

School District  
of  
SPOTSWOOD  
BOROUGH

Spotswood Borough  
Board of Education  
County of Middlesex  
New Jersey

*Comprehensive Annual Financial Report  
Year Ended June 30, 2013*

**School District of  
Spotswood Borough**

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

Comprehensive Annual Financial Report  
Year Ended June 30, 2013

Prepared by

Spotswood Borough School District  
Business Division

## Table of Contents

|  | <u>Page</u> |
|--|-------------|
| <b>INTRODUCTORY SECTION – Other Information</b>  |             |
| Letter of Transmittal  | 1           |
| Organizational Chart   | 7           |
| Roster of Officials  | 8           |
| Independent Auditor and Advisors   | 9           |
| <b>FINANCIAL SECTION</b>   |             |
| Independent Auditors’ Report   | 10          |
| <b>Required Supplementary Information – Part I</b>   |             |
| Management’s Discussion and Analysis   | 13          |
| <b>Basic Financial Statements</b>  |             |
| Government-wide Financial Statements:  |             |
| A-1 Statement of Net Position  | 22          |
| A-2 Statement of Activities  | 23          |
| Fund Financial Statements:   |             |
| Governmental Funds:  |             |
| B-1 Balance Sheet  | 24          |
| B-2 Statement of Revenues, Expenditures and Changes in Fund Balances   | 25          |
| B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes<br>in Fund Balances of Governmental Funds to the Statement of Activities | 26          |
| Proprietary Funds:   |             |
| B-4 Statement of Net Position  | 27          |
| B-5 Statement of Revenues, Expenses and Changes in Fund Net Position   | 28          |
| B-6 Statement of Cash Flows  | 29          |
| Fiduciary Funds:   |             |
| B-7 Statement of Fiduciary Net Position  | 30          |
| B-8 Statement of Changes in Fiduciary Net Position   | 31          |
| Notes to the Basic Financial Statements  | 32          |

## Table of Contents (continued)

|  | Page |
|--|------|
| <b>FINANCIAL SECTION (continued)</b>   |      |
| <b>Required Supplementary Information – Part II</b>  |      |
| Budgetary Comparison Schedules:  |      |
| C-1  | 59   |
| Budgetary Comparison Schedule – General Fund –<br>Budgetary Basis  |      |
| C-1a   | N/A  |
| Combining Schedule of Revenues, Expenditures and Changes<br>in Fund Balance – Budget and Actual – Budgetary Basis– Not<br>Applicable |      |
| C-1b   | N/A  |
| Budgetary Comparison Schedule - Education Jobs Fund Program –<br>Budgetary Basis – Not Applicable                                    |      |
| C-2  | 67   |
| Budgetary Comparison Schedule – Special Revenue Fund –<br>Budgetary Basis  |      |
| <br><b>Note to Required Supplementary Information</b>  |      |
| C-3  | 68   |
| Budget to GAAP Reconciliation  |      |
| <br><b>Supplementary Information</b>   |      |
| D  | N/A  |
| School Based Budget Schedules – Not Applicable   |      |
| <br>Special Revenue Fund:  |      |
| E-1  | 69   |
| Combining Schedule of Program Revenues and Expenditures –<br>Budgetary Basis   |      |
| E-2  | N/A  |
| Schedule of Preschool Education Aid Expenditures –<br>Budgetary Basis – Not Applicable   |      |
| <br>Capital Projects Fund:   |      |
| F-1  | 71   |
| Summary Schedule of Project Revenues, Expenditures, Project<br>Balance and Project Status-Budgetary Basis                            |      |
| F-1a   | 72   |
| Schedule of Project Revenues, Expenditures, Project Balance<br>And Project Status – Budgetary Basis – School Energy Savings          |      |
| F-2  | 73   |
| Summary Schedule of Project Expenditures   |      |
| <br>Enterprise Fund:   |      |
| G-1  | N/A  |
| Combining Statement of Net Position – Not Applicable   |      |
| G-2  | N/A  |
| Combining Statement of Revenues, Expenses and Changes in<br>Fund Net Position – Not Applicable                                       |      |
| G-3  | N/A  |
| Combining Statement of Cash Flows – Not Applicable   |      |

## Table of Contents (continued)

|  | <u>Page</u>  |     |
|--|--|-----|
| <b>FINANCIAL SECTION (continued)</b>         |  |     |
| <b>Supplementary Information (continued)</b> |  |     |
| Fiduciary Funds:                             |  |     |
| H-1  | Combining Statement of Fiduciary Net Position                                      | 74  |
| H-2  | Combining Statement of Changes in Fiduciary Net Position                           | 75  |
| H-3  | Schedule of Cash Receipts and Cash Disbursements –<br>Student Activity Agency Fund | 76  |
| H-4  | Schedule of Cash Receipts and Cash Disbursements –<br>Payroll Agency Fund          | 77  |
| Long-Term Debt:                              |  |     |
| I-1  | Schedule of Serial Bonds Payable   | 78  |
| I-2  | Schedule of Obligations Under Capital Leases – Not Applicable                      | N/A |
| I-3  | Budgetary Comparison Schedule – Debt Service Fund                                  | 79  |

## Table of Contents (continued)

### STATISTICAL SECTION (Unaudited) – OTHER INFORMATION

|   |   |     |
|---|---|-----|
| <b>Financial Trends Information/Schedules</b> |   |     |
| J-1   | Net Position by Component                                   | 80  |
| J-2   | Changes in Net Position                                     | 81  |
| J-3   | Fund Balances, Governmental Funds                           | 83  |
| J-4   | Changes in Fund Balances – Governmental Funds               | 84  |
| J-5   | General Fund Other Local Revenue by Source                  | 85  |
| <b>Revenue Capacity Information</b>           |   |     |
| J-6   | Assessed Value and Actual Value of Taxable Property         | 86  |
| J-7   | Direct and Overlapping Property Tax Rates                   | 87  |
| J-8   | Principal Property Tax Payers                               | 89  |
| J-9   | Property Tax Levies and Collections                         | 91  |
| <b>Debt Capacity Information</b>              |   |     |
| J-10  | Ratios of Outstanding Debt by Type                          | 92  |
| J-11  | Ratios of Net General Bonded Debt Outstanding               | 93  |
| J-12  | Ratios of Overlapping Governmental Activities Debt          | 94  |
| J-13  | Legal Debt Margin Information                               | 95  |
| <b>Demographic and Economic Information</b>   |   |     |
| J-14  | Demographic and Economic Statistics                         | 97  |
| J-15  | Principal Employers   | 98  |
| <b>Operating Information</b>                  |   |     |
| J-16  | Full-Time Equivalent District Employees by Function/Program | 99  |
| J-17  | Operating Statistics  | 101 |
| J-18  | School Building Information                                 | 103 |
| J-19  | Schedule of Required Maintenance for School Facilities      | 104 |
| J-20  | Insurance Schedule  | 105 |

## Table of Contents (continued)

|   | <u>Page</u> |
|---|-------------|
| <b>SINGLE AUDIT SECTION</b>   |             |
| K-1 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 107         |
| K-2 Report on Compliance For Each Major Federal and State Program and Report on Internal Control Over Compliance  | 109         |
| K-3 Schedule A – Schedule of Expenditures of Federal Awards – Supplementary Information   | 112         |
| K-4 Schedule B – Schedule of Expenditures of State Financial Assistance – Supplementary Information   | 113         |
| K-5 Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance   | 114         |
| K-6 Schedule of Findings and Questioned Costs   | 117         |
| K-7 Summary Schedule of Prior Year Audit Findings   | 121         |

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# Introductory Section



# Spotswood Board of Education

ADMINISTRATIVE OFFICES  
105 SUMMERHILL ROAD  
SPOTSWOOD, NEW JERSEY 08884

732-723-2240 • FAX: 732-251-7666  
WWW.SPOTSWOOD.K12.NJ.US



*Scott R. Rocco, Superintendent*

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

*Robert Green, Business Administrator/  
Board Secretary*

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

November 8, 2013

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, 2013, 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, 2013 and the respective changes in financial position, and where applicable, cash flows for the year then ended. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational, as well as special education for handicapped youngsters. The District completed the 2012-2013 fiscal year with an average daily enrollment of 1805 students, which is approximately a 1.35% increase from the prior year’s average daily enrollment. The following details the changes in the average daily enrollment of the District over the last five years.

### **Average Daily Enrollment**

| <b>Fiscal<br/>Year</b> | <b>Student<br/>Enrollment</b> | <b>Percent<br/>Change</b> |
|------------------------|-------------------------------|---------------------------|
| 2013                   | 1,805                         | 1.35%                     |
| 2012                   | 1,781                         | (1.87)                    |
| 2011                   | 1,815                         | 0.39                      |
| 2010                   | 1,808                         | 2.73                      |
| 2009                   | 1,760                         | (0.40)                    |

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

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

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

### **3. Initiatives**

The Spotswood School District's initiatives for the 2013/2014 school year will be as follows:

- **Accountability**

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

Follow up of a review/evaluation of Language Arts Literacy for the 2013/14 school year.

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

- **Staff Development**

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

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

- **Operational Improvement**

PLC (Professional Learning Communities) teams will be trained and fully operational during the 2013/2014 school year, providing for groups of teachers who form a support group to work on a plan strategically around particular topics, and challenge their teaching in a nurturing environment.

School Data Teams will review internal and standardized test data to assure student learning and address the changes being made with the implementation of PARCC.

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

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

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

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

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

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

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

## **7. Internal Control**

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

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

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

## **8. Budgetary Controls**

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as appropriations of fund balance in the subsequent year. Those amounts to be appropriated are reported as reservations of fund balance at June 30, 2013.

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

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

## **10. Debt Administration**

At June 30, 2013, the District's outstanding debt issues included \$9,660,000 of bonds. During the 2013 fiscal year, the District was notified that its bond rating was AA-, but enhanced by the School Bond Reserve Act with an underlying rating for the District of A+. The legal debt margin and the debt per capita can be found in the Statistical section, schedules J-13 and J-11, respectively.

## **11. Cash Management**

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

## **12. Risk Management**

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

## **13. Other Information**

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

## **14. Acknowledgments**

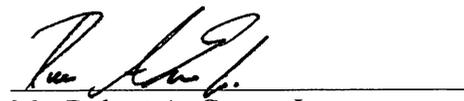
We would like to express our appreciation to the members of the Spotswood Borough Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school District and thereby contributing their full support to the development and maintenance of our financial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

Respectfully Submitted,



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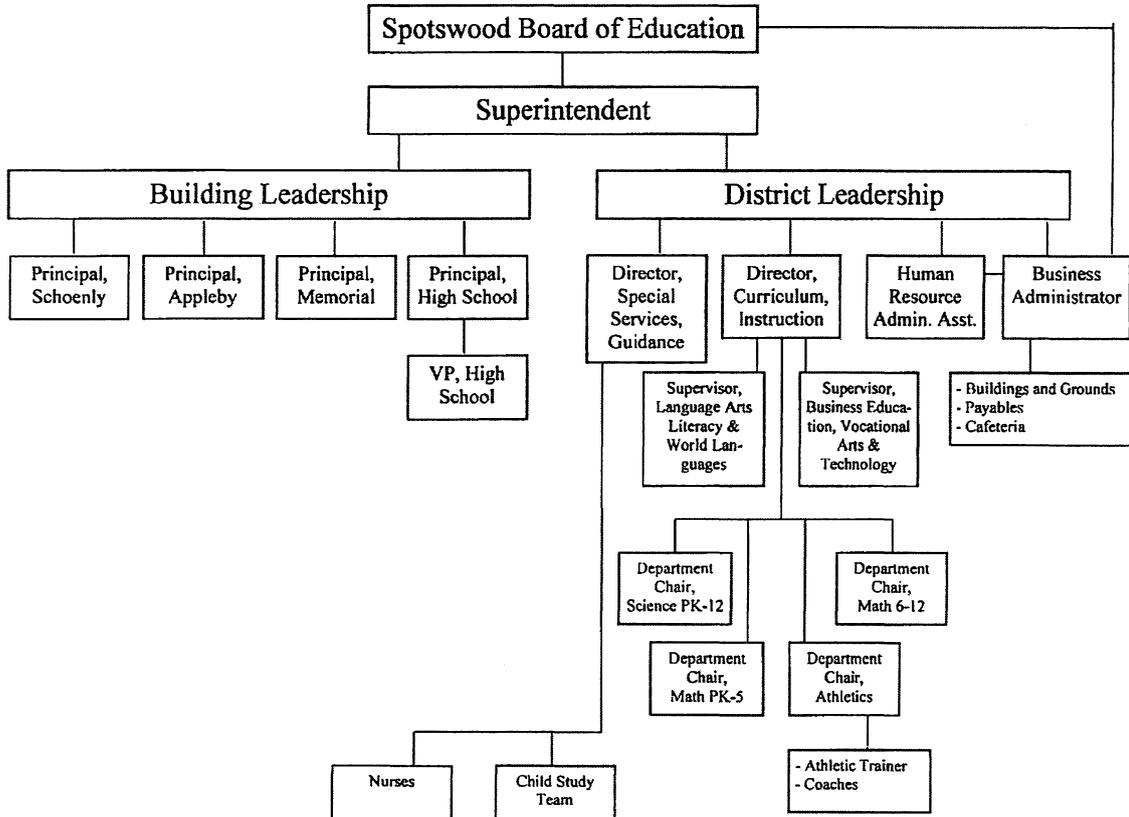
Mr. Scott Rocco  
Superintendent of Schools



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

Spotswood Borough School District  
 Spotswood, New Jersey  
 Organizational Chart  
 June 30, 2013



Spotswood Borough School District  
Spotswood, New Jersey

Roster of Officials

June 30, 2013

**Members of the Board of Education**

**Term Expires**

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|  |                |
|--|----------------|
| Donna Faulkenberry, President          | January - 2015 |
| Dulce Branco-Rivera, Vice President    | January - 2016 |
| John Lavelle                           | January - 2014 |
| William J. Loschiavo                   | January - 2014 |
| William Smith                          | January - 2016 |
| Linda Harold (Milltown Representative) |                |

**Other Officials**

Dr. Scott Rocco, Superintendent of Schools  
(January 1, 2013 – current)  
Dr. Anthony E. Vaz, Interim Superintendent of Schools  
(July 9, 2012 – December 31, 2012)  
Robert A. Green, Jr., School Business Administrator/Board  
Secretary  
Barbara Petren, Treasurer of School Moneys

Spotswood Borough School District  
Spotswood, New Jersey

Independent Auditor and Advisors

**Attorney**

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

**Bond Attorney**

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

**Independent Auditor**

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

**Official Depository**

TD Bank  
Route 18 South  
East Brunswick, New Jersey 07753

**Official Newspapers**

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

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

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## **Financial Section**



## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Spotswood Borough School District, County of Middlesex, New Jersey (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which consists of the combining and individual fund financial statements, long-term debt schedules and schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and

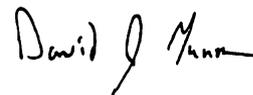
Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively*, and the other information such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information identified above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting compliance.



David J. Gannon  
Licensed Public School Accountant  
No. 2305



WISS & COMPANY, LLP

November 8, 2013  
Iselin, New Jersey

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Required Supplementary Information  
Part I

# Management's Discussion and Analysis

Spotswood Borough School District  
Management's Discussion and Analysis  
Year ended June 30, 2013  
(Unaudited)

As management of the Spotswood Borough School District (the "District"), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District as of and for the year ended June 30, 2013. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

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

**Overview of the Financial Statements**

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

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

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

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

The government-wide financial statements can be found on pages 22-23 of this report.

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

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

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

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

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

The governmental fund financial statements can be found on pages 24-26 of this report.

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

The enterprise fund financial statements can be found on pages 27-29 of this report.

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

The District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The District also has an unemployment compensation trust fund. The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 32-58 of this report.

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

## Financial Highlights

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, the total Government-wide assets exceeded liabilities by \$11,564,877 (net position) at the close of 2013. The following table provides a summary of net position relating to the District's governmental and business-type activities as of June 30, 2013 and 2012:

| Spotswood Borough School District<br>Spotswood, New Jersey<br>Net Position<br>June 30, |                            |                                 |               |                            |                                 |               |
|--|----------------------------|---------------------------------|---------------|----------------------------|---------------------------------|---------------|
|  | 2013                       |                                 |               | 2012                       |                                 |               |
|  | Governmental<br>Activities | Business-<br>type<br>Activities | Total         | Governmental<br>Activities | Business-<br>type<br>Activities | Total         |
| Current and other assets   | \$ 2,068,460               | \$ 610,835                      | \$ 2,679,295  | \$ 5,350,920               | \$ 572,327                      | \$ 5,923,247  |
| Capital assets, net  | 20,094,519                 | 4,812                           | 20,099,331    | 17,867,282                 | 7,032                           | 17,874,314    |
| Total assets   | 22,162,979                 | 615,647                         | 22,778,626    | 23,218,202                 | 579,359                         | 23,797,561    |
| Current liabilities  | 1,927,163                  | 101,370                         | 2,028,533     | 1,664,393                  | 103,990                         | 1,768,383     |
| Long-term liabilities<br>outstanding   | 9,185,216                  |                                 | 9,185,216     | 10,135,622                 |                                 | 10,135,622    |
| Total liabilities  | 11,112,379                 | 101,370                         | 11,213,749    | 11,800,015                 | 103,990                         | 11,904,005    |
| Net position   |                            |                                 |               |                            |                                 |               |
| Net investment in capital<br>assets  | 10,401,006                 | 4,812                           | 10,405,818    | 9,274,773                  | 7,032                           | 9,281,805     |
| Restricted   | 859,010                    |                                 | 859,010       | 2,338,662                  |                                 | 2,338,662     |
| Unrestricted (deficit)   | (209,416)                  | 509,465                         | 300,049       | (195,248)                  | 468,337                         | 273,089       |
| Total net position   | \$ 11,050,600              | \$ 514,277                      | \$ 11,564,877 | \$ 11,418,187              | \$ 475,369                      | \$ 11,893,556 |

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

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

The decrease in governmental activities in current and other assets is mainly attributed to the use of prior year funds for payment of current year debt obligations as well as use of funds for various capital related projects that were completed and capitalized during the year, as evidenced by the increase in capital assets, net and the net position, net investment in capital assets.

The decrease in restricted net position is the result of the use of prior year restricted funds in the District's 2012-2013 annual budget to fund various maintenance, tuition and capital related expenses.

Business-type balances are minimal and current year balances are comparable to the prior year.

**District activities.** The key elements of the District's changes in net position for the years ended June 30, 2013 and 2012 are as follows:

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

Years ended June 30,

|  | 2013                    |                          |                      | 2012                    |                          |                      |
|--|-------------------------|--------------------------|----------------------|-------------------------|--------------------------|----------------------|
|  | Governmental Activities | Business-type Activities | Total                | Governmental Activities | Business-type Activities | Total                |
| <b>Revenues:</b>                                 |                         |                          |                      |                         |                          |                      |
| Program revenues:                                |                         |                          |                      |                         |                          |                      |
| Charges for services                             | \$ 4,121,660            | \$ 785,306               | \$ 4,906,966         | \$ 4,192,661            | \$ 828,162               | \$ 5,020,823         |
| Operating grants and contributions               | 695,440                 | 164,315                  | 859,755              | 695,364                 | 161,769                  | 857,133              |
| General revenues:                                |                         |                          |                      |                         |                          |                      |
| Property taxes                                   | 14,807,922              |                          | 14,807,922           | 14,842,590              |                          | 14,842,590           |
| State aid not restricted to specific purposes    | 8,618,571               |                          | 8,618,571            | 7,671,764               |                          | 7,671,764            |
| Federal aid not restricted for specific purposes | 32,788                  |                          | 32,788               | 187,480                 |                          | 187,480              |
| Interest earnings                                | 208                     |                          | 208                  | 3,476                   | 34                       | 3,510                |
| Miscellaneous                                    | 166,091                 |                          | 166,091              | 115,753                 |                          | 115,753              |
| <b>Total revenues</b>                            | <b>28,442,680</b>       | <b>949,621</b>           | <b>29,392,301</b>    | <b>27,709,088</b>       | <b>989,931</b>           | <b>28,699,053</b>    |
| <b>Expenses:</b>                                 |                         |                          |                      |                         |                          |                      |
| Instructional services                           | 18,078,475              |                          | 18,078,475           | 16,945,523              |                          | 16,945,523           |
| Support services                                 | 10,419,210              |                          | 10,419,210           | 9,666,862               |                          | 9,666,862            |
| Interest and other charges                       | 312,582                 |                          | 312,582              | 299,641                 |                          | 299,641              |
| Business type activities                         |                         | 910,713                  | 910,713              |                         | 880,877                  | 880,877              |
| <b>Total expenses</b>                            | <b>28,810,267</b>       | <b>910,713</b>           | <b>29,720,980</b>    | <b>26,912,026</b>       | <b>880,877</b>           | <b>27,792,903</b>    |
| Change in net position                           | (367,587)               | 38,908                   | (328,679)            | 797,062                 | 109,088                  | 906,150              |
| Net position – beginning of year                 | 11,418,187              | 475,369                  | 11,893,556           | 10,621,125              | 366,281                  | 10,987,406           |
| Net position – end of year                       | <u>\$ 11,050,600</u>    | <u>\$ 514,277</u>        | <u>\$ 11,564,877</u> | <u>\$ 11,418,187</u>    | <u>\$ 475,369</u>        | <u>\$ 11,893,556</u> |

State aid not restricted increased from the prior year mainly as the result of additional amounts paid by the State of New Jersey on behalf of the District relating to retiree pension contributions.

Federal aid not restricted decreased from the prior year as the District expended its remaining allotment of Education Jobs funds in the prior year and these funds were not again available to the District for the 2012-2013 year.

Expenses for instructional and support services increased in the 2013 fiscal year as a result of contractual salary increases for staff, increases to health benefit premiums, increases to supplies purchased for instructional purposes and increases to the amounts paid for tuition for students attending private schools for the disabled.

Business-type revenue and expenditure fluctuations are minimal and current year activity is comparable to the prior year.

### Financial Analysis of the District's Funds

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

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

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2013, and the increases and decreases in relation to the prior year.

| <u>Revenue</u>  | <u>Amount</u>        | <u>Percent of Total</u> | <u>(Decrease) Increase from 2012</u> | <u>Percent of (Decrease) Increase</u> |
|-----------------|----------------------|-------------------------|--------------------------------------|---------------------------------------|
| Local sources   | \$ 19,107,878        | 67.18%                  | \$ (83,988)                          | (0.44)%                               |
| State sources   | 8,709,130            | 30.62                   | 953,172                              | 12.29                                 |
| Federal sources | 625,672              | 2.20                    | (135,592)                            | (17.81)                               |
| Total           | <u>\$ 28,442,680</u> | <u>100.00%</u>          | <u>\$ 733,592</u>                    | <u>2.65%</u>                          |

The increase in state sources is mainly the result of an increase in TPAF pension contributions made by the State of New Jersey on-behalf of the District during 2012/2013 as compared to the prior year.

