June 30, 2018:

Governmental Funds:

	Balance June 30, <u>2017</u>	<u>Reductions</u>	Balance June 30, <u>2018</u>	Amounts due Within <u>one year</u>
Bonds Payable	\$14,578,000.00	\$995,000.00	\$13,583,000.00	\$1,025,000.00
Unamortized Bond Premium	188,018.00	23,502.00	164,516.00	23,502.00
Compensated Absences	791,490.09	119,248.97	672,241.12	184,564.44
Capital Leases Payable	279,428.89	76,690.84	202,738.05	66,206.14
Pension Liability	9,752,908.00	2,000,797.00	7,752,111.00	
	<hr/>	<hr/>	<hr/>	<hr/>
Balance June 30, 2018	<u>\$25,589,844.98</u>	<u>\$3,215,238.81</u>	<u>\$22,374,606.17</u>	<u>\$1,299,272.58</u>

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

Debt Service Requirements:

The annual requirements to amortize all debt outstanding as of June 30, 2018, including interest payments on issued debt, are as follows:

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u> FY2019	\$1,025,000.00	\$400,983.76	\$1,425,983.76
FY2020	1,050,000.00	374,383.76	1,424,383.76
FY2021	1,090,000.00	343,646.26	1,433,646.26
FY2022	1,130,000.00	304,871.26	1,434,871.26
FY2023	1,160,000.00	268,821.26	1,428,821.26
FY2024	1,185,000.00	227,246.26	1,412,246.26
FY2025	730,000.00	182,683.76	912,683.76
FY2026	745,000.00	164,058.76	909,058.76
FY2027	765,000.00	144,871.26	909,871.26
FY2028	525,000.00	124,027.51	649,027.51
FY2029	525,000.00	112,215.01	637,215.01
FY2030	525,000.00	100,074.38	625,074.38
FY2031	525,000.00	85,965.00	610,965.00
FY2032	525,000.00	70,215.00	595,215.00
FY2033	525,000.00	54,465.00	579,465.00
FY2034	525,000.00	38,715.00	563,715.00
FY2035	525,000.00	22,965.00	547,965.00
FY2036	503,000.00	7,545.00	510,545.00
	<u>\$13,583,000.00</u>	<u>\$3,027,753.24</u>	<u>\$16,610,753.24</u>

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

General obligation school and refunding bonds payable with their outstanding balances are comprised of the following individual issues:

<u>Issue</u>	<u>Amount Outstanding June 30, 2018</u>
\$7,135,000.00 in Refunding School Bonds dated May 16, 2007, due in remaining annual installments ranging between \$605,000.00 and \$675,000.00 beginning January 15, 2019 and ending January 15, 2024 with interest from 3.00% to 4.65%	3,835,000.00
\$2,630,000.00 in School Energy Savings Obligation Refunding Bonds dated April 24, 2012 due in remaining annual installment of ranging between \$145,000.00 and \$265,000.00 due beginning April 1, 2019 and ending April 1, 2027 with interest ranging from 2.00% to 3.75%	1,790,000.00
\$8,223,000.00 in School Bond, dated January 7, 2016, due in remaining annual installments ranging between \$275,000.00 and \$525,000.00 beginning September 1, 2018 and ending September 1, 2035 with interest from 2.00% to 3.00%	<div style="border-top: 1px solid black;">7,958,000.00</div>
	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$13,583,000.00</div>

Bonds Authorized But Not Issued

As of June 30, 2018, the District had \$1,734,402.00 in Bonds Authorized But Not Issued.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

Capital Leases Payable

The District is leasing school buses totaling \$392,219.00 under capital leases. This capital leases are for terms of five years. The following is a schedule of the future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2018:

Fiscal Year Ended	Governmental
<u>June 30,</u>	<u>Funds</u>
2019	\$70,382.54
2020	70,382.54
2021	<u>70,382.54</u>
Total Minimum Lease Payments	211,147.62
Less: Amount Representing Interest	<u>8,409.57</u>
 Present Value of Lease Payments	 <u><u>\$202,738.05</u></u>

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 5: PENSION PLANS

Description of Plans All required employees of the District are covered by the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund or the Defined Contribution Retirement Program which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of each system will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the above systems. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on line at www.state.nj.us/treasury/pensions.

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

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

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

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 5: PENSION PLANS (CONTINUED)

Significant Legislation

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

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

Funding Changes

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

COLA Suspension

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

Vesting and Benefit Provisions The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43:3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

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

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

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 5: PENSION PLANS (CONTINUED)

Contribution Requirements (Continued)

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

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

Three Year Trend Information for PERS

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2018	\$312,965.00	100%	-0-
2017	\$293,626.00	100%	-0-
2016	\$291,904.00	100%	-0-

Three Year Trend Information for TPAF (On-behalf Contribution)

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2018	\$1,667,407.00	100%	-0-
2017	\$1,247,756.00	100%	-0-
2016	\$897,200.00	100%	-0-

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District for the years ended June 30, 2018, 2017 and 2016 \$817,557.00, \$831,872.24 and \$856,532.00 respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

At June 30, 2018, the District reported a liability of \$7,752,111.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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 members, actuarially determined. At June 30, 2017, the District's proportion was 0.00333017340 percent, which was an increase of 0.0003717809 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$486,583.00 in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2017 measurement date.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience		\$182,535.00
Changes of assumptions	\$1,556,058.00	1,561,783.00
Net difference between projected and actual earnings on pension plan investments		52,787.00
Changes in proportion and differences between District contributions and proportionate share of contributions	258,061.00	66,263.00
District contributions subsequent to the measurement date		310,048.00
	<u>\$1,814,119.00</u>	<u>\$2,173,416.00</u>

The \$310,048.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS) (Continued)

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	Amount
<u>June 30</u>	
2019	\$113,087.00
2020	205,980.00
2021	111,230.00
2022	(226,771.00)
2023	<u>(154,277.00)</u>
	<u>\$49,249.00</u>

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

Mortality Rate

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017 and 7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Long-Term Rate of Return (continued)

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed market equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts venture capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, 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.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Discount Rate (Continued)

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 contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employer contributed 100% of their actuarially determined 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 members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2017 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease	At Current Discount Rate	1% Increase
	<u>4.00%</u>	<u>5.00%</u>	<u>6.00%</u>
District's proportionate share of the pension liability	17,412,884.00	14,036,220.00	11,223,041.00

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 (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

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 portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2018 was as follows:

Net Pension Liability:	
Districts proportionate share	-0-
State's proportionate share associated with the District	<u>\$77,503,660</u>
	<u><u>\$77,503,660</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The net pension liability associated with the District 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 and the State, actuarially determined. At June 30, 2017, the proportion of the TPAF net pension liability associated with the District was .1149503343% which was an increase of .0026923199 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized on-behalf pension expense and revenue of \$5,369,061.00 in the government-wide financial statements for contributions provided by the State. This pension expense and revenue was based on the pension plans June 30, 2017 measurement date.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

Mortality Rate

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% and 7.65% at June 30, 2017 and June 30, 2016 respectively) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed market equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts venture capital	8.25%	13.08%
	<u>100.00%</u>	

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.25% and 3.22% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, 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 contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined 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 members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability,

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Because the District's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the District.

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 Teachers Public and Annuity Fund (TPAF). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS – GASB 75

Plan Description and Benefits Provided

The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan, with that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. According to N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Employees Covered by Benefit Terms

The State Health Benefit Local Education Retired Employees Plan Membership covered by the benefit terms consisted of the following:

Active Plan Members	223,747
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	142,331
Inactive Plan Members or Beneficiaries	
Not Yet Receiving Benefits	<u>- 0 -</u>
Total Plan Members	<u>366,078</u>

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Total Nonemployer OPEB Liability

The portion of the Total Nonemployer OPEB Liability that was associated with the District at June 30, 2018 was as follows:

Nonemployer OPEB Liability:	
Districts proportionate share	-0-
State's proportionate share associated with the District	<u>\$56,276,415.00</u>
	<u><u>\$56,276,415.00</u></u>

The Total Nonemployer OPEB Liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017.

The Total Nonemployer OPEB Liability was determined separately based on actual data of the District.

For the year ended June 30, 2018, the District recognized on-behalf post-employment expense and revenue of \$3,486,646.00 in the government-wide financial statements for contributions provided by the State. This expense and revenue was based on the plans June 30, 2017 measurement date.

At June 30, 2017, the District's proportion was 0.1049153261 percent, which was an increase of .0000890255 from its proportion measured as of June 30, 2016.

The State, a Nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS, TPAF/ABP and PFRS participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Consequently, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Actuarial Assumptions and Other Imputes

The total OPEB liability in the June 30, 2017 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation 2.5 percent			
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases			
Through 2026	1.55-4.55%	2.15-4.15%	2.10-8.98%
	Based on years Of Service	Based on Age	Based of Age
Thereafter	2.00-5.45%	3.15-5.15%	3.10-9.98
	Based on years Of Service	Based on Age	Based of Age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-Retirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2010 - June 30, 2013, and July 1, 2011 - June 30, 2014 for TPAF, PFRS and PERS, respectively.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Pan B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is 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.

Changes in the Total Nonemployer OPEB Liability

Shown below are details regarding the Total Nonemployer OPEB Liability for the Measurement Period from June 30, 2016 to June 30, 2017.

Balance at 6/30/16		\$60,725,890
Changes for the year:		
Service cost	\$2,487,777	
Interest	1,783,825	
Changes in assumptions or other inputs	(7,465,593)	
Benefit payments	(1,303,481)	
Contributions from Members	47,997	
Net change in OPEB Liability	(4,449,475)	(4,449,475)
Balance at 6/30/17		\$56,276,415

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Sensitivity of the Total Nonemployer OPEB Liability to Changes in the Discount Rate

The following presents the total nonemployer OPEB liability associated with the District as of June 30, 2017 calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2017		
	1.00% <u>Decrease (2.58%)</u>	At Discount Rate (3.58)	1.00% <u>Increase (4.58%)</u>
State of New Jersey's Share of Nonemployer OPEB Liability Associated with the District	\$66,804,165	\$56,276,415	\$47,925,704

Sensitivity of the Total Nonemployer OPEB Liability to Changes in Healthcare Trends

The following presents the total nonemployer OPEB liability associated with the District as of June 30, 2017 respectively, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2017		
	1.00% <u>Decrease</u>	Healthcare Cost <u>Trend Rate</u>	1.00% <u>Increase</u>
State of New Jersey's Share of Nonemployer OPEB Liability Associated with the District	\$46,281,911	\$56,276,415	\$69,548,999

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB associated with the District from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Changes of assumptions	\$6,655,586.00	-
Changes in proportion	-	\$40,682.00
	<u>\$6,655,586.00</u>	<u>\$40,682.00</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB associated with the District will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	(\$771,206)
2020	(\$771,206)
2021	(\$771,206)
2022	(\$771,206)
2023	(\$771,206)
Total Thereafter	<u>(\$2,758,873)</u>
	<u>(\$6,614,904)</u>

In accordance with GASBS No. 75, the District's proportionate share of school retirees OPEB is zero. There is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources in the financial statements.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

State Health Benefit Local Education Retired Employee Plan Information

The New Jersey Division of Pension and Benefits issues publicly available reports on the OPEB plan. Those reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295 or on their website at <http://www.state.nj.us/treasury/pensions/gasb-notice-opeb.shtml>

NOTE 8: LITIGATION

The District's counsel advises that there is no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the School District and which might materially affect the District's financial position.

NOTE 9: CONTINGENCIES

The District receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2017-2018 fiscal year were subject to the the Uniform Guidance and New Jersey OMB Circular 15-08 which mandates that grant revenues and expenditures be audited in conjunction with the District's annual audit if expenditures for federal or state programs exceed \$750,000.00 Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The District's management does not believe any such audit would result in material amounts of disallowed costs.

NOTE 10: 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 insurance coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 10: RISK MANAGEMENT (CONTINUED)

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

<u>Year Ended</u> <u>June 30,</u>	<u>District</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2018	-0-	\$27,565.84	\$36,667.00	\$221,803.66
2017	-0-	26,404.37	25,589.14	230,904.82
2016	191,124.00	31,497.00	114,391.00	230,089.59

NOTE 11: COMPENSATED ABSENCES

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

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

The liability for vested compensated absences of the governmental fund types are recorded in the district - wide statement of net position. As of June 30, 2018, a liability existed for compensated absences for governmental fund-types in the district- wide statement of net position of \$672,241.12.

For additional descriptive information see Note 1, Summary of Significant Accounting Policies.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 12: FUND BALANCE APPROPRIATED

General Fund The table below reflects the District's Fund Balance at June 30, 2018 on both a GAAP (Exhibit B-1) and Budgetary (Exhibit C-1) basis including the required adjustment related to the last state aid payment which under GAAP is not recognized:

	Budgetary <u>Basis</u>	<u>Adjustment</u>	GAAP <u>Basis</u>
Restricted:			
Excess Surplus:			
Designated for Subsequent Year's Expenditures	\$ 1,001,950.92	\$	\$ 1,001,950.92
Current Year	1,795,457.74	(117,945.92)	1,677,511.82
Maintenance Reserve	2,084,070.00		2,084,070.00
Capital Reserve	2,313,756.59		2,313,756.59
Assigned:			
Encumbrances	563,525.13		563,525.13
Unassigned	<u>503,345.08</u>	<u>(503,345.08)</u>	<u> </u>
	<u>\$ 8,262,105.46</u>	<u>\$ (621,291.00)</u>	<u>\$ 7,640,814.46</u>

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 13: CALCULATION OF EXCESS SURPLUS – BUDGETARY BASIS

Calculation of Excess Surplus In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2007, c73 (S1701), the Restricted Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if the District did not appropriate a required minimum amount as budgeted fund balance in the subsequent year's budget.

General Fund Expenditures:		
Fiscal Year Ended, June 30 2018		\$28,290,903.18
Less:		
Reimb. TPAF Social Security Contributions	\$817,577.00	
Reimb. TPAF Pension Contributions	2,813,572.00	
		3,631,149.00
Adjusted General Fund Expenditures		\$24,659,754.18
Excess Surplus Percentage		2.00%
		\$493,195.08
Increased by:		
Non-Public Transportation Aid (unbudgeted)	10,150.00	
		10,150.00
Maximum Unassigned General Fund Balance		\$503,345.08
Actual Unassigned General Fund Balance		2,298,802.82
Excess Surplus		\$1,795,457.74
Recapitulation of Excess Surplus, June 30, 2018:		
Restricted for Excess Surplus - Designated for Subsequent Year's Expenditure		\$1,001,950.92
Restricted for Excess Surplus		1,795,457.74
		\$2,797,408.66

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 13: CALCULATION OF EXCESS SURPLUS – BUDGETARY BASIS (CONTINUED)

Based on the preceding calculation, as of June 30, 2018, \$1,795,457.74 is reported as Restricted Fund Balance Excess Surplus and is required to be appropriated for property tax relief in the 2019-20 budget. \$1,001,950.92 is reported as Restricted Fund Balance Excess Surplus Designated for Subsequent Year's Expenditure and is required to be appropriated for property tax relief in the 2018-19 budget.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2018:

<u>Fund</u>	<u>Interfund Balance</u>	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 131,298.50	\$
Special Revenue Fund		3,142.00
Enterprise Fund		100,000.00
Fiduciary Fund		28,156.50
	\$ <u>131,298.50</u>	\$ <u>131,298.50</u>

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

NOTE 15: CAPITAL RESERVE ACCOUNT

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

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 15: CAPITAL RESERVE ACCOUNT (CONTINUED)

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Balance, June 30, 2017 (Budgetary Basis)		\$ 1,612,384.53
Interest Earnings		1,372.06
Deposits:		
Board Resolution dated 06/12/18	700,000.00	700,000.00
Balance, June 30, 2018 (Budgetary Basis)		\$ <u>2,313,756.59</u>

NOTE 16: MAINTENANCE RESERVE ACCOUNT

In accordance with N.J.S.A. 18A:7G-13, a Maintenance reserve account was established by the District. The Maintenance reserve account is maintained in the general fund.

A district board of education or board of school estimate, as appropriate, may increase the balance in the maintenance reserve account by appropriating funds in the annual general fund budget certified for taxes.

A district board of education or board of school estimate, as appropriate, may by resolution withdraw such funds from the maintenance reserve account and appropriate into the required maintenance account lines at budget time or any time during the year for use on required maintenance activities for a school facility as reported in the comprehensive maintenance plan pursuant to N.J.A.C. 6A:26A-4.

The district board of education shall ensure that the maintenance reserve account balance does not, at any time, exceed four percent of the replacement cost of the school district's school facilities for the current year. If the account exceeds this maximum amount at June 30, the district board of education shall reserve and designate such excess in the subsequent year's budget.

At June 30, 2018, the balance of the Maintenance Reserve Account was \$2,084,070.00 and is within the statutory limitations.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 16: MAINTENANCE RESERVE ACCOUNT (CONTINUED)

The activity of the maintenance reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Balance, June 30, 2017		1,634,070.00
Interest Earnings		
Deposits:		
Board Resolution dated 06/12/18	\$ <u>700,000.00</u>	<u>700,000.00</u>
		2,334,070.00
Withdrawals:		
Budgeted Withdrawal	<u>250,000.00</u>	<u>250,000.00</u>
Balance, June 30, 2018		\$ <u><u>2,084,070.00</u></u>

NOTE 17: INVENTORY

Inventory in the Food Service Fund at June 30, 2018 consisted of the following:

Food and Supplies \$5,533.95

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

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 18: TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

The District has identified several agreements that have been entered into by Spotswood Borough and Helmetta Borough that require disclosure under this statement. The gross dollar amount, on an accrual basis, by which the District's property tax revenues were potentially reduced during the reporting period as a result of tax abatement agreements totaled \$346,623.34. It is important to note that the District Tax Levy is guaranteed to be paid in full by the municipalities and that the District collected its full tax levy for FY2018.

The property owner under the terms of these agreements are required to pay the municipalities an annual service charge in lieu of taxes. In certain cases, a portion of this fee is remitted to the school district. As of the date of the audit the amount due to the District has not been finalized.

NOTE 19: NOTE PAYABLE

On November 15, 2017 the District issued \$1,734,000.00 in temporary notes to finance a project authorized by a referendum approved on September 26, 2017. The note includes interest at 2.00% and is due 08/30/2018.

NOTE 20: DEFICIT FUND BALANCE

The District has an accumulated deficit of \$170,287.37 in the Capital Projects Fund as of June 30, 2018. This deficit is the result of the approval of a bond referendum on September 26, 2017 for various capital projects and improvements. The bonds authorized by this referendum will not be permanently funded until FY2019. In FY2019 the District has made provision for the permanent financing through appropriations in the Debt Service Budget. This deficit does not indicate that the District is facing financial difficulties and is a permitted practice under generally accepted accounting principles.

Spotswood Borough School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2018

NOTE 21: SUBSEQUENT EVENTS

The Board of Education has evaluated subsequent events occurring after the financial statement date through February 7, 2019 which is the date the financial statements were available to be issued. The District has determined that there are no material subsequent events that need to be disclosed, except as follows:

NOTE 22: PRIOR PERIOD ADJUSTMENTS

The adjustments below were reflected against the beginning Net Assets balance on the District Wide Statements as follows:

	Governmental Activities	Business-Type Activities
Beginning Net Position 06/30/17	\$ 8,316,023.38	\$ 389,828.04
Adjustments:		
Net investment in capital assets	<u>415,122.31</u>	<u>(1,019.51)</u>
Beginning Net Position 06/30/17 (As restated)	\$ <u><u>8,731,145.69</u></u>	\$ <u><u>388,808.53</u></u>

During FY2018, the District retained an appraisal company to do a complete inventory of Capital Assets. Changes in the valuations of certain assets required the adjustments noted above.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

SPOTSWOOD BOROUGH SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
REVENUES					
Local sources:					
Local tax levy	\$ 15,688,283.00	\$	\$ 15,688,283.00	\$ 15,688,283.00	\$
Tuition from Individuals	200,000.00		200,000.00	181,380.61	(18,619.39)
Tuition from other LEAs within the State	3,882,341.00		3,882,341.00	3,934,710.00	52,369.00
Rents and Royalties	120,000.00		120,000.00	100,000.00	(20,000.00)
Interest on Capital Reserve				1,372.06	1,372.06
Miscellaneous	12,675.00		12,675.00	287,338.71	274,663.71
Total-local sources	19,903,299.00		19,903,299.00	20,193,084.38	289,785.38
State sources:					
Equalization Aid	5,056,213.00	148,571.00	5,204,784.00	5,204,784.00	
Categorical Transportation Aid	63,438.00		63,438.00	63,438.00	
Categorical Special Education Aid	923,046.00		923,046.00	923,046.00	
Security Aid	36,526.00		36,526.00	36,526.00	
Under Adequacy Aid	6,761.00		6,761.00	6,761.00	
PARCC Readiness Aid	14,750.00		14,750.00	14,750.00	
Per Pupil Growth Aid	14,750.00		14,750.00	14,750.00	
Professional Learning Community Aid	14,790.00		14,790.00	14,790.00	
Extraordinary Aid	100,000.00		100,000.00	78,477.00	(21,523.00)
Other State Aid				17,418.00	17,418.00
On-behalf TPAF Non-Contributory Insurance (non-budgeted)				40,464.00	40,464.00
On-behalf TPAF Pension (non-budgeted)				1,667,407.00	1,667,407.00
On-behalf TPAF Long Term Disability Insurance (non-budgeted)				2,624.00	2,624.00
On-behalf TPAF Post Retirement Contributions (non-budgeted)				1,103,077.00	1,103,077.00
Reimbursed TPAF Social Security Contributions (non-budgeted)				817,577.00	817,577.00
Total - state sources	6,230,274.00	148,571.00	6,378,845.00	10,005,889.00	3,627,044.00
Federal sources:					
Medicaid reimbursement	25,252.00		25,252.00	40,490.47	15,238.47
	25,252.00		25,252.00	40,490.47	15,238.47
Total revenues	26,158,825.00	148,571.00	26,307,396.00	30,239,463.85	3,932,067.85

SPOTSWOOD BOROUGH SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
EXPENDITURES					
CURRENT EXPENSE:					
Instruction - regular programs:					
Salaries of teachers:					
Preschool	\$ 267,240.00	\$ 2,400.00	\$ 269,640.00	\$ 238,801.33	\$ 30,838.67
Kindergarten	761,348.00	(67,400.00)	693,948.00	648,860.63	45,087.37
Grades 1-5	1,644,567.00	64,700.00	1,709,267.00	1,554,764.79	154,502.21
Grades 6-8	1,675,953.00	11,200.00	1,687,153.00	1,642,121.71	45,031.29
Grades 9-12	3,881,183.00	(73,625.00)	3,807,558.00	3,684,766.27	122,791.73
Total Salaries of teachers:	8,230,291.00	(62,725.00)	8,167,566.00	7,769,314.73	398,251.27
Regular Programs - Home Instruction:					
Salaries of teachers	45,000.00		45,000.00	19,561.04	25,438.96
Purchased professional educational services	20,000.00		20,000.00	9,246.00	10,754.00
Total Regular Programs - Home Instruction:	65,000.00		65,000.00	28,807.04	36,192.96
Regular programs - undistributed instruction:					
Other Salaries for Instruction	446,817.00	(121,005.00)	325,812.00	310,275.77	15,536.23
Purchased Professional-Educational Services	100,000.00		100,000.00	77,602.00	22,398.00
Other Purchased Services(400-500 series)	24,420.47	67,755.00	92,175.47	85,014.36	7,161.11
General supplies	488,720.88	(9,719.55)	479,001.33	416,399.01	62,602.32
Textbooks	26,750.59	154,994.06	181,744.65	62,047.84	119,696.81
Other Objects	3,150.00		3,150.00	600.00	2,550.00
Total Regular programs - undistributed instruction	1,089,858.94	92,024.51	1,181,883.45	951,938.98	229,944.47
Total Regular Programs - Instruction	9,385,149.94	29,299.51	9,414,449.45	8,750,060.75	664,388.70

SPOTSWOOD BOROUGH SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Special education:					
Multiple Disabilities:					
Salaries of teachers	\$ 50,490.00	\$ (50,490.00)	\$	\$	
Other salaries for instruction	26,932.00	(26,932.00)			
Total Multiple Disabilities:	<u>77,422.00</u>	<u>(77,422.00)</u>			
Resource room/resource center:					
Salaries of teachers	1,424,106.00	(18,500.00)	1,405,606.00	1,213,152.49	192,453.51
Other salaries for instruction	240,409.00	82,180.00	322,589.00	298,713.72	23,875.28
Textbooks	4,267.00	808.69	5,075.69	3,526.42	1,549.27
General supplies	5,763.00	1,224.01	6,987.01	6,170.54	816.47
Total Resource room/resource center	<u>1,674,545.00</u>	<u>65,712.70</u>	<u>1,740,257.70</u>	<u>1,521,563.17</u>	<u>218,694.53</u>
Autism:					
Salaries of teachers		77,490.00	77,490.00	74,995.66	2,494.34
Other salaries for instruction		61,532.00	61,532.00	61,442.72	89.28
Total Autism		<u>139,022.00</u>	<u>139,022.00</u>	<u>136,438.38</u>	<u>2,583.62</u>
Preschool disabilities-full -time:					
Salaries of teachers	74,715.00	5,236.00	79,951.00	79,942.50	8.50
Other salaries for instruction	61,858.00	18,960.00	80,818.00	80,808.28	9.72
Total Preschool disabilities-full -time	<u>136,573.00</u>	<u>24,196.00</u>	<u>160,769.00</u>	<u>160,750.78</u>	<u>18.22</u>
Total special education	<u>1,888,540.00</u>	<u>151,508.70</u>	<u>2,040,048.70</u>	<u>1,818,752.33</u>	<u>221,296.37</u>
Basic skills/remedial:					
Salaries of teachers	34,875.00	900.00	35,775.00	32,775.00	3,000.00
General Supplies	710.00		710.00	104.98	605.02
Textbooks	216.00		216.00	212.90	3.10
Total basic skills/remedial	<u>35,801.00</u>	<u>900.00</u>	<u>36,701.00</u>	<u>33,092.88</u>	<u>3,608.12</u>

SPOTSWOOD BOROUGH SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAVORABLE)</u>
Bilingual education:					
Salaries of teachers	85,680.00		85,680.00	85,000.00	680.00
Total bilingual education	<u>85,680.00</u>		<u>85,680.00</u>	<u>85,000.00</u>	<u>680.00</u>
School sponsored cocurricular activities-Instruction:					
Salaries	160,000.00	2,500.00	162,500.00	161,805.53	694.47
Other Objects	2,600.00		2,600.00	849.00	1,751.00
Total school sponsored cocurricular activities - Instruction	<u>162,600.00</u>	<u>2,500.00</u>	<u>165,100.00</u>	<u>162,654.53</u>	<u>2,445.47</u>
School sponsored athletics:					
Salaries	307,377.00	10,000.00	317,377.00	297,931.60	19,445.40
Purchased Services (300-500 series)	78,963.83		78,963.83	59,894.36	19,069.47
Supplies And Materials	32,277.00		32,277.00	26,232.82	6,044.18
Other Objects	17,660.00		17,660.00	16,372.00	1,288.00
Total school sponsored athletics:	<u>436,277.83</u>	<u>10,000.00</u>	<u>446,277.83</u>	<u>400,430.78</u>	<u>45,847.05</u>
Total other instructional programs	<u>598,877.83</u>	<u>12,500.00</u>	<u>611,377.83</u>	<u>563,085.31</u>	<u>48,292.52</u>
Total - instruction	<u>11,994,048.77</u>	<u>194,208.21</u>	<u>12,188,256.98</u>	<u>11,249,991.27</u>	<u>938,265.71</u>
Undistributed expenditures:					
Instruction:					
Tuition to CSSD and regional day schools	321,895.90	(94,438.00)	227,457.90	54,695.74	172,762.16
Tuition to private schools for the handicapped with state	1,056,401.37	(28,405.00)	1,027,996.37	564,884.55	463,111.82
Tuition-state facilities	32,306.00		32,306.00	4,550.00	27,756.00
Total undistributed expenditures - instruction	<u>1,410,603.27</u>	<u>(122,843.00)</u>	<u>1,287,760.27</u>	<u>624,130.29</u>	<u>663,629.98</u>
Attendance and social work services:					
Salaries		73,870.00	73,870.00	72,260.88	1,609.12
Total attendance and social work services		<u>73,870.00</u>	<u>73,870.00</u>	<u>72,260.88</u>	<u>1,609.12</u>

SPOTSWOOD BOROUGH SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAVORABLE)</u>
Health services:					
Salaries	237,600.00	1,900.00	239,500.00	214,039.25	25,460.75
Purchased professional and technical services	249,439.50	(25,000.00)	224,439.50	132,665.95	91,773.55
Supplies and materials	17,342.00	405.00	17,747.00	17,598.87	148.13
Total health services	<u>504,381.50</u>	<u>(22,695.00)</u>	<u>481,686.50</u>	<u>364,304.07</u>	<u>117,382.43</u>
Other support services - student related services:					
Salaries	437,932.00	(56,725.00)	381,207.00	378,101.71	3,105.29
Purchased Professional - Educational Services	229,350.00		229,350.00	189,282.28	40,067.72
Total other support services - students related services	<u>667,282.00</u>	<u>(56,725.00)</u>	<u>610,557.00</u>	<u>567,383.99</u>	<u>43,173.01</u>
Other support services- Students- Extra Services					
Purchased Professional - Educational Services	185,032.87	(60,000.00)	125,032.87	33,482.72	91,550.15
Total other support services- Students- Extra Services	<u>185,032.87</u>	<u>(60,000.00)</u>	<u>125,032.87</u>	<u>33,482.72</u>	<u>91,550.15</u>
Other support services - students - regular:					
Salaries of other professional staff	361,651.00	58,500.00	420,151.00	370,542.23	49,608.77
Salaries of secretarial and clerical assistants	101,402.00		101,402.00	99,090.80	2,311.20
Purchased Professional - Educational Services	36,480.00		36,480.00	29,085.96	7,394.04
Other Purchased Prof. and Tech. Services	25.00		25.00	25.00	
Total other support services - students - regular	<u>499,558.00</u>	<u>58,500.00</u>	<u>558,058.00</u>	<u>498,743.99</u>	<u>59,314.01</u>

SPOTSWOOD BOROUGH SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAVORABLE)</u>
Other support services - students - child study teams:					
Salaries of other professional staff	520,160.00	3,500.00	523,660.00	506,711.76	16,948.24
Salaries of secretarial and clerical assistants	105,899.00	1,345.00	107,244.00	107,239.44	4.56
Unused Vacation Payment to Terminated/Retired Staff	1,500.00		1,500.00		1,500.00
Purchased Professional - Educational Services	169,342.00	41,000.00	210,342.00	162,797.13	47,544.87
Other Purchased Prof. and Tech. Services	14,825.00	1,000.00	15,825.00	15,550.39	274.61
Supplies and Materials	15,800.00	3,000.00	18,800.00	15,814.85	2,985.15
Other objects	5,000.00		5,000.00	551.00	4,449.00
Total other support services - students - child study team	832,526.00	59,745.00	892,271.00	818,564.57	73,706.43
Improvement of instruction services:					
Salaries of Supervisors of Instruction	323,611.00	(100,000.00)	223,611.00	128,956.00	94,655.00
Salaries of secretarial and clerical assistants	4,000.00		4,000.00	589.00	3,411.00
Other Salaries	15,000.00	(2,000.00)	13,000.00	7,145.00	5,855.00
Purchased Prof- Educational Services	8,500.00	7,426.53	15,926.53	15,626.53	300.00
Other Purchased Services (400-500)	5,500.00		5,500.00	5,500.00	
Supplies and Materials	15,800.00	(10,387.62)	5,412.38	3,966.64	1,445.74
Other objects	14,000.00		14,000.00	7,437.00	6,563.00
Total Improvement of instruction services:	386,411.00	(104,961.09)	281,449.91	169,220.17	112,229.74
Educational media services/school library:					
Salaries	70,201.00	465.00	70,666.00	70,658.80	7.20
Supplies and Materials	1,710.00		1,710.00	1,058.65	651.35
Total educational media services/school library	71,911.00	465.00	72,376.00	71,717.45	658.55