The decrease in federal sources is the result of the District receiving one time federal grant funding in the prior year for Education Jobs that was not again made available to the District for 2012-2013.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2013 and the increases related to the prior year:

| <u>Expenditures</u>        | <u>Amount</u>        | <u>Percent of Total</u> | <u>Increase from 2012</u> | <u>Percent of Increase</u> |
|----------------------------|----------------------|-------------------------|---------------------------|----------------------------|
| Current expenditures:      |                      |                         |                           |                            |
| Instruction                | \$ 11,973,114        | 39.86%                  | \$ 351,169                | 3.02%                      |
| Undistributed expenditures | 15,396,564           | 51.26                   | 1,146,114                 | 8.04                       |
| Capital outlay             | 1,415,172            | 4.71                    | 849,524                   | 150.19                     |
| Debt service:              |                      |                         |                           |                            |
| Principal                  | 945,000              | 3.15                    | 70,000                    | 8.00                       |
| Interest                   | 305,188              | 1.02                    | 109,712                   | 56.13                      |
| Total                      | <u>\$ 30,035,038</u> | <u>100.00%</u>          | <u>\$ 2,526,519</u>       | <u>9.18%</u>               |

The increase in instruction and undistributed expenditures is attributable mainly to salary increases for staff, increases to health benefit premiums, increases to supplies purchased for instructional purposes and increases to the amounts paid for tuition for students attending private schools for the disabled.

The increase in capital outlay is mainly attributed to the use of funds budgeted for in 2012-2103.

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

### **General Fund Budgetary Highlights**

During the 2013 fiscal year, the District budgeted \$1,842,352 of prior year fund balance, including unrestricted balances of \$172,562, restricted excess surplus of \$460,140 and restricted funds from the maintenance, capital and tuition reserves of \$1,209,650. During the year, both revenues and expenditures were within budgetary estimates, thus eliminating the need to draw upon existing fund balance.

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

- Resource room – Salaries of teachers– an increase of \$109,926, Basic skill – salaries of teachers – an increase of \$89,475 and speech, OT, PT & related services – salaries – an increase of \$99,934 is attributable to the rise in salary related expenditures for providing services to special education students.
- Undistributed expenditures - instruction – tuition to county special services – an increase of \$306,162 and undistributed expenditures – instruction – tuition to private schools for the handicapped within the state – a decrease of \$526,104 is attributable to reallocating funds due to the change in number of students attending out-of-District facilities.
- Custodial services – a decrease of \$217,452, Unallocated benefits – Other retirement contributions – regular – a decrease of \$116,914 and Unallocated benefits – unemployment compensation a decrease of \$89,000 is attributable to reallocation of additional budgeted funds to cover the costs of rising health care costs of which Unallocated benefits – health insurance increased by \$384,648 to cover that rise in costs

## Capital Assets and Debt Administration

*Capital Assets.* The District has governmental type capital assets, net of depreciation of \$20,094,519 at June 30, 2013, including land, construction in progress, site improvements, buildings and building improvements, machinery, equipment and vehicles. (More detailed information about capital assets can be found in Note 4 to the basic financial statements.)

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

|                                     | June 30,             |                      |
|-------------------------------------|----------------------|----------------------|
|                                     | 2013                 | 2012                 |
| Land                                | \$ 197,617           | \$ 197,617           |
| Construction in progress            |                      | 848,173              |
| Site improvements                   | 229,940              | 267,128              |
| Buildings and building improvements | 19,092,966           | 15,903,313           |
| Machinery, equipment and vehicles   | 573,996              | 651,051              |
| Total capital assets, net           | <u>\$ 20,094,519</u> | <u>\$ 17,867,282</u> |

### *Debt Administration and Long-Term Liabilities.*

At June 30, 2013 and 2012, the District's governmental activity long-term liabilities consisted of:

|                                     | June 30,             |                      |
|-------------------------------------|----------------------|----------------------|
|                                     | 2013                 | 2012                 |
| Bonds payable                       | \$ 9,660,000         | \$ 10,605,000        |
| Unamortized Deferred interest costs | (252,920)            | (276,177)            |
| Unamortized Premium on bonds        | 286,433              | 311,404              |
| Compensated absences payable        | 746,215              | 663,900              |
| Total long-term liabilities         | <u>\$ 10,439,728</u> | <u>\$ 11,304,127</u> |

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

## Economic Factors and Next Year's Budget

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

- The Board is in process of implementing an Energy Savings Incentive Plan that will hopefully prove to be cost neutral and also provide for many necessary facility upgrades including windows, boilers, light fixture upgrades and roof top air handling units.
- The 2013-2014 fiscal year budget utilized a significant amount of fund balance, \$1,229,624 to balance the budget.

All of these factors were considered in preparing the District's budget for the 2013-2014 fiscal year. The reduction and/or stabilization of state aid will make future budgets difficult.

### **Requests for Information**

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

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# Basic Financial Statements

# Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2013.

## Spotswood Borough School District

## Statement of Net Position

June 30, 2013

|   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>         |
|---|------------------------------------|-------------------------------------|----------------------|
| <b>Assets</b>                               |                                    |                                     |                      |
| Cash and cash equivalents                   | \$ 983,865                         | \$ 573,016                          | \$ 1,556,881         |
| Accounts receivable                         | 504,113                            | 26,626                              | 530,739              |
| Inventories                                 |                                    | 11,193                              | 11,193               |
| Deferred charges                            | 145,040                            |                                     | 145,040              |
| Restricted assets:                          |                                    |                                     |                      |
| Cash and cash equivalents                   | 435,442                            |                                     | 435,442              |
| Capital assets, non-depreciable             | 197,617                            |                                     | 197,617              |
| Capital assets, depreciable, net            | 19,896,902                         | 4,812                               | 19,901,714           |
| Total assets                                | <u>22,162,979</u>                  | <u>615,647</u>                      | <u>22,778,626</u>    |
| <b>Liabilities</b>                          |                                    |                                     |                      |
| Accounts payable                            | 219,877                            | 1,185                               | 221,062              |
| Accrued interest payable                    | 128,560                            |                                     | 128,560              |
| Intergovernmental payables - state          | 18,306                             |                                     | 18,306               |
| Unearned revenue                            | 305,908                            | 100,185                             | 406,093              |
| Current portion of long-term obligations    | 1,254,512                          |                                     | 1,254,512            |
| Noncurrent portion of long-term obligations | 9,185,216                          |                                     | 9,185,216            |
| Total liabilities                           | <u>11,112,379</u>                  | <u>101,370</u>                      | <u>11,213,749</u>    |
| <b>Net position</b>                         |                                    |                                     |                      |
| Net investment in capital assets            | 10,401,006                         | 4,812                               | 10,405,818           |
| Restricted for:                             |                                    |                                     |                      |
| Debt service                                | 33,291                             |                                     | 33,291               |
| Capital projects                            | 189,961                            |                                     | 189,961              |
| Maintenance reserve                         | 134,070                            |                                     | 134,070              |
| Capital reserve                             | 111,411                            |                                     | 111,411              |
| Excess surplus - prior year                 | 390,277                            |                                     | 390,277              |
| Unrestricted (deficit)                      | (209,416)                          | 509,465                             | 300,049              |
| Total net position                          | <u>\$ 11,050,600</u>               | <u>\$ 514,277</u>                   | <u>\$ 11,564,877</u> |

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

## Spotswood Borough School District

## Statement of Activities

Year ended June 30, 2013

| Functions/Programs                          | Expenses      | Program Revenues     |                                    | Net (Expense) Revenue and Changes in Net Position |                          | Total           |
|---|---------------|----------------------|------------------------------------|---|--------------------------|-----------------|
|   |               | Charges for Services | Operating Grants and Contributions | Governmental Activities                           | Business-type Activities |                 |
| <b>Governmental activities</b>              |               |                      |                                    |   |                          |                 |
| Instruction                                 | \$ 18,078,475 | \$ 4,121,660         | \$ 447,857                         | \$ (13,508,958)                                   |                          | \$ (13,508,958) |
| Support services:                           |               |                      |                                    |   |                          |                 |
| Health services                             | 481,418       |                      |                                    | (481,418)   |                          | (481,418)       |
| Other support services                      | 2,988,712     |                      | 247,583                            | (2,741,129)                                       |                          | (2,741,129)     |
| Improvement of instruction                  | 462,145       |                      |                                    | (462,145)   |                          | (462,145)       |
| School library                              | 95,850        |                      |                                    | (95,850)  |                          | (95,850)        |
| Instructional staff training                | 38,971        |                      |                                    | (38,971)  |                          | (38,971)        |
| General administration                      | 452,165       |                      |                                    | (452,165)   |                          | (452,165)       |
| School administration                       | 1,225,996     |                      |                                    | (1,225,996)                                       |                          | (1,225,996)     |
| Central services                            | 574,314       |                      |                                    | (574,314)   |                          | (574,314)       |
| Administrative information technology       | 253,784       |                      |                                    | (253,784)   |                          | (253,784)       |
| Required maintenance of plant services      | 495,613       |                      |                                    | (495,613)   |                          | (495,613)       |
| Operation of plant                          | 2,318,083     |                      |                                    | (2,318,083)                                       |                          | (2,318,083)     |
| Student transportation                      | 1,032,159     |                      |                                    | (1,032,159)                                       |                          | (1,032,159)     |
| Interest on long-term debt                  | 312,582       |                      |                                    | (312,582)   |                          | (312,582)       |
| Total governmental activities               | 28,810,267    | 4,121,660            | 695,440                            | (23,993,167)                                      |                          | (23,993,167)    |
| <b>Business-type activities</b>             |               |                      |                                    |   |                          |                 |
| Food service                                | 566,894       | 401,484              | 164,315                            |   | \$ (1,095)               | (1,095)         |
| CARES                                       | 343,819       | 383,822              |                                    |   | 40,003                   | 40,003          |
| Total business-type activities              | 910,713       | 785,306              | 164,315                            |   | 38,908                   | 38,908          |
| Total primary government                    | \$ 29,720,980 | \$ 4,906,966         | \$ 859,755                         | (23,993,167)                                      | 38,908                   | (23,954,259)    |
| <b>General revenues</b>                     |               |                      |                                    |   |                          |                 |
| Property taxes, levied for general purposes |               |                      |                                    | 13,804,809  |                          | 13,804,809      |
| Property taxes, levied for debt service     |               |                      |                                    | 1,003,113   |                          | 1,003,113       |
| State sources                               |               |                      |                                    | 8,618,571   |                          | 8,618,571       |
| Federal sources                             |               |                      |                                    | 32,788  |                          | 32,788          |
| Interest earnings                           |               |                      |                                    | 208   |                          | 208             |
| Miscellaneous income                        |               |                      |                                    | 166,091   |                          | 166,091         |
| Total general revenues                      |               |                      |                                    | 23,625,580  |                          | 23,625,580      |
| Change in net position                      |               |                      |                                    | (367,587)   | 38,908                   | (328,679)       |
| Net position—beginning of year              |               |                      |                                    | 11,418,187  | 475,369                  | 11,893,556      |
| Net position—end of year                    |               |                      |                                    | \$ 11,050,600                                     | \$ 514,277               | \$ 11,564,877   |

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

# Fund Financial Statements

# Governmental Funds

Spotswood Borough School District  
Governmental Funds

Balance Sheet

June 30, 2013

|   | Major Funds         |                            |                             |                         | Total<br>Governmental<br>Funds |
|---|---------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
|   | General<br>Fund     | Special<br>Revenue<br>Fund | Capital<br>Projects<br>Fund | Debt<br>Service<br>Fund |                                |
| <b>Assets</b>                                 |                     |                            |                             |                         |                                |
| Cash and cash equivalents                     | \$ 950,574          |                            |                             | \$ 33,291               | \$ 983,865                     |
| Accounts receivable:                          |                     |                            |                             |                         |                                |
| State   | 119,698             |                            |                             |                         | 119,698                        |
| Federal                                       |                     | \$ 260,829                 |                             |                         | 260,829                        |
| Other   |                     | 3,375                      |                             |                         | 3,375                          |
| Interfund                                     | 280,494             |                            |                             |                         | 280,494                        |
| Restricted assets:                            |                     |                            |                             |                         |                                |
| Cash and cash equivalents                     | 245,481             |                            | \$ 189,961                  |                         | 435,442                        |
| Total assets                                  | <u>\$ 1,596,247</u> | <u>\$ 264,204</u>          | <u>\$ 189,961</u>           | <u>\$ 33,291</u>        | <u>\$ 2,083,703</u>            |
| <b>Liabilities and Fund Balances</b>          |                     |                            |                             |                         |                                |
| <b>Liabilities:</b>                           |                     |                            |                             |                         |                                |
| Accounts payable                              | \$ 175,879          | \$ 43,998                  |                             |                         | \$ 219,877                     |
| Intergovernmental payables:                   |                     |                            |                             |                         |                                |
| State   |                     | 18,306                     |                             |                         | 18,306                         |
| Interfunds payable                            |                     | 160,283                    |                             |                         | 160,283                        |
| Unearned revenue                              | 264,291             | 41,617                     |                             |                         | 305,908                        |
| Total liabilities                             | <u>440,170</u>      | <u>264,204</u>             |                             |                         | <u>704,374</u>                 |
| <b>Fund balances:</b>                         |                     |                            |                             |                         |                                |
| <b>Restricted for:</b>                        |                     |                            |                             |                         |                                |
| Excess surplus-prior year                     | 390,277             |                            |                             |                         | 390,277                        |
| Capital projects                              |                     |                            | \$ 189,961                  |                         | 189,961                        |
| Debt service                                  |                     |                            |                             | \$ 33,291               | 33,291                         |
| Capital reserve                               | 111,411             |                            |                             |                         | 111,411                        |
| Maintenance reserve                           | 134,070             |                            |                             |                         | 134,070                        |
| <b>Assigned to:</b>                           |                     |                            |                             |                         |                                |
| Designated for subsequent year's expenditures | 520,319             |                            |                             |                         | 520,319                        |
| Total fund balances                           | <u>1,156,077</u>    |                            | <u>189,961</u>              | <u>33,291</u>           | <u>1,379,329</u>               |
| Total liabilities and fund balances           | <u>\$ 1,596,247</u> | <u>\$ 264,204</u>          | <u>\$ 189,961</u>           | <u>\$ 33,291</u>        |                                |

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

|   |                      |
|---|----------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$34,543,503 and the accumulated depreciation is \$ 14,448,984  | 20,094,519           |
| Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.  | (128,560)            |
| Unamortized portion of debt issuance costs not reported as an asset in the funds.   | 145,040              |
| Long-term liabilities, including bonds payable, compensated absences and unamortized premium on bonds are not due and payable in the current period and therefore are not reported as liabilities in the funds and unamortized deferred interest costs are not reported as an asset in the funds. | <u>(10,439,728)</u>  |
| Net Position of governmental activities   | <u>\$ 11,050,600</u> |

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

Spotswood Borough School District  
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2013

|   | Major Funds         |                            |                             |                         | Total<br>Governmental<br>Funds |
|---|---------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
|   | General<br>Fund     | Special<br>Revenue<br>Fund | Capital<br>Projects<br>Fund | Debt<br>Service<br>Fund |                                |
| <b>Revenues</b>   |                     |                            |                             |                         |                                |
| Local sources:  |                     |                            |                             |                         |                                |
| Local tax levy  | \$ 13,804,809       |                            |                             | \$ 1,003,113            | \$ 14,807,922                  |
| Tuition from other LEA's                                    | 3,981,510           |                            |                             |                         | 3,981,510                      |
| Tuition from individuals                                    | 140,150             |                            |                             |                         | 140,150                        |
| Investment Income   | 31                  |                            |                             |                         | 31                             |
| Interest earned on capital reserve funds                    | 177                 |                            |                             |                         | 177                            |
| Miscellaneous   | 166,091             | \$ 11,997                  | -                           |                         | 178,088                        |
| Total local sources   | 18,092,768          | 11,997                     | -                           | 1,003,113               | 19,107,878                     |
| State sources   | 8,555,846           | 90,559                     |                             | 62,725                  | 8,709,130                      |
| Federal sources   | 32,788              | 592,884                    |                             |                         | 625,672                        |
| Total revenues  | 26,681,402          | 695,440                    | -                           | 1,065,838               | 28,442,680                     |
| <b>Expenditures</b>   |                     |                            |                             |                         |                                |
| Current:  |                     |                            |                             |                         |                                |
| Instruction   | 11,525,257          | 447,857                    |                             |                         | 11,973,114                     |
| Undistributed-current:                                      |                     |                            |                             |                         |                                |
| Instruction   | 1,052,042           |                            |                             |                         | 1,052,042                      |
| Health services   | 361,018             |                            |                             |                         | 361,018                        |
| Other support services                                      | 2,040,000           | 200,426                    |                             |                         | 2,240,426                      |
| Improvement of instruction                                  | 319,706             |                            |                             |                         | 319,706                        |
| Educational media services / school library                 | 66,865              |                            |                             |                         | 66,865                         |
| Instructional staff training                                | 37,121              |                            |                             |                         | 37,121                         |
| General administration                                      | 350,652             |                            |                             |                         | 350,652                        |
| School administration                                       | 847,141             |                            |                             |                         | 847,141                        |
| Central services  | 435,944             |                            |                             |                         | 435,944                        |
| Administrative information technology                       | 188,159             |                            |                             |                         | 188,159                        |
| Required maintenance of plant services                      | 402,249             |                            |                             |                         | 402,249                        |
| Operation of plant  | 1,769,791           |                            |                             |                         | 1,769,791                      |
| Student transportation                                      | 939,768             |                            |                             |                         | 939,768                        |
| Unallocated benefits  | 3,881,396           |                            |                             |                         | 3,881,396                      |
| On-behalf TPAF social security<br>and pension contributions | 2,504,286           |                            |                             |                         | 2,504,286                      |
| Capital outlay  | 1,368,015           | 47,157                     | \$ 1,857,757                |                         | 3,272,929                      |
| Debt Service:   |                     |                            |                             |                         |                                |
| Principal   | 155,000             |                            |                             | 790,000                 | 945,000                        |
| Interest  | 29,350              |                            |                             | 275,838                 | 305,188                        |
| Total expenditures  | 28,273,760          | 695,440                    | 1,857,757                   | 1,065,838               | 31,892,795                     |
| (Deficit) of revenues (under) expenditures                  | (1,592,358)         | -                          | (1,857,757)                 | -                       | (3,450,115)                    |
| Fund balances, July 1                                       | 2,748,435           |                            | 2,047,718                   | 33,291                  | 4,829,444                      |
| Fund balances, June 30                                      | <u>\$ 1,156,077</u> | <u>\$ -</u>                | <u>\$ 189,961</u>           | <u>\$ 33,291</u>        | <u>\$ 1,379,329</u>            |

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

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

Spotswood Borough School District  
Governmental Funds

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

Year ended June 30, 2013

**Total net change in fund balances - governmental funds (from B-2)** **\$ (3,450,115)**

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

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

|                      |                  |           |
|----------------------|------------------|-----------|
| Depreciation expense | \$ (798,774)     |           |
| Capital additions    | <u>3,026,011</u> | 2,227,237 |

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

3,064

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

945,000

Governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.

|   |                 |          |
|---|-----------------|----------|
| Amortization of Premium on Bonds        | 24,971          |          |
| Amortization of Deferred Interest Costs | (23,257)        |          |
| Amortization of Bond Issuance Costs     | <u>(12,172)</u> | (10,458) |

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

(82,315)

**Change in net position of governmental activities (A-2)**

**\$ (367,587)**

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

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# Proprietary Funds

Spotswood Borough School District  
Enterprise Funds

Statement of Net Position

June 30, 2013

|                                  | <b>Major Enterprise Funds</b> |                   |                   |
|----------------------------------|-------------------------------|-------------------|-------------------|
|                                  | <b>Food<br/>Service</b>       | <b>C.A.R.E.S.</b> | <b>Totals</b>     |
| <b>Assets</b>                    |                               |                   |                   |
| Current assets:                  |                               |                   |                   |
| Cash and cash equivalents        | \$ 115,689                    | \$ 457,327        | \$ 573,016        |
| Accounts receivable:             |                               |                   |                   |
| State                            | 1,004                         |                   | 1,004             |
| Federal                          | 24,248                        |                   | 24,248            |
| Other                            | 1,374                         |                   | 1,374             |
| Inventories                      | 11,193                        |                   | 11,193            |
| Total current assets             | <u>153,508</u>                | <u>457,327</u>    | <u>610,835</u>    |
| Capital assets:                  |                               |                   |                   |
| Equipment                        | 146,547                       |                   | 146,547           |
| Accumulated depreciation         | <u>(141,735)</u>              |                   | <u>(141,735)</u>  |
| Total capital assets, net        | <u>4,812</u>                  |                   | <u>4,812</u>      |
| Total assets                     | <u>158,320</u>                | <u>457,327</u>    | <u>615,647</u>    |
| <b>Liabilities</b>               |                               |                   |                   |
| Current liabilities:             |                               |                   |                   |
| Accounts payable                 |                               | 1,185             | 1,185             |
| Unearned revenue                 | 1,344                         | 98,841            | 100,185           |
| Total current liabilities        | <u>1,344</u>                  | <u>100,026</u>    | <u>101,370</u>    |
| <b>Net position</b>              |                               |                   |                   |
| Net investment in capital assets | 4,812                         |                   | 4,812             |
| Unrestricted                     | 152,164                       | 357,301           | 509,465           |
| Total net position               | <u>\$ 156,976</u>             | <u>\$ 357,301</u> | <u>\$ 514,277</u> |

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

Spotswood Borough School District  
Proprietary Funds

Statement of Revenues, Expenses and  
Changes in Fund Net Position

Year ended June 30, 2013

|                                       | <u>Major Enterprise Funds</u> |                   |                   |
|---------------------------------------|-------------------------------|-------------------|-------------------|
|                                       | <u>Food<br/>Service</u>       | <u>C.A.R.E.S.</u> | <u>Totals</u>     |
| Operating revenues:                   |                               |                   |                   |
| Local sources:                        |                               |                   |                   |
| Daily sales reimbursable programs     | \$ 392,310                    |                   | \$ 392,310        |
| Program fees                          |                               | \$ 383,822        | 383,822           |
| Special functions                     | 9,174                         |                   | 9,174             |
| Total operating revenues              | <u>401,484</u>                | <u>383,822</u>    | <u>785,306</u>    |
| Operating expenses:                   |                               |                   |                   |
| Salaries                              | 170,241                       | 279,559           | 449,800           |
| Employee benefits                     | 42,046                        |                   | 42,046            |
| Purchase professional services        | 6,086                         |                   | 6,086             |
| Supplies and materials                | 24,915                        | 45,298            | 70,213            |
| Repairs and maintenance               | 7,467                         |                   | 7,467             |
| Cost of sales                         | 261,207                       |                   | 261,207           |
| Depreciation                          | 2,220                         |                   | 2,220             |
| Management Fee                        | 21,038                        |                   | 21,038            |
| Other objects                         | 31,674                        | 18,962            | 50,636            |
| Total operating expenses              | <u>566,894</u>                | <u>343,819</u>    | <u>910,713</u>    |
| Operating (loss) income               | (165,410)                     | 40,003            | (125,407)         |
| Nonoperating revenues:                |                               |                   |                   |
| State sources:                        |                               |                   |                   |
| State school lunch program            | 5,392                         |                   | 5,392             |
| Federal sources:                      |                               |                   |                   |
| National school lunch program         | 128,186                       |                   | 128,186           |
| Food donation program                 | 30,737                        |                   | 30,737            |
| Total nonoperating revenues           | <u>164,315</u>                | <u>-</u>          | <u>164,315</u>    |
| Change in net position                | (1,095)                       | 40,003            | 38,908            |
| Total net position, beginning of year | <u>158,071</u>                | <u>317,298</u>    | <u>475,369</u>    |
| Total net position, end of year       | <u>\$ 156,976</u>             | <u>\$ 357,301</u> | <u>\$ 514,277</u> |

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

Spotswood Borough School District  
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2013

|  | <u>Major Enterprise Funds</u> |                   |                     |
|--|-------------------------------|-------------------|---------------------|
|  | <u>Food<br/>Service</u>       | <u>C.A.R.E.S.</u> | <u>Totals</u>       |
| <b>Cash flows from operating activities</b>  |                               |                   |                     |
| Receipts from customers  | \$ 400,110                    | \$ 391,882        | \$ 791,992          |
| Payments to employees and for employee benefits  | (212,287)                     | (279,559)         | (491,846)           |
| Payments to suppliers  | (363,354)                     | (63,075)          | (426,429)           |
| Net cash (used in) provided by operating activities  | <u>(175,531)</u>              | <u>49,248</u>     | <u>(126,283)</u>    |
| <b>Cash flows from noncapital financing activities</b>   |                               |                   |                     |
| Cash received from state and federal reimbursements  | 131,032                       |                   | 131,032             |
| Receipts from food donation program  | <u>30,318</u>                 |                   | <u>30,318</u>       |
| Net cash provided by noncapital financing activities   | 161,350                       |                   | 161,350             |
| Net (decrease) increase in cash and cash equivalents   | (14,181)                      | 49,248            | 35,067              |
| Cash and cash equivalents, beginning of year   | <u>129,870</u>                | <u>408,079</u>    | <u>537,949</u>      |
| Cash and cash equivalents, end of year   | <u>\$ 115,689</u>             | <u>\$ 457,327</u> | <u>\$ 573,016</u>   |
| <b>Reconciliation of operating (loss) income to net cash<br/>(used in) provided by operating activities:</b> |                               |                   |                     |
| Operating (loss) income  | \$ (165,410)                  | \$ 40,003         | \$ (125,407)        |
| Adjustments to reconcile operating (loss) income to net cash<br>(used in) provided by operating activities:  |                               |                   |                     |
| Depreciation   | 2,220                         |                   | 2,220               |
| Change in assets and liabilities:  |                               |                   |                     |
| Decrease in inventory  | 479                           |                   | 479                 |
| (Increase) in other accounts receivable  | (1,374)                       |                   | (1,374)             |
| (Decrease) increase in accounts payable  | (11,446)                      | 1,185             | (10,261)            |
| Increase in unearned revenue   |                               | 8,060             | 8,060               |
| Net cash (used in) provided by operating activities  | <u>\$ (175,531)</u>           | <u>\$ 49,248</u>  | <u>\$ (126,283)</u> |

**Noncash noncapital financing activities**

The District received \$30,318 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2013.