SPOTSWOOD BOROUGH SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>BUDGET</u> <u>TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE/</u> <u>(UNFAVORABLE)</u>
Instructional Staff Training Services:					
Other Salaries	1,500.00		1,500.00		1,500.00
Other Purchased Services (400-500)	34,656.45		34,656.45	29,710.68	4,945.77
Supplies and Materials	20,635.00	(7,000.00)	13,635.00	2,509.00	11,126.00
Textbooks		7,000.00	7,000.00	159.20	6,840.80
Other objects	4,000.00		4,000.00		4,000.00
Total instructional staff training services:	60,791.45		60,791.45	32,378.88	28,412.57
Support services general administration:					
Salaries	228,449.00		228,449.00	219,458.43	8,990.57
General Admin. Salaries-Governance Staff (BOE Direct Reports Only)	5,250.00		5,250.00	5,250.00	
Unused Vacation to Terminated/Retired Staff	750.00		750.00		750.00
Legal services	30,000.00	23,500.00	53,500.00	42,418.82	11,081.18
Audit Fees	48,500.00	1,500.00	50,000.00	50,000.00	
Communications/telephone	47,950.00	(15,500.00)	32,450.00	17,374.44	15,075.56
BOE Other purchased services(580-585)	7,450.00		7,450.00	3,592.36	3,857.64
General supplies	7,100.00		7,100.00	1,077.26	6,022.74
Miscellaneous expenditures	10,300.00	4,000.00	14,300.00	8,433.15	5,866.85
BOE membership dues and fees	13,500.00		13,500.00	12,129.45	1,370.55
Total support services general administration	399,249.00	38,500.00	437,749.00	384,733.91	53,015.09
Support services school administration:					
Salaries of principals/asst. principals	522,428.00	36,400.00	558,828.00	557,931.80	896.20
Salaries of secretarial and clerical assistants	308,206.00	(55,675.00)	252,531.00	248,065.01	4,465.99
Other Purchased Services (400-500)	22,633.00	(3,666.76)	18,966.24	13,721.05	5,245.19
Supplies and Materials	14,244.47	(400.00)	13,844.47	6,040.71	7,803.76
Other objects	6,400.00		6,400.00	3,394.00	3,006.00
Total support services school administration	873,911.47	86,458.24	960,369.71	938,935.19	21,434.52

SPOTSWOOD BOROUGH SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAVORABLE)</u>
Central Services:					
Salaries	312,086.00	1,500.00	313,586.00	313,537.67	48.33
Unused Vacation to Terminated/Retired Staff	1,500.00		1,500.00	625.00	875.00
Purchased professional services	65,653.76	7,700.00	73,353.76	31,212.01	42,141.75
Purchased Technical Services	67,000.00	9,600.00	76,600.00	69,113.68	7,486.32
Misc. purchased services (400-500 series)	3,400.00		3,400.00	702.30	2,697.70
Supplies and materials	28,000.00	11,504.64	39,504.64	30,206.46	9,298.18
Miscellaneous expenditures	3,500.00		3,500.00	2,965.00	535.00
Total central services	481,139.76	30,304.64	511,444.40	448,362.12	63,082.28
Administrative Information, Technology					
Salaries	174,625.00		174,625.00	173,131.97	1,493.03
Unused Vacation Payment to Terminated/Retired Staff	750.00		750.00	750.00	750.00
Purchased Technical Services	51,000.00	(1,937.00)	49,063.00	27,206.54	21,856.46
Other Purchased Services (400- 500 series)	1,500.00	38,008.00	39,508.00	38,008.00	1,500.00
Other Objects	25,502.00	22,148.50	47,650.50	45,019.40	2,631.10
Total Administrative Information, Technology	253,377.00	58,219.50	311,596.50	283,365.91	28,230.59
Required Maintenance for School Facilities:					
Salaries	158,971.00	8,100.00	167,071.00	165,194.88	1,876.12
Cleaning, Repair and Maintenance Services	227,287.91	(24,173.50)	203,114.41	177,392.07	25,722.34
General supplies	123,947.37	(10,000.00)	113,947.37	74,232.42	39,714.95
Other objects	47,765.73	(11,700.00)	36,065.73	23,630.09	12,435.64
Total Required Maintenance for School Facilities	557,972.01	(37,773.50)	520,198.51	440,449.46	79,749.05

SPOTSWOOD BOROUGH SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Other operation and maint. of plant :					
Salaries	\$ 996,030.00	\$ (2,850.00)	\$ 993,180.00	\$ 957,128.21	\$ 36,051.79
Salaries of Non-Instructional Aides	66,875.00	155.00	67,030.00	59,672.89	7,357.11
Purchased professional and technical services	3,670.00		3,670.00	3,045.11	624.89
Other purchased property services	19,500.00		19,500.00	19,437.40	62.60
General supplies	79,997.00	(25,000.00)	54,997.00	34,146.05	20,850.94
Energy (Natural Gas)	97,410.00	1,550.00	98,960.00	88,491.11	10,468.89
Energy (Electricity)	427,000.00	(21,550.00)	405,450.00	332,850.55	72,599.45
Other objects	1,000.00		1,000.00	900.00	100.00
Interest - Energy Savings Impr Prog Bonds	60,000.00		60,000.00	59,787.50	212.50
Total other operation and maint. of plant	1,751,482.00	(47,695.00)	1,703,787.00	1,555,458.83	148,328.17
Care & Upkeep of Grounds					
Salaries	120,507.00	16,000.00	136,507.00	132,079.29	4,427.71
Cleaning, Repair and Maintenance Services	53,684.00	(19,500.00)	34,184.00	26,439.85	7,744.15
General supplies	43,076.86	1,000.00	44,076.86	27,796.98	16,279.88
Total Care and Upkeep of Grounds	217,267.86	(2,500.00)	214,767.86	186,316.12	28,451.74
Security					
Salaries	89,165.00	130.00	89,295.00	82,685.22	6,609.78
Purchased Professional & Technical Services (300-500)	56,000.00		56,000.00	50,000.00	6,000.00
General Supplies	2,578.00		2,578.00		2,578.00
Total Security	147,743.00	130.00	147,873.00	132,685.22	15,187.78
Total operation and maintenance of plant services	2,674,464.87	(87,838.50)	2,586,626.37	2,314,909.63	271,716.74

SPOTSWOOD BOROUGH SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAVORABLE)</u>
Student transportation services:					
Salaries for pupil transportation (between home and school)-regular	43,282.00		43,282.00	41,014.10	2,267.90
Salaries for pupil transportation (between home and school)-Special Ed	131,481.00	3,700.00	135,181.00	135,172.27	8.73
Salaries for pupil transportation (other than between home & school)	50,000.00		50,000.00	24,495.20	25,504.80
Cleaning, Repair and Maintenance Services	20,000.00	21,000.00	41,000.00	40,128.71	871.29
Lease Purchase Payments - School Buses	102,700.00	(20,000.00)	82,700.00	82,552.29	147.71
Contract. Serv. - Aid in Lieu Pymts-NonPub Sch	36,614.00	9,000.00	45,614.00	41,841.60	3,772.40
Contracted Services - between home and school vendor	145,285.64	(29,000.00)	116,285.64	91,230.03	25,055.61
Contracted services (other than btw home & school)-vendors	82,439.00	(1,000.00)	81,439.00	30,346.21	51,092.79
Contract. Serv. (btw home and Sch) Joint Agreements					
Contract. Serv. (Sp Ed Sids) - Vendors	394,113.29		394,113.29	352,896.32	41,216.97
Total student transportation services	<u>1,005,914.93</u>	<u>(16,300.00)</u>	<u>989,614.93</u>	<u>839,676.73</u>	<u>149,938.20</u>
Unallocated Benefits - Employee Benefits:					
Group Insurance	225,500.00		225,500.00	208,198.10	17,301.90
Social Security Contributions	375,000.00		375,000.00	356,408.96	18,591.04
T.P.A.F. Contributions - ERIP	4,200.00		4,200.00	2,866.80	1,333.20
Other retirement contributions - regular	422,172.52		422,172.52	344,667.98	77,504.54
Workers Compensation	175,300.00		175,300.00	147,357.45	27,942.55
Health Benefits	3,531,176.70	(175,000.00)	3,356,176.70	3,169,973.28	186,203.42
Tuition Reimbursements	45,150.00		45,150.00	34,308.56	10,841.44
Total Unallocated Benefits - Employee Benefits:	<u>4,778,499.22</u>	<u>(175,000.00)</u>	<u>4,603,499.22</u>	<u>4,263,781.13</u>	<u>339,718.09</u>
Total personal services	<u>4,778,499.22</u>	<u>(175,000.00)</u>	<u>4,603,499.22</u>	<u>4,263,781.13</u>	<u>339,718.09</u>

SPOTSWOOD BOROUGH SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAVORABLE)</u>
On-behalf TPAF Non-Contributory Insurance (non-budgeted)				40,464.00	(40,464.00)
On-behalf TPAF Pension (non-budgeted)				1,667,407.00	(1,667,407.00)
On-behalf TPAF Long-Term Disability Insurance (non-budgeted)				2,624.00	(2,624.00)
On-behalf TPAF Post Retirement Contributions (non-budgeted)				1,103,077.00	(1,103,077.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)				817,577.00	(817,577.00)
Total Undistributed Expenditures	15,085,053.34	(240,300.21)	14,844,753.13	16,357,100.63	(1,512,347.50)
TOTAL EXPENDITURES - CURRENT EXPENSE FUND 11	27,079,102.11	(46,092.00)	27,033,010.11	27,607,091.90	(574,081.79)
CAPITAL OUTLAY:					
Equipment:					
Kindergarten	13,000.00	(12,943.00)	57.00		57.00
Grades 1-5	22,000.00	(21,999.00)	1.00		1.00
Grades 6-8	18,000.00	(17,995.00)	5.00		5.00
Grades 9-12	49,502.00	(49,136.00)	366.00		366.00
Undistributed Expenditures - Instruction	30,000.00	(29,856.00)	144.00		144.00
Other Support Services					
Undist. Expend.-Support Serv. - Child Study Teams	12,500.00	(12,408.00)	92.00		92.00
Equip. Building & Grnd				11,999.00	1.00
Undist. Expend. - Required Maint for School Fac.	292,700.00	119,000.00	411,700.00	47,283.92	364,416.08
Student Transp - Non-Inst Equip	183,884.72	187,000.00	370,884.72	370,792.36	92.36
Total Equipment	621,586.72	173,663.00	795,249.72	430,075.28	365,174.44
Facilities acquisition and construction services:					
Lease Purchase Agreements - Principal	135,000.00		135,000.00	135,000.00	
Assessment for Debt Service on SDA Funding	52,518.40		52,518.40	47,744.00	4,774.40
Total facilities acquis. and const. services	187,518.40		187,518.40	182,744.00	4,774.40
TOTAL CAPITAL OUTLAY	809,105.12	173,663.00	982,768.12	612,819.28	369,948.84
Transfer of Funds to Charter Schools	50,000.00	21,000.00	71,000.00	70,992.00	8.00
TOTAL EXPENDITURES	27,938,207.23	148,571.00	28,086,778.23	28,290,903.18	(204,124.95)

SPOTSWOOD BOROUGH SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Excess (deficiency) of revenues over (under) expenditures	(1,779,382.23)		(1,779,382.23)	1,948,560.67	3,727,942.90
Excess of Revenues and other Financing Sources Over Expenditures and Other Expenditures and other Financing Sources	\$ (1,779,382.23)	\$	(1,779,382.23)	1,948,560.67	\$ 3,727,942.90
Fund balances, July 1	6,313,544.79		6,313,544.79	6,313,544.79	
Fund balances, June 30	\$ 4,534,162.56	\$	4,534,162.56	8,262,105.46	\$ 3,727,942.90
Recapitulation: Restricted:					
Excess Surplus - Designated for Subsequent Year's Expenditures				\$ 1,001,950.92	
Excess Surplus - Current Year				1,795,457.74	
Maintenance Reserve				2,084,070.00	
Capital Reserve				2,313,756.59	
Assigned:				563,525.13	
Encumbrances				503,345.08	
Unassigned				8,262,105.46	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not recognized on GAAP basis				(621,291.00)	
Fund Balance per Governmental Funds (GAAP)				7,640,814.46	

SPOTSWOOD BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
State sources	\$ 64,653.00	\$ 31,707.00	\$ 96,360.00	\$ 85,709.00	\$ (10,651.00)
Federal sources	430,081.00	149,915.00	579,996.00	539,365.00	(40,631.00)
Other sources	<u> </u>	<u>47,066.13</u>	<u>47,066.13</u>	<u>10,950.33</u>	<u>(36,115.80)</u>
Total revenues	<u>494,734.00</u>	<u>228,688.13</u>	<u>723,422.13</u>	<u>636,024.33</u>	<u>(87,397.80)</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	99,158.00	(5,307.00)	93,851.00	89,564.00	4,287.00
Tuition	310,494.00	48,026.00	358,520.00	358,008.00	512.00
Supplies and materials	3,576.00	57,696.86	61,272.86	39,815.00	21,457.86
Textbooks	8,085.00	1,720.27	9,805.27	9,087.00	718.27
Other Objects	<u> </u>	<u>12,349.63</u>	<u>12,349.63</u>	<u>250.00</u>	<u>12,099.63</u>
Total instruction	<u>421,313.00</u>	<u>114,485.76</u>	<u>535,798.76</u>	<u>496,724.00</u>	<u>39,074.76</u>
Support services:					
Personal services - employee benefits		21,576.00	21,576.00	21,576.00	
Purchased professional - technical services	20,429.00	25,602.00	46,031.00	30,554.00	15,477.00
Purchased professional - educational services	52,992.00	20,138.00	73,130.00	64,220.00	8,910.00
Other purchased services		21,867.00	21,867.00	13,250.00	8,617.00
Supplies and materials		21,711.37	21,711.37	9,700.33	12,011.04
Miscellaneous expenditures	<u> </u>	<u>3,308.00</u>	<u>3,308.00</u>	<u> </u>	<u>3,308.00</u>
Total support services	<u>73,421.00</u>	<u>114,202.37</u>	<u>187,623.37</u>	<u>139,300.33</u>	<u>48,323.04</u>
Total expenditures	<u>494,734.00</u>	<u>228,688.13</u>	<u>723,422.13</u>	<u>636,024.33</u>	<u>87,397.80</u>
Excess (deficiency) of revenues over (under) expenditures	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

SPOTSWOOD BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO RS!
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Note A - Explanation of difference between budgetary inflows and outflows and GAAP Revenues and Expenditures

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$30,239,463.85	\$636,024.33
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State Grants		(19,038.00)
Federal Grants		(8,768.75)
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year	(621,291.00)	
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	605,898.00	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$30,224,070.85	\$608,217.58
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$28,290,903.18	\$636,024.33
Encumbrances 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.		(27,806.75)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$28,290,903.18	\$608,217.58

REQUIRED SUPPLEMENTARY INFORMATION - PART III

SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)

SPOTSWOOD BOROUGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

<u>Measurement Date</u> <u>Ending</u> <u>June 30,</u>	<u>District's</u> <u>Proportion</u> <u>of the Net Pension</u> <u>Liability (Asset)</u>	<u>District's</u> <u>Proportionate</u> <u>Share of</u> <u>the Net Pension</u> <u>Liability (Asset)</u>	<u>District's</u> <u>Covered-Employee</u> <u>Payroll</u>	<u>District's</u> <u>Proportion</u> <u>of the Net Pension</u> <u>Liability (Asset)</u> <u>as a percentage</u> <u>of its Covered-</u> <u>Employee Payroll</u>	<u>Plan Fiduciary</u> <u>Net Position</u> <u>as a percentage</u> <u>of the total</u> <u>Pension Liability</u>
2013	N/A	\$ 6,822,746	2,369,131	287.99%	48.72%
2014	0.0340267962%	6,370,747	2,373,474	268.41%	52.08%
2015	0.0339529140%	7,621,749	2,362,225	322.65%	47.92%
2016	0.0329299531%	9,752,908	2,309,179	422.35%	40.14%
2017	0.0333017340%	7,752,111	2,293,443	338.01%	48.10%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SPOTSWOOD BOROUGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Fiscal Year Ending June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2018	\$ 310,048	(310,048)	\$ -0-	\$ 2,294,301	13.51%
2017	308,505	(308,505)	-0-	2,293,443	13.45%
2016	292,545	(292,545)	-0-	2,309,179	12.67%
2015	291,904	(291,904)	-0-	2,362,225	12.36%
2014	280,512	(280,512)	-0-	2,373,474	11.82%
2013	268,983	(268,983)	-0-	2,369,131	11.35%
2012	275,418	(275,418)	-0-	2,445,731	11.26%
2011	287,033	(287,033)	-0-	2,439,212	11.77%
2010	273,386	(273,386)	-0-	2,521,679	10.84%
2009	216,959	(216,959)	-0-	2,440,404	8.89%

SPOTSWOOD BOROUGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS PENSION AND ANNUITY FUND
LAST TEN YEARS

Measurement Date Ending <u>June 30,</u>	District's Proportion of the Net Pension <u>Liability (Asset)</u>	District's Proportionate Share of the Net Pension <u>Liability (Asset)</u>	State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	Plan Fiduciary Net Position as a percentage of the total <u>Pension Liability</u>
2014	0.1158258323%	\$ -0-	61,905,138	33.64%
2015	0.1211303487%	-0-	76,559,553	28.71%
2016	0.1176426542%	-0-	92,545,202	22.33%
2017	0.1149503343%	-0-	77,503,660	25.41%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Covered payroll information is not presented since the Teachers' Pension and Annuity Fund is a special funding situation in which the District does not make contributions to this plan.

SPOTSWOOD BOROUGH SCHOOL DISTRICT
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)
NOTE TO RSI III
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Public Employees Retirement System

Change in benefit terms: None

Change in assumptions: The discount rate changed from 3.98% to 5.00% as of June 30, 2017.