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

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# Fiduciary Funds

Spotswood Borough School District  
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2013

|  | <b>Unemployment<br/>Compensation Trust<br/>Fund</b> | <b>Agency<br/>Fund</b> |
|--|---|------------------------|
| <b>Assets</b>  |   |                        |
| Cash and cash equivalents  | \$ 137,605  | \$ 771,208             |
| Interfund receivable   | 32,868  |                        |
| Total assets   | 170,473   | \$ 771,208             |
| <b>Liabilities</b>   |   |                        |
| Accounts payable   | 4,292   |                        |
| Payroll deductions and withholdings<br>payable and summer escrow payable |   | \$ 407,022             |
| Interfund payable  |   | 153,079                |
| Due to student groups  |   | 211,107                |
| Total liabilities  | 4,292   | \$ 771,208             |
| <b>Net position</b>  |   |                        |
| Held in trust for unemployment<br>claims                                 | \$ 166,181  |                        |

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

Spotswood Borough School District  
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2013

|                                     | <u>Unemployment<br/>Compensation<br/>Trust Fund</u> |
|-------------------------------------|---|
| <b>Additions</b>                    |   |
| Contributions from plan members     | \$ 20,000   |
| Total additions                     | <u>20,000</u>                                       |
| <b>Deductions</b>                   |   |
| Unemployment benefit claims paid    | <u>63,690</u>                                       |
| Total deductions                    | <u>63,690</u>                                       |
| Change in net position              | (43,690)  |
| Net position, beginning of the year | <u>209,871</u>                                      |
| Net position, end of the year       | <u><u>\$ 166,181</u></u>                            |

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

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

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

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

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

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

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

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

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

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

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

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

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

The District has reported the following major governmental funds:

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

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

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

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

The District reports the following major proprietary funds:

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

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

Additionally, the District reports the following fiduciary fund types:

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

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

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

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

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

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

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

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the April school Board election to the date of the November general election thereby eliminating the vote on the annual base budget. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referred in N.J.A.C. 6A:23. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2013 were insignificant and consistent with prior years. The over-expenditures related to on-behalf payments in the general fund are due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures. In addition to the over expenditure listed above, there was one other budgetary line item over expenditure reported in the General fund. For further explanation of this budgetary over-expenditure, refer to footnote number 16.

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

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

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

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

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

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

#### **G. Inventories**

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. At June 30, 2013, the District had inventories in the Food Service Enterprise Fund of \$11,193 of which the unused Food Donation Program commodities of \$1,344 are reported as unearned revenue in the Food Service Enterprise Fund.

#### **H. Capital Assets**

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

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

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

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

**I. Accrued Salaries and Wages**

Certain District employees who provided services to the District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but not disbursed amounts be retained in a separate bank account. As of June 30, 2013, the amount earned by these employees but not disbursed was \$407,022 and is included in liabilities – payroll deductions and withholdings payable and summer escrow payable in the fiduciary fund.

**J. Compensated Absences**

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

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

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2013, a liability existed for compensated absences in the government-wide financial statements in the amount of \$746,215 and no liability existed for compensated absences in the enterprise funds.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

#### K. Unearned Revenue

Unearned revenue in the special revenue fund represents cash, which has been received but not yet earned and outstanding encumbrances. Unearned revenue in the food service enterprise fund represents the value of unused U.S.D.A. commodities. Unearned revenue in the general fund represents cash received in advance for the 2013-2014 tax levy prior to June 30, 2013.

#### L. Long-Term Obligations

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

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

District's management estimates that there is no arbitrage rebate liability at June 30, 2013.

#### M. Fund Balances

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

Of the \$1,156,077 of fund balance in the General Fund at June 30, 2013, \$111,411 has been restricted in the capital reserve account, \$134,070 has been restricted in the maintenance reserve account and \$390,277 of prior year excess surplus has been designated for subsequent year's expenditures. Additionally there is assigned fund balance in the amount of \$520,319, which represents assigned fund balances for year end encumbrances of \$189,487 and for fund balance designated for subsequent year's expenditures of \$839,347 which have been partially offset by an unassigned deficit of fund balance of \$508,515.

### **N. Net position**

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for period beginning after December 15, 2011 and established standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The adoption of this statement resulted in a change in the presentation of the statement of net assets to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements.

Net position represents the difference between assets, deferred outflows, deferred inflows and liabilities in the Government-wide financial statements. Net investment in capital asset consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net positions are reported as restricted in the Government-wide and fund financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

### **O. Management Estimates**

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

#### Q. Calculation of Excess Surplus

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

#### R. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2013 through November 8, 2013, the date that the financial statements were issued and effects of those that provide additional pertinent information about conditions that existed at the balances sheet date, have been recognized in the accompanying financial statements.

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

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

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

The details of this \$10,439,728 difference are as follows:

|  |                      |
|--|----------------------|
| Bonds payable  | \$ 9,660,000         |
| Deferred interest costs  | (252,920)            |
| Premium on bonds   | 286,433              |
| Compensated absences payable   | <u>746,215</u>       |
| Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities | <u>\$ 10,439,728</u> |

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

### **3. Deposits and Investments**

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

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

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

#### **Deposits**

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

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

### 3. Deposits and Investments (continued)

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

At June 30, 2013, the carrying amount of the District's deposits for all funds was \$2,675,432 and the bank balance was \$3,486,725, not including funds held with NJARM. Of the bank balances, \$250,000 of the District's cash deposits on June 30, 2013 were secured by federal depository insurance and \$3,236,725 was covered by the New Jersey Governmental Unit Deposit Protection Act (GUDPA).

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

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

#### **Investments**

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

### 3. Deposits and Investments (continued)

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

same as the value of its shares. Agencies that participate in the NJARM typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the NJARM on a daily basis without penalty. At June 30, 2013, the District's balance was \$225,704.

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

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

*Concentration of Credit Risk:* The District places no limit on the amount the District may invest in any one issuer. At June 30, 2013, all of the District's investments were invested in NJARM.

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

All of the District's investments are classified as cash equivalents at June 30, 2013 due to their short-term nature.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

### 4. Capital Assets

The following is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2013:

|  | <b>Beginning<br/>Balance</b> | <b>Increases</b> | <b>Transfers</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|------------------|------------------|---------------------------|
| <b>Governmental activities:</b>              |                              |                  |                  |                           |
| Capital assets, not being depreciated:       |                              |                  |                  |                           |
| Land   | \$ 197,617                   |                  |                  | \$ 197,617                |
| Construction in progress                     | 848,173                      | \$ 2,983,904     | \$ (3,832,077)   |                           |
| Total capital assets, not being depreciated  | 1,045,790                    | 2,983,904        | (3,832,077)      | 197,617                   |
| Capital assets, being depreciated:           |                              |                  |                  |                           |
| Site improvements                            | 1,517,940                    |                  |                  | 1,517,940                 |
| Buildings and building improvements          | 26,374,609                   |                  | 3,832,077        | 30,206,686                |
| Machinery, equipment and vehicles            | 2,579,153                    | 42,107           |                  | 2,621,260                 |
| Total capital assets being depreciated       | 30,471,702                   | 42,107           | 3,832,077        | 34,345,886                |
| Less accumulated depreciation for:           |                              |                  |                  |                           |
| Site improvements                            | (1,250,812)                  | (37,188)         |                  | (1,288,000)               |
| Buildings and building improvements          | (10,471,296)                 | (642,424)        |                  | (11,113,720)              |
| Machinery, equipment and vehicles            | (1,928,102)                  | (119,162)        |                  | (2,047,264)               |
| Total accumulated depreciation               | (13,650,210)                 | (798,774)        | -                | (14,448,984)              |
| Total capital assets, being depreciated, net | 16,821,492                   | (756,667)        | 3,832,077        | 19,896,902                |
| Governmental activities capital assets, net  | \$ 17,867,282                | \$ 2,227,237     | \$ -             | \$ 20,094,519             |

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

**4. Capital Assets (continued)**

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

|  |           |                |
|--|-----------|----------------|
| Instruction                            | \$        | 455,767        |
| Undistributed current:                 |           |                |
| Instruction                            |           | 40,047         |
| Health services                        |           | 13,742         |
| Other support services                 |           | 85,284         |
| Improvement of instruction             |           | 12,170         |
| School library                         |           | 2,545          |
| Instructional staff training           |           | 1,413          |
| General administration                 |           | 13,348         |
| School administration                  |           | 32,247         |
| Central services                       |           | 16,595         |
| Administration technology              |           | 7,162          |
| Required maintenance of plant services |           | 15,312         |
| Operation of plant                     |           | 67,369         |
| Student transportation                 |           | 35,773         |
|  | <u>\$</u> | <u>798,774</u> |

The following is a summarization of business-type activities changes in capital assets for the year ended June 30, 2013:

| <b>Business-type activities:</b>                   | <b>Beginning<br/>Balance</b> | <b>Increases</b>  | <b>Ending<br/>Balance</b> |
|--|------------------------------|-------------------|---------------------------|
| Capital assets, being depreciation:                |                              |                   |                           |
| Equipment  | \$ 146,547                   | \$ -              | \$ 146,547                |
| Less accumulated depreciation for:                 |                              |                   |                           |
| Equipment  | (139,515)                    | (2,220)           | (141,735)                 |
| Total business-type activities capital assets, net | <u>\$ 7,032</u>              | <u>\$ (2,220)</u> | <u>\$ 4,812</u>           |

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

**5. Long-Term Liabilities**

During the year ended June 30, 2013, the following changes occurred in long-term liabilities:

|   | <b>Beginning<br/>Balance</b> | <b>Additions</b>  | <b>Reductions</b>   | <b>Ending<br/>Balance</b> | <b>Due Within<br/>One Year</b> |
|---|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| Governmental activities:                    |                              |                   |                     |                           |                                |
| Compensated absences payable                | \$ 663,900                   | \$ 164,630        | \$ 82,315           | \$ 746,215                | \$ 252,798                     |
| Deferred interest costs                     | (276,177)                    |                   | (23,257)            | (252,920)                 | (23,257)                       |
| Premium on bonds                            | 311,404                      |                   | 24,971              | 286,433                   | 24,971                         |
| Bonds payable                               | 10,605,000                   |                   | 945,000             | 9,660,000                 | 1,000,000                      |
| Governmental activity long-term liabilities | <u>\$11,304,127</u>          | <u>\$ 164,630</u> | <u>\$ 1,029,029</u> | <u>\$ 10,439,728</u>      | <u>\$ 1,254,512</u>            |

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

**Bonds Payable**

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

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

|                      | <b>Principal</b>    | <b>Interest</b>     | <b>Total</b>         |
|----------------------|---------------------|---------------------|----------------------|
| Year ending June 30: |                     |                     |                      |
| 2014                 | \$ 1,000,000        | \$ 320,425          | \$ 1,320,425         |
| 2015                 | 915,000             | 284,625             | 1,199,625            |
| 2016                 | 685,000             | 266,325             | 951,325              |
| 2017                 | 705,000             | 246,925             | 951,925              |
| 2018                 | 730,000             | 227,025             | 957,025              |
| 2019-2023            | 4,000,000           | 788,887             | 4,788,887            |
| 2024-2025            | 1,625,000           | 121,125             | 1,746,125            |
|                      | <u>\$ 9,660,000</u> | <u>\$ 2,255,337</u> | <u>\$ 11,915,337</u> |

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

### **6. Deferred Costs**

In the governmental funds, debt issuance costs are recognized as expenditures in the year the bonds are issued. For the government-wide financial statements, debt issuance costs are amortized using the straight line method, which approximates the effective interest method, over the life of the specific bonds. The costs associated with the issue of the District's bonds amounted to \$166,898. The amortization expense for the year ended June 30, 2013 amounted to \$12,172 and the unamortized balance of the deferred charges at June 30, 2013 is \$145,040.

### **7. Pension Plans**

#### **Description of Systems**

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

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

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

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

#### **Funding Policy**

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

During the year ended June 30, 2013, the State of New Jersey contributed \$1,609,827 to the TPAF for post-retirement medical and pension benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$894,459 during the year ended June 30, 2013 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the government-wide and fund financial statements.

The Board's actuarially determined contributions to PERS for each of the years ended June 30, 2013, 2012 and 2011 were \$275,418, \$287,033 and \$273,386, respectively, equal to the required contributions for each year.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

#### **Plan Description**

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

#### **Funding Policy**

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2012, there were 97,661 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in fiscal year 2012.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2013, 2012 and 2011 were \$854,305, \$752,868 and \$790,447, respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

### 9. Interfund Receivables and Payables

The total interfund receivables and payables for the District at June 30, 2013 are as follows:

| Fund   | Interfund<br>Receivable | Interfund<br>Payable |
|--|-------------------------|----------------------|
| General Fund   | \$ 280,494              |                      |
| Special Revenue Fund                                     |                         | \$ 160,283           |
| Fiduciary Fund - Payroll Agency Fund                     |                         | 153,079              |
| Fiduciary Fund - Unemployment Compensation<br>Trust Fund | 32,868                  |                      |
|  | \$ 313,362              | \$ 313,362           |

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

### 10. Economic Dependency

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

### **11. Contingent Liabilities**

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2013 may be impaired. In addition, the District is receiving funding from the New Jersey Schools Development Authority (NJSDA) relating to approved grants. The District is required to expend funds in accordance with its approved final eligible costs. The costs associated with the funding received from the NJSDA are subject to a final review of eligible costs and compliance by the New Jersey Department of Education and the NJSDA. To the extent that the District has not complied with the rules and regulations governing the NJSDA funds or has not met the final eligible costs requirements, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2013 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations or final eligible cost requirements governing the respective grants or funding; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

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

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

### **12. Risk Management**

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

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

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

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

### **12. 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.

### **13. Deferred Compensation**

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

### **14. Restricted Assets**

Reservations of fund balances of governmental funds are created to (1) either satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures. The District has \$111,411 of capital reserve, \$134,070 of maintenance reserve and \$189,961 restricted for capital projects that are classified as restricted assets (cash and cash equivalents) on the statement of net position.

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

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

Spotswood Borough School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

**15. Capital Reserve Account (continued)**

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

The activity of the capital reserve for the July 1, 2012 to June 30, 2013 fiscal year is as follows:

|                                    |    |                  |
|------------------------------------|----|------------------|
| Beginning balance, July 1, 2012    | \$ | 714,684          |
| Interest earnings                  |    | 177              |
| Appropriated during budget process |    | <u>(603,450)</u> |
| Ending balance, June 30, 2013      | \$ | <u>111,411</u>   |

The June 30, 2013 LRFP balance of local support costs of uncompleted capital projects exceeded the amount in the capital reserve.

**16. Maintenance Reserve Account**

On November 23, 2010, the District elected to establish a reserve to be used to accumulate funds for the required maintenance of a facility, and in accordance with N.J.S.A. 18A:7G-9, as amended by P.L. 2004, c. 73 (S1701), passed a board resolution authorizing the establishment of a maintenance reserve account in the District's General Fund. As allowed by N.J.S.A. 18A:F-41 and N.J.A.C. 6A:23A-14.3 the District can pass a board resolution to deposit funds into a maintenance reserve account between June 1 and June 30 of each budget year. The District anticipated as revenue \$306,200 of the prior year maintenance reserve in the 2012/2103 budget leaving \$134,070 available in the maintenance reserve at June 30, 2013.

# Spotswood Borough School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

### **17. Commitments**

The District has contractual commitments at June 30, 2013 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$189,487. Additionally, there were \$49,462 of contractual commitments at June 30, 2013 to vendors related to the ongoing construction projects that is included in restricted for capital projects in the capital projects fund.

### **18. Excess of Expenditures over Appropriations**

The District did not have any excess expenditures over appropriations of budgetary line-items as part of its June 30, 2013 Board Secretary Report. However, the financial statements reflect excesses of expenditures over appropriations in the general fund – Unallocated benefits – health insurance and Unallocated benefits – tuition reimbursement in the amount of \$3,144 and \$10,569, respectively. The excess expenditures are various audit adjustments required to charge out 2012-2013 expenses to line item appropriations that did not have sufficient funds available at June 30, 2013.

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Required Supplementary Information  
Part II

Budgetary Comparison

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2013

|  | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual        | Variance<br>Final to Actual |
|--|--------------------|---------------------|-----------------|---------------|-----------------------------|
| <b>Revenues</b>  |                    |                     |                 |               |                             |
| Local sources:   |                    |                     |                 |               |                             |
| Local tax levy   | \$ 13,804,809      |                     | \$ 13,804,809   | \$ 13,804,809 |                             |
| Tuition from other LEA's within the state                    | 3,981,653          |                     | 3,981,653       | 3,981,510     | \$ (143)                    |
| Tuition from individuals                                     | 137,600            |                     | 137,600         | 140,150       | 2,550                       |
| Interest   |                    |                     |                 | 31            | 31                          |
| Interest earned on capital reserve funds                     |                    |                     |                 | 177           | 177                         |
| Miscellaneous  | 43,000             |                     | 43,000          | 166,091       | 123,091                     |
| Total revenues - local sources                               | 17,967,062         |                     | 17,967,062      | 18,092,768    | 125,706                     |
| State sources:   |                    |                     |                 |               |                             |
| Equalization aid   | 5,034,495          |                     | 5,034,495       | 5,034,495     |                             |
| Special education aid  | 903,672            |                     | 903,672         | 903,672       |                             |
| Transportation aid   | 48,643             |                     | 48,643          | 48,643        |                             |
| Security aid   | 28,108             |                     | 28,108          | 28,108        |                             |
| Extraordinary aid  | 70,000             |                     | 70,000          | 71,416        | 1,416                       |
| Additional non public transportation aid                     |                    |                     |                 | 3,917         | 3,917                       |
| On-behalf TPAF pension contributions (non-budgeted)          |                    |                     |                 | 1,609,827     | 1,609,827                   |
| Reimbursed TPAF social security contributions (non-budgeted) |                    |                     |                 | 894,459       | 894,459                     |
| Total - state sources  | 6,084,918          |                     | 6,084,918       | 8,594,537     | 2,509,619                   |
| Federal sources:   |                    |                     |                 |               |                             |
| Medicaid reimbursement                                       | 16,380             |                     | 16,380          | 32,788        | 16,408                      |
| Total - federal sources:                                     | 16,380             |                     | 16,380          | 32,788        | 16,408                      |
| Total revenues   | 24,068,360         |                     | 24,068,360      | 26,720,093    | 2,651,733                   |
| <b>Expenditures</b>  |                    |                     |                 |               |                             |
| Current expenditures:  |                    |                     |                 |               |                             |
| Instruction - regular programs:                              |                    |                     |                 |               |                             |
| Salaries of teachers:  |                    |                     |                 |               |                             |
| Preschool  | 222,700            | \$ 22,000           | 244,700         | 244,700       |                             |
| Kindergarten   | 710,267            | (21,122)            | 689,145         | 687,557       | 1,588                       |
| Grades 1-5   | 1,622,019          | (26,096)            | 1,595,923       | 1,593,831     | 2,092                       |
| Grades 6-8   | 1,598,207          | (55,407)            | 1,542,800       | 1,542,299     | 501                         |
| Grades 9-12  | 4,150,648          | (85,717)            | 4,064,931       | 4,064,931     |                             |
| Home instruction - regular programs:                         |                    |                     |                 |               |                             |
| Salaries of teachers   | 20,950             | 13,918              | 34,868          | 34,868        |                             |
| Undistributed instruction - regular programs:                |                    |                     |                 |               |                             |
| Other salaries for instruction                               | 220,737            | 25,214              | 245,951         | 245,511       | 440                         |
| Other purchased services                                     | 24,682             | (3,110)             | 21,572          | 19,099        | 2,473                       |
| General supplies   | 482,503            | 35,599              | 518,102         | 462,057       | 56,045                      |
| Textbooks  | 44,710             | 3,384               | 48,094          | 34,561        | 13,533                      |
| Other objects  | 4,300              | (1,803)             | 2,497           | 1,909         | 588                         |
| Total instruction - regular programs                         | 9,101,723          | (93,140)            | 9,008,583       | 8,931,323     | 77,260                      |