Teacher Pension and Annuity Fund

Change in benefit terms: None

Change in assumptions: The discount rate changed from 3.22% to 4.25% as of June 30, 2017.

SCHEDULE RELATED TO ACCOUNTING AND REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (GASB 75)

SPOTSWOOD BOROUGH SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL
OPEB LIABILITY AND RELATED RATIOS
LAST TEN YEARS

	Fiscal Year Ended June <u>30, 2018</u>
Changes for the year:	
Service cost	\$2,487,777
Interest	1,783,825
Changes in assumptions or other inputs	(7,465,593)
Benefit payments	(1,303,481)
Contributions from Members	47,997
Net changes	(4,449,475)
Beginning Balance	\$60,725,890
Ending Balance	\$56,276,415
Covered Employee Payroll	13,594,241
Total OPEB Liability as a percentage of Covered Employee Payroll	-0-

Change of Benefit Terms:

No Change in Benefits terms between the June 30, 2016 actuarial valuation and the June 30, 2017 actuarial valuation.

Change of Assumptions:

The Discount Rate Changed from 2.85% at the June 30, 2016 measurement date to 3.58% at the 6/30/2017 measurement date.

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

SPOTSWOOD BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	TITLE I	TITLE II A	TITLE IV	IDEA PART B	IDEA PRESCHOOL	NON-PUBLIC TEXTBOOKS
REVENUES:						
State sources	\$ 107,504.00	\$ 13,350.00	\$ 8,596.00	\$ 390,968.00	\$ 18,947.00	\$ 9,087.00
Federal sources						
Other sources						
Total revenues	\$ 107,504.00	\$ 13,350.00	\$ 8,596.00	\$ 390,968.00	\$ 18,947.00	\$ 9,087.00
EXPENDITURES:						
Instruction:						
Salaries of teachers	\$ 71,963.00				17,601.00	
Tuition				358,008.00		
Supplies and materials	7,061.00		5,096.00	14,256.00		9,087.00
Textbooks						
Other Objects						
Total instruction	79,024.00		5,096.00	372,264.00	17,601.00	9,087.00
Support services:						
Personal services - employee benefits	20,230.00				1,346.00	
Purchased professional - technical services		8,350.00	3,500.00	18,704.00		
Purchased professional - educational services						
Other purchased services	8,250.00	5,000.00				
Supplies and materials						
Total support services	28,480.00	13,350.00	3,500.00	18,704.00	1,346.00	
Total expenditures	\$ 107,504.00	\$ 13,350.00	\$ 8,596.00	\$ 390,968.00	\$ 18,947.00	\$ 9,087.00

SPOTSWOOD BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	NON - PUBLIC COMP. EDUCATION	NON - PUBLIC TRANSPORTATION	NON-PUBLIC HOME SUPPLEMENTAL	EXAMINATION & CLASSIFICATION	NON-PUBLIC SPEECH
REVENUES:					
State sources	\$ 15,059.00	\$ 2,976.00	\$ 6,740.00	\$ 9,463.00	\$ 6,250.00
Federal sources					
Other sources					
Total revenues	<u>\$ 15,059.00</u>	<u>2,976.00</u>	<u>6,740.00</u>	<u>9,463.00</u>	<u>6,250.00</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	\$	\$	\$	\$	\$
Tuition					
Supplies and materials					
Textbooks					
Other Objects					
Total instruction					
Support services:					
Personal services - employee benefits					
Purchased professional - technical services					
Purchased professional - educational services	\$ 15,059.00	\$ 2,976.00	\$ 6,740.00	\$ 9,463.00	\$ 6,250.00
Other purchased services					
Supplies and materials					
Total support services	<u>15,059.00</u>	<u>2,976.00</u>	<u>6,740.00</u>	<u>9,463.00</u>	<u>6,250.00</u>
Total expenditures	<u>\$ 15,059.00</u>	<u>2,976.00</u>	<u>6,740.00</u>	<u>9,463.00</u>	<u>6,250.00</u>

SPOTSWOOD BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	NON-PUBLIC NURSING	NON-PUBLIC TECHNOLOGY INITIATIVE	NON-PUBLIC SECURITY	OTHER LOCAL GRANTS	TOTAL
REVENUES:					
State sources	\$ 17,157.00	\$ 6,575.00	\$ 12,402.00	\$	\$ 85,709.00
Federal sources				10,950.33	539,365.00
Other sources					10,950.33
Total revenues	\$ 17,157.00	\$ 6,575.00	\$ 12,402.00	\$ 10,950.33	\$ 636,024.33
EXPENDITURES:					
Instruction:					
Salaries of teachers	\$	\$	\$	\$	\$ 89,564.00
Tuition					358,008.00
Supplies and materials			12,402.00	1,000.00	39,815.00
Textbooks					9,087.00
Other Objects				250.00	250.00
Total instruction			12,402.00	1,250.00	496,724.00
Support services:					
Personal services - employee benefits					21,576.00
Purchased professional - technical services					30,554.00
Purchased professional - educational services	17,157.00	6,575.00			64,220.00
Other purchased services					13,250.00
Supplies and materials				9,700.33	9,700.33
Total support services	17,157.00	6,575.00		9,700.33	139,300.33
Total expenditures	\$ 17,157.00	\$ 6,575.00	\$ 12,402.00	\$ 10,950.33	\$ 636,024.33

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

SPOTSWOOD BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Revenues and Other Financing Sources:	
Bond Proceeds	<u>\$1,734,405.00</u>
Total revenues	<u>1,734,405.00</u>
Expenditures and Other Financing Uses:	
Architectural Services	\$103,000.65
Legal	15,371.66
Construction services	(72,112.05)
Equipment	1,340,280.00
Other	55,345.28
Total expenditures	<u>1,441,885.54</u>
Excess (deficiency) of revenues over (under) expenditures	<u>292,519.46</u>
Other financing sources (uses):	
Accounts Receivable Cancelled	<u>(36,737.02)</u>
Total other financing sources (uses)	<u>(36,737.02)</u>
Net change in fund balance	255,782.44
Fund balance - beginning	<u>1,308,335.19</u>
Fund balance - ending	<u><u>\$1,564,117.63</u></u>
Fund Balance - budgetary basis	\$1,564,117.63
Bonds Authorized but Not Issued	<u>(\$1,734,405.00)</u>
Fund Balance - GAAP basis (B-1)	<u><u>(\$170,287.37)</u></u>

SPOTSWOOD BOROUGH SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS - BUDGETARY BASIS
 HVAC/SERVER ROOM SPOTSWOOD HIGH SCHOOL
 FOR THE YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
State Sources - SDA Grant	\$79,440.00	(34,788.00)	\$44,652.00	\$79,440.00
Bond proceeds and transfers	119,160.00	\$6,746.00	125,906.00	119,160.00
Total revenues	198,600.00	(28,042.00)	170,558.00	198,600.00
Expenditures and Other Financing Uses:				
Architectural Services	3,755.00		3,755.00	3,800.00
Construction services	98,590.00		98,590.00	194,800.00
Total expenditures	102,345.00	0.00	102,345.00	198,600.00
Excess (deficiency) of revenues over (under) expenditures	\$96,255.00	(\$28,042.00)	\$68,213.00	\$0.00

Additional project information:

Project Number	4970-050-14-1003
Grant Date	09/08/16
Bond Authorization Date	11/03/15
Bonds Authorized	\$119,160.00
Bonds Issued	\$119,160.00
Original Authorized Cost	\$198,600.00
Additional Authorized Cost	
Revised Authorized Cost	\$198,600.00

Percentage Increase over Original Authorized Cost	0.00%
Percentage completion	99.00%
Original target completion date	9/30/2016
Revised target completion date	12/31/2017

SPOTSWOOD BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS - BUDGETARY BASIS
ROOF REPLACEMENT - HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources:				
State sources - SDA grant	\$ 728,552.00	\$ (179,218.35)	\$549,333.65	\$728,552.00
Bond Proceeds	958,977.91		958,977.91	958,977.91
Total revenues	<u>1,687,529.91</u>	<u>(179,218.35)</u>	<u>1,508,311.56</u>	<u>1,687,529.91</u>
Expenditures and Other Financing Uses:				
Architectural Services	65,600.00		65,600.00	70,000.00
Construction services	1,397,974.10		1,397,974.10	1,617,529.91
Total expenditures	<u>1,463,574.10</u>		<u>1,463,574.10</u>	<u>1,687,529.91</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$223,955.81</u>	<u>(\$179,218.35)</u>	<u>\$44,737.46</u>	

Additional project information:

Project Number	4970-050-14-1001
Grant Date	09/08/16
Bond Authorization Date	11/03/15
Bonds Authorized	\$1,092,827.00
Bonds Issued	\$1,092,827.00
Original Authorized Cost	\$1,821,379.00
Additional Authorized Cost	(\$133,849.09)
Revised Authorized Cost	\$1,687,529.91

Percentage Increase over Original Authorized Cost	-7.35%
Percentage completion	100.00%
Original target completion date	8/31/2016
Revised target completion date	12/31/2016

SPOTSWOOD BOROUGH SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS - BUDGETARY BASIS
 ROOF REPLACEMENT - MEMORIAL MIDDLE SCHOOL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources:				
State sources - SDA grant	\$228,680.00	(\$39,805.83)	\$188,874.17	\$228,680.00
Bond Proceeds	343,020.00		343,020.00	343,020.00
Total revenues	571,700.00		531,894.17	571,700.00
Expenditures and Other Financing Uses:				
Architectural Services	22,186.00		22,186.00	24,000.00
Construction services	456,709.50		456,709.50	547,700.00
Total expenditures	478,895.50	0.00	478,895.50	571,700.00
Excess (deficiency) of revenues over (under) expenditures	\$92,804.50	\$0.00	\$52,998.67	\$0.00

Additional project information:

Project Number	4970-050-14-1002
Grant Date	09/08/16
Bond Authorization Date	11/03/15
Bonds Authorized	\$343,020.00
Bonds Issued	\$343,020.00
Original Authorized Cost	\$571,700.00
Additional Authorized Cost	
Revised Authorized Cost	\$571,700.00
Percentage Increase over Original Authorized Cost	0.00%
Percentage completion	100.00%
Original target completion date	8/31/2016
Revised target completion date	12/31/2016

SPOTSWOOD BOROUGH SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS - BUDGETARY BASIS
 SCHOOL IMPROVEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources:				
Bond Proceeds	5,338,425.60	(78,432.00)	5,259,993.60	5,338,425.00
Total revenues	<u>5,338,425.60</u>	<u>(78,432.00)</u>	<u>5,259,993.60</u>	<u>5,338,425.00</u>
Expenditures and Other Financing Uses:				
Architectural Services	414,053.67	(30,253.33)	383,800.34	420,000.00
Legal	35,622.00		35,622.00	36,000.00
Construction services	4,297,816.00	(\$105,712.05)	4,192,103.95	4,797,425.00
Equipment	51,225.60		51,225.60	52,000.00
Other	32,635.00		32,635.00	33,000.00
Total expenditures	<u>4,831,352.27</u>	<u>(135,965.38)</u>	<u>4,695,386.89</u>	<u>5,338,425.00</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$507,073.33</u>	<u>\$57,533.38</u>	<u>\$564,606.71</u>	<u>\$0.00</u>

Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	11/03/15
Bonds Authorized	\$5,328,450.00
Bonds Issued	\$5,328,450.00
Original Authorized Cost	\$5,338,425.60
Additional Authorized Cost	(0.60)
Revised Authorized Cost	\$5,338,425.00
Percentage Increase over Original Authorized Cost	0.00%
Percentage completion	99.00%
Original target completion date	12/31/2016
Revised target completion date	12/31/2017

SPOTSWOOD BOROUGH SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS - BUDGETARY BASIS
 SECURITY CAMERAS AND SERVER UPGRADES
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources:				
Bond proceeds	161,726.00	71,686.00	233,412.00	161,726.00
Total revenues	161,726.00	71,686.00	233,412.00	161,726.00
Expenditures and Other Financing Uses:				
Equipment	161,726.00	\$71,686.00	233,412.00	161,726.00
Total expenditures	161,726.00	71,686.00	233,412.00	161,726.00
Excess (deficiency) of revenues over (under) expenditures	\$0.00	\$0.00	\$0.00	\$0.00

Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	11/03/15
Bonds Authorized	\$129,000.00
Bonds Issued	\$129,000.00
Original Authorized Cost	\$161,726.00
Additional Authorized Cost	0.00
Revised Authorized Cost	\$161,726.00
Percentage Increase over Original Authorized Cost	0.00%
Percentage completion	100.00%
Original target completion date	12/31/2016
Revised target completion date	12/31/2016

SPOTSWOOD BOROUGH SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS - BUDGETARY BASIS
 BLEACHERS AND PRESSBOX REPLACEMENT
 FOR THE YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
Bond proceeds	\$903,000.00		\$903,000.00	\$903,000.00
Total revenues	903,000.00		903,000.00	903,000.00
Expenditures and Other Financing Uses:				
Architectural Services	11,205.00		11,205.00	12,000.00
Construction services	499,911.02	33,600.00	533,511.02	891,000.00
Total expenditures	511,116.02	33,600.00	544,716.02	903,000.00
Excess (deficiency) of revenues over (under) expenditures	\$391,883.98	(\$33,600.00)	\$358,283.98	\$0.00

Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	11/03/15
Bonds Authorized	\$903,000.00
Bonds Issued	\$903,000.00
Original Authorized Cost	\$903,000.00
Additional Authorized Cost	
Revised Authorized Cost	\$903,000.00
Percentage Increase over Original Authorized Cost	N/A
Percentage completion	100.00%
Original target completion date	8/31/2016
Revised target completion date	12/31/2016

SPOTSWOOD BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
FIRE ALARM UPGRADES

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources:				
Bond proceeds	\$181,842.00		\$181,842.00	\$181,842.00
Total revenues	181,842.00		181,842.00	181,842.00
Expenditures and Other Financing Uses:				
Architectural Services	3,192.00	18,696.00	21,888.00	5,000.00
Equipment				176,842.00
Total expenditures	3,192.00	18,696.00	21,888.00	181,842.00
Excess (deficiency) of revenues over (under) expenditures	<u>\$178,650.00</u>	<u>(\$18,696.00)</u>	<u>\$159,954.00</u>	

Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	11/03/15
Bonds Authorized	\$181,842.00
Bonds Issued	\$181,842.00
Original Authorized Cost	\$181,842.00
Additional Authorized Cost	
Revised Authorized Cost	\$181,842.00
Percentage Increase over Original Authorized Cost	
Percentage completion	100.00%
Original target completion date	12/31/2016
Revised target completion date	12/31/2016

SPOTSWOOD BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS - BUDGETARY BASIS
2017 REFERENDUM - VARIOUS CAPITAL IMPROVEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Expenditures and Other Financing Uses:				
Salaries		8,732.24	8,732.24	24,925.00
Architectural Services		114,557.98	114,557.98	225,000.00
Legal		15,371.66	15,371.66	30,000.00
Equipment		\$1,268,594.00	1,268,594.00	1,400,000.00
Miscellaneous		\$46,613.04	46,613.04	54,480.00
Total expenditures		<u>1,453,868.92</u>	<u>1,453,868.92</u>	<u>1,734,405.00</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(\$1,453,868.92)</u>	<u>(\$1,453,868.92)</u>	<u>(\$1,734,405.00)</u>

Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	10/17/17
Bonds Authorized	\$1,734,405.00
Bonds Issued	-0-
Original Authorized Cost	\$1,734,405.00
Additional Authorized Cost	
Revised Authorized Cost	\$1,734,405.00

Percentage Increase over Original Authorized Cost

Percentage completion

Original target completion date

Revised target completion date

83.83%
12/31/2018
12/31/2018

SPOTSWOOD BOROUGH SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SUMMARY STATEMENT OF PROJECT EXPENDITURES - BUDGETARY BASIS
 AS OF JUNE 30, 2018

ISSUE/PROJECT TITLE	APPROPRIATIONS	EXPENDITURES TO DATE		(MEMO ONLY) UNEXPENDED PROJECT BALANCE
		PRIOR YEAR	CURRENT YEAR	
Telecommunications System: G. Austin Schoenly Elementary School	\$24,021.56	\$24,021.56		
Telecommunications System: E. Raymond Appleby Elementary School	33,461.62	33,461.62		
Telecommunications System: Spotswood Memorial School	31,124.82	31,124.82		
Telecommunications System: Spotswood High School	212,043.49	212,043.49		
HVAC Server Room: High School	205,346.00	102,345.00	\$103,001.00	
RoofReplacement: High School	1,508,311.28	1,463,574.10		\$44,737.18
RoofReplacement: Spotswood Memorial School	531,894.17	478,895.50		52,998.67
School Improvements	5,259,993.60	4,831,352.26	(238,966.38)	667,607.72
Security Cameras and Server Upgrades	233,412.00	161,726.00	71,686.00	
Bleacher and Pressbox Replacement	903,000.00	511,116.02	33,600.00	358,283.98
Fire Alarm Upgrades	181,842.00	3,192.00	18,696.00	159,954.00
	1,734,405.00		1,453,868.92	280,536.08
Totals	\$10,858,855.54	\$7,852,852.36	\$1,441,885.54	\$1,564,117.63

PROPRIETARY FUND DETAIL STATEMENTS

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the district's board is that the costs of providing goods or services be financed through user charges.

FOOD SERVICES FUND:	This fund provides for the operation of Food services within the school district.
S.T.E.A.M. FUND	This fund provides for the operation of a Science, Technology, Engineering, Art & Design and Mathematics Camp within the school district.
C.A.R.E.S. FUND	This fund provides for the operation of a Children's After School Recreation and Enrichment Program within the school district.

SPOTSWOOD BOROUGH SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PROPRIETARY FUNDS - ENTERPRISE FUNDS
 JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		TOTAL
	<u>C.A.R.E.S.</u>	<u>FOOD SERVICE</u> <u>S.T.E.A.M.</u>	
ASSETS:			
Current assets:			
Cash and cash equivalents	\$341,259.57	\$89,426.88	\$443,034.67
Accounts receivable:			
State		324.37	324.37
Federal		7,802.43	7,802.43
Intrafund		475.00	475.00
Inventories		5,533.95	5,533.95
Total current assets	<u>341,259.57</u>	<u>103,562.63</u>	<u>457,170.42</u>
Noncurrent assets:			
Furniture, machinery & equipment		303,265.00	303,265.00
Less accumulated depreciation		(242,392.75)	(242,392.75)
Total noncurrent assets		<u>60,872.25</u>	<u>60,872.25</u>
Total assets	<u>341,259.57</u>	<u>164,434.88</u>	<u>518,042.67</u>
LIABILITIES:			
Current liabilities:			
Interfund payable	100,000.00		100,000.00
Intrafund payable	475.00		475.00
Unearned revenue	72,949.70	3,223.20	84,872.90
Accounts payable	555.00	26,510.30	27,065.30
Total current liabilities	<u>173,979.70</u>	<u>29,733.50</u>	<u>212,413.20</u>
Total liabilities	<u>173,979.70</u>	<u>29,733.50</u>	<u>212,413.20</u>
NET POSITION:			
Net investment in capital assets		60,872.25	60,872.25
Unrestricted	167,279.87	73,829.13	244,757.22
Total net position	<u>\$167,279.87</u>	<u>\$134,701.38</u>	<u>\$305,629.47</u>

SPOTSWOOD BOROUGH SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS - ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		TOTAL
	C.A.R.E.S.	FOOD SERVICE	S.T.E.A.M.
OPERATING REVENUES:			
Charges for services:			
Daily sales - reimbursable programs	\$198,651.99		\$198,651.99
Daily sales - non-reimbursable programs	75,375.24		75,375.24
Special functions	10,140.80		10,140.80
Fees - individuals	\$381,947.53	\$12,000.00	393,947.53
Total operating revenues	381,947.53	284,168.03	678,115.56
OPERATING EXPENSES:			
Cost of sales - reimbursable	160,102.86		160,102.86
Cost of sales - non-reimbursable	8,798.29		8,798.29
Salaries	323,802.21	157,677.53	481,479.74
Employee benefits		66,556.74	66,556.74
Other purchase services	589.00	12,240.00	12,829.00
Supplies and materials	22,095.94	1,454.48	23,550.42
Repairs		1,431.76	1,431.76
Management Fee		8,160.56	8,160.56
Miscellaneous	114,506.23	22,815.35	137,321.58
Depreciation		13,384.50	13,384.50
Total operating expenses	450,993.38	452,622.07	903,615.45
Operating income (loss)	(79,045.85)	(168,454.04)	(247,500.89)
NONOPERATING REVENUES (EXPENSES):			
State sources		4,905.54	4,905.54
Federal sources:			
National school lunch program		111,561.29	111,561.29
Supplemental Nutrition Assistance Program		5,713.62	5,713.62
Commissions/rebates		2,999.00	2,999.00
National food distribution commodities		37,783.15	37,783.15
Total nonoperating revenues		162,962.60	162,962.60
Income before contributions & transfers	(79,045.85)	(5,491.44)	(84,537.29)
Total net position - beginning	246,325.72	140,192.82	386,518.54
Total net position - ending	\$167,279.87	\$134,701.38	\$301,981.25

SPOTSWOOD BOROUGH SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS - ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		TOTAL
	C.A.R.E.S.	FOOD SERVICE S.T.E.A.M.	
Cash flows from operating activities:			
Receipts from customers	\$388,566.23	\$281,988.47	\$681,254.70
Payments to employees	(323,802.21)	(157,677.53)	(491,205.24)
Payments to employee benefits		(66,556.74)	(66,556.74)
Payments to suppliers	(136,791.88)	(155,917.60)	(293,625.75)
Net cash provided by (used for) operating activities	(72,027.86)	(98,163.40)	(170,133.03)
Cash flows from noncapital financing activities:			
State sources		4,825.65	4,825.65
Federal sources		116,101.00	116,101.00
Operating subsidies and transfers to other funds	100,000.00	67,084.72	167,084.72
Net cash provided by noncapital financing activities	100,000.00	188,011.37	288,011.37
Net increase (decrease) in cash and cash equivalents	27,972.14	89,847.97	117,878.34
Cash and cash equivalents, July 1, 2017 (deficit)	313,287.43	(421.09)	325,156.33
Cash and cash equivalents, June 30, 2018	\$341,259.57	\$89,426.88	\$443,034.67
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)			
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation			
Federal commodities			
Change in assets and liabilities:			
Increase (decrease) in unearned revenue	6,618.70	(50.98)	5,267.72
Increase (decrease) in accounts payable	399.29		21,219.34
(Increase) decrease in inventories	7,017.99	(1,646.08)	(1,646.08)
Net cash provided by (used for) operating activities	(\$72,027.86)	(\$98,163.40)	(\$170,133.03)

FIDUCIARY FUNDS DETAIL STATEMENTS
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Fiduciary Funds are used to account for funds received by the district for a specific purpose:

Unemployment Compensation Insurance Trust Fund:	This expendable trust fund is used to pay unemployment compensation claims as they arise.
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Agency Funds are used to account for assets held by the district as an agent for another party:

Student Activity Fund :	This agency fund is used to account for student funds held at the schools.
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Payroll Fund:	This agency fund is used to account for the payroll transactions of the school district.
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SPOTSWOOD BOROUGH SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2018

ASSETS:	STUDENT ACTIVITY	AGENCY FUNDS PAYROLL AGENCY	TOTAL AGENCY FUNDS	UNEMPLOYMENT COMPENSATION TRUST FUND	TOTAL TRUST FUNDS	JUNE 30 2018
Cash and cash equivalents	\$197,822.98	\$587,635.65	\$785,458.63	\$221,803.66	\$221,803.66	\$1,007,262.29
Intrafunds Receivable						
Total assets	<u>\$197,822.98</u>	<u>\$587,635.65</u>	<u>\$785,458.63</u>	<u>\$221,803.66</u>	<u>\$221,803.66</u>	<u>\$1,007,262.29</u>
LIABILITIES:						
Interfunds Payable		\$28,156.50	\$28,156.50			\$28,156.50
Payroll deductions and withholdings		18,204.49	18,204.49			18,204.49
Wages payable - Summer Payroll		541,274.66	541,274.66			541,274.66
Due to student groups	\$197,822.98		197,822.98			197,822.98
Total liabilities	<u>\$197,822.98</u>	<u>\$587,635.65</u>	<u>\$785,458.63</u>			<u>785,458.63</u>
NET POSITION:						
Held in trust for unemployment claims and other purposes				\$221,803.66	\$221,803.66	221,803.66
Total net position	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>\$221,803.66</u>	<u>\$221,803.66</u>	<u>\$221,803.66</u>

SPOTSWOOD BOROUGH SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	STATE UNEMPLOYMENT COMPENSATION <u>TRUST FUND</u>	<u>TOTAL</u>
ADDITIONS:		
Contributions:		
From Employees	\$27,565.84	\$27,565.84
Total contributions	<u>27,565.84</u>	<u>27,565.84</u>
 Total additions	 <u>27,565.84</u>	 <u>27,565.84</u>
DEDUCTIONS:		
Unemployment claims	36,667.00	36,667.00
Total deductions	<u>36,667.00</u>	<u>36,667.00</u>
Change in net position	(9,101.16)	(9,101.16)
Net position beginning of year	<u>230,904.82</u>	<u>230,904.82</u>
Net position end of year	<u>\$221,803.66</u>	<u>\$221,803.66</u>

SPOTSWOOD BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>BALANCE</u> <u>JUNE 30, 2017</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSE-</u> <u>MENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2018</u>
Elementary Schools				
Appleby	\$9,230.35	\$61,631.23	\$56,141.22	\$14,720.36
Schoenly	13,281.19	5,677.65	8,681.96	10,276.88
	<u>22,511.54</u>	<u>67,308.88</u>	<u>64,823.18</u>	<u>24,997.24</u>
Middle Schools				
Memorial School	15,480.11	30,326.16	30,042.00	15,764.27
	<u>15,480.11</u>	<u>30,326.16</u>	<u>30,042.00</u>	<u>15,764.27</u>
High Schools:				
Spotswood High School	124,129.48	286,146.84	317,709.85	92,566.47
Athletic Fund	64,904.60	116,686.69	117,096.29	64,495.00
	<u>189,034.08</u>	<u>402,833.53</u>	<u>434,806.14</u>	<u>157,061.47</u>
Grand Total	<u>\$227,025.73</u>	<u>\$500,468.57</u>	<u>\$529,671.32</u>	<u>\$197,822.98</u>

SPOTSWOOD BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUNDS
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>BALANCE</u> JUNE 30, 2017	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> JUNE 30, 2018
ASSETS:				
Cash and cash equivalents	\$624,038.52	\$20,738,885.60	\$20,775,288.47	\$587,635.65
Total assets	<u>\$624,038.52</u>	<u>\$20,738,885.60</u>	<u>\$20,775,288.47</u>	<u>\$587,635.65</u>
LIABILITIES:				
Interfunds payable	\$6,189.66	\$28,156.50	\$6,189.66	\$28,156.50
Intrafund Payable	32,862.16		32,862.16	
Payroll deductions and withholdings	16,144.41	19,061,687.71	19,059,627.63	18,204.49
Flexible Spending Account	1,954.10	0.01	1,954.11	
Wages payable - summer payroll	566,888.19	1,649,041.38	1,674,654.91	541,274.66
Total liabilities	<u>\$624,038.52</u>	<u>\$20,738,885.60</u>	<u>\$20,775,288.47</u>	<u>\$587,635.65</u>

LONG-TERM LIABILITIES SCHEDULES

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2018

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	MATURITIES		RATE OF INTEREST	BALANCE JULY 1, 2017	RETIRED	BALANCE JUNE 30, 2018			
			DATE	AMOUNT							
Refunding School Bonds	5/16/2011	\$ 7,135,000.00	01/15/19	605,000.00	3.00%						
			01/15/20	615,000.00	3.49%						
			01/15/21	625,000.00	4.65%						
			01/15/22	650,000.00	4.00%						
			01/15/23	665,000.00	4.25%						
			01/15/24	675,000.00	4.25%	4,430,000.00	595,000.00	3,835,000.00			
School Energy Savings Obligation Refunding Bonds	4/24/2012	2,630,000.00	04/01/19	145,000.00	2.00%						
			04/01/20	155,000.00	2.25%						
			04/01/21	165,000.00	2.25%						
			04/01/22	180,000.00	2.25%						
			04/01/23	195,000.00	3.75%						
			04/01/24	210,000.00	3.75%						
			04/01/25	230,000.00	3.75%						
			04/01/26	245,000.00	3.75%						
			04/01/27	265,000.00	3.75%	1,925,000.00	135,000.00	1,790,000.00			
			School Bond, Series 2016	1/7/2016	8,223,000.00	09/01/18	275,000.00	2.00%			
						09/01/19	280,000.00	2.00%			
09/01/20	300,000.00	2.00%									
09/01/21	300,000.00	2.00%									
09/01/22	300,000.00	2.00%									
09/01/23	300,000.00	2.00%									
09/01/24	500,000.00	2.00%									
09/01/25	500,000.00	2.00%									
09/01/26	500,000.00	2.00%									
09/01/27	525,000.00	2.25%									
09/01/28	525,000.00	2.25%									
09/01/29	525,000.00	2.38%									
09/01/30	525,000.00	3.00%									
09/01/31	525,000.00	3.00%									
09/01/32	525,000.00	3.00%									
09/01/33	525,000.00	3.00%									
09/01/34	525,000.00	3.00%									
09/01/35	503,000.00	3.00%	6,223,000.00	265,000.00	7,958,000.00						
\$						14,578,000.00	\$	13,583,000.00			

SPOTSWOOD BOROUGH SCHOOL DISTRICT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
 AS OF JUNE 30, 2018

<u>SERIES</u>	<u>INTEREST RATE PAYABLE</u>	<u>AMOUNT OF ORIGINAL LEASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2017</u>	<u>DECREASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2018</u>
<u>Governmental Funds</u>					
2013-2014 Alliance Bus Group - School Bus	2.950%	\$ 57,314.00	11,821.02 \$	11,821.02 \$	
2016 Truck King International - School Buses	2.060%	334,905.00	267,607.87	64,869.82	202,738.05
Grand Total			<u>\$ 279,428.89 \$</u>	<u>76,690.84 \$</u>	<u>202,738.05</u>

SPOTSWOOD BOROUGH SCHOOL DISTRICT
DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:					
Local sources:					
Local tax levy	\$947,911.00		\$947,911.00	\$947,911.00	
State sources:					
Debt service aid type II	97,423.00		97,423.00	97,423.00	
Miscellaneous				250,518.94	\$250,518.94
Total revenues	<u>1,045,334.00</u>		<u>1,045,334.00</u>	<u>1,295,852.94</u>	<u>250,518.94</u>
EXPENDITURES:					
Regular debt service:					
Interest	364,922.00		364,922.00	364,921.26	\$0.74
Redemption of principal	860,000.00		860,000.00	860,000.00	
Total regular debt service-expenditures	<u>1,224,922.00</u>		<u>1,224,922.00</u>	<u>1,224,921.26</u>	<u>0.74</u>
Excess (deficiency) of revenues over (under) expenditures	(179,588.00)		(179,588.00)	70,931.68	250,519.68
	<u>(179,588.00)</u>		<u>(179,588.00)</u>	<u>70,931.68</u>	<u>250,519.68</u>
Fund balance, July 1	179,588.00		179,588.00	179,588.00	
Fund balance, June 30				<u>\$250,519.68</u>	<u>\$250,519.68</u>

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STATISTICAL SECTION - UNAUDITED

SPOTSWOOD BOROUGH SCHOOL DISTRICT
STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends:	
These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	J-1 to J-4
Revenue Capacity:	
These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	J-5 to J-9
Debt Capacity:	
These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	J-10 to J-13
Demographic and Economic Information:	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	J-14 to J-15
Operating Information:	
These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	J-16 to J-20

Sources

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
NET POSITION BY COMPONENT
UNAUDITED