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2013

|  | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual       | Variance<br>Final to Actual |
|--|--------------------|---------------------|-----------------|--------------|-----------------------------|
| <b>Expenditures (continued)</b>                  |                    |                     |                 |              |                             |
| Current expenditures (continued):                |                    |                     |                 |              |                             |
| Special education:                               |                    |                     |                 |              |                             |
| Resource room/center:                            |                    |                     |                 |              |                             |
| Salaries of teachers                             | \$ 1,298,969       | \$ 109,926          | \$ 1,408,895    | \$ 1,407,412 | \$ 1,483                    |
| Other salaries for instruction                   | 274,350            | (16,886)            | 257,464         | 257,458      | 6                           |
| Purchased professional-educational services      | 4,500              |                     | 4,500           | 4,500        |                             |
| General supplies                                 | 6,588              | 2,801               | 9,389           | 9,190        | 199                         |
| Textbooks  | 3,171              | (2,801)             | 370             | 370          |                             |
| Total resource room/center                       | 1,587,578          | 93,040              | 1,680,618       | 1,678,930    | 1,688                       |
| Preschool disabilities - part time:              |                    |                     |                 |              |                             |
| Salaries of teachers                             | 22,500             | (22,006)            | 494             | 494          |                             |
| Other salaries for instruction                   | 113,629            | 28,797              | 142,426         | 142,426      |                             |
| Total preschool disabilities - part time         | 136,129            | 6,791               | 142,920         | 142,920      |                             |
| Total special education                          | 1,723,707          | 99,831              | 1,823,538       | 1,821,850    | 1,688                       |
| Basic skills/remedial - instruction:             |                    |                     |                 |              |                             |
| Salaries of teachers                             | 79,200             | 89,475              | 168,675         | 168,675      |                             |
| General supplies                                 | 600                |                     | 600             |              | 600                         |
| Total basic skills/remedial - instruction        | 79,800             | 89,475              | 169,275         | 168,675      | 600                         |
| Bilingual education - instruction:               |                    |                     |                 |              |                             |
| Salaries of teachers                             | 27,295             | 52,205              | 79,500          | 79,500       |                             |
| Total bilingual education - instruction          | 27,295             | 52,205              | 79,500          | 79,500       |                             |
| School - sponsored cocurricular activities:      |                    |                     |                 |              |                             |
| Salaries   | 119,807            | 20,553              | 140,360         | 140,360      |                             |
| Supplies and materials                           | 1,100              |                     | 1,100           | 550          | 550                         |
| Total school - sponsored cocurricular activities | 120,907            | 20,553              | 141,460         | 140,910      | 550                         |

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2013

|   | <b>Original<br/>Budget</b> | <b>Budget<br/>Transfers</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance<br/>Final to Actual</b> |
|---|----------------------------|-----------------------------|-------------------------|-------------------|-------------------------------------|
| <b>Expenditures (continued)</b>                         |                            |                             |                         |                   |                                     |
| Current expenditures (continued):                       |                            |                             |                         |                   |                                     |
| School - sponsored athletics - instruction:             |                            |                             |                         |                   |                                     |
| Salaries  | \$ 250,163                 | \$ 15,268                   | \$ 265,431              | \$ 265,431        |                                     |
| Purchased services                                      | 82,067                     | (16,897)                    | 65,170                  | 64,265            | \$ 905                              |
| Supplies and materials                                  | 39,584                     |                             | 39,584                  | 38,900            | 684                                 |
| Other objects   | 17,660                     | (3,004)                     | 14,656                  | 14,403            | 253                                 |
| <b>Total school - sponsored athletics - instruction</b> | <b>389,474</b>             | <b>(4,633)</b>              | <b>384,841</b>          | <b>382,999</b>    | <b>1,842</b>                        |
| <b>Total instruction</b>                                | <b>11,442,906</b>          | <b>164,291</b>              | <b>11,607,197</b>       | <b>11,525,257</b> | <b>81,940</b>                       |
| Undistributed expenditures:                             |                            |                             |                         |                   |                                     |
| Instruction:  |                            |                             |                         |                   |                                     |
| Tuition to county special services                      | 207,120                    | 306,162                     | 513,282                 | 502,282           | 11,000                              |
| Tuition to state facilities                             | 68,075                     | (28,295)                    | 39,780                  | 35,802            | 3,978                               |
| Tuition to private schools for the hand - w/in state    | 1,040,063                  | (526,104)                   | 513,959                 | 513,958           | 1                                   |
| <b>Total instruction</b>                                | <b>1,315,258</b>           | <b>(248,237)</b>            | <b>1,067,021</b>        | <b>1,052,042</b>  | <b>14,979</b>                       |
| Health services:  |                            |                             |                         |                   |                                     |
| Salaries  | 252,500                    | 535                         | 253,035                 | 252,880           | 155                                 |
| Purchased professional and technical services           | 125,252                    | (18,989)                    | 106,263                 | 106,192           | 71                                  |
| Supplies and materials                                  | 1,774                      | 429                         | 2,203                   | 1,946             | 257                                 |
| <b>Total health services</b>                            | <b>379,526</b>             | <b>(18,025)</b>             | <b>361,501</b>          | <b>361,018</b>    | <b>483</b>                          |
| Speech, OT, PT & related services:                      |                            |                             |                         |                   |                                     |
| Salaries  | 252,900                    | 99,934                      | 352,834                 | 352,834           |                                     |
| Personal professional educational services              |                            | 570                         | 570                     | 570               |                                     |
| Supplies and materials                                  | 1,439                      | 335                         | 1,774                   | 1,351             | 423                                 |
| <b>Total speech, OT, PT &amp; related services</b>      | <b>254,339</b>             | <b>100,839</b>              | <b>355,178</b>          | <b>354,755</b>    | <b>423</b>                          |

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2013

|  | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual    | Variance<br>Final to Actual |
|--|--------------------|---------------------|-----------------|-----------|-----------------------------|
| <b>Expenditures (continued)</b>                          |                    |                     |                 |           |                             |
| Current expenditures (continued):                        |                    |                     |                 |           |                             |
| Undistributed expenditures (continued):                  |                    |                     |                 |           |                             |
| Other support services - students - extra services:      |                    |                     |                 |           |                             |
| Purchased professional - educational services            | \$ 136,526         | \$ (44,814)         | \$ 91,712       | \$ 91,711 | \$ 1                        |
| Total other support services - students - extra services | 136,526            | (44,814)            | 91,712          | 91,711    | 1                           |
| Guidance:  |                    |                     |                 |           |                             |
| Salaries of other professional staff                     | 366,461            | 15,363              | 381,824         | 381,823   | 1                           |
| Salaries of secretarial and clerical assistants          | 83,560             | 2,503               | 86,063          | 86,062    | 1                           |
| Purchased professional - educational services            | 22,035             | (2,625)             | 19,410          | 19,340    | 70                          |
| Other purchased professional and technical services      | 1,470              | (1,470)             |                 |           |                             |
| Total guidance   | 473,526            | 13,771              | 487,297         | 487,225   | 72                          |
| Child study teams:                                       |                    |                     |                 |           |                             |
| Salaries of other professional staff                     | 580,445            | 51,620              | 632,065         | 632,065   |                             |
| Salaries of secretarial and clerical assistants          | 117,075            | 2,205               | 119,280         | 119,279   | 1                           |
| Purchased professional educational services              | 325,993            | 21,685              | 347,678         | 345,075   | 2,603                       |
| Other purchased professional services                    | 4,000              | (1,405)             | 2,595           | 2,595     |                             |
| Supplies and materials                                   | 8,741              | (2,047)             | 6,694           | 6,693     | 1                           |
| Other objects  |                    | 625                 | 625             | 602       | 23                          |
| Total child study teams                                  | 1,036,254          | 72,683              | 1,108,937       | 1,106,309 | 2,628                       |
| Improvement of instructional services:                   |                    |                     |                 |           |                             |
| Salaries of supervisors of instruction                   | 290,000            | 16,125              | 306,125         | 306,125   |                             |
| Salaries of secretarial and clerical assist              | 12,602             | (6,341)             | 6,261           | 6,260     | 1                           |
| Purchased professional educational services              |                    | 2,000               | 2,000           | 2,000     |                             |
| Other purchased services                                 | 9,800              | (951)               | 8,849           | 150       | 8,699                       |
| Other objects  | 5,600              | 707                 | 6,307           | 5,171     | 1,136                       |
| Total improvement of instructional services              | 318,002            | 11,540              | 329,542         | 319,706   | 9,836                       |
| Educational media services/school library:               |                    |                     |                 |           |                             |
| Salaries   | 63,346             | 1                   | 63,347          | 63,346    | 1                           |
| Supplies and materials                                   | 7,500              | (3,800)             | 3,700           | 3,519     | 181                         |
| Total educational media services/school library          | 70,846             | (3,799)             | 67,047          | 66,865    | 182                         |

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2013

|  | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual  | Variance<br>Final to Actual |
|--|--------------------|---------------------|-----------------|---------|-----------------------------|
| <b>Expenditures (continued)</b>                  |                    |                     |                 |         |                             |
| Current expenditures (continued):                |                    |                     |                 |         |                             |
| Undistributed expenditures (continued):          |                    |                     |                 |         |                             |
| Instructional staff training services:           |                    |                     |                 |         |                             |
| Purchased professional - educational services    | \$ 66              | \$ 120              | \$ 186          | \$ 186  |                             |
| Other purchased services                         | 5,819              | 18,269              | 24,088          | 23,726  | \$ 362                      |
| Supplies and materials                           | 15,100             | (2,030)             | 13,070          | 12,836  | 234                         |
| Other objects                                    | 4,000              | (3,334)             | 666             | 373     | 293                         |
| Total instructional staff training services      | 24,985             | 13,025              | 38,010          | 37,121  | 889                         |
| Support services-general administration:         |                    |                     |                 |         |                             |
| Salaries   | 218,088            | (10,568)            | 207,520         | 207,520 |                             |
| Other purchased professional services            | 93,000             | (14,452)            | 78,548          | 78,292  | 256                         |
| Communications/telephone                         | 38,000             | (1,802)             | 36,198          | 34,420  | 1,778                       |
| General supplies                                 | 7,200              | 4,333               | 11,533          | 10,082  | 1,451                       |
| Judgments against the school district            | 15,000             | (15,000)            |                 |         |                             |
| BOE other purchased professional services        | 3,500              | (407)               | 3,093           | 1,123   | 1,970                       |
| Miscellaneous expenditures                       | 5,100              | 1,015               | 6,115           | 5,894   | 221                         |
| BOE membership dues and fees                     | 14,300             | 1,631               | 15,931          | 13,321  | 2,610                       |
| Total support services-general administration    | 394,188            | (35,250)            | 358,938         | 350,652 | 8,286                       |
| Support services-school administration:          |                    |                     |                 |         |                             |
| Salaries of principals/ assistant principals     | 570,400            | (23,000)            | 547,400         | 547,400 |                             |
| Salaries of secretarial and clerical assistants  | 278,953            | 5,117               | 284,070         | 283,868 | 202                         |
| Other purchased services                         | 23,605             | 2,600               | 26,205          | 5,847   | 20,358                      |
| Supplies and materials                           | 9,997              | (3,030)             | 6,967           | 3,750   | 3,217                       |
| Other objects                                    | 8,000              |                     | 8,000           | 6,276   | 1,724                       |
| Total support services-school administration     | 890,955            | (18,313)            | 872,642         | 847,141 | 25,501                      |
| Central services:                                |                    |                     |                 |         |                             |
| Salaries   | 291,527            | (3,493)             | 288,034         | 288,034 |                             |
| Purchased technical services                     | 65,192             | (3,000)             | 62,192          | 61,948  | 244                         |
| Purchased professional services                  | 63,135             | 5,467               | 68,602          | 47,445  | 21,157                      |
| Miscellaneous purchased services                 | 1,635              | (317)               | 1,318           | 655     | 663                         |
| Supplies and materials                           | 36,988             | 1,632               | 38,620          | 35,236  | 3,384                       |
| Other objects                                    | 2,635              |                     | 2,635           | 2,626   | 9                           |
| Total central services                           | 461,112            | 289                 | 461,401         | 435,944 | 25,457                      |
| Administrative information technology:           |                    |                     |                 |         |                             |
| Salaries   | 139,973            |                     | 139,973         | 138,895 | 1,078                       |
| Purchased technical services                     | 38,000             | 80                  | 38,080          | 37,940  | 140                         |
| Other purchased services                         | 600                | (29)                | 571             |         | 571                         |
| Other objects                                    | 11,912             | (51)                | 11,861          | 11,324  | 537                         |
| Total administrative information technology      | 190,485            | -                   | 190,485         | 188,159 | 2,326                       |
| Required maintenance for school facilities:      |                    |                     |                 |         |                             |
| Salaries   | 178,180            | 3,378               | 181,558         | 181,048 | 510                         |
| Cleaning, repair and maintenance services        | 159,933            | 43,219              | 203,152         | 131,961 | 71,191                      |
| General supplies                                 | 95,366             | (29,019)            | 66,347          | 66,345  | 2                           |
| Other objects                                    | 22,744             | 2,200               | 24,944          | 22,895  | 2,049                       |
| Total required maintenance for school facilities | 456,223            | 19,778              | 476,001         | 402,249 | 73,752                      |

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2013

|   | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual     | Variance<br>Final to Actual |
|---|--------------------|---------------------|-----------------|------------|-----------------------------|
| <b>Expenditures (continued)</b>               |                    |                     |                 |            |                             |
| Current expenditures (continued):             |                    |                     |                 |            |                             |
| Undistributed expenditures (continued):       |                    |                     |                 |            |                             |
| Custodial services:                           |                    |                     |                 |            |                             |
| Salaries                                      | \$ 860,708         | \$ 54,112           | \$ 914,820      | \$ 914,326 | \$ 494                      |
| Salaries of non instructional aides           | 35,305             | 17,730              | 53,035          | 53,033     | 2                           |
| Purchased professional and technical services | 2,000              | (1,700)             | 300             | 300        |                             |
| Rental of land and building                   | 150,000            | 5,000               | 155,000         | 155,000    |                             |
| Other purchased property services             | 18,968             | (2,547)             | 16,421          | 16,421     |                             |
| General supplies                              | 70,700             | (11,367)            | 59,333          | 56,594     | 2,739                       |
| Energy - natural gas                          | 119,281            | (51,034)            | 68,247          | 67,666     | 581                         |
| Energy - electric                             | 583,410            | (217,452)           | 365,958         | 365,855    | 103                         |
| Other objects                                 | 79,003             | (12,509)            | 66,494          | 66,494     | -                           |
| Total custodial services                      | 1,919,375          | (219,767)           | 1,699,608       | 1,695,689  | 3,919                       |
| Care and upkeep of grounds:                   |                    |                     |                 |            |                             |
| Salaries                                      | 96,829             | (741)               | 96,088          | 95,587     | 501                         |
| Cleaning, repair and maintenance services     | 36,400             | 2,787               | 39,187          | 33,382     | 5,805                       |
| General supplies                              | 30,700             | (9,455)             | 21,245          | 19,400     | 1,845                       |
| Total care and upkeep of grounds              | 163,929            | (7,409)             | 156,520         | 148,369    | 8,151                       |
| Security:                                     |                    |                     |                 |            |                             |
| Salaries                                      | 68,614             | 4,568               | 73,182          | 73,181     | 1                           |
| Purchased professional and technical services |                    | 35,000              | 35,000          | 35,000     |                             |
| General supplies                              | 2,000              |                     | 2,000           | 1,902      | 98                          |
| Total security                                | 70,614             | 39,568              | 110,182         | 110,083    | 99                          |
| Student transportation services:              |                    |                     |                 |            |                             |
| Salaries for pupil transportation:            |                    |                     |                 |            |                             |
| Between home and school - sp. ed.             | 44,058             | (12,840)            | 31,218          | 31,212     | 6                           |
| Between home and school - regular             | 40,581             | 2,323               | 42,904          | 42,904     |                             |
| Other than between home and school            | 18,696             | 21,210              | 39,906          | 38,385     | 1,521                       |
| Contracted services:                          |                    |                     |                 |            |                             |
| Between home & school - regular               | 282,696            | 22,215              | 304,911         | 303,796    | 1,115                       |
| Other between home & school - regular         | 91,479             | (29,695)            | 61,784          | 55,925     | 5,859                       |
| Vendors - special ed                          | 449,760            | (16,064)            | 433,696         | 432,161    | 1,535                       |
| Aid in lieu payments - nonpublic schools      | 18,000             | (5,400)             | 12,600          | 12,548     | 52                          |
| Miscellaneous purchased services              | 25,644             | 2,637               | 28,281          | 22,837     | 5,444                       |
| Total student transportation services         | 970,914            | (15,614)            | 955,300         | 939,768    | 15,532                      |
| Unallocated benefits:                         |                    |                     |                 |            |                             |
| Social security contributions                 | 345,000            |                     | 345,000         | 344,286    | 714                         |
| Other retirement contributions - ERIP         | 3,600              | 87                  | 3,687           | 3,686      | 1                           |
| Other retirement contributions - regular      | 452,310            | (116,914)           | 335,396         | 335,396    |                             |
| Group insurance                               | 153,144            | 8,410               | 161,554         | 161,401    | 153                         |
| Unemployment compensation                     | 89,000             | (89,000)            |                 |            |                             |
| Worker's compensation                         | 142,430            | 1,236               | 143,666         | 142,508    | 1,158                       |
| Health insurance                              | 2,435,071          | 384,648             | 2,819,719       | 2,822,863  | (3,144)                     |
| Tuition reimbursement                         | 92,500             | (31,813)            | 60,687          | 71,256     | (10,569)                    |
| Total unallocated benefits                    | 3,713,055          | 156,654             | 3,869,709       | 3,881,396  | (11,687)                    |

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2013

|   | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual         | Variance<br>Final to Actual |
|---|--------------------|---------------------|-----------------|----------------|-----------------------------|
| <b>Expenditures (continued)</b>   |                    |                     |                 |                |                             |
| On-behalf TPAF pension contributions (non-budgeted)   |                    |                     |                 | \$ 1,609,827   | \$ (1,609,827)              |
| Reimbursed TPAF social security (non-budgeted)  |                    |                     |                 | 894,459        | (894,459)                   |
| Total on-behalf and reimbursed contributions  |                    |                     |                 | 2,504,286      | (2,504,286)                 |
| Total undistributed expenditures  | \$ 13,240,112      | \$ (183,081)        | \$ 13,057,031   | 15,380,488     | (2,323,457)                 |
| Total current expenditures  | 24,683,018         | (18,790)            | 24,664,228      | 26,905,745     | (2,241,517)                 |
| <b>Capital outlay:</b>  |                    |                     |                 |                |                             |
| <b>Equipment:</b>   |                    |                     |                 |                |                             |
| Regular programs - instruction:   |                    |                     |                 |                |                             |
| Kindergarten  | 15,000             | 2,600               | 17,600          | 16,585         | 1,015                       |
| Grades 1-5  | 22,730             |                     | 22,730          | 22,730         |                             |
| Grades 6-8  | 21,000             | 1,000               | 22,000          | 21,386         | 614                         |
| Grades 9-12   | 44,460             | 6,083               | 50,543          | 45,232         | 5,311                       |
| Undistributed expenditures:   |                    |                     |                 |                |                             |
| Support services - students - special   | 48,800             | 9,107               | 57,907          | 53,210         | 4,697                       |
| Total equipment   | 151,990            | 18,790              | 170,780         | 159,143        | 11,637                      |
| Facilities acquisition and construction services:   |                    |                     |                 |                |                             |
| Construction services   | 1,311,183          |                     | 1,311,183       | 1,163,344      | 147,839                     |
| Other objects   | 48,807             |                     | 48,807          | 45,528         | 3,279                       |
| Total facilities acquisition and construction services  | 1,359,990          |                     | 1,359,990       | 1,208,872      | 151,118                     |
| Total expenditures - capital outlay   | 1,511,980          | 18,790              | 1,530,770       | 1,368,015      | 162,755                     |
| Total expenditures  | 26,194,998         | -                   | 26,194,998      | 28,273,760     | (2,078,762)                 |
| (Deficiency) excess of revenues (under) over expenditures   | (2,126,638)        | -                   | (2,126,638)     | (1,553,667)    | 572,971                     |
| Fund balances, July 1   | 3,301,566          |                     | 3,301,566       | 3,301,566      |                             |
| Fund balances, June 30  | \$ 1,174,928       | \$ -                | \$ 1,174,928    | \$ 1,747,899   | \$ 572,971                  |
| <b>Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing (uses)</b> |                    |                     |                 |                |                             |
| Budgeted fund balance   | \$ (632,702)       | \$ -                | \$ (632,702)    | \$ (59,908)    | \$ 572,794                  |
| Decrease in capital reserve   | (603,450)          |                     | (603,450)       | (603,273)      | 177                         |
| Decrease in maintenance reserve   | (306,200)          |                     | (306,200)       | (306,200)      |                             |
| Decrease in tuition reserve   | (300,000)          |                     | (300,000)       | (300,000)      |                             |
| Adjustment for prior year encumbrances  | (284,286)          |                     | (284,286)       | (284,286)      |                             |
| Total   | \$ (2,126,638)     | \$ -                | \$ (2,126,638)  | \$ (1,553,667) | \$ 572,971                  |

Spotswood Borough School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2013

|  | <b>Original<br/>Budget</b> | <b>Budget<br/>Transfers</b> | <b>Final<br/>Budget</b> | <b>Actual</b>       | <b>Variance<br/>Final to Actual</b> |
|--|----------------------------|-----------------------------|-------------------------|---------------------|-------------------------------------|
| <b>Recapitulation of fund balance:</b>                     |                            |                             |                         |                     |                                     |
| Restricted for:  |                            |                             |                         |                     |                                     |
| Capital reserve  |                            |                             |                         | \$ 111,411          |                                     |
| Maintenance reserve  |                            |                             |                         | 134,070             |                                     |
| Excess surplus - prior year                                |                            |                             |                         | 390,277             |                                     |
| Assigned to:   |                            |                             |                         |                     |                                     |
| Year end encumbrances                                      |                            |                             |                         | 189,487             |                                     |
| Designated for subsequent years expenditures               |                            |                             |                         | 839,347             |                                     |
| Unassigned   |                            |                             |                         | 83,307              |                                     |
|  |                            |                             |                         | <u>1,747,899</u>    |                                     |
| <b>Reconciliation to Government Funds Statements GAAP:</b> |                            |                             |                         |                     |                                     |
| Last state aid payments not recognized on GAAP basis       |                            |                             |                         | (591,822)           |                                     |
| Fund balance per Government Funds (GAAP) (B-1)             |                            |                             |                         | <u>\$ 1,156,077</u> |                                     |

Spotswood Borough School District  
Special Revenue Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2013

|  | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual    | Variance<br>Final to Actual |
|--|--------------------|---------------------|-----------------|-----------|-----------------------------|
| <b>Revenues:</b>   |                    |                     |                 |           |                             |
| State sources  |                    | \$ 108,865          | \$ 108,865      | \$ 90,559 | \$ (18,306)                 |
| Federal sources  | \$ 410,410         | 249,574             | 659,984         | 590,947   | (69,037)                    |
| Other sources  |                    | 52,399              | 52,399          | 20,504    | (31,895)                    |
| Total revenues   | 410,410            | 410,838             | 821,248         | 702,010   | (119,238)                   |
| <b>Expenditures:</b>   |                    |                     |                 |           |                             |
| Current expenditures:  |                    |                     |                 |           |                             |
| Instruction:   |                    |                     |                 |           |                             |
| Salaries of teachers   | 410,410            | (337,803)           | 72,607          | 71,265    | 1,342                       |
| Tuition  |                    | 289,039             | 289,039         | 289,039   |                             |
| Supplies and materials                                       |                    | 113,844             | 113,844         | 70,049    | 43,795                      |
| Textbooks  |                    | 15,164              | 15,164          | 12,992    | 2,172                       |
| Other objects  |                    | 5,895               | 5,895           | 3,500     | 2,395                       |
| Total instruction  | 410,410            | 86,139              | 496,549         | 446,845   | 49,704                      |
| Support services:  |                    |                     |                 |           |                             |
| Salaries   |                    | 16,440              | 16,440          | 11,852    | 4,588                       |
| Personnel services—employee benefits                         |                    | 15,436              | 15,436          | 13,466    | 1,970                       |
| Purchased professional technical services                    |                    | 103,709             | 103,709         | 71,490    | 32,219                      |
| Purchased professional educational services                  |                    | 93,701              | 93,701          | 77,567    | 16,134                      |
| Miscellaneous purchased services                             |                    | 4,445               | 4,445           |           | 4,445                       |
| Supplies and materials                                       |                    | 10,518              | 10,518          | 9,027     | 1,491                       |
| Miscellaneous expenditures                                   |                    | 18,399              | 18,399          | 16,399    | 2,000                       |
| Total support services                                       | -                  | 262,648             | 262,648         | 199,801   | 62,847                      |
| Capital outlay:  |                    |                     |                 |           |                             |
| Equipment - Instructional                                    |                    | 39,348              | 39,348          | 39,242    | 106                         |
| Equipment - Non Instructional                                |                    | 22,703              | 22,703          | 16,122    | 6,581                       |
| Total capital outlay   | -                  | 62,051              | 62,051          | 55,364    | 6,687                       |
| Total expenditures   | 410,410            | 410,838             | 821,248         | 702,010   | 119,238                     |
| Excess (deficiency) of revenues over<br>(under) expenditures | \$ -               | \$ -                | \$ -            | \$ -      | \$ -                        |

Spotswood Borough School District  
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2013

|  | <b>General<br/>Fund</b> | <b>Special<br/>Revenue<br/>Fund</b> |
|--|-------------------------|-------------------------------------|
| <b>Sources/inflows of resources</b>  |                         |                                     |
| Actual amounts (budgetary basis) "revenue" from the<br>Budgetary Comparison Schedule (C-1, C-2)  | \$ 26,720,093           | \$ 702,010                          |
| <br>Differences - Budget to GAAP:  |                         |                                     |
| Grant accounting budgetary basis differs from GAAP in that<br>encumbrances are recognized as expenditures, and the<br>related revenue is recognized.   |                         |                                     |
| Current year   |                         | (14,856)                            |
| Prior year (net of cancellations)  |                         | 8,286                               |
| <br>State aid payments recognized for budgetary purposes,<br>not recognized for GAAP statements.   |                         |                                     |
| Prior year   | 553,131                 |                                     |
| Current year   | (591,822)               |                                     |
| <br>Total revenues as reported on the Statement of Revenues,<br>Expenditures and Changes in Fund Balances - Governmental<br>Funds (B-2)  |                         |                                     |
|  | \$ 26,681,402           | \$ 695,440                          |
| <br><b>Uses/outflows of resources</b>  |                         |                                     |
| Actual amounts (budgetary basis) "total outflows" from the<br>Budgetary Comparison Schedule (C-1, C-2)   | \$ 28,273,760           | \$ 702,010                          |
| <br>Differences - budget to GAAP   |                         |                                     |
| Encumbrances (net) for supplies and equipment ordered but<br>not received are reported in the year the order is placed for<br>budgetary purposes, but in the year the supplies are received<br>for financial reporting purposes. |                         |                                     |
| Current year   |                         | (14,856)                            |
| Prior year (net of cancellations)  |                         | 8,286                               |
| <br>Total expenditures as reported on the Statement of Revenues,<br>Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)  |                         |                                     |
|  | \$ 28,273,760           | \$ 695,440                          |

## Supplementary Information

# Special Revenue Fund

Spotswood Township School District  
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures  
Budgetary Basis

Year ended June 30, 2013

|   | Title I<br>Regular<br>Part A | Title II<br>Part A<br>Regular | Title III<br>Regular | I.D.E.A.          |                      | Disaster<br>Recovery | Non Public Programs                  |                           |
|---|------------------------------|-------------------------------|----------------------|-------------------|----------------------|----------------------|--------------------------------------|---------------------------|
|   |                              |                               |                      | Part B<br>Regular | Preschool<br>Regular |                      | Auxiliary Services<br>Transportation | Compensatory<br>Education |
| Revenues:                                     |                              |                               |                      |                   |                      |                      |                                      |                           |
| State sources                                 |                              |                               |                      |                   |                      |                      | \$ 4,775                             | \$ 15,885                 |
| Federal sources                               | \$ 105,342                   | \$ 30,522                     | \$ 21,335            | \$ 392,382        | \$ 25,267            | \$ 16,099            |                                      |                           |
| Other sources                                 |                              |                               |                      |                   |                      |                      |                                      |                           |
| Total revenues                                | \$ 105,342                   | \$ 30,522                     | \$ 21,335            | \$ 392,382        | \$ 25,267            | \$ 16,099            | \$ 4,775                             | \$ 15,885                 |
| Expenditures:                                 |                              |                               |                      |                   |                      |                      |                                      |                           |
| Current expenditures:                         |                              |                               |                      |                   |                      |                      |                                      |                           |
| Instruction:                                  |                              |                               |                      |                   |                      |                      |                                      |                           |
| Salaries of teachers                          | \$ 22,580                    | \$ 21,553                     |                      | \$ 11,612         | \$ 15,520            |                      |                                      |                           |
| Tuition to other LEAs within the State        |                              |                               |                      | 289,039           |                      |                      |                                      |                           |
| Supplies and materials                        | 33,500                       |                               | \$ 21,335            | 12,208            | 2,424                |                      |                                      |                           |
| Textbooks                                     |                              |                               |                      |                   |                      |                      |                                      |                           |
| Other objects                                 |                              |                               |                      |                   |                      |                      |                                      |                           |
| Total instruction                             | 56,080                       | 21,553                        | 21,335               | 312,859           | 17,944               |                      |                                      |                           |
| Support services:                             |                              |                               |                      |                   |                      |                      |                                      |                           |
| Salaries                                      | 2,852                        | 4,000                         |                      | 5,000             |                      |                      |                                      |                           |
| Personnel services—employee benefits          | 5,567                        | 4,170                         |                      | 2,542             | 1,187                |                      |                                      |                           |
| Purchased professional and technical services | 1,601                        | 799                           |                      | 69,090            |                      |                      |                                      |                           |
| Purchased professional educational services   |                              |                               |                      |                   |                      |                      | \$ 4,775                             | \$ 15,885                 |
| Supplies and materials                        |                              |                               |                      | 2,891             | 6,136                |                      |                                      |                           |
| Miscellaneous expenditures                    |                              |                               |                      |                   |                      | \$ 16,099            |                                      |                           |
| Total support services                        | 10,020                       | 8,969                         |                      | 79,523            | 7,323                | 16,099               | 4,775                                | 15,885                    |
| Capital outlay:                               |                              |                               |                      |                   |                      |                      |                                      |                           |
| Instructional equipment                       | 39,242                       |                               |                      |                   |                      |                      |                                      |                           |
| Non-instructional equipment                   |                              |                               |                      |                   |                      |                      |                                      |                           |
| Total capital outlay                          | 39,242                       |                               |                      |                   |                      |                      |                                      |                           |
| Total expenditures                            | \$ 105,342                   | \$ 30,522                     | \$ 21,335            | \$ 392,382        | \$ 25,267            | \$ 16,099            | \$ 4,775                             | \$ 15,885                 |

Spotswood Township School District  
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures  
Budgetary Basis

Year ended June 30, 2013

|   | Non Public Programs |           |            |                         |                          |                   | Local Programs | Totals |
|---|---------------------|-----------|------------|-------------------------|--------------------------|-------------------|----------------|--------|
|   | Textbooks           | Nursing   | Technology | Handicapped Services    |                          |                   |                |        |
|   |                     |           |            | Exam and Classification | Supplemental Instruction | Corrective Speech |                |        |
| Revenues:                                     |                     |           |            |                         |                          |                   |                |        |
| State sources                                 | \$ 12,992           | \$ 19,986 | \$ 5,457   | \$ 4,857                | \$ 10,983                | \$ 15,624         | \$ 90,559      |        |
| Federal sources                               |                     |           |            |                         |                          |                   | 590,947        |        |
| Other sources                                 |                     |           |            |                         |                          |                   | 20,504         |        |
| Total revenues                                | \$ 12,992           | \$ 19,986 | \$ 5,457   | \$ 4,857                | \$ 10,983                | \$ 15,624         | \$ 702,010     |        |
| Expenditures:                                 |                     |           |            |                         |                          |                   |                |        |
| Current expenditures:                         |                     |           |            |                         |                          |                   |                |        |
| Instruction:                                  |                     |           |            |                         |                          |                   |                |        |
| Salaries of teachers                          |                     |           |            |                         |                          |                   | \$ 71,265      |        |
| Tuition to other LEAs within the State        |                     |           |            |                         |                          |                   | 289,039        |        |
| Supplies and materials                        |                     |           |            |                         |                          | \$ 582            | 70,049         |        |
| Textbooks                                     | \$ 12,992           |           |            |                         |                          |                   | 12,992         |        |
| Other objects                                 |                     |           |            |                         |                          | 3,500             | 3,500          |        |
| Total instruction                             | 12,992              |           |            |                         |                          | 4,082             | 446,845        |        |
| Support services:                             |                     |           |            |                         |                          |                   |                |        |
| Salaries                                      |                     |           |            |                         |                          |                   | 11,852         |        |
| Personnel services—employee benefits          |                     |           |            |                         |                          |                   | 13,466         |        |
| Purchased professional and technical services |                     |           |            |                         |                          |                   | 71,490         |        |
| Purchased professional educational services   |                     | \$ 19,986 | \$ 5,457   | \$ 4,857                | \$ 10,983                | \$ 15,624         | 77,567         |        |
| Supplies and materials                        |                     |           |            |                         |                          |                   | 9,027          |        |
| Miscellaneous expenditures                    |                     |           |            |                         |                          | 300               | 16,399         |        |
| Total support services                        |                     | 19,986    | 5,457      | 4,857                   | 10,983                   | 15,624            | 199,801        |        |
| Capital outlay:                               |                     |           |            |                         |                          |                   |                |        |
| Instructional equipment                       |                     |           |            |                         |                          |                   | 39,242         |        |
| Non-instructional equipment                   |                     |           |            |                         |                          | 16,122            | 16,122         |        |
| Total capital outlay                          |                     |           |            |                         |                          | 16,122            | 55,364         |        |
| Total expenditures                            | \$ 12,992           | \$ 19,986 | \$ 5,457   | \$ 4,857                | \$ 10,983                | \$ 15,624         | \$ 702,010     |        |

# Capital Projects Fund

Spotswood Township School District  
Capital Projects Fund

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

(Budgetary Basis)

Year ended June 30, 2013

|   |                          |
|---|--------------------------|
| <b>Expenditures</b>                           |                          |
| Purchased professional and technical services | \$ 83,095                |
| Construction services                         | 1,774,662                |
| Total expenditures                            | <u>1,857,757</u>         |
| (Deficiency) of revenues under expenditures   | (1,857,757)              |
| Fund Balance, July 1                          | <u>2,047,718</u>         |
| Fund Balance, June 30                         | <u><u>\$ 189,961</u></u> |

Spotswood Township School District  
Capital Projects Fund

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

School Energy Savings

From Inception and for the year ended June 30, 2013

|  | Prior<br>Periods    | Current<br>Year       | Totals            | Revised<br>Authorized<br>Cost |
|--|---------------------|-----------------------|-------------------|-------------------------------|
| <b>Revenues and other financing sources</b>                  |                     |                       |                   |                               |
| Bond proceeds  | \$ 2,630,000        |                       | \$ 2,630,000      | \$ 2,630,000                  |
| Premium on bonds   | 75,415              |                       | 75,415            | 75,415                        |
| Total revenues   | <u>2,705,415</u>    | -                     | <u>2,705,415</u>  | <u>\$ 2,705,415</u>           |
| <b>Expenditures and Other Financing Uses</b>                 |                     |                       |                   |                               |
| Purchased professional and technical services                |                     | \$ 83,095             | 83,095            |                               |
| Construction services  | 592,721             | 1,774,662             | 2,367,383         |                               |
| Other  | 64,976              |                       | 64,976            |                               |
| Total expenditures   | <u>657,697</u>      | <u>1,857,757</u>      | <u>2,515,454</u>  |                               |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>\$ 2,047,718</u> | <u>\$ (1,857,757)</u> | <u>\$ 189,961</u> |                               |
| <b>Additional project information</b>                        |                     |                       |                   |                               |
| Project number   | N/A                 |                       |                   |                               |
| Grant date   | N/A                 |                       |                   |                               |
| Bond authorization date                                      | 2/21/2012           |                       |                   |                               |
| Bonds Authorized   | \$ 2,630,000        |                       |                   |                               |
| Bonds Issued   | 2,630,000           |                       |                   |                               |
| Original Authorized Cost                                     | 2,705,415           |                       |                   |                               |
| Additional Authorized Cost                                   | -                   |                       |                   |                               |
| Revised Authorized Cost                                      | 2,705,415           |                       |                   |                               |
| Percentage Increase over Original                            |                     |                       |                   |                               |
| Authorized Cost  | 0.00%               |                       |                   |                               |
| Percentage completion  | 92.98%              |                       |                   |                               |
| Original target completion date                              | 9/30/2012           |                       |                   |                               |
| Revised target completion date                               | 8/31/2013           |                       |                   |                               |

Spotswood Township School District  
Capital Projects Fund

Summary Schedule of Project Expenditures  
(Budgetary Basis)

From Inception and for the year ended June 30, 2013

| <u>Issue/Project Title</u>          | <u>Appropriations</u> | <u>Expenditures to Date</u> |                         | <u>Unexpended<br/>Balance</u> |
|-------------------------------------|-----------------------|-----------------------------|-------------------------|-------------------------------|
|                                     |                       | <u>Prior<br/>Years</u>      | <u>Current<br/>Year</u> |                               |
| School Energy Savings               | \$ 2,705,415          | \$ 657,697                  | \$ 1,857,757            | \$ 189,961                    |
|                                     | <u>\$ 2,705,415</u>   | <u>\$ 657,697</u>           | <u>\$ 1,857,757</u>     | <u>\$ 189,961</u>             |
| <u>Components of appropriations</u> |                       |                             |                         |                               |
| Bonds                               | \$ 2,630,000          |                             |                         |                               |
| Premium on Bonds                    | 75,415                |                             |                         |                               |
|                                     | <u>\$ 2,705,415</u>   |                             |                         |                               |

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# Fiduciary Funds

Spotswood Borough School District  
Trust and Agency Funds

Combining Statement of Fiduciary Net Position

June 30, 2013

|  | <u>Trust</u>                         | <u>Agency</u>               |                   |                         |
|--|--------------------------------------|-----------------------------|-------------------|-------------------------|
|  | <u>Unemployment<br/>Compensation</u> | <u>Student<br/>Activity</u> | <u>Payroll</u>    | <u>Total<br/>Agency</u> |
| <b>Assets</b>  |                                      |                             |                   |                         |
| Cash and cash equivalents  | \$ 137,605                           | \$ 211,107                  | \$ 560,101        | \$ 771,208              |
| Interfund receivable   | 32,868                               |                             |                   |                         |
| Total assets   | <u>170,473</u>                       | <u>\$ 211,107</u>           | <u>\$ 560,101</u> | <u>\$ 771,208</u>       |
| <b>Liabilities</b>   |                                      |                             |                   |                         |
| Accounts payable   | 4,292                                |                             |                   |                         |
| Payroll deductions and withholdings<br>payable and summer escrow payable |                                      |                             | \$ 407,022        | \$ 407,022              |
| Interfund payable  |                                      |                             | 153,079           | 153,079                 |
| Due to student groups  |                                      | \$ 211,107                  |                   | 211,107                 |
| Total liabilities  | <u>4,292</u>                         | <u>\$ 211,107</u>           | <u>\$ 560,101</u> | <u>\$ 771,208</u>       |
| <b>Net position</b>  |                                      |                             |                   |                         |
| Held in trust for unemployment claims                                    | <u>\$ 166,181</u>                    |                             |                   |                         |

Spotswood Borough School District  
Trust Funds

Combining Statement of Changes in Fiduciary Net Position

Year ended June 30, 2013

|                                   | <b>Unemployment<br/>Compensation<br/>Fund</b> |
|-----------------------------------|---|
|                                   |   |
| Additions:                        |   |
| Contributions from plan members   | \$ 20,000                                     |
| Total additions                   | 20,000  |
| Deductions:                       |   |
| Unemployment benefits claims paid | 63,690  |
| Total deductions                  | 63,690  |
| Change in net position            | (43,690)                                      |
| Net position, beginning of year   | 209,871                                       |
| Net position, end of year         | \$ 166,181                                    |

Spotswood Borough School District  
Student Activity Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2013

|                           | <b>Balance<br/>July 1,<br/>2012</b> | <b>Cash<br/>Receipts</b> | <b>Cash<br/>Disbursements</b> | <b>Balance<br/>June 30,<br/>2013</b> |
|---------------------------|-------------------------------------|--------------------------|-------------------------------|--------------------------------------|
| <b>Elementary Schools</b> |                                     |                          |                               |                                      |
| Appleby                   | \$ 3,579                            | \$ 45,791                | \$ 46,142                     | \$ 3,228                             |
| Schoenly                  | 17,264                              | 13,440                   | 12,126                        | 18,578                               |
| Total Elementary Schools  | <u>20,843</u>                       | <u>59,231</u>            | <u>58,268</u>                 | <u>21,806</u>                        |
| <b>Middle School</b>      |                                     |                          |                               |                                      |
| Memorial School           | 21,975                              | 32,506                   | 32,293                        | 22,188                               |
| Total Middle School       | <u>21,975</u>                       | <u>32,506</u>            | <u>32,293</u>                 | <u>22,188</u>                        |
| <b>Senior High School</b> |                                     |                          |                               |                                      |
| Spotswood High School     | 109,689                             | 301,057                  | 288,006                       | 122,740                              |
| Athletic Fund             | 55,085                              | 110,492                  | 121,204                       | 44,373                               |
| Total Senior High School  | <u>164,774</u>                      | <u>411,549</u>           | <u>409,210</u>                | <u>167,113</u>                       |
| Total all schools         | <u>\$ 207,592</u>                   | <u>\$ 503,286</u>        | <u>\$ 499,771</u>             | <u>\$ 211,107</u>                    |

Spotswood Borough School District  
Payroll Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2013

|  | <b>Balance<br/>July 1,<br/>2012</b> | <b>Cash<br/>Receipts</b> | <b>Cash<br/>Disbursements</b> | <b>Balance<br/>June 30,<br/>2013</b> |
|--|-------------------------------------|--------------------------|-------------------------------|--------------------------------------|
| <b>Assets</b>  |                                     |                          |                               |                                      |
| Cash and cash equivalents  | \$ 619,404                          | \$ 18,547,203            | \$ 18,606,506                 | \$ 560,101                           |
| Total assets   | <u>\$ 619,404</u>                   | <u>\$ 18,547,203</u>     | <u>\$ 18,606,506</u>          | <u>\$ 560,101</u>                    |
| <b>Liabilities</b>   |                                     |                          |                               |                                      |
| Payroll deductions and withholdings<br>and summer escrow payable | \$ 466,325                          | \$ 18,214,149            | \$ 18,273,452                 | \$ 407,022                           |
| Interfund payable  | 153,079                             | 333,054                  | 333,054                       | 153,079                              |
| Total liabilities  | <u>\$ 619,404</u>                   | <u>\$ 18,547,203</u>     | <u>\$ 18,606,506</u>          | <u>\$ 560,101</u>                    |

# Long-Term Debt

Spotswood Borough School District  
Long-Term Debt

Schedule of Serial Bonds Payable

Year ended June 30, 2013

| Issue  | Date of Issue | Amount of Issue | Annual Maturities |         | Interest Rate | Balance July 1, 2012 | Retired           | Balance June 30, 2013 |
|--|---------------|-----------------|-------------------|---------|---------------|----------------------|-------------------|-----------------------|
|  |               |                 | Date              | Amount  |               |                      |                   |                       |
| Refunding School Bonds                           | 12/15/2002    | \$ 2,645,000    | 11/1/2013         | 255,000 | 4.00%         | \$ 765,000           | \$ 260,000        | \$ 505,000            |
|  |               |                 | 11/1/2014         | 250,000 | 4.00          |                      |                   |                       |
| Refunding School Bonds                           | 5/16/2011     | 7,135,000       | 1/15/2014         | 540,000 | 4.00          | 7,210,000            | 530,000           | 6,680,000             |
|  |               |                 | 1/15/2015         | 560,000 | 2.00          |                      |                   |                       |
|  |               |                 | 1/15/2016         | 570,000 | 3.00          |                      |                   |                       |
|  |               |                 | 1/15/2017         | 580,000 | 3.00          |                      |                   |                       |
|  |               |                 | 1/15/2018         | 595,000 | 2.63          |                      |                   |                       |
|  |               |                 | 1/15/2019         | 605,000 | 3.00          |                      |                   |                       |
|  |               |                 | 1/15/2020         | 615,000 | 3.49          |                      |                   |                       |
|  |               |                 | 1/15/2021         | 625,000 | 4.65          |                      |                   |                       |
|  |               |                 | 1/15/2022         | 650,000 | 4.00          |                      |                   |                       |
|  |               |                 | 1/15/2023         | 665,000 | 4.25          |                      |                   |                       |
| School Energy Savings Obligation Refunding Bonds | 4/24/2012     | 2,630,000       | 4/1/2014          | 205,000 | 2.00          | 2,630,000            | 155,000           | 2,475,000             |
|  |               |                 | 4/1/2015          | 105,000 | 2.00          |                      |                   |                       |
|  |               |                 | 4/1/2016          | 115,000 | 2.00          |                      |                   |                       |
|  |               |                 | 4/1/2017          | 125,000 | 2.00          |                      |                   |                       |
|  |               |                 | 4/1/2018          | 135,000 | 2.00          |                      |                   |                       |
|  |               |                 | 4/1/2019          | 145,000 | 2.00          |                      |                   |                       |
|  |               |                 | 4/1/2022          | 500,000 | 2.25          |                      |                   |                       |
|  |               |                 | 4/1/2025          | 635,000 | 3.75          |                      |                   |                       |
| 4/1/2027   | 510,000       | 3.75            |                   |         |               |                      |                   |                       |
|  |               |                 |                   |         |               | <u>\$ 10,605,000</u> | <u>\$ 945,000</u> | <u>\$ 9,660,000</u>   |