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets	\$11,578,552.41	\$10,921,358.50	\$10,248,069.00	\$10,474,046.00	\$10,472,674.00	\$10,401,006.00	\$9,274,773.00	\$8,739,524.00	\$8,405,875.00	\$7,934,811.00
Restricted	7,162,783.97	4,775,509.73	3,883,006.00	2,131,006.00	1,125,861.00	859,010.00	2,338,662.00	2,050,004.00	1,464,885.00	1,802,712.00
Unrestricted (deficit)	(7,811,577.99)	(7,380,844.85)	(7,735,283.00)	(7,595,382.00) a	(400,529.00)	(209,416.00)	(195,248.00)	(159,403.00)	(455,629.00)	(611,050.00)
Total governmental activities net position	\$10,929,758.39	\$8,316,023.38	\$6,395,812.00	\$5,009,670.00	\$11,198,006.00	\$11,050,600.00	\$11,418,187.00	\$10,621,125.00	\$9,415,131.00	\$9,126,473.00
Business-type activities										
Invested in capital assets	\$60,872.25	\$75,276.26	\$5,712.00	\$7,642.00	\$2,592.00	\$4,812.00	\$7,032.00	\$9,252.00	266,616.00	222,264.00
Net of related debt	244,757.22	314,551.78	306,436.00	381,649.00	404,846.00	509,465.00	468,337.00	357,029.00	\$266,616.00	
Unrestricted	\$305,629.47	\$389,828.04	\$312,148.00	\$389,291.00	\$407,438.00	\$514,277.00	\$475,369.00	\$366,281.00	\$266,616.00	\$222,264.00
Total business-type activities net position	\$305,629.47	\$389,828.04	\$312,148.00	\$389,291.00	\$407,438.00	\$514,277.00	\$475,369.00	\$366,281.00	\$266,616.00	\$222,264.00
District-wide										
Net investment in capital assets	\$11,639,424.66	\$10,996,634.76	\$10,253,781.00	\$10,481,688.00	\$10,475,266.00	\$10,405,818.00	\$9,281,805.00	\$8,739,776.00	\$8,405,875.00	\$7,934,811.00
Restricted	7,162,783.97	4,775,509.73	3,883,006.00	2,131,006.00	1,125,861.00	859,010.00	2,338,662.00	2,050,004.00	1,464,885.00	1,802,712.00
Unrestricted (deficit)	(7,566,820.77)	(7,066,293.07)	(7,428,827.00)	(7,213,733.00)	4,317.00	300,049.00	273,089.00	197,626.00	(189,013.00)	(388,786.00)
Total district net position	\$11,235,387.86	\$8,705,851.42	\$6,707,960.00	\$5,398,961.00	\$11,605,444.00	\$11,564,877.00	\$11,893,556.00	\$10,987,406.00	\$9,681,747.00	\$9,348,737.00

Source: CAFR Schedule A-1
a - In FY2015 the District Implemented GASB 68

SPOTSWOOD BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION

UNAUDITED

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
EXPENSES										
Governmental activities										
Instruction	\$23,484,224.26	\$23,639,518.34	\$21,013,902.00	\$20,115,485.00	\$17,813,904.00	\$18,078,475.00	\$16,945,523.00	\$16,170,747.00	\$16,411,805.00	\$15,601,128.00
Support services:										
Tuition										
Student and instruction related services	4,531,701.20	4,346,184.91	4,904,049.00	4,618,632.00	4,117,324.00	4,067,096.00	3,620,284.00	3,318,667.00	3,934,813.00	4,018,391.00
General administrative services	444,492.79	412,180.41	506,552.00	488,596.00	451,491.00	452,165.00	462,852.00	443,942.00	509,212.00	488,776.00
School administrative services	1,743,527.39	1,695,712.78	1,490,060.00	1,329,599.00	1,204,169.00	1,225,996.00	1,159,893.00	1,141,675.00	1,200,129.00	1,141,868.00
Central Services and Admin Technology	1,047,823.46	949,705.74	955,190.00	943,408.00	843,871.00	828,098.00	870,161.00	758,537.00	795,608.00	720,824.00
Plant operations and maintenance	3,098,832.34	2,768,741.61	3,208,775.00	3,154,013.00	2,835,552.00	2,813,696.00	2,633,640.00	2,978,486.00	2,692,054.00	3,040,861.00
Pupil transportation	1,054,157.24	934,099.77	1,043,792.00	1,107,196.00	970,135.00	1,032,059.00	920,032.00	931,463.00	942,950.00	687,267.00
Transfer to charter schools	70,992.00	40,187.00	40,847.00	30,204.00	29,968.00					
Business and other support services & benefits										
Interest on Long-Term Debt	461,799.97	510,094.30	338,187.00	275,587.00	451,126.00	312,582.00	299,641.00	263,696.00	412,248.00	444,899.00
Total governmental activities expenses	35,937,650.65	35,296,424.86	33,501,354.00	32,062,720.00	28,717,560.00	28,810,167.00	26,912,026.00	26,007,213.00	26,898,819.00	26,144,014.00
Business-type activities:										
CARES	460,993.38	321,696.73	323,554.00	280,008.00	345,323.00	279,217.00	314,546.00	312,307.00	343,819.00	418,544.00
Food Service	452,622.07	504,364.53	486,754.00	546,274.00	572,008.00	566,808.00	541,641.00	568,570.00	566,894.00	530,804.00
Printing Service					5,378.00	14,811.00	19,006.00			
STEAM	10,641.77	8,460.01								
Total business-type activities expense	924,257.22	834,521.27	810,308.00	826,282.00	922,709.00	860,835.00	875,193.00	880,877.00	910,713.00	949,348.00
Total district expenses	\$36,861,907.87	\$36,130,946.13	\$34,311,662.00	\$32,889,002.00	\$29,640,269.00	\$29,671,003.00	\$27,787,219.00	\$26,888,090.00	\$27,809,532.00	\$27,093,362.00
PROGRAM REVENUES										
Governmental activities:										
Charges for Services:										
Instruction (tuition)	4,116,090.61	4,563,400.60								
Operating grants and contributions	10,376,790.48	9,562,292.70								
Capital Grants and Contributions		473,956.84								
Total governmental activities program revenues	14,492,881.09	14,599,650.14								

SPOTSWOOD BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
UNAUDITED

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
PROGRAM REVENUES										
Business-type activities:										
Charges for services:										
CARES	\$381,947.53	\$386,623.25	\$323,645.00	\$299,921.00	\$345,363.00	\$324,091.00	\$367,235.00	\$406,177.00	\$383,822.00	\$398,024.00
Food Service	284,168.03	284,139.86	400,706.00	450,268.00	463,144.00	430,863.00	414,931.00	421,985.00	401,484.00	314,119.00
STEAM	12,000.00	10,750.00								
Printing Service			95,502.00	106,518.00	2,729.00	742.00	2,243.00	161,769.00	164,315.00	130,386.00
Operating grants and contributions	162,962.60	138,648.67	819,853.00	856,707.00	117,150.00	147,881.00	156,428.00	989,931.00	949,621.00	842,509.00
Total business-type activities program revenues	841,078.16	820,161.78	819,853.00	856,707.00	928,386.00	903,677.00	940,837.00	989,931.00	949,621.00	842,509.00
Total district program revenues	\$15,333,959.25	\$15,419,811.92	\$819,853.00	\$856,707.00	\$928,386.00	\$903,677.00	\$940,837.00	\$989,931.00	\$949,621.00	\$842,509.00
NET (EXPENSE) REVENUE										
Governmental activities	(\$21,444,669.56)	(\$20,696,774.73)	(\$33,501,354.00)	(\$32,062,720.00)	(\$28,717,560.00)	(\$28,810,167.00)	(\$26,912,025.00)	(\$26,007,213.00)	(\$26,898,819.00)	(\$26,144,014.00)
Business-type activities	(83,179.06)	(14,359.49)	9,545.00	30,425.00	5,677.00	42,841.00	65,644.00	109,054.00	38,908.00	(106,839.00)
Total district-wide net expense	(\$21,527,848.62)	(\$20,711,134.21)	(\$33,491,809.00)	(\$32,032,295.00)	(\$28,711,883.00)	(\$28,767,326.00)	(\$26,846,382.00)	(\$25,898,159.00)	(\$26,859,911.00)	(\$26,250,853.00)
GENERAL REVENUES AND OTHER CHANGES										
IN NET POSITION										
Governmental activities:										
Property taxes levied for general purposes, net	\$15,688,283.00	\$15,291,612.00								
Taxes levied for debt service	947,911.00	940,801.00								
Federal and state aid not restricted	6,336,399.47	5,809,892.71								
Federal and state aid restricted	68,196.10	502,148.44								
Miscellaneous income	602,482.69	72,532.58								
Total governmental activities	23,643,282.26	22,616,986.73								
Business-type activities:										
Miscellaneous Income		92,008.25								
Total business-type activities		92,008.25								
Total district-wide	\$23,643,282.26	\$22,708,994.98								
CHANGE IN NET POSITION										
Governmental activities	\$2,198,612.70	\$1,920,212.00		(\$32,062,720.00)	(\$28,717,560.00)	(\$28,810,167.00)	(\$26,912,025.00)	(\$26,007,213.00)	(\$25,898,819.00)	(\$26,144,014.00)
Business-type activities	(83,179.06)	77,648.76		30,425.00	5,677.00	42,841.00	65,644.00	109,054.00	38,908.00	(106,839.00)
Total district	\$2,115,433.64	\$1,997,860.77		(\$32,032,295.00)	(\$28,711,883.00)	(\$28,767,326.00)	(\$26,846,382.00)	(\$25,898,159.00)	(\$26,859,911.00)	(\$26,250,853.00)

Source: CAFR Schedule A-2

SPOTSWOOD BOROUGH SCHOOL DISTRICT
 FUND BALANCES - GOVERNMENTAL FUNDS
 UNAUDITED

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Restricted	\$7,077,289.33	\$4,770,991.56	\$3,428,751.00	\$2,131,006.00	\$940,900.00	\$635,758.00	\$2,305,371.00	\$2,050,003.00		\$1,563,919.00
Assigned	563,525.13	936,655.23	116,541.00	315,602.00	534,148.00	520,319.00	443,064.00	479,946.00	305,323.00	465,976.00
Unassigned			91,728.00	3,014.00	25,006.00			51,207.00	\$1,694,432.00	\$1,563,919.00
Reserved										
Unreserved										
Total general fund	<u>\$7,640,814.46</u>	<u>\$5,707,646.79</u>	<u>\$3,637,020.00</u>	<u>\$2,449,622.00</u>	<u>\$1,500,054.00</u>	<u>\$1,156,077.00</u>	<u>\$2,748,435.00</u>	<u>\$2,581,156.00</u>	<u>\$1,999,755.00</u>	<u>\$2,049,895.00</u>
All Other Governmental Funds										
Restricted	\$80,232.28	\$1,308,335.19	\$5,382,897.00		\$184,961.00	\$223,252.00	\$2,081,109.00			
Assigned		179,587.97								
Total all other governmental funds	<u>\$80,232.28</u>	<u>\$1,487,923.16</u>	<u>\$5,382,897.00</u>		<u>\$184,961.00</u>	<u>\$223,252.00</u>	<u>\$2,081,109.00</u>			

Source: CAFR Schedule B-1

SPOTSWOOD BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
UNAUDITED

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Tax levy	\$16,636,194.00	\$16,232,413.00	\$15,785,931.00	\$15,304,848.00	\$15,005,900.00	\$14,807,922.00	\$14,842,590.00	\$14,723,349.00	\$14,359,797.00	\$11,217,590.00
Interest on capital reserve	1,372.06	520.53		34.00	40.00	208.00	3,476.00	10,522.00	19,588.00	35,994.00
Tuition charges	4,116,090.61	4,563,400.60	4,564,508.00	4,940,108.00	4,653,700.00	4,121,660.00	4,192,661.00	4,686,085.00	3,906,064.00	7,271,245.00
Miscellaneous	648,807.98	92,389.05	388,204.00	243,805.00	141,250.00	178,088.00	153,139.00	53,417.00	271,381.00	33,362.00
State sources	10,154,590.00	10,060,888.08	9,782,022.00	8,938,410.00	8,449,118.00	8,709,130.00	7,555,958.00	7,112,497.00	6,959,150.00	6,749,003.00
Federal sources	571,086.72	608,508.61	634,074.00	593,722.00	614,958.00	625,672.00	761,284.00	660,818.00	1,847,451.00	489,031.00
Total revenue	<u>32,128,141.37</u>	<u>31,556,117.87</u>	<u>31,154,739.00</u>	<u>30,020,927.00</u>	<u>28,864,968.00</u>	<u>28,442,680.00</u>	<u>27,709,088.00</u>	<u>27,246,688.00</u>	<u>27,363,431.00</u>	<u>25,796,225.00</u>
Expenditures										
Instruction	11,746,715.27	12,005,666.05	12,122,404.00	12,231,156.00	11,967,487.00	11,973,114.00	11,621,945.00	11,190,311.00	11,844,744.00	11,491,356.00
Support Services:										
Tuition	624,130.29	625,894.76	920,204.00	1,070,019.00	1,005,859.00	1,052,042.00	1,014,230.00	874,112.00	556,431.00	426,285.00
Student and instruction related services	2,739,550.30	2,829,189.07	3,157,190.00	3,163,519.00	3,046,689.00	3,025,136.00	2,771,146.00	2,540,353.00	3,023,599.00	3,143,583.00
General administrative services	364,733.91	368,658.43	342,425.00	350,596.00	351,100.00	350,652.00	370,632.00	359,370.00	409,226.00	400,539.00
School administrative services	938,935.19	899,442.13	870,682.00	832,550.00	841,402.00	847,141.00	832,446.00	822,073.00	876,282.00	851,452.00
Central Services and Adm Technology	731,728.03	719,241.71	636,478.00	668,926.00	640,696.00	624,103.00	677,907.00	590,004.00	629,422.00	584,368.00
Plant operations and maintenance	2,255,122.13	2,178,417.97	2,206,847.00	2,289,564.00	2,222,731.00	2,172,040.00	2,092,935.00	2,453,904.00	2,151,487.00	2,507,867.00
Pupil transportation	839,676.73	817,779.12	861,321.00	979,594.00	864,983.00	939,768.00	847,579.00	860,500.00	876,800.00	634,074.00
Unallocated benefits	7,894,930.13	7,178,682.87	7,095,631.00	6,289,731.00	6,040,119.00	6,385,682.00	5,643,575.00	5,206,526.00	5,236,195.00	4,652,741.00
Special schools										
Debt service:										
Principal	995,000.00	705,000.00	685,000.00	915,000.00	1,000,000.00	945,000.00	875,000.00	835,000.00	815,000.00	883,000.00
Interest and other charges	424,708.76	470,074.50	266,325.00	284,626.00	320,425.00	305,188.00	195,476.00	389,634.00	422,978.00	457,615.00
Cost of issuance							64,976.00	101,922.00		
Capital Outlay	1,919,704.82	4,544,230.57	3,936,995.00	150,835.00	285,115.00	3,272,929.00	1,156,369.00	511,019.00	614,245.00	236,884.00
Transfer to Charter Schools	70,992.00	40,187.00	40,847.00	30,204.00	29,988.00					
Total expenditures	<u>31,565,927.56</u>	<u>33,380,464.18</u>	<u>33,142,349.00</u>	<u>29,256,320.00</u>	<u>28,616,594.00</u>	<u>31,892,795.00</u>	<u>28,166,216.00</u>	<u>26,733,728.00</u>	<u>27,456,409.00</u>	<u>26,269,764.00</u>
Excess (Deficiency) of revenues over (under) expenditures	562,213.81	(1,824,346.31)	(1,987,610.00)	764,607.00	248,372.00	(3,450,115.00)	(457,128.00)	512,960.00	(92,978.00)	(473,539.00)
Other Financing sources (uses)										
Bonds issued	(36,737.02)		8,223,000.00				2,630,000.00	7,340,000.00		
Premium on Bonds Issued							75,415.00	259,263.00		
Payment to Refunding Bond Escrow Agent								(7,497,341.00)		
Capital leases (non-budgeted)			334,905.00		57,314.00					
Cancellation of Prior Year Accounts Receivable									(175,954.00)	
Transfers										
Total other financing sources (uses)	<u>(36,737.02)</u>		<u>8,557,905.00</u>		<u>57,314.00</u>		<u>2,705,415.00</u>	<u>68,441.00</u>	<u>(175,954.00)</u>	
Net change in fund balances	<u>\$525,476.79</u>	<u>(\$1,824,346.31)</u>	<u>\$6,570,295.00</u>	<u>\$764,607.00</u>	<u>\$305,686.00</u>	<u>(\$3,450,115.00)</u>	<u>\$2,248,287.00</u>	<u>\$581,401.00</u>	<u>(\$268,932.00)</u>	<u>(\$473,539.00)</u>
Debt service as a percentage of noncapital expenditures	4.79%	4.07%	3.26%	4.12%	4.66%	4.37%	4.20%	5.06%	4.61%	5.15%

Source: CAFR Schedule B-2

SPOTSWOOD BOROUGH SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
UNAUDITED

Fiscal Year Ended June 30,	INTEREST EARNED	RENTS & ROYALTIES	TUITION	REIMBURSEMENT		MISCELLANEOUS	TOTAL
				OF PRIOR YEAR COSTS	HELMETTA FUND BALANCE		
2018	\$ 1,372.06	\$ 100,000.00	\$ 4,116,090.61	\$	\$	287,338.71	4,504,801.38
2017	520.53	19,550.35	4,563,400.60			52,461.70	4,635,933.18
2016	397.00		4,564,508.00			380,684.00	4,945,589.00
2015	16.00		4,940,108.00			231,048.00	5,171,172.00
2014	40.00		4,653,700.00			129,048.00	4,782,788.00
2013	208.00		4,121,660.00	53,746.00		112,345.00	4,287,959.00
2012	3,476.00		4,192,661.00	71,345.00		44,408.00	4,311,890.00
2011	10,522.00		4,686,085.00			47,590.00	4,744,197.00
2010	19,486.00		3,906,064.00		150,000.00	117,944.00	4,193,494.00
2009	35,422.00		7,271,245.00			17,852.00	7,324,519.00

Source: District Records

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

Calendar Year Ended June 30	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities (a)	Net Valuation Taxable	Est. Actual (County Equalized Value)	Total Direct School Tax Rate (b)
2017	6,746,500.00	647,740,900.00	59,315,800.00	18,689,800.00	7,055,300.00	\$739,548,300.00	-0-	\$739,548,300.00	\$810,065,856.00	1.805
2016	6,745,000.00	646,585,600.00	59,315,800.00	18,689,800.00	7,055,300.00	738,391,500.00	-0-	738,391,500.00	785,666,950.00	1.748
2015	6,804,100.00	646,750,700.00	59,658,000.00	18,689,800.00	7,055,300.00	738,957,900.00	-0-	738,957,900.00	771,596,429.00	1.629
2014	6,862,000.00	647,765,200.00	59,414,300.00	18,589,800.00	7,055,300.00	739,686,600.00	1,934,614.00	741,621,214.00	767,576,473.00	1.630
2013	7,019,800.00	648,315,500.00	59,793,500.00	18,589,800.00	7,270,500.00	740,989,100.00	2,171,116.00	743,160,216.00	756,588,852.00	1.586
2012	7,631,300.00	646,649,700.00	58,983,200.00	18,454,800.00	7,270,500.00	738,989,500.00	2,637,590.00	741,627,090.00	777,395,907.00	1.573
2011	8,051,300.00	646,210,100.00	61,223,000.00	18,454,800.00	7,270,500.00	741,209,700.00	2,255,813.00	743,465,513.00	835,450,170.00	1.562
2010	8,047,300.00	645,116,500.00	61,186,700.00	20,465,200.00	7,270,500.00	742,085,200.00	2,286,770.00	744,371,970.00	884,671,074.00	1.530
2009	7,772,600.00	643,530,000.00	62,538,100.00	23,492,100.00	7,270,500.00	744,603,300.00	2,207,708.00	746,811,008.00	921,811,635.00	1.502
2008	8,591,300.00	639,963,800.00	63,240,900.00	30,471,100.00	7,270,500.00	749,537,600.00	2,209,003.00	751,746,603.00	947,878,445.00	1.492

Source: District records Tax list summary & Municipal Tax Assessor
 Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.
 Reassessment occurs when ordered by the County Board of Taxation
 (a): Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies
 (b): Tax rates are per \$100

SPOTSWOOD BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
HELMETTA BOROUGH
 UNAUDITED

Calendar Year Ended June 30	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities (a)	Net Valuation Taxable	Est. Actual (County Equalized Value)	Total Direct School Tax Rate (b)
2017	1,907,300.00	178,694,600.00	4,361,100.00		2,537,400.00	\$187,500,400.00	\$197,093.00	\$187,697,493.00	\$206,207,279.00	1.797
2016	1,907,300.00	178,812,800.00	4,246,600.00	38,400.00	817,100.00	185,822,200.00	202,751.00	186,024,951.00	206,492,055.00	1.719
2015	1,087,600.00	178,758,900.00	4,246,600.00	1,698,800.00	817,100.00	186,609,000.00	208,030.00	186,817,030.00	201,078,859.00	1.635
2014	1,415,600.00	178,618,300.00	4,216,500.00	1,698,800.00	817,100.00	186,766,300.00	206,299.00	186,972,599.00	199,105,447.00	1.615
2013	1,401,100.00	178,707,300.00	4,250,600.00	1,698,800.00	817,100.00	186,874,900.00	207,201.00	187,082,101.00	201,798,247.00	1.664
2012	1,416,100.00	179,604,000.00	4,250,600.00	1,698,800.00	817,100.00	187,786,600.00	259,009.00	188,045,609.00	215,981,697.00	1.674
2011	2,125,400.00	236,922,900.00	6,020,000.00	1,699,000.00		246,767,300.00	267,481.00	247,034,781.00	237,520,918.00	1.283
2010	2,267,900.00	237,276,500.00	6,020,000.00	1,853,900.00		247,418,300.00	323,499.00	247,741,799.00	245,680,798.00	1.278
2009	2,267,900.00	237,644,400.00	6,142,500.00	3,553,100.00		249,607,900.00	321,940.00	249,929,840.00	252,171,299.00	1.257
2008	2,387,500.00	237,122,000.00	6,167,700.00	3,553,100.00		249,230,300.00	312,839.00	249,543,139.00	255,861,235.00	1.230

Source: District records Tax list summary & Municipal Tax Assessor
 Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation
 Reassessment occurs when ordered by the County Board of Taxation
 (a): Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies
 (b): Tax rates are per \$100

SPOTSWOOD BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
UNAUDITED

Fiscal Year Ended June 30.	Spotswood Board of Education			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate (a)	General	Total Direct	Spotswood Borough	County	
		Obligation Debt Service (b)	School Tax Rate			
2017	\$1.702	\$0.103	\$1.805	\$0.955	\$0.424	\$3.184
2016	1.647	0.101	1.748	0.937	0.414	3.099
2015	1.531	0.098	1.629	0.912	0.417	2.958
2014	1.526	0.104	1.630	0.892	0.410	2.932
2013	*	*	1.586	0.874	0.406	2.866
2012	*	*	1.573	0.865	0.406	2.844
2011	*	*	1.562	0.866	0.406	2.834
2010	*	*	1.530	0.811	0.372	2.713
2009	*	*	1.502	0.778	0.378	2.658
2008	*	*	1.492	0.740	0.358	2.590

* - Not Available

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

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

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

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
UNAUDITED

Fiscal Year Ended June 30,	Helmetta Board of Education			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	Total Direct School Tax Rate	Helmetta Borough	County	
2017	\$1.695	\$0.102	\$1.797	\$0.746	\$0.450	\$2.993
2016	1.619	0.100	1.719	0.727	0.427	2.873
2015	1.536	0.099	1.635	0.680	0.430	2.745
2014	1.512	0.103	1.615	0.663	0.435	2.713
2013	*	*	1.664	0.652	0.446	2.762
2012	*	*	1.674	0.635	0.404	2.713
2011	*	*	1.283	0.469	0.339	2.091
2010	*	*	1.278	0.450	0.305	2.033
2009	*	*	1.257	0.439	0.307	2.003
2008	*	*	1.230	0.442	0.293	1.965

* - Not Available

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

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

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

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS - CURRENT YEAR AND NINE YEARS AGO
SPOTSWOOD BOROUGH
UNAUDITED

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Spotswood Shopping Center	\$9,800,000.00	1	1.325%	\$10,492,400.00	2	1.409%
Clearwater Village	9,533,700.00	2	1.289%	9,997,700.00	3	1.343%
Schweitzer-Mauduit	8,228,800.00	3	1.113%	11,648,200.00	1	1.564%
Inland Container	6,175,000.00	4	0.835%	6,500,000.00	4	0.873%
Renaissance Properties	5,300,000.00	5	0.717%	5,300,000.00	5	0.712%
Summerhill Corners Association	4,860,500.00	6	0.657%	4,338,100.00	8	0.583%
Robert Maglies	4,471,300.00	7	0.605%	4,471,300.00	7	0.600%
Gillette Enterprises	3,496,300.00	8	0.473%	5,479,900.00	6	0.736%
KLIA Properties, LLC	2,943,500.00	9	0.398%			
Citadel Brookview, LLC	2,085,000.00	10	0.282%	3,883,200.00	9	0.522%
			0.000%			
Total	\$56,894,100.00		7.693%	\$62,110,800.00		8.341%

Source: Municipal Tax Assessor

SPOTSWOOD BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS - CURRENT YEAR AND NINE YEARS AGO
HELMETTA BOROUGH
UNAUDITED

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Sutton Plaza Associates	\$1,442,600.00	1	0.769%	\$1,622,500.00	1	0.650%
Aggo LLC	817,100.00	2	0.436%	877,600.00	4	0.352%
Bohinski, Loretta	816,300.00	3	0.435%	1,053,500.00	2	0.422%
Buchan, William & Roseann	711,900.00	4	0.380%	949,500.00	3	0.380%
Maglies, Robert	641,400.00	5	0.342%	N/A		
G&G Realty, Helmetta, LLC	569,200.00	6	0.304%	467,800.00	9	0.187%
Bohinski, Charles & Sandra	568,200.00	7	0.303%	724,700.00	5	0.290%
Raczynski, Anthony & Barbara	541,200.00	8	0.289%	724,700.00	6	0.290%
Beecher, J.H. & Demarest, R&S	514,800.00	9	0.275%	624,600.00	7	0.250%
Bohinski, Mark & Meredith	471,000.00	10	0.251%	573,700.00	8	0.230%
Total	\$7,093,700.00		3.783%	\$7,618,600.00		3.052%

N/A-Not Available

Source: Municipal Tax Assessor

SPOTSWOOD BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
UNAUDITED

Fiscal Year Ended <u>June 30,</u>	Taxes Levied for the <u>Fiscal Year</u>	Spotswood Borough		Collections in <u>Subsequent Years</u>
		<u>Collected within the Fiscal Year of the Levy (a)</u>		
		<u>Amount</u>	<u>Percentage of Levy</u>	
2018	\$13,339,030.00	\$13,339,030.00	100.00%	0.00
2017	13,034,796.00	13,034,796.00	100.00%	0.00
2016	12,730,478.00	12,730,478.00	100.00%	0.00
2015	12,286,898.00	12,286,898.00	100.00%	0.00
2014	11,890,990.00	11,890,990.00	100.00%	0.00
2013	11,660,426.00	11,660,426.00	100.00%	0.00
2012	11,671,625.00	11,671,625.00	100.00%	0.00
2011	11,557,816.00	11,557,816.00	100.00%	0.00
2010	11,217,593.00	11,217,593.00	100.00%	0.00
2009	11,217,590.00	11,217,590.00	100.00%	0.00

Fiscal Year Ended <u>June 30,</u>	Taxes Levied for the <u>Fiscal Year</u>	Helmetta Borough		Collections in <u>Subsequent Years</u>
		<u>Collected within the Fiscal Year of the Levy (a)</u>		
		<u>Amount</u>	<u>Percentage of Levy</u>	
2018	\$3,297,164.00	\$3,297,164.00	100.00%	0.00
2017	3,197,617.00	3,197,617.00	100.00%	0.00
2016	3,055,453.00	3,055,453.00	100.00%	0.00
2015	3,017,950.00	3,017,950.00	100.00%	0.00
2014	3,114,910.00	3,114,910.00	100.00%	0.00
2013	3,147,496.00	3,147,496.00	100.00%	0.00
2012	3,170,965.00	3,170,965.00	100.00%	0.00
2011	3,165,533.00	3,165,533.00	100.00%	0.00
2010	3,142,204.00	3,142,204.00	100.00%	0.00
2009	3,069,427.00	3,069,427.00	100.00%	0.00

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

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities					Total District	Percentage of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	School Energy Savings Obligations Refunding Bonds	Capital Leases					
2018	\$11,793,000.00	\$1,790,000.00	\$202,738.05		\$13,785,738.05	N/A	N/A	
2017	12,653,000.00	1,925,000.00	279,428.89		14,857,428.89	N/A	\$1,391.28	
2016	13,233,000.00	2,050,000.00	358,208.00		15,641,208.00	2.626%	1,469.76	
2015	5,580,000.00	2,165,000.00	34,456.00		7,779,456.00	1.359%	726.58	
2014	6,390,000.00	2,270,000.00	45,290.00		8,705,290.00	1.553%	814.95	
2013	7,185,000.00	2,475,000.00			9,660,000.00	1.809%	909.35	
2012	7,975,000.00	2,630,000.00			10,605,000.00	1.998%	1,004.26	
2011	8,850,000.00				8,850,000.00	1.725%	843.10	
2010	9,540,000.00				9,540,000.00	1.962%	913.79	
2009	10,355,000.00				10,355,000.00	2.218%	1,016.39	

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

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

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

(b) Includes Energy Savings Obligation Refunding Bonds (ESIP)

N/A - Not available

SPOTSWOOD BOROUGH SCHOOL DISTRICT
RATIOS OF NET BONDED DEBT OUTSTANDING
UNAUDITED

Fiscal Year Ended <u>June 30.</u>	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value (a) of Property	Per Capita (b)
	General Obligation Bonds	Deductions			
2018	\$11,793,000.00	\$1,790,000.00	\$10,003,000.00	N/A	N/A
2017	12,653,000.00	1,925,000.00	10,728,000.00	1.157%	1,004.59
2016	13,233,000.00	2,050,000.00	11,183,000.00	1.210%	1,050.84
2015	5,580,000.00	2,165,000.00	3,415,000.00	0.369%	318.95
2014	6,390,000.00	2,270,000.00	4,120,000.00	0.444%	385.70
2013	7,185,000.00	2,475,000.00	4,710,000.00	0.506%	443.38
2012	7,975,000.00	2,630,000.00	5,345,000.00	0.575%	506.16
2011	8,850,000.00		8,850,000.00	0.893%	843.10
2010	9,540,000.00		9,540,000.00	0.962%	913.79
2009	10,355,000.00		10,355,000.00	1.039%	1,016.39

N/A-Not Available

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

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

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2017
UNAUDITED

<u>Governmental Unit</u>	<u>Gross Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Spotswood Borough	\$29,724,091.99	100.00%	\$29,724,091.99
Helmetta Borough	2,514,961.20	100.00%	2,514,961.20
Other debt			
Middlesex County	690,097,707.00	0.96%	<u>6,643,767.61</u>
Subtotal, overlapping debt			38,882,820.80
Spotswood Borough School District Direct Debt			<u>9,692,405.00</u>
Total direct and overlapping debt			<u><u>\$48,575,225.80</u></u>

Source: Annual Debt Statements

(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
SPOTSWOOD BOROUGH
UNAUDITED

Legal Debt Margin Calculation 2017

Equalized Valuation Basis

Calendar Year	
2017	\$785,066,950.00
2016	776,782,558.00
2015	771,586,429.00
	<u>\$2,333,445,937.00</u>
Average Equalized Valuation of Taxable Property	\$777,815,312.33
Debt Limit (4% of average equalization value)	31,112,612.49
Total Net Debt Applicable to Limit	7,092,186.99
Legal Debt Margin	<u>\$24,020,425.50</u>

Fiscal Year Ending June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Debt Limit	\$31,112,612.49	\$30,853,611.28	\$30,724,938.00	\$30,504,703.00	\$30,687,483.00	\$31,562,388.00	\$35,080,422.00	\$36,261,984.00	\$37,149,120.00	\$36,952,291.00
Total Net Debt Applicable To Limit	7,092,186.99	4,554,073.18	13,233,000.00	5,580,000.00	6,390,000.00	7,185,000.00	7,975,000.00	8,850,000.00	9,540,000.00	10,355,000.00
Legal Debt Margin	<u>\$24,020,425.50</u>	<u>\$26,299,538.10</u>	<u>\$17,491,938.00</u>	<u>\$24,924,703.00</u>	<u>\$24,297,483.00</u>	<u>\$24,377,388.00</u>	<u>\$27,105,422.00</u>	<u>\$27,411,984.00</u>	<u>\$27,609,120.00</u>	<u>\$26,597,291.00</u>

Total Net Debt Applicable to the Limit as a % of Debt Limit	22.80%	14.76%	43.07%	18.29%	20.82%	22.76%	22.73%	24.41%	25.68%	28.02%
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Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation
(a) Limit set by N.J.S.A. 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types

SPOTSWOOD BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
HELMETTA BOROUGH
UNAUDITED

Legal Debt Margin Calculation 2017

Equalized Valuation Basis

Calendar Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	\$105,376,569,174.00												
	102,340,805,085.00												
	101,405,813,888.00												
	\$309,123,208,147.00												
Average Equalized Valuation of Taxable Property	\$103,041,069,382.33												
Debt Limit (4% (a) of average equalization value)	4,121,642,775.29												
Total Net Debt Applicable to Limit	476,938,580.00												
Legal Debt Margin	\$3,644,704,195.29												

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt Limit	\$4,121,642,775.29	\$8,083,493.76	\$8,070,685.00	\$8,072,462.00	\$8,225,139.00	\$9,640,349.00	\$9,640,349.00	\$9,691,117.00	\$9,291,005.00	\$9,352,063.00
Total Net Debt Applicable To Limit	476,938,580.00	1,400,000.00								
Legal Debt Margin	\$3,644,704,195.29	\$6,683,493.76	\$8,070,685.00	\$8,072,462.00	\$8,225,139.00	\$9,640,349.00	\$9,640,349.00	\$9,691,117.00	\$9,291,005.00	\$9,352,063.00

Total Net Debt Applicable to the Limit as a % of Debt Limit	11.57%	17.32%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.06%
---	--------	--------	-------	-------	-------	-------	-------	-------	-------	-------

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
UNAUDITED

<u>SPOTSWOOD BOROUGH</u>				
<u>Year</u>	<u>Population (a)</u>	<u>Personal Income (b)</u>	<u>Per Capita Personal Income (c)</u>	<u>Unemployment Rate (d)</u>
2017	8,456	N/A	N/A	3.90%
2016	8,429	\$471,855,420.00	\$55,980.00	4.20%
2015	8,476	453,186,292.00	53,467.00	5.00%
2014	8,456	443,821,616.00	52,486.00	5.60%
2013	8,410	422,745,470.00	50,267.00	5.50%
2012	8,359	420,131,699.00	50,261.00	7.30%
2011	8,308	406,119,964.00	48,883.00	7.20%
2010	8,261	384,731,292.00	46,572.00	8.90%
2009	8,180	374,881,220.00	45,829.00	4.70%
2008	8,142	392,835,216.00	48,248.00	5.40%

<u>HELMETTA BOROUGH</u>				
<u>Year</u>	<u>Population (a)</u>	<u>Personal Income (b)</u>	<u>Per Capita Personal Income (c)</u>	<u>Unemployment Rate (d)</u>
2017	2,223	N/A	N/A	4.70%
2016	2,213	\$123,883,740.00	\$55,980.00	4.40%
2015	2,231	119,284,877.00	53,467.00	5.40%
2014	2,226	116,833,836.00	52,486.00	5.50%
2013	2,213	111,240,871.00	50,267.00	6.50%
2012	2,201	110,624,461.00	50,261.00	8.70%
2011	2,189	107,004,887.00	48,883.00	8.60%
2010	2,179	101,480,388.00	46,572.00	8.80%
2009	2,008	92,024,632.00	45,829.00	5.10%
2008	2,000	96,496,000.00	48,248.00	5.70%

N/A-Not Available

Source:

- (a) Population information provided by the NJ Dept. of Labor and Workforce Development.
- (b) Personal income has been estimated based upon the municipal population and per capita personal income presented.
- (c) Per capita personal income by municipality provided by the Department of Labor and Workforce Development
- (d) Unemployment data provided by the NJ Dept. of Labor and Workforce Development.