Spotswood Borough School District  
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2013

|                                      | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Final to Actual</u> |
|--------------------------------------|----------------------------|-----------------------------|-------------------------|------------------|-------------------------------------|
| Revenues:                            |                            |                             |                         |                  |                                     |
| Local sources:                       |                            |                             |                         |                  |                                     |
| Local tax levy                       | \$ 1,003,113               |                             | \$ 1,003,113            | \$ 1,003,113     |                                     |
| State sources:                       |                            |                             |                         |                  |                                     |
| Debt Service Aid Type II             | 62,725                     |                             | 62,725                  | 62,725           |                                     |
| Total revenues                       | <u>1,065,838</u>           |                             | <u>1,065,838</u>        | <u>1,065,838</u> | <u>-</u>                            |
| Expenditures:                        |                            |                             |                         |                  |                                     |
| Interest on bonds                    | 275,838                    |                             | 275,838                 | 275,838          |                                     |
| Principal on bonds                   | 790,000                    |                             | 790,000                 | 790,000          |                                     |
| Total expenditures                   | <u>1,065,838</u>           |                             | <u>1,065,838</u>        | <u>1,065,838</u> | <u>-</u>                            |
| Excess of revenues over expenditures | -                          |                             | -                       | -                | -                                   |
| Fund balance, July 1                 | 33,291                     |                             | 33,291                  | 33,291           |                                     |
| Fund balance, June 30                | <u>\$ 33,291</u>           | <u>\$ -</u>                 | <u>\$ 33,291</u>        | <u>\$ 33,291</u> | <u>\$ -</u>                         |

**Statistical Section  
(Unaudited)**

**Statistical Section  
Unaudited**

**Contents**

**Financial Trends**

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

**Revenue Capacity**

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

**Debt Capacity**

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

**Demographic and Economic Information**

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

**Operating Information**

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

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

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

(accrual basis of accounting)  
Unaudited

|  | June 30,            |                     |                     |                     |                     |                     |                     |                      |                      |                      |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
|  | 2004                | 2005                | 2006                | 2007                | 2008                | 2009                | 2010                | 2011                 | 2012                 | 2013                 |
| <b>Governmental activities</b>                     |                     |                     |                     |                     |                     |                     |                     |                      |                      |                      |
| Net investment in capital assets                   | \$ 1,297,502        | \$ 6,164,049        | \$ 6,623,975        | \$ 7,435,707        | \$ 7,754,182        | \$ 7,934,811        | \$ 8,405,875        | \$ 8,730,524         | \$ 9,274,773         | \$ 10,401,006        |
| Restricted   | 3,795,828           | 681,014             | 1,034,224           | 1,203,732           | 2,129,345           | 1,802,712           | 1,464,885           | 2,050,004            | 2,338,662            | 859,010              |
| Unrestricted (deficit)                             | 453,503             | 588,102             | 109,077             | 297,690             | (409,265)           | (611,050)           | (455,629)           | (159,403)            | (195,248)            | (209,416)            |
| <b>Total governmental activities net position</b>  | <b>\$ 5,546,833</b> | <b>\$ 7,433,165</b> | <b>\$ 7,767,276</b> | <b>\$ 8,937,129</b> | <b>\$ 9,474,262</b> | <b>\$ 9,126,473</b> | <b>\$ 9,415,131</b> | <b>\$ 10,621,125</b> | <b>\$ 11,418,187</b> | <b>\$ 11,050,600</b> |
| <b>Business-type activities</b>                    |                     |                     |                     |                     |                     |                     |                     |                      |                      |                      |
| Net investment in capital assets                   |                     |                     |                     |                     |                     |                     |                     | \$ 9,252             | \$ 7,032             | \$ 4,812             |
| Unrestricted                                       | \$ 104,960          | \$ 104,792          | \$ 164,723          | \$ 181,104          | \$ 214,541          | \$ 222,264          | \$ 266,616          | 357,029              | 468,337              | 509,465              |
| <b>Total business-type activities net position</b> | <b>\$ 104,960</b>   | <b>\$ 104,792</b>   | <b>\$ 164,723</b>   | <b>\$ 181,104</b>   | <b>\$ 214,541</b>   | <b>\$ 222,264</b>   | <b>\$ 266,616</b>   | <b>\$ 366,281</b>    | <b>\$ 475,369</b>    | <b>\$ 514,277</b>    |
| <b>Government-wide</b>                             |                     |                     |                     |                     |                     |                     |                     |                      |                      |                      |
| Net investment in capital assets                   | \$ 1,297,502        | \$ 6,164,049        | \$ 6,623,975        | \$ 7,435,707        | \$ 7,754,182        | \$ 7,934,811        | \$ 8,405,875        | \$ 8,739,776         | \$ 9,281,805         | \$ 10,405,818        |
| Restricted   | 3,795,828           | 681,014             | 1,034,224           | 1,203,732           | 2,129,345           | 1,802,712           | 1,464,885           | 2,050,004            | 2,338,662            | 859,010              |
| Unrestricted (deficit)                             | 558,463             | 692,894             | 273,800             | 478,794             | (194,724)           | (388,786)           | (189,013)           | 197,626              | 273,089              | 300,049              |
| <b>Total district net position</b>                 | <b>\$ 5,651,793</b> | <b>\$ 7,537,957</b> | <b>\$ 7,931,999</b> | <b>\$ 9,118,233</b> | <b>\$ 9,688,803</b> | <b>\$ 9,348,737</b> | <b>\$ 9,681,747</b> | <b>\$ 10,987,406</b> | <b>\$ 11,893,556</b> | <b>\$ 11,564,877</b> |

Source: CAFR Schedule A-1

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

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

(accrual basis of accounting)  
Unaudited

|  | Fiscal Year Ended June 30, |                        |                        |                        |                        |                        |                        |                        |                        |                        |
|--|----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|  | 2004                       | 2005                   | 2006                   | 2007                   | 2008                   | 2009                   | 2010                   | 2011                   | 2012                   | 2013                   |
| <b>Expenses</b>  |                            |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| <b>Governmental activities</b>                         |                            |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Instruction  | \$ (11,618,853)            | \$ (12,188,549)        | \$ (13,402,236)        | \$ (13,816,578)        | \$ (14,472,637)        | \$ (15,601,128)        | \$ (16,411,805)        | \$ (16,170,747)        | \$ (16,945,523)        | \$ (18,078,475)        |
| Support services:                                      |                            |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Health services  | (269,849)                  | (255,683)              | (274,017)              | (327,464)              | (321,759)              | (367,124)              | (367,615)              | (360,310)              | (443,106)              | (481,418)              |
| Other support services                                 | (1,764,880)                | (2,166,187)            | (2,327,920)            | (2,583,125)            | (2,579,440)            | (2,786,355)            | (2,672,857)            | (2,446,934)            | (2,590,171)            | (2,988,712)            |
| Improvement of instruction                             | (703,630)                  | (584,927)              | (605,402)              | (532,211)              | (603,546)              | (517,597)              | (551,552)              | (385,422)              | (443,149)              | (462,145)              |
| School library   | (176,030)                  | (199,536)              | (204,068)              | (209,838)              | (218,828)              | (224,705)              | (224,678)              | (98,143)               | (97,094)               | (95,850)               |
| Instructional staff training                           | (28,829)                   | (16,136)               | (15,790)               | (96,543)               | (118,667)              | (122,610)              | (118,111)              | (27,858)               | (46,764)               | (38,971)               |
| General administration                                 | (440,445)                  | (482,958)              | (475,189)              | (497,106)              | (539,341)              | (488,776)              | (509,212)              | (443,942)              | (462,852)              | (452,165)              |
| School administration                                  | (1,265,088)                | (1,159,719)            | (1,213,758)            | (1,266,026)            | (1,345,116)            | (1,141,868)            | (1,200,129)            | (1,141,675)            | (1,159,893)            | (1,225,996)            |
| Support services                                       |                            | (10,525)               |                        |                        |                        |                        |                        |                        |                        |                        |
| Central services                                       |                            | (596,799)              | (557,619)              | (503,311)              | (510,976)              | (520,339)              | (572,572)              | (521,992)              | (635,231)              | (574,314)              |
| Administration and information technology              |                            | (153,578)              | (122,789)              | (145,278)              | (153,257)              | (200,485)              | (223,036)              | (236,545)              | (234,930)              | (253,784)              |
| Required maintenance of plant services                 | (715,605)                  | (576,110)              | (495,606)              | (698,302)              | (655,836)              | (603,992)              | (548,616)              | (606,166)              | (451,913)              | (495,613)              |
| Operation of plant                                     | (1,353,405)                | (1,864,171)            | (1,996,250)            | (2,107,054)            | (2,268,246)            | (2,436,869)            | (2,143,438)            | (2,372,320)            | (2,181,727)            | (2,318,083)            |
| Student transportation                                 | (487,857)                  | (462,238)              | (565,767)              | (486,704)              | (486,097)              | (687,267)              | (942,950)              | (931,463)              | (920,032)              | (1,032,159)            |
| Business and other support services & benefits         | (293,842)                  | (72,696)               | (125,592)              | (132,827)              | (150,087)              |                        |                        |                        |                        |                        |
| Capital outlay   | (266,763)                  |                        | (81,513)               | (98,402)               |                        |                        |                        |                        |                        |                        |
| Interest on long term debt                             | (773,634)                  | (572,693)              | (544,528)              | (510,538)              | (482,974)              | (444,899)              | (412,248)              | (263,696)              | (299,641)              | (312,582)              |
| <b>Total governmental activities expenses</b>          | <b>(20,158,710)</b>        | <b>(21,362,505)</b>    | <b>(23,008,044)</b>    | <b>(24,011,307)</b>    | <b>(24,906,807)</b>    | <b>(26,144,014)</b>    | <b>(26,898,819)</b>    | <b>(26,007,213)</b>    | <b>(26,912,026)</b>    | <b>(28,810,267)</b>    |
| <b>Business-type activities:</b>                       |                            |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Food service   | (501,039)                  | (460,820)              | (479,056)              | (486,754)              | (546,274)              | (572,008)              | (566,808)              | (541,641)              | (568,570)              | (566,894)              |
| CARES  | (232,383)                  | (256,918)              | (314,544)              | (323,554)              | (280,008)              | (345,323)              | (279,217)              | (314,546)              | (312,307)              | (343,819)              |
| Printing services                                      |                            |                        |                        |                        |                        | (5,378)                | (14,811)               | (19,006)               | -                      | -                      |
| <b>Total business-type activities expense</b>          | <b>(733,422)</b>           | <b>(717,738)</b>       | <b>(793,600)</b>       | <b>(810,308)</b>       | <b>(826,282)</b>       | <b>(922,709)</b>       | <b>(860,836)</b>       | <b>(875,193)</b>       | <b>(880,877)</b>       | <b>(910,713)</b>       |
| <b>Total district expenses</b>                         | <b>\$ (20,892,132)</b>     | <b>\$ (22,080,243)</b> | <b>\$ (23,801,644)</b> | <b>\$ (24,821,615)</b> | <b>\$ (25,733,089)</b> | <b>\$ (27,066,723)</b> | <b>\$ (27,759,655)</b> | <b>\$ (26,882,406)</b> | <b>\$ (27,792,903)</b> | <b>\$ (29,720,980)</b> |
| <b>Program Revenues</b>                                |                            |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| <b>Governmental activities:</b>                        |                            |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Charges for services:                                  |                            |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Instruction (tuition)                                  | \$ 5,935,859               | \$ 6,387,911           | \$ 6,760,319           | \$ 7,158,656           | \$ 6,806,025           | \$ 7,271,245           | \$ 3,906,064           | \$ 4,686,085           | \$ 4,192,661           | \$ 4,121,660           |
| Operating grants and contributions                     | 650,871                    | 805,699                | 926,968                | 862,214                | 690,748                | 705,662                | 1,046,228              | 685,679                | 695,364                | 695,440                |
| Capital grants and contributions                       |                            | 1,404,499              | 25,169                 | 5,661                  | 3,353                  |                        | 56,274                 |                        |                        |                        |
| <b>Total governmental activities program revenues</b>  | <b>6,586,730</b>           | <b>8,598,109</b>       | <b>7,712,456</b>       | <b>8,026,531</b>       | <b>7,500,126</b>       | <b>7,976,907</b>       | <b>5,008,566</b>       | <b>5,371,764</b>       | <b>4,888,025</b>       | <b>4,817,100</b>       |
| <b>Business-type activities:</b>                       |                            |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Charges for services:                                  |                            |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Food service   | 334,739                    | 358,976                | 386,327                | 400,706                | 450,268                | 463,144                | 430,963                | 414,931                | 421,985                | 401,484                |
| CARES  | 236,278                    | 256,750                | 315,308                | 323,645                | 299,921                | 345,363                | 324,091                | 367,235                | 406,177                | 383,822                |
| Printing services                                      |                            |                        |                        |                        |                        | 2,729                  | 742                    | 2,243                  | -                      | -                      |
| Operating grants and contributions                     | 81,334                     | 79,995                 | 87,126                 | 95,502                 | 106,518                | 117,150                | 147,881                | 156,428                | 161,769                | 164,315                |
| <b>Total business type activities program revenues</b> | <b>652,351</b>             | <b>695,721</b>         | <b>788,761</b>         | <b>819,853</b>         | <b>856,707</b>         | <b>928,386</b>         | <b>903,677</b>         | <b>940,837</b>         | <b>989,931</b>         | <b>949,621</b>         |
| <b>Total district program revenues</b>                 | <b>\$ 7,239,081</b>        | <b>\$ 9,293,830</b>    | <b>\$ 8,501,217</b>    | <b>\$ 8,846,384</b>    | <b>\$ 8,356,833</b>    | <b>\$ 8,905,293</b>    | <b>\$ 5,912,243</b>    | <b>\$ 6,312,601</b>    | <b>\$ 5,877,956</b>    | <b>\$ 5,766,721</b>    |
| <b>Net (Expense)/Revenue</b>                           |                            |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| <b>Governmental activities</b>                         | <b>\$ (13,571,980)</b>     | <b>\$ (12,764,396)</b> | <b>\$ (15,295,588)</b> | <b>\$ (15,984,776)</b> | <b>\$ (17,406,681)</b> | <b>\$ (18,167,107)</b> | <b>\$ (21,890,253)</b> | <b>\$ (20,635,449)</b> | <b>\$ (22,024,001)</b> | <b>\$ (23,993,167)</b> |
| <b>Business-type activities</b>                        | <b>(81,071)</b>            | <b>(22,017)</b>        | <b>(4,839)</b>         | <b>9,545</b>           | <b>30,425</b>          | <b>5,677</b>           | <b>42,841</b>          | <b>65,644</b>          | <b>109,054</b>         | <b>38,908</b>          |
| <b>Total district-wide net (expense)/ revenue</b>      | <b>\$ (13,653,051)</b>     | <b>\$ (12,786,413)</b> | <b>\$ (15,300,427)</b> | <b>\$ (15,975,231)</b> | <b>\$ (17,376,256)</b> | <b>\$ (18,161,430)</b> | <b>\$ (21,847,412)</b> | <b>\$ (20,569,805)</b> | <b>\$ (21,914,947)</b> | <b>\$ (23,954,259)</b> |

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

(accrual basis of accounting)  
Unaudited

|   | Fiscal Year Ended June 30, |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2004                       | 2005                 | 2006                 | 2007                 | 2008                 | 2009                 | 2010                 | 2011                 | 2012                 | 2013                 |
| <b>General Revenues and Other Changes in Net Position</b> |                            |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Governmental activities:</b>                           |                            |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Property taxes levied for general purposes                | \$ 7,974,117               | \$ 7,898,614         | \$ 8,696,492         | \$ 9,401,560         | \$ 9,979,959         | \$ 9,986,751         | \$ 13,204,758        | \$ 13,566,885        | \$ 13,804,809        | \$ 13,804,809        |
| Property taxes levied for debt service                    | 877,903                    | 1,222,138            | 1,217,715            | 1,251,937            | 1,241,884            | 1,230,839            | 1,155,039            | 1,156,464            | 1,037,781            | 1,003,113            |
| State sources   | 9,001,111                  | 5,393,808            | 5,593,023            | 6,291,664            | 6,545,839            | 6,547,882            | 6,742,727            | 7,023,008            | 7,671,764            | 8,618,571            |
| Federal sources   |                            |                      |                      |                      |                      |                      | 964,809              | 70,455               | 187,480              | 32,788               |
| Investment earnings                                       | 67,465                     | 38,651               | 81,478               | 90,936               | 71,221               | 35,994               | 19,588               | 10,522               | 3,476                | 208                  |
| Miscellaneous income                                      | 128,623                    | 117,704              | 99,491               | 118,532              | 104,911              | 17,852               | 267,944              | 47,590               | 115,753              | 166,091              |
| Special Item  |                            |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Transfers   | (84,514)                   | (20,187)             | (58,500)             |                      |                      |                      |                      | (33,481)             |                      |                      |
| Cancellation of prior year accounts receivable            |                            |                      |                      |                      |                      |                      | (175,954)            |                      |                      |                      |
| <b>Total governmental activities</b>                      | <b>17,964,705</b>          | <b>14,650,728</b>    | <b>15,629,699</b>    | <b>17,154,629</b>    | <b>17,943,814</b>    | <b>17,819,318</b>    | <b>22,178,911</b>    | <b>21,841,443</b>    | <b>22,821,063</b>    | <b>23,625,580</b>    |
| <b>Business-type activities:</b>                          |                            |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Investment earnings                                       | 452                        | 1,662                | 6,270                | 6,836                | 3,012                | 2,046                | 1,511                | 540                  | 34                   |                      |
| Transfers   | 84,514                     | 20,187               | 58,500               |                      |                      |                      |                      | 33,481               |                      |                      |
| <b>Total business-type activities</b>                     | <b>84,966</b>              | <b>21,849</b>        | <b>64,770</b>        | <b>6,836</b>         | <b>3,012</b>         | <b>2,046</b>         | <b>1,511</b>         | <b>34,021</b>        | <b>34</b>            | <b>-</b>             |
| <b>Total district-wide</b>                                | <b>\$ 18,049,671</b>       | <b>\$ 14,672,577</b> | <b>\$ 15,694,469</b> | <b>\$ 17,161,465</b> | <b>\$ 17,946,826</b> | <b>\$ 17,821,364</b> | <b>\$ 22,180,422</b> | <b>\$ 21,875,464</b> | <b>\$ 22,821,097</b> | <b>\$ 23,625,580</b> |
| <b>Change in Net Position</b>                             |                            |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities                                   | \$ 4,392,725               | \$ 1,886,332         | \$ 334,111           | \$ 1,169,853         | \$ 537,133           | \$ (347,789)         | \$ 288,658           | \$ 1,205,994         | \$ 797,062           | \$ (367,587)         |
| Business-type activities                                  | 3,895                      | (168)                | 59,931               | 16,381               | 33,437               | 7,723                | 44,352               | 99,665               | 109,088              | 38,908               |
| <b>Total district</b>                                     | <b>\$ 4,396,620</b>        | <b>\$ 1,886,164</b>  | <b>\$ 394,042</b>    | <b>\$ 1,186,234</b>  | <b>\$ 570,570</b>    | <b>\$ (340,066)</b>  | <b>\$ 333,010</b>    | <b>\$ 1,305,659</b>  | <b>\$ 906,150</b>    | <b>\$ (328,679)</b>  |

Source: CAFR Schedule A-2

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

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

|   | June 30,            |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2004                | 2005                | 2006                | 2007                | 2008                | 2009                | 2010                | 2011                | 2012                | 2013                |
| <b>General Fund</b>                       |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Reserved</b>                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Encumbrances                              | \$ 150,697          | \$ 105,791          | \$ 263,843          | \$ 155,583          | \$ 114,738          |                     | \$ 229,548          |                     |                     |                     |
| Adult school                              | 8,975               |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Tuition reserve                           |                     | 200,000             | 200,000             | 450,000             | 250,000             | \$ 250,000          |                     |                     |                     |                     |
| Capital reserve                           | 1                   | 1                   | 938                 | 987                 | 415,027             | 607,148             | 609,315             |                     |                     |                     |
| Maintenance reserve                       |                     |                     |                     |                     |                     |                     | 500,000             |                     |                     |                     |
| Legally restricted for tax relief         | 38,458              |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Excess surplus-current year               | 831,011             | 280,039             | 249,281             | 624,316             | 510,854             | 215,917             | 139,652             |                     |                     |                     |
| Excess surplus-prior year                 |                     |                     | 280,039             | 249,281             | 624,316             | 510,854             | 215,917             |                     |                     |                     |
| <b>Unreserved</b>                         |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Designated for subsequent years           | 765,460             | 993,469             | 69,961              | 519,340             | 275,292             | 499,521             | 434,174             |                     |                     |                     |
| Undesignated (deficit)                    | 349,608             | 215,046             | 225,261             | 215,017             | 222,852             | (33,545)            | (128,851)           |                     |                     |                     |
| <b>Restricted</b>                         |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Excess surplus-prior year                 |                     |                     |                     |                     |                     |                     |                     | \$ 139,652          | \$ 460,140          | \$ 390,277          |
| Excess surplus-current year               |                     |                     |                     |                     |                     |                     |                     | 460,140             | 390,277             |                     |
| Capital reserve                           |                     |                     |                     |                     |                     |                     |                     | 709,941             | 714,684             | 111,411             |
| Maintenance reserve                       |                     |                     |                     |                     |                     |                     |                     | 440,270             | 440,270             | 134,070             |
| Tuition reserve                           |                     |                     |                     |                     |                     |                     |                     | 300,000             | 300,000             |                     |
| <b>Assigned</b>                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Designated for subsequent years           |                     |                     |                     |                     |                     |                     |                     | 415,348             | 172,562             |                     |
| Other purposes                            |                     |                     |                     |                     |                     |                     |                     | 64,598              | 270,502             | 520,319             |
| <b>Unassigned</b>                         |                     |                     |                     |                     |                     |                     |                     |                     | 51,207              |                     |
| <b>Total general fund</b>                 | <u>\$ 2,144,210</u> | <u>\$ 1,794,346</u> | <u>\$ 1,289,323</u> | <u>\$ 2,214,524</u> | <u>\$ 2,413,079</u> | <u>\$ 2,049,895</u> | <u>\$ 1,999,755</u> | <u>\$ 2,581,156</u> | <u>\$ 2,748,435</u> | <u>\$ 1,156,077</u> |
| <b>All Other Governmental Funds</b>       |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Reserved</b>                           | \$ 4,041,445        | \$ 80,676           | \$ 592,555          |                     |                     |                     |                     |                     |                     |                     |
| <b>Unreserved, reported in:</b>           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Capital projects fund (deficit)           | (1,146,439)         | 101,677             | 222,108             | \$ 329,146          | \$ 329,146          | \$ 218,793          |                     |                     |                     |                     |
| Debt service fund                         | 22,377              | 18,621              | 18,623              | 2                   | 2                   |                     | \$ 1                |                     |                     |                     |
| <b>Restricted</b>                         |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Capital projects                          |                     |                     |                     |                     |                     |                     |                     |                     | \$ 2,047,718        | \$ 189,961          |
| Debt service                              |                     |                     |                     |                     |                     |                     |                     | \$ 1                | 33,291              | 33,291              |
| <b>Total all other governmental funds</b> | <u>\$ 2,917,383</u> | <u>\$ 200,974</u>   | <u>\$ 833,286</u>   | <u>\$ 329,148</u>   | <u>\$ 329,148</u>   | <u>\$ 218,793</u>   | <u>\$ 1</u>         | <u>\$ -</u>         | <u>\$ 2,081,009</u> | <u>\$ 223,252</u>   |
| <b>TOTAL FUND BALANCES</b>                | <u>\$ 5,061,593</u> | <u>\$ 1,995,320</u> | <u>\$ 2,122,609</u> | <u>\$ 2,543,672</u> | <u>\$ 2,742,227</u> | <u>\$ 2,268,688</u> | <u>\$ 1,999,756</u> | <u>\$ 2,581,156</u> | <u>\$ 4,829,444</u> | <u>\$ 1,379,329</u> |