SPOTSWOOD BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

2018		2009	
<u>Employer</u>	<u>Business</u>	<u>Employer</u>	<u>Business</u>
	<u>Estimated Number of Employees*</u>		<u>Estimated Number of Employees</u>
Spotswood Board of Education	Public Schools		N/A
Shop Rite of Spotswood	Supermarket		N/A
Schweitzer - Mauduit	Industry - Manufacturing		N/A
International Paper	Industry - Manufacturing		N/A
Borough of Spotswood	Municipal Government		N/A
	238		
	216		
	140		
	142		
	89		

* - Full Time Equivalent

Source: Borough of Spotswood Administrator
 N/A - Not Available

Information for Principal Employers was not available for Helmetta Borough

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

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction:										
Regular	102	109	118	133	131	136	132	128	123	125
Special education	33	33	28	24	26	23	22	22	22	22
Vocational	9	9	10	10	11	11	11	11	11	11
Other Instruction	10	9	9	7	7	7	6	6	6	6
Support Services:										
Student and instruction related services	56	54	55	56	37	37	29	29	44	44
General administrative services	9	9	10	9	11	11	13	11	2	2
School administrative services	17	18	16	10	10	10	10	10	14	14
Central services and Admin Info Tech	8	8	7	10	6	6	7	5	10	10
Plant operations and maintenance	22	22	22	22	23	23	33	23	22	22
Pupil transportation	5	5	4	4	2	1	1	1	1	1
Total	271	276	279	278	264	265	264	246	255	257

Source: District Personnel Records

SPOTSWOOD BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
SPOTSWOOD BOROUGH
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	% Change	Teaching Staff (b)	Teacher/Pupil Ratio			Average Daily Enrollment (c)	Average Daily Attendance (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
2018	1,703	\$28,226,513.98	\$16,575	4.74%	154	N/A	N/A	N/A	1,703	1,614	-2.57%	94.77%
2017	1,748	27,661,159.11	15,824	-0.31%	160	N/A	N/A	N/A	1,748	1,658	-1.80%	94.85%
2016	1,780	28,254,029.00	15,873	0.22%	165	N/A	N/A	N/A	1,780	1,692	1.02%	95.06%
2015	1,762	27,905,859.00	15,838	4.84%	151	N/A	N/A	N/A	1,762	1,674	-1.45%	95.01%
2014	1,788	27,011,054.00	15,107	-1.03%	161	N/A	N/A	N/A	1,788	1,706	-0.94%	95.41%
2013	1,793	27,369,678.00	15,265	7.44%	159	N/A	N/A	N/A	1,805	1,717	1.35%	95.12%
2012	1,821	25,872,395.00	14,208	3.64%	150	N/A	N/A	N/A	1,781	1,703	-1.87%	95.62%
2011	1,816	24,896,153.00	13,709	-2.66%	149	N/A	N/A	N/A	1,815	1,748	0.39%	96.31%
2010	1,818	25,604,186.00	14,084	-0.57%	143	N/A	N/A	N/A	1,808	1,724	2.73%	95.35%
2009	1,760	24,929,149.00	14,164	6.37%	151	N/A	N/A	N/A	1,760	1,672	-0.40%	95.00%

Sources: District records

Note: Enrollment based on annual October district count.

(a) Operating expenditures equal total expenditures less debt service and capital outlay.

(b) Teaching staff includes only full-time equivalents of certificated staff.

(c) Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

N/A - Not Available

SPOTSWOOD BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
HELMETTA BOROUGH
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	% Change	Teacher/Pupil Ratio			Average Daily Enrollment (c)	Average Daily Attendance (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Elementary	Middle School	High School				
2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	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	N/A	N/A	N/A
2014	N/A	N/A	N/A	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	N/A	N/A	N/A
2012	N/A	N/A	N/A	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	N/A	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2009	288	4,202,163.00	14,591	4.63%	N/A	N/A	N/A	288	274	0.35%	95.14%

Sources: District records

Note: Enrollment based on annual October district count.

(a) Operating expenditures equal total expenditures less debt service and capital outlay.

(b) Teaching staff includes only full-time equivalents of certificated staff.

(c) Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

N/A - Not Available

SPOTSWOOD BOROUGH SCHOOL DISTRICT
 SCHOOL BUILDING INFORMATION
 UNAUDITED

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>District Buildings</u>										
Elementary School(s):										
Appleby Elementary School	49,643	49,643	49,643	49,643	49,643	49,643	49,643	49,643	49,643	49,643
Square Feet	684	684	684	684	684	684	684	684	684	684
Capacity (students)	435	449	448	457	459	423	427	427	459	443
Enrollment										
Schoenly Elementary School	34,680	34,680	34,680	34,680	34,680	34,680	34,680	34,680	34,680	34,680
Square Feet	620	620	620	620	620	620	620	620	620	620
Capacity (students)	238	239	244	258	258	276	270	228	255	236
Enrollment										
Memorial Middle School (1993)	48,216	48,216	48,216	48,216	48,216	48,216	48,216	48,216	48,216	48,216
Square Feet	527	527	527	527	527	527	527	527	527	527
Capacity (students)	358	338	323	314	317	354	364	338	330	343
Enrollment										
High School	144,080	144,080	144,080	144,080	144,080	144,080	144,080	144,080	144,080	144,080
Square Feet	984	984	984	984	984	984	984	984	984	984
Capacity (students)	672	720	763	731	738	755	726	743	772	745
Enrollment										

Number of Schools at June 30, 2018

Elementary = 2

Middle School = 1

High School = 1

Source: District records

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions. Enrollment is based on the annual October district count.

SPOTSWOOD BOROUGH SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
UNAUDITED

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

School Facilities * Project #(s)	Total	Spotswood High School	Memorial Middle School	Schoenly Elementary School	Appleby Elementary School
2018	\$440,449.45	\$155,033.20	\$100,647.30	\$78,211.98	\$106,556.97
2017	417,413.00	152,630.00	91,941.00	83,083.00	89,759.00
2016	455,609.00	169,250.00	87,713.00	91,487.00	107,159.00
2015	487,423.00	155,057.00	123,957.00	93,567.00	114,842.00
2014	507,997.00	213,116.00	83,747.00	95,238.00	115,896.00
2013	402,249.00	120,917.00	85,270.00	91,059.00	105,003.00
2012	378,188.00	131,015.00	71,694.00	79,912.00	95,567.00
2011	524,905.00	261,066.00	84,903.00	84,920.00	94,016.00
2010	468,852.00	227,713.00	69,483.00	50,938.00	120,718.00
2009	522,000.00	226,715.00	53,394.00	145,633.00	96,258.00
Total School Facilities	\$4,605,085.45	\$1,812,512.20	\$852,749.30	\$894,048.98	\$1,045,774.97

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

Source: District records

SPOTSWOOD BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
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	500,000,000 Per Occurrence NJSIG	5,000
Blanket Extra Expense	50,000,000 Per Occurrence NJSIG	5,000
Blanket Valuable Papers and Records	10,000,000 Per Occurrence NJSIG	5,000
Demolition and Increased Cost of Construction	25,000,000 Per Occurrence NJSIG	5,000
Fire Department Service Charge	10,000	5,000
Pollutant Cleanup and Removal	250,000	5,000
Earthquake	50,000,000 Per Occurrence NJSBAIG Ann Agg	5,000
Flood Zones (SFHA)	75,000,000 Per Occurrence NJSBAIG Ann Agg	500,000
	NJSBAIG Ann Agg	500,000
All Other Flood Zones	0 Per Occurrence/ NJSBAIG Ann Agg	10,000
Arson Reward	10,000	1,000
Newly Acquired Property	1,000,000	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
Terrorism	1,000,000 Per Occurrence 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		
EDP - Computer Virus	250,000	1,000

SPOTSWOOD BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
UNAUDITED

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Student Accident - NJSBAIG		N/A
Basic/Sports/Football K-12	\$ 1,000,000 Per Accident	
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	1,000,000	5,000
Extra Expense	10,000,000	5,000
Service Interruption	10,000,000	5,000
Perishable Goods	1,000,000	5,000
Contingent Business Income	1,000,000	5,000
Data Restoration	1,000,000	5,000
Demolition	1,000,000	5,000
Ordinance or Law	1,000,000	5,000
Expediting Expenses	1,000,000	5,000
Hazardous	1,000,000	5,000
Newly Acquired Locations (60 days notice)	1,000,000	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	100,000	1,000
 Automobile Coverage - NJSBAIG	11,000,000	
Auto Liability (CSL for Bodily Injury and Property Damage)	1,000,000	
Uninsured/Underinsured Motorists - Private Passenger Auto	15,000 Bodily Injury	
Personal Injury Protection (Including Pedestrians)		
 Workers Compensation - NJSBAIG	14,425,525	
Covered Payroll - Professional	1,090,272	
Covered Payroll - Non Professional		
 Bonds - Selective Insurance Company	500,000	N/A
School Business Administrator/Board Secretary	500,000	N/A
School Treasurer		

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

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SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable President and Members
of the Board of Education
Spotswood Borough School District
County of Middlesex
Spotswood, New Jersey 08884

We have audited, in accordance with the 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 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 (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 7, 2019.

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 Spotswood Borough School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

SUPLEE, CLOONEY & COMPANY

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

Compliance and Other Matters

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

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.



CERTIFIED PUBLIC ACCOUNTANTS



PUBLIC SCHOOL ACCOUNTANT NO. 948

February 7, 2019



SUPLEE, CLOONEY & COMPANY

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
STATE FINANCIAL ASSISTANCE PROGRAMS AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH NEW JERSEY OMB CIRCULAR 15-08**

Honorable President and Members
of the Board of Education
Spotswood Borough School District
County of Middlesex
Spotswood, New Jersey 08884

Report on Compliance for Each Major State Program

We have audited the Spotswood Borough School District's, County of Middlesex, State of New Jersey compliance with the types of compliance requirements described in the New Jersey *OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the Spotswood Borough School District's major state programs for the year ended June 30, 2018. The District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Spotswood Borough School District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and New Jersey *OMB 15-08*. Those standards and New Jersey *OMB 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 state program occurred. An audit includes examining, on a test basis, evidence about the Spotswood Borough School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

SUPLEE, CLOONEY & COMPANY

Opinion on Each Major State Program

In our opinion, the Spotswood Borough School District, County of Middlesex, State of New Jersey complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Spotswood Borough School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Spotswood Borough School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB 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 Spotswood Borough School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of New Jersey OMB 15-08. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS



PUBLIC SCHOOL ACCOUNTANT NO. 948

February 7, 2019

SPOTSWOOD BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE JUNE 30, 2017		CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS/ REPAYMENT OF PRIOR YEARS BALANCES	BALANCE JUNE 30, 2018		MEMO	
				UNEARNED REVENUE (ACCTS REC)	DUE TO GRANTOR				UNEARNED REVENUE	DUE GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
Debt Service Fund												
Debt Service Aid Type II	18-100-034-5120-125	7/1/17-6/30/18	97,423.00	\$	\$	97,423.00	(97,423.00)	\$	\$	\$	\$	97,423.00
Total Debt Service Fund						97,423.00	(97,423.00)					97,423.00
Enterprise Fund												
National School Lunch Program (State Share)	18-100-034-5120-122	7/1/17-6/30/18	4,905.54			4,561.17	(4,905.54)					4,905.54
National School Lunch Program (State Share)	17-100-034-5120-122	7/1/16-6/30/17	4,331.09	(244.48)		244.48						4,331.09
Total Enterprise Fund				(244.48)		4,825.65	(4,905.54)					9,296.63
Total State Financial Assistance				\$ (1,069,348.20)	17,936.00	\$ 11,126,237.37	\$ (10,193,926.54)	\$ 3,455.00	\$ 1,308.00	\$ 10,651.00	\$ 754,894.37	\$ 15,538,600.07
Less: On-Behalf amounts not utilized for determination of Major Programs												
On-behalf TPAF non-contributory insurance						(40,464.00)	40,464.00					
On-behalf TPAF Pension						(1,667,407.00)	1,667,407.00					
On-behalf TPAF Long-Term Disability Insurance (non-lud)						(2,624.00)	2,624.00					
On-behalf TPAF post-retirement medical						(1,103,077.00)	1,103,077.00					
Total State Financial Assistance Subject to Single Audit						8,312,665.37	(7,380,354.54)					

See accompanying notes to schedules of financial assistance

Spotswood Borough School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2018

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exceptions of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 of the District's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

Spotswood Borough School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2018

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$15,393.00 for the general fund and \$27,806.75 for the Special Revenue Fund.. See the notes to the required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal awards and state financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$40,490.47	\$9,990,496.00	\$10,030,986.47
Special Revenue Fund	530,596.25	66,671.00	597,267.25
Debt Service Fund		97,423.00	97,423.00
Food Service Fund	155,058.06	4,905.54	159,963.60
	<u>726,144.78</u>	<u>10,159,495.54</u>	<u>10,885,640.32</u>
GAAP Adjustment	8,768.75	34,431.00	43,199.75
Total Awards & Financial Assistance	<u>\$734,913.53</u>	<u>\$10,193,926.54</u>	<u>\$10,885,640.32</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

Revenues and expenditures reported in the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF pension contributions, post-retirement medical benefits and long-term disability insurance represents the amount paid by the state on behalf of the district for the year ended June 30, 2018. TPAF Social Security contributions represent the amount reimbursed by the state for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2018.

Spotswood Borough School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Program(s) – Not Applicable

State Program(s)

- | | | |
|-----|---|------------|
| (1) | Internal Control Over Major State Programs: | |
| | (a) Material weakness(es) identified? | No |
| | (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (2) | Type of Auditor’s Report issued on compliance for major state program(s)? | Unmodified |
| (3) | Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08? | No |
| (4) | Identification of Major State Program(s): | |

<u>Program Title</u>	<u>Project Number</u>
Equalization Aid	18-495-034-5120-078
Categorical Special Education Aid	18-495-034-5120-089
Categorical Security Aid	18-495-034-5120-084
Under Adequacy Aid	18-495-034-5120-083
Per Pupil Growth Aid	18-495-034-5120-097
PARCC Readiness	18-495-034-5120-098
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003

Spotswood Borough School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section I – Summary of Auditor’s Results (Continued)

- (5) Program Threshold Determination:
Type A State Program Threshold > \$750,000.00
Type B State Program Threshold <= \$750,000.00
- (6) Auditee qualified as a low-risk auditee under OMB Circular 15-08? Yes

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

Internal Control Findings – None Reported

Compliance Findings – None Reported

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

Federal Programs – Not Applicable

State Programs – None Reported

Spotswood Borough School District

Schedule of Prior Year Audit Findings

Not Applicable