Source: CAFR Schedule B-1

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

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

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

|  | 2004                  | 2005                  | 2006              | 2007              | 2008              | 2009                | 2010                | 2011              | 2012                | 2013                  |
|--|-----------------------|-----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|---------------------|-----------------------|
| <b>Revenues</b>  |                       |                       |                   |                   |                   |                     |                     |                   |                     |                       |
| Tax levy   | \$ 8,852,020          | \$ 9,120,752          | \$ 9,914,207      | \$ 10,653,497     | \$ 11,221,843     | \$ 11,217,590       | \$ 14,359,797       | \$ 14,723,349     | \$ 14,842,590       | \$ 14,807,922         |
| Tuition charges  | 5,935,859             | 6,387,911             | 6,760,319         | 7,158,656         | 6,806,025         | 7,271,245           | 3,906,064           | 4,686,085         | 4,192,661           | 4,121,660             |
| Interest earnings  | 67,465                | 38,651                | 81,478            | 90,936            | 71,221            | 35,994              | 19,588              | 10,522            | 3,476               | 208                   |
| Miscellaneous  | 130,738               | 118,650               | 129,527           | 134,951           | 107,111           | 33,362              | 271,381             | 53,417            | 153,139             | 178,088               |
| State sources  | 9,220,258             | 7,047,403             | 5,943,013         | 6,578,671         | 6,727,520         | 6,749,003           | 6,959,150           | 7,112,497         | 7,755,958           | 8,709,130             |
| Federal sources  | 429,609               | 555,657               | 572,111           | 564,449           | 510,220           | 489,031             | 1,847,451           | 660,818           | 761,264             | 625,672               |
| <b>Total revenue</b>   | <b>24,635,949</b>     | <b>23,269,024</b>     | <b>23,400,655</b> | <b>25,181,160</b> | <b>25,443,940</b> | <b>25,796,225</b>   | <b>27,363,431</b>   | <b>27,246,688</b> | <b>27,709,088</b>   | <b>28,442,680</b>     |
| <b>Expenditures</b>  |                       |                       |                   |                   |                   |                     |                     |                   |                     |                       |
| <b>Current</b>   |                       |                       |                   |                   |                   |                     |                     |                   |                     |                       |
| Instruction  | 8,385,295             | 8,844,605             | 9,314,214         | 9,571,219         | 10,097,307        | 11,491,356          | 11,844,744          | 11,190,311        | 11,621,945          | 11,973,114            |
| <b>Undistributed - current</b>                                 |                       |                       |                   |                   |                   |                     |                     |                   |                     |                       |
| Instruction  | 309,435               | 476,769               | 480,539           | 285,271           | 263,086           | 426,285             | 556,431             | 874,112           | 1,014,230           | 1,052,042             |
| Health services  | 224,410               | 200,868               | 205,947           | 248,324           | 237,046           | 285,426             | 279,581             | 262,027           | 340,765             | 361,018               |
| Support services   | 1,353,157             | 1,741,232             | 1,807,728         | 1,976,467         | 1,935,311         | 2,199,534           | 2,071,273           | 1,900,296         | 1,995,896           | 2,240,426             |
| Improvement of instruction                                     | 512,847               | 458,729               | 456,222           | 365,982           | 418,729           | 383,442             | 402,949             | 277,678           | 317,642             | 319,706               |
| School library   | 131,554               | 155,186               | 149,762           | 150,338           | 159,211           | 171,070             | 168,896             | 73,736            | 71,920              | 66,865                |
| Instructional staff training                                   | 28,219                | 15,763                | 15,214            | 87,852            | 102,208           | 104,111             | 100,900             | 26,616            | 44,923              | 37,121                |
| General administration   | 347,971               | 383,157               | 367,440           | 378,820           | 416,116           | 400,539             | 409,226             | 358,370           | 370,632             | 350,652               |
| School administration  | 860,773               | 856,940               | 853,535           | 873,177           | 934,079           | 851,452             | 876,282             | 822,073           | 832,446             | 847,141               |
| Support services   |                       | 10,281                |                   |                   |                   |                     |                     |                   |                     |                       |
| Central services   |                       | 480,777               | 427,002           | 377,050           | 383,875           | 427,982             | 456,939             | 409,177           | 497,646             | 435,944               |
| Administrative information technology                          |                       | 125,165               | 89,980            | 108,564           | 113,138           | 156,386             | 172,483             | 180,827           | 180,261             | 188,159               |
| Required maintenance of plant services                         | 567,258               | 501,141               | 408,942           | 598,595           | 558,926           | 522,000             | 468,852             | 524,905           | 378,188             | 402,249               |
| Operation of plant   | 1,104,407             | 1,501,642             | 1,564,779         | 1,641,601         | 1,788,205         | 1,985,867           | 1,682,635           | 1,928,999         | 1,714,747           | 1,769,791             |
| Student transportation   | 464,206               | 438,659               | 529,740           | 450,226           | 448,233           | 634,074             | 876,800             | 860,500           | 847,579             | 939,768               |
| Business and other support services and benefits               | 3,216,612             | 3,068,633             | 3,319,548         | 3,323,462         | 3,550,683         | 3,053,805           | 3,623,469           | 3,522,241         | 3,644,388           | 3,881,396             |
| On-behalf TPAF social security and pension contrib.            | 1,088,056             | 1,148,418             | 1,371,189         | 2,071,330         | 2,123,784         | 1,598,936           | 1,612,726           | 1,684,285         | 1,999,187           | 2,504,286             |
| Capital outlay   | 11,273,910            | 4,553,805             | 527,766           | 871,927           | 358,317           | 236,884             | 614,245             | 511,019           | 1,158,369           | 3,272,929             |
| <b>Debt service</b>  |                       |                       |                   |                   |                   |                     |                     |                   |                     |                       |
| Principal  | 455,000               | 769,000               | 770,000           | 855,000           | 865,000           | 883,000             | 815,000             | 835,000           | 875,000             | 945,000               |
| Interest and other charges                                     | 580,742               | 584,340               | 555,319           | 524,892           | 492,131           | 457,615             | 422,978             | 389,634           | 195,476             | 305,188               |
| Cost of issuance   |                       |                       |                   |                   |                   |                     |                     | 101,922           | 64,976              |                       |
| <b>Total expenditures</b>                                      | <b>30,903,852</b>     | <b>26,315,110</b>     | <b>23,214,866</b> | <b>24,760,097</b> | <b>25,245,385</b> | <b>26,269,764</b>   | <b>27,456,409</b>   | <b>26,733,728</b> | <b>28,166,216</b>   | <b>31,892,795</b>     |
| <b>Excess (Deficit) of revenues over (under) expenditures</b>  | <b>(6,267,903)</b>    | <b>(3,046,086)</b>    | <b>185,789</b>    | <b>421,063</b>    | <b>198,555</b>    | <b>(473,539)</b>    | <b>(92,978)</b>     | <b>512,960</b>    | <b>(457,128)</b>    | <b>(3,450,115)</b>    |
| <b>Other financing sources (uses)</b>                          |                       |                       |                   |                   |                   |                     |                     |                   |                     |                       |
| Refunding bonds issued   |                       |                       |                   |                   |                   |                     |                     | 7,340,000         | 2,630,000           |                       |
| Premium on bonds issued  |                       |                       |                   |                   |                   |                     |                     | 259,263           | 75,415              |                       |
| Payment to refunding bond escrow agent                         |                       |                       |                   |                   |                   |                     |                     | (7,497,341)       |                     |                       |
| Cancellation of prior year accounts receivable                 |                       |                       |                   |                   |                   |                     | (175,954)           |                   |                     |                       |
| Transfers in   | 57,432                | 9,045                 | 728,016           | 2,614             | 1,482             | 281,045             | 42,972              |                   |                     |                       |
| Transfers out  | (141,946)             | (29,232)              | (786,516)         | (2,614)           | (1,482)           | (281,045)           | (42,972)            | (33,481)          |                     |                       |
| <b>Total other financing sources (uses)</b>                    | <b>(84,514)</b>       | <b>(20,187)</b>       | <b>(58,500)</b>   | <b>-</b>          | <b>-</b>          | <b>-</b>            | <b>(175,954)</b>    | <b>68,441</b>     | <b>2,705,415</b>    | <b>-</b>              |
| <b>Net change in fund balances</b>                             | <b>\$ (6,352,417)</b> | <b>\$ (3,066,273)</b> | <b>\$ 127,289</b> | <b>\$ 421,063</b> | <b>\$ 198,555</b> | <b>\$ (473,539)</b> | <b>\$ (268,932)</b> | <b>\$ 581,401</b> | <b>\$ 2,248,287</b> | <b>\$ (3,450,115)</b> |
| <b>Debt service as a percentage of noncapital expenditures</b> | <b>5%</b>             | <b>6%</b>             | <b>6%</b>         | <b>6%</b>         | <b>5%</b>         | <b>5%</b>           | <b>5%</b>           | <b>5%</b>         | <b>4%</b>           | <b>4%</b>             |

Source: CAFR Schedule B-2

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

| Fiscal Year<br>Ended June 30, | Interest on<br>Investments | Tuition<br>Revenue | Prior Year<br>Refunds | Helmetta<br>Fund Balance | Misc.      | Total        |
|-------------------------------|----------------------------|--------------------|-----------------------|--------------------------|------------|--------------|
| 2004                          | \$ 10,033                  | \$ 5,935,859       |                       |                          | \$ 128,623 | \$ 6,074,515 |
| 2005                          | 29,606                     | 6,387,911          |                       |                          | 117,133    | 6,534,650    |
| 2006                          | 70,128                     | 6,760,319          |                       |                          | 99,491     | 6,929,938    |
| 2007                          | 88,322                     | 7,158,656          |                       |                          | 118,532    | 7,365,510    |
| 2008                          | 69,739                     | 6,806,025          |                       |                          | 104,911    | 6,980,675    |
| 2009                          | 35,422                     | 7,271,245          |                       |                          | 17,852     | 7,324,519    |
| 2010                          | 19,486                     | 3,906,064          |                       | \$ 150,000               | 117,944    | 4,193,494    |
| 2011                          | 10,522                     | 4,686,085          |                       |                          | 47,590     | 4,744,197    |
| 2012                          | 3,476                      | 4,192,661          | \$ 71,345             |                          | 44,408     | 4,311,890    |
| 2013                          | 208                        | 4,121,660          | 53,746                |                          | 112,345    | 4,287,959    |

Source: District Records.

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

**Spotswood Borough**

| Fiscal<br>Year<br>Ended<br>June 30, | Net Valuation<br>Taxable | Estimated Actual<br>(County Equalized<br>Value) | Total Direct<br>School Tax<br>Rate <sup>b</sup> |
|-------------------------------------|--------------------------|---|---|
| 2004                                | \$ 210,605,878           | \$ 601,480,586                                  | \$ 4.27   |
| 2005                                | 736,976,729 *            | 678,992,825                                     | 1.29  |
| 2006                                | 739,666,679              | 761,738,710                                     | 1.39  |
| 2007                                | 746,290,022              | 875,661,916                                     | 1.47  |
| 2008                                | 751,746,603              | 947,878,445                                     | 1.49  |
| 2009                                | 742,085,200              | 916,494,010                                     | 1.50  |
| 2010                                | 741,209,700              | 881,343,282                                     | 1.53  |
| 2011                                | 741,209,700              | 833,194,357                                     | 1.56  |
| 2012                                | 741,357,090              | 777,395,907                                     | 1.58  |
| 2013                                | 743,160,216              | 756,588,852                                     | 1.60  |

**Helmetta Borough**

| Fiscal<br>Year<br>Ended<br>June 30, | Net Valuation<br>Taxable | Estimated Actual<br>(County Equalized<br>Value) | Total Direct<br>School Tax<br>Rate <sup>b</sup> |
|-------------------------------------|--------------------------|---|---|
| 2004                                | \$ 61,437,800            | \$ 175,787,697                                  | \$ 3.81   |
| 2005                                | 63,787,570               | 214,703,304                                     | 4.00  |
| 2006                                | 64,478,264               | 245,640,394                                     | 4.61  |
| 2007                                | 64,478,264               | 245,640,394                                     | 4.61  |
| 2008                                | 249,543,139 *            | 241,061,040                                     | 1.26  |
| 2009                                | 247,741,799              | 241,061,040                                     | 1.26  |
| 2010                                | 244,711,722              | 244,711,722                                     | 1.28  |
| 2011                                | 246,737,300              | 237,253,437                                     | 1.28  |
| 2012                                | 188,045,609              | 215,981,697                                     | 1.67  |
| 2013                                | 187,082,101              | 201,798,247                                     | 1.66  |

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

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

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

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

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

n/a: Information is not available.

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

| Fiscal Year Ended<br>June 30, | Spotswood Board<br>of Education | Overlapping Rates    |                  | Total Direct and<br>Overlapping Tax Rate |      |
|-------------------------------|---------------------------------|----------------------|------------------|--|------|
|                               | Total Direct                    | Spotswood<br>Borough | Middlesex County |  |      |
| 2003                          | \$ 4.13                         | \$ 1.73              | \$ 0.95          | \$                                       | 6.81 |
| 2004                          | 4.27                            | 1.77                 | 1.02             |  | 7.06 |
| 2005                          | 1.29                            | 0.54                 | 0.30             |  | 2.13 |
| 2006                          | 1.39                            | 0.59                 | 0.30             |  | 2.28 |
| 2007                          | 1.47                            | 0.65                 | 0.30             |  | 2.42 |
| 2008                          | 1.49                            | 0.74                 | 0.32             |  | 2.55 |
| 2009                          | 1.50                            | 0.78                 | 0.34             |  | 2.62 |
| 2010                          | 1.53                            | 0.81                 | 0.37             |  | 2.71 |
| 2011                          | 1.56                            | 0.87                 | 0.41             |  | 2.83 |
| 2012                          | 1.58                            | 0.83                 | 0.37             |  | 2.78 |

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

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

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

| Fiscal Year Ended<br>June 30, | School District | Overlapping Rates           |                  | Total Direct and<br>Overlapping Tax Rate |
|-------------------------------|-----------------|-----------------------------|------------------|--|
|                               | Total Direct    | Municipality of<br>Helmetta | Middlesex County |  |
| 2003                          | \$ 4.51         | \$ 1.21                     | \$ 0.86          | \$ 6.58                                  |
| 2004                          | 3.81            | 1.25                        | 0.91             | 5.97                                     |
| 2005                          | 4.00            | 1.33                        | 0.94             | 6.27                                     |
| 2006                          | 4.61            | 1.46                        | 1.01             | 7.08                                     |
| 2007                          | 4.61            | 1.46                        | 1.01             | 7.08                                     |
| 2008                          | 1.26            | 0.44                        | 0.31             | 2.01                                     |
| 2009                          | 1.26            | 0.44                        | 0.28             | 1.98                                     |
| 2010                          | 1.28            | 0.45                        | 0.31             | 2.04                                     |
| 2011                          | 1.28            | 0.47                        | 0.34             | 2.09                                     |
| 2012                          | 1.67            | 0.64                        | 0.37             | 2.68                                     |

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

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

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

**Spotswood Borough**

| Taxpayer                        | 2013                   |  | 2004                   |  |
|---------------------------------|------------------------|--|------------------------|--|
|                                 | Taxable Assessed Value | % of Total District Net Assessed Value | Taxable Assessed Value | % of Total District Net Assessed Value |
| Spotswood Shopping Center, Inc. | \$ 9,800,000           | 1.32%                                  | \$ 2,950,900           | 0.58%                                  |
| Clearwater Village              | 9,533,700              | 1.29%                                  | n/a                    | n/a                                    |
| Schweitzer-Mauduit              | 8,228,800              | 1.11%                                  | 4,446,700              | 0.87%                                  |
| Inland Container                | 6,500,000              | 0.88%                                  | 2,350,000              | 0.46%                                  |
| Renaissance Properties          | 5,300,000              | 0.71%                                  | n/a                    | n/a                                    |
| Robert Maglies                  | 4,471,300              | 0.60%                                  | 1,262,400              | 0.25%                                  |
| Gillette Enterprises            | 3,496,300              | 0.47%                                  | 1,661,600              | 0.32%                                  |
| Citadel Brookview LLC           | 3,367,800              | 0.45%                                  | n/a                    | n/a                                    |
| Bell Atlantic                   | 3,148,290              | 0.42%                                  | n/a                    | n/a                                    |
| KLIA Properties, LLC            | 2,943,500              | 0.40%                                  | n/a                    | n/a                                    |
| Total                           | <u>\$ 56,789,690</u>   | <u>7.66%</u>                           | <u>\$ 12,671,600</u>   | <u>2.48%</u>                           |

Source: District CAFR & Municipal Tax Assessor.

n/a: Information is not available.

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

**Helmetta Borough**

| Taxpayer                     | 2013                   |  | 2004                   |  |
|------------------------------|------------------------|--|------------------------|--|
|                              | Taxable Assessed Value | % of Total District Net Assessed Value | Taxable Assessed Value | % of Total District Net Assessed Value |
| Sutton Plaza Associates      | \$ 1,422,600           | 0.76%                                  | n/a                    | n/a                                    |
| Aggo LLC                     | 817,100                | 0.44%                                  | n/a                    | n/a                                    |
| Bohinski, Loretta            | 816,300                | 0.44%                                  | n/a                    | n/a                                    |
| Buchan, William & Roseann    | 711,900                | 0.38%                                  | n/a                    | n/a                                    |
| Kaplan at Helmetta, LLC      | 690,600                | 0.37%                                  | n/a                    | n/a                                    |
| Kaplan at Helmetta, LLC      | 591,800                | 0.32%                                  | n/a                    | n/a                                    |
| Bohinski, Charles & Sandra   | 568,600                | 0.30%                                  | n/a                    | n/a                                    |
| Raczynski, Anthony & Barbara | 541,200                | 0.29%                                  | n/a                    | n/a                                    |
| Beecher, J & H               | 514,800                | 0.28%                                  | n/a                    | n/a                                    |
| Bohinski, Mark & Meredith    | 471,000                | 0.25%                                  | n/a                    | n/a                                    |
| <b>Total</b>                 | <b>\$ 7,145,900</b>    | <b>3.82%</b>                           | <b>n/a</b>             | <b>n/a</b>                             |

Source: District CAFR & Municipal Tax Assessor.

n/a: Information is not available.

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

**Spotswood Borough**

| Fiscal Year Ended<br>June 30, | Taxes Levied for the<br>Fiscal Year | Collected within the Fiscal Year of the<br>Levy |                       | Collections in<br>Subsequent Years |
|-------------------------------|-------------------------------------|---|-----------------------|------------------------------------|
|                               |                                     | Amount  | Percentage of<br>Levy |                                    |
| 2004                          | \$ 8,852,020                        | \$ 8,852,020                                    | 100.00%               | \$ -                               |
| 2005                          | 9,120,752                           | 9,120,752                                       | 100.00%               | -                                  |
| 2006                          | 9,914,207                           | 9,914,207                                       | 100.00%               | -                                  |
| 2007                          | 10,653,497                          | 10,653,497                                      | 100.00%               | -                                  |
| 2008                          | 11,221,843                          | 11,221,843                                      | 100.00%               | -                                  |
| 2009                          | 11,217,590                          | 11,217,590                                      | 100.00%               | -                                  |
| 2010                          | 11,217,593                          | 11,217,593                                      | 100.00%               | -                                  |
| 2011                          | 11,557,816                          | 11,557,816                                      | 100.00%               | -                                  |
| 2012                          | 11,671,625                          | 11,671,625                                      | 100.00%               | -                                  |
| 2013                          | 11,660,426                          | 11,660,426                                      | 100.00%               | -                                  |

**Helmetta Borough**

| Fiscal Year Ended<br>June 30, | Taxes Levied for the<br>Fiscal Year | Collected within the Fiscal Year of the<br>Levy |                       | Collections in<br>Subsequent Years |
|-------------------------------|-------------------------------------|---|-----------------------|------------------------------------|
|                               |                                     | Amount  | Percentage of<br>Levy |                                    |
| 2004                          | \$ 3,822,305                        | \$ 3,822,305                                    | 100.00%               | \$ -                               |
| 2005                          | 4,053,308                           | 4,053,308                                       | 100.00%               | -                                  |
| 2006                          | 4,053,308                           | 4,053,308                                       | 100.00%               | -                                  |
| 2007                          | 4,787,617                           | 4,787,617                                       | 100.00%               | -                                  |
| 2008                          | 3,069,427                           | 3,069,427                                       | 100.00%               | -                                  |
| 2009                          | 3,069,427                           | 3,069,427                                       | 100.00%               | -                                  |
| 2010                          | 3,142,204                           | 3,142,204                                       | 100.00%               | -                                  |
| 2011                          | 3,165,533                           | 3,165,533                                       | 100.00%               | -                                  |
| 2012                          | 3,170,965                           | 3,170,965                                       | 100.00%               | -                                  |
| 2013                          | 3,147,496                           | 3,147,496                                       | 100.00%               | -                                  |

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

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

**Spotswood Borough**

| Fiscal Year Ended June<br>30, | Governmental Activities     |  | Total District | Percentage of Personal<br>Income <sup>a</sup> | Per Capita <sup>a</sup> |
|-------------------------------|-----------------------------|--|----------------|---|-------------------------|
|                               | General Obligation<br>Bonds | School Energy<br>Savings Obligation<br>Refunding Bonds |                |   |                         |
| 2004                          | \$ 14,497,000               |  | \$ 14,497,000  | 0.27%   | \$ 39,659               |
| 2005                          | 13,728,000                  |  | 13,728,000     | 0.30%   | 40,826                  |
| 2006                          | 12,958,000                  |  | 12,958,000     | 0.34%   | 44,204                  |
| 2007                          | 12,103,000                  |  | 12,103,000     | 0.39%   | 46,991                  |
| 2008                          | 11,238,000                  |  | 11,238,000     | 0.44%   | 49,464                  |
| 2009                          | 10,355,000                  |  | 10,355,000     | 0.45%   | 46,912                  |
| 2010                          | 9,540,000                   |  | 9,540,000      | 0.51%   | 48,256                  |
| 2011                          | 8,850,000                   |  | 8,850,000      | 0.56%   | 49,203                  |
| 2012                          | 7,975,000                   | \$ 2,630,000   | 10,605,000     | n/a   | n/a                     |
| 2013                          | 7,185,000                   | 2,475,000  | 9,660,000      | n/a   | n/a                     |

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

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

**Note:** Not applicable for Helmetta.

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

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

**Spotswood Borough**

| Fiscal Year<br>Ended June 30, | Debt Outstanding |              |  | Percentage of Actual<br>Taxable Value <sup>a</sup> of<br>Property | Per Capita <sup>b</sup> |
|-------------------------------|------------------|--------------|--|---|-------------------------|
|                               | Bonded Debt      | Deduction    | Net General Bonded<br>Debt Outstanding |   |                         |
| 2004                          | \$ 14,497,000    |              | \$ 14,497,000                          | 0.07%   | \$ 39,659               |
| 2005                          | 13,728,000       |              | 13,728,000                             | 0.02%   | 40,826                  |
| 2006                          | 12,958,000       |              | 12,958,000                             | 0.02%   | 44,204                  |
| 2007                          | 12,103,000       |              | 12,103,000                             | 0.02%   | 46,991                  |
| 2008                          | 11,238,000       |              | 11,238,000                             | 0.01%   | 49,464                  |
| 2009                          | 10,355,000       |              | 10,355,000                             | 0.01%   | 46,912                  |
| 2010                          | 9,540,000        |              | 9,540,000                              | 0.01%   | 48,256                  |
| 2011                          | 8,850,000        |              | 8,850,000                              | 0.01%   | 49,203                  |
| 2012                          | 10,605,000       | \$ 2,630,000 | 7,975,000                              | 0.01%   | n/a                     |
| 2013                          | 9,660,000        | 2,475,000    | 7,185,000                              | 0.01%   | n/a                     |

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

**Note:** Not applicable for Helmetta.

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

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

Spotswood Borough School District  
 Ratios of Overlapping Governmental Activities Debt  
 As of June 30, 2013  
 Unaudited

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

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

N/A - Information was not available.

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

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

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

Spotswood Borough

Legal Debt Margin Calculation for Fiscal Year 2013

|  |                           |
|--|---------------------------|
|  | Equalized valuation basis |
|  | 2013 \$ 756,588,852       |
|  | 2012 777,395,907          |
|  | 2011 833,194,357          |
|  | [A] \$ 2,367,179,116      |
|  | [A/3] \$ 789,059,705      |
| Debt limit (4 % of average equalization value) | [B] 31,562,388 a          |
| Net bonded school debt                         | [C] 7,185,000             |
| Legal debt margin                              | [B-C] \$ 24,377,388       |

|   | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Debt limit  | \$ 20,777,208 | \$ 23,123,536 | \$ 25,443,706 | \$ 24,754,086 | \$ 34,470,388 | \$ 36,952,291 | \$ 37,149,120 | \$ 36,261,984 | \$ 35,080,422 | \$ 31,562,388 |
| Total net debt applicable to limit                                      | 14,952,000    | 13,728,000    | 12,958,000    | 12,103,000    | 11,238,000    | 10,355,000    | 9,540,000     | 8,850,000     | 7,975,000     | 7,185,000     |
| Legal debt margin   | \$ 5,825,208  | \$ 9,395,536  | \$ 12,485,706 | \$ 12,651,086 | \$ 23,232,388 | \$ 26,597,291 | \$ 27,609,120 | \$ 27,411,984 | \$ 27,105,422 | \$ 24,377,388 |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 66.07%        | 56.04%        | 50.93%        | 48.89%        | 32.60%        | 28.02%        | 25.68%        | 24.41%        | 22.73%        | 22.76%        |

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

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

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

Helmetta Borough

Legal Debt Margin Calculation for Fiscal Year 2013

|  |                           |
|--|---------------------------|
|  | Equalized valuation basis |
|  | 2013    \$ 201,798,247    |
|  | 2012    215,981,697       |
|  | 2011 <u>237,253,437</u>   |
|  | [A] <u>\$ 453,235,134</u> |
|  | [A/3]   \$ 151,078,378    |
| Debt limit (4 % of average equalization value) | [B]    6,043,135 a        |
| Net bonded school debt                         | [C]    -                  |
| Legal debt margin                              | [B-C] <u>\$ 6,043,135</u> |

|   | 2004                | 2005                | 2006                | 2007                | 2008                | 2009                | 2010                | 2011                | 2012                | 2013                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Debt limit  | \$ 3,763,576        | \$ 4,446,201        | \$ 7,145,228        | \$ 8,488,242        | \$ 9,494,863        | \$ 9,352,063        | \$ 9,291,005        | \$ 9,691,117        | \$ 9,640,349        | \$ 6,043,135        |
| Total net debt applicable to limit                                      | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Legal debt margin   | <u>\$ 3,763,576</u> | <u>\$ 4,446,201</u> | <u>\$ 7,145,228</u> | <u>\$ 8,488,242</u> | <u>\$ 9,494,863</u> | <u>\$ 9,352,063</u> | <u>\$ 9,291,005</u> | <u>\$ 9,691,117</u> | <u>\$ 9,640,349</u> | <u>\$ 6,043,135</u> |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 0.00%               | 0.00%               | 0.00%               | 0.00%               | 0.00%               | 0.00%               | 0.00%               | 0.00%               | 0.00%               | 0.00%               |

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

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

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

**Spotswood Borough**

| Year | Population <sup>a</sup> | Personal Income <sup>d</sup> | Per Capita<br>Personal Income <sup>b</sup> | Unemployment<br>Rate <sup>c</sup> |
|------|-------------------------|------------------------------|--|-----------------------------------|
| 2004 | 8,119                   | \$ 321,991,421               | \$ 39,659                                  | 5.4%                              |
| 2005 | 8,138                   | 332,241,988                  | 40,826                                     | 5.4%                              |
| 2006 | 8,088                   | 357,521,952                  | 44,204                                     | 5.4%                              |
| 2007 | 8,092                   | 380,251,172                  | 46,991                                     | 4.0%                              |
| 2008 | 8,142                   | 402,735,888                  | 49,464                                     | 5.4%                              |
| 2009 | 8,180                   | 383,740,160                  | 46,912                                     | 4.7%                              |
| 2010 | 8,267                   | 398,932,352                  | 48,256                                     | 8.9%                              |
| 2011 | 8,301                   | 408,434,103                  | 49,203                                     | 7.2%                              |
| 2012 | 8,403                   | n/a                          | n/a  | 7.3%                              |
| 2013 | n/a                     | n/a                          | n/a  | n/a                               |

**Helmetta Borough**

| Year | Population <sup>a</sup> | Personal Income <sup>d</sup> | Per Capita<br>Personal Income <sup>b</sup> | Unemployment<br>Rate <sup>c</sup> |
|------|-------------------------|------------------------------|--|-----------------------------------|
| 2004 | 1,994                   | \$ 79,080,046                | \$ 39,659                                  | 4.9%                              |
| 2005 | 2,019                   | 82,427,694                   | 40,826                                     | 3.8%                              |
| 2006 | 1,995                   | 88,186,980                   | 44,204                                     | 4.8%                              |
| 2007 | 1,989                   | 93,465,099                   | 46,991                                     | 4.2%                              |
| 2008 | 2,000                   | 98,928,000                   | 49,464                                     | 5.7%                              |
| 2009 | 2,008                   | 94,199,296                   | 46,912                                     | 5.1%                              |
| 2010 | 2,181                   | 105,246,336                  | 48,256                                     | 8.8%                              |
| 2011 | 2,190                   | 107,754,570                  | 49,203                                     | 8.6%                              |
| 2012 | 2,192                   | n/a                          | n/a  | 8.7%                              |
| 2013 | n/a                     | n/a                          | n/a  | n/a                               |

**Source:**

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

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

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

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

n/a: Information is not available.

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

**Spotswood/ Helmetta Boroughs**

Information is not available.

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

**Spotswood Borough**

| <u>Function/Program</u>                | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Instruction                            |             |             |             |             |             |             |             |             |             |             |
| Regular                                | 104         | 107         | 108         | 113         | 122         | 125         | 123         | 128         | 132         | 136         |
| Special education                      | 28          | 27          | 27          | 27          | 28          | 22          | 22          | 22          | 22          | 23          |
| Vocational                             | 13          | 14          | 14          | 14          | 13          | 11          | 11          | 11          | 11          | 11          |
| Other instruction                      | 6           | 8           | 7           | 7           | 6           | 6           | 6           | 6           | 6           | 7           |
| Support Services:                      |             |             |             |             |             |             |             |             |             |             |
| Student & instruction related services | 46          | 48          | 48          | 44          | 44          | 44          | 44          | 29          | 29          | 37          |
| a General administrative services      | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 11          | 13          | 11          |
| School administrative services         | 14          | 14          | 14          | 14          | 14          | 14          | 14          | 10          | 10          | 10          |
| Business administrative services       | 10          | 10          | 10          | 10          | 10          | 10          | 10          | 5           | 7           | 6           |
| Plant operations and maintenance       | 25          | 24          | 24          | 23          | 22          | 22          | 22          | 23          | 33          | 23          |
| Pupil transportation                   | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Food Service                           | 4           | 2           | 2           |             |             |             |             |             |             |             |
| <b>Total</b>                           | <u>253</u>  | <u>257</u>  | <u>257</u>  | <u>255</u>  | <u>262</u>  | <u>257</u>  | <u>255</u>  | <u>246</u>  | <u>264</u>  | <u>265</u>  |

Source: District Personnel Records.

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

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

Helmetta Borough

| <u>Function/Program</u>                | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010*</u> | <u>2011*</u> | <u>2012*</u> | <u>2013*</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| Instruction                            |             |             |             |             |             |             |              |              |              |              |
| Regular                                | -           | -           | -           | -           | -           | -           | -            | -            | -            | -            |
| Special education                      | -           | -           | -           | -           | -           | -           | -            | -            | -            | -            |
| Vocational                             | -           | -           | -           | -           | -           | -           | -            | -            | -            | -            |
| Other instruction                      | -           | -           | -           | -           | -           | -           | -            | -            | -            | -            |
| Support Services:                      |             |             |             |             |             |             |              |              |              |              |
| Student & instruction related services | 1           | 1           | 1           | 1           | 1           | 1           | -            | -            | -            | -            |
| a General administrative services      | 1           | 1           | 1           | 1           | 1           | 1           | -            | -            | -            | -            |
| School administrative services         | -           | -           | -           | -           | -           | -           | -            | -            | -            | -            |
| Business administrative services       | 1           | 1           | 1           | 1           | 1           | 1           | -            | -            | -            | -            |
| Plant operations and maintenance       | -           | -           | -           | -           | -           | -           | -            | -            | -            | -            |
| Pupil transportation                   | -           | -           | -           | -           | -           | -           | -            | -            | -            | -            |
| Food Service                           | -           | -           | -           | -           | -           | -           | -            | -            | -            | -            |
| Total                                  | <u>3</u>    | <u>3</u>    | <u>3</u>    | <u>3</u>    | <u>3</u>    | <u>3</u>    | <u>-</u>     | <u>-</u>     | <u>-</u>     | <u>-</u>     |

Source: District Personnel Records.

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

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

Spotswood Borough School District  
Operating Statistics  
Last Ten Fiscal Years  
Unaudited

Spotswood Borough

| <u>Fiscal Year</u> | <u>Enrollment</u> | <u>Operating Expenditures<sup>a</sup></u> | <u>Cost Per Pupil</u> | <u>Percentage Change</u> | <u>Teaching Staff<sup>b</sup></u> | <u>Average Daily Enrollment (ADE)<sup>c</sup></u> | <u>Average Daily Attendance (ADA)<sup>c</sup></u> | <u>% Change in Average Daily Enrollment</u> | <u>Student Attendance Percentage</u> |
|--------------------|-------------------|---|-----------------------|--------------------------|-----------------------------------|---|---|---|--------------------------------------|
| 2004               | 1,681             | \$ 18,594,200                             | \$ 11,061             | 1.77%                    | 169                               | 1,681   | 1,590   | 1.01%                                       | 94.59%                               |
| 2005               | 1,734             | 20,407,965                                | 11,769                | 6.40%                    | 169                               | 1,734   | 1,634   | 3.06%                                       | 94.23%                               |
| 2006               | 1,764             | 21,361,781                                | 12,110                | 2.89%                    | 169                               | 1,752   | 1,690   | 1.03%                                       | 96.46%                               |
| 2007               | 1,772             | 22,508,278                                | 12,702                | 4.89%                    | 171                               | 1,777   | 1,676   | 1.43%                                       | 94.32%                               |
| 2008               | 1,767             | 23,529,937                                | 13,316                | 4.83%                    | 173                               | 1,767   | 1,678   | -0.56%                                      | 94.96%                               |
| 2009               | 1,760             | 24,929,149                                | 14,164                | 6.37%                    | 151                               | 1,760   | 1,672   | -0.40%                                      | 95.00%                               |
| 2010               | 1,818             | 25,604,186                                | 14,084                | -0.57%                   | 143                               | 1,808   | 1,724   | 2.73%                                       | 95.34%                               |
| 2011               | 1,816             | 24,896,153                                | 13,709                | -2.66%                   | 149                               | 1,815   | 1,748   | 0.39%                                       | 96.31%                               |
| 2012               | 1,821             | 25,872,395                                | 14,208                | 3.64%                    | 150                               | 1,781   | 1,703   | -1.87%                                      | 95.62%                               |
| 2013               | 1,793             | 27,369,678                                | 15,265                | 7.44%                    | 159                               | 1,805   | 1,717   | 1.37%                                       | 95.12%                               |

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

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

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

Spotswood Borough School District  
Operating Statistics  
Last Ten Fiscal Years  
Unaudited

Helmetta Borough

| <u>Fiscal Year</u> | <u>Enrollment</u> | <u>Operating Expenditures<sup>a</sup></u> | <u>Cost Per Pupil</u> | <u>Percentage Change</u> | <u>Average Daily Enrollment (ADE)<sup>c</sup></u> | <u>Average Daily Attendance (ADA)<sup>c</sup></u> | <u>% Change in Average Daily Enrollment</u> | <u>Student Attendance Percentage</u> |
|--------------------|-------------------|---|-----------------------|--------------------------|---|---|---|--------------------------------------|
| 2004               | 256               | \$ 3,340,505                              | \$ 13,049             | 1.77%                    | 256   | 239   | -6.64%                                      | 93.36%                               |
| 2005               | 259               | 3,175,282                                 | 12,260                | -6.05%                   | 259   | 245   | 1.16%                                       | 94.59%                               |
| 2006               | 273               | 3,518,494                                 | 12,888                | 5.13%                    | 273   | 259   | 5.13%                                       | 94.87%                               |
| 2007               | 273               | 3,903,784                                 | 14,300                | 10.95%                   | 273   | 259   | 0.00%                                       | 94.87%                               |
| 2008               | 287               | 4,002,408                                 | 13,946                | -2.47%                   | 287   | 274   | 4.88%                                       | 95.47%                               |
| 2009               | 288               | 4,202,163                                 | 14,591                | 4.63%                    | 288   | 274   | 0.35%                                       | 95.14%                               |
| 2010               | n/a               | n/a                                       | n/a                   | n/a                      | n/a   | n/a   | n/a   | n/a                                  |
| 2011               | n/a               | n/a                                       | n/a                   | n/a                      | n/a   | n/a   | n/a   | n/a                                  |
| 2012               | n/a               | n/a                                       | n/a                   | n/a                      | n/a   | n/a   | n/a   | n/a                                  |
| 2013               | n/a               | n/a                                       | n/a                   | n/a                      | n/a   | n/a   | n/a   | n/a                                  |

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

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

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

n/a: Information is not available.

Spotswood Borough School District  
School Building Information  
Last Ten Fiscal Years

Unaudited

|                               | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b><u>DISTRICT</u></b>        |             |             |             |             |             |             |             |             |             |             |
| <b>Appleby Elementary</b>     |             |             |             |             |             |             |             |             |             |             |
| Square Feet                   | 49,643      | 49,643      | 49,643      | 49,643      | 49,643      | 49,643      | 49,643      | 49,643      | 49,643      | 49,643      |
| Capacity                      | 684         | 684         | 684         | 684         | 684         | 684         | 684         | 684         | 684         | 684         |
| Enrollment                    | 404         | 426         | 441         | 445         | 443         | 443         | 459         | 427         | 427         | 423         |
| <b>Schoenly School</b>        |             |             |             |             |             |             |             |             |             |             |
| Square Feet                   | 34,680      | 34,680      | 34,680      | 34,680      | 34,680      | 34,680      | 34,680      | 34,680      | 34,680      | 34,680      |
| Capacity                      | 620         | 620         | 620         | 620         | 620         | 620         | 620         | 620         | 620         | 620         |
| Enrollment                    | 221         | 256         | 244         | 248         | 236         | 236         | 255         | 228         | 270         | 276         |
| <b>Memorial Middle School</b> |             |             |             |             |             |             |             |             |             |             |
| Square Feet                   | 48,216      | 48,216      | 48,216      | 48,216      | 48,216      | 48,216      | 48,216      | 48,216      | 48,216      | 48,216      |
| Capacity                      | 527         | 527         | 527         | 527         | 527         | 527         | 527         | 527         | 527         | 527         |
| Enrollment                    | 341         | 316         | 332         | 331         | 343         | 343         | 330         | 338         | 364         | 354         |
| <b>High School</b>            |             |             |             |             |             |             |             |             |             |             |
| Square Feet                   | 144,080     | 144,080     | 144,080     | 144,080     | 144,080     | 144,080     | 144,080     | 144,080     | 144,080     | 144,080     |
| Capacity                      | 984         | 984         | 984         | 984         | 984         | 984         | 984         | 984         | 984         | 984         |
| Enrollment                    | 768         | 751         | 747         | 748         | 745         | 745         | 772         | 743         | 726         | 755         |

Sources: District records, ASSA.

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

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

| School Facilities     | 2013              | 2012              | 2011              | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              | 2004              |
|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Spotswood High School | \$ 120,917        | \$ 131,015        | \$ 261,066        | \$ 227,713        | \$ 226,715        | \$ 316,222        | \$ 290,549        | \$ 258,499        | \$ 205,766        | \$ 338,303        |
| E. Raymond Appleby    | 105,003           | 95,567            | 94,016            | 120,718           | 96,258            | 97,365            | 177,550           | 58,121            | 77,442            | 117,011           |
| G. Austin Schoenly    | 91,059            | 79,912            | 84,920            | 50,938            | 145,633           | 57,464            | 61,734            | 41,588            | 101,691           | 41,650            |
| Memorial School       | 85,270            | 71,694            | 84,903            | 69,483            | 53,394            | 87,875            | 68,762            | 50,734            | 116,242           | 70,294            |
| <b>Grand Total</b>    | <b>\$ 402,249</b> | <b>\$ 378,188</b> | <b>\$ 524,905</b> | <b>\$ 468,852</b> | <b>\$ 522,000</b> | <b>\$ 558,926</b> | <b>\$ 598,595</b> | <b>\$ 408,942</b> | <b>\$ 501,141</b> | <b>\$ 567,258</b> |

Source: District records of required maintenance; QAAR

Spotswood Borough School District  
Insurance Schedule  
Year Ended June 30, 2013  
Unaudited

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

Spotswood Borough School District  
Insurance Schedule  
Year Ended June 30, 2013  
Unaudited

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

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

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# Single Audit Section



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Spotswood Borough School District, in the County of Middlesex, New Jersey (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2013.

**Internal Control Over Financial Reporting**

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

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

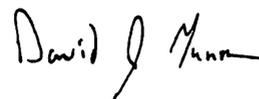
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



David J. Gannon  
Licensed Public School Accountant  
No. 2305



WISS & COMPANY, LLP

November 8, 2013  
Iselin, New Jersey



## Report on Compliance For Each Major Federal and State Program and Report on Internal Control Over Compliance

### Independent Auditors' Report

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

### **Report on Compliance for Each Major Federal and State Program**

We have audited the Spotswood Borough School District's, in the County of Middlesex, New Jersey (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on an audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133, *Audits of States and Local Governments and Non-Profit Organizations*; and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal and State Program**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to previously that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

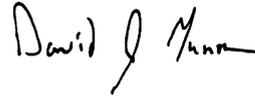
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purposes.



David J. Gannon  
Licensed Public School Accountant  
No. 2305



WISS & COMPANY, LLP

November 8, 2013  
Iselin, New Jersey

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Spotswood Borough School District

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

| Federal Grantor/<br>Pass-Through Grantor/Program Title  | Federal<br>CFDA<br>Number | Grant or<br>State Project<br>Number | Grant Period     | Award<br>Amount | Balance<br>at June<br>30, 2012 | Adjustments | Cash<br>Received | Budgetary<br>Expenditures | Adjustments | Repayment<br>of prior<br>years<br>balances | (Accounts<br>receivable)<br>at June<br>30, 2013 | Unearned<br>Revenue<br>at June<br>30, 2013 | Due to<br>Grantor<br>at June<br>30, 2013 |
|---|---------------------------|-------------------------------------|------------------|-----------------|--------------------------------|-------------|------------------|---------------------------|-------------|--|---|--|--|
| <b>General Fund:</b>  |                           |                                     |                  |                 |                                |             |                  |                           |             |  |   |  |  |
| U.S. Department of Health and Human<br>Services - Passed Through State Department<br>of Education<br>Medical Assistance Program (SEMI)                          | 93.778                    | N/A                                 | 7/1/12-6/30/13   | \$ 32,788       |                                |             | \$ 32,788        | \$ 32,788                 |             |  |   |  |  |
| U.S. Department of Education - Passed Through<br>State Department of Education<br>Education Jobs  | 84.410                    | N/A                                 | 7/1/10 - 9/30/12 | 220,808         | \$ (35,119)                    |             | 35,119           |                           |             |  |   |  |  |
| <b>Total General Fund</b>   |                           |                                     |                  |                 | (35,119)                       |             | 67,907           | 32,788                    |             |  |   |  |  |
| <b>Special Revenue Fund:</b>  |                           |                                     |                  |                 |                                |             |                  |                           |             |  |   |  |  |
| U.S. Department of Education:   |                           |                                     |                  |                 |                                |             |                  |                           |             |  |   |  |  |
| Passed Through State Department of Education:   |                           |                                     |                  |                 |                                |             |                  |                           |             |  |   |  |  |
| NCLB Consolidated Programs:   |                           |                                     |                  |                 |                                |             |                  |                           |             |  |   |  |  |
| Title I   | 84.010A                   | NCLB4970-13                         | 9/1/12 - 8/31/13 | 110,439         |                                |             |                  | 105,342                   |             |  | \$ (105,342)                                    |  |  |
| Title I, Part A, Carryover  | 84.010A                   | NCLB4970-12                         | 9/1/11 - 8/31/12 | 114,661         | \$ (110,380)                   |             | 104,771          |                           | \$ 1        |  | (5,608)   |  |  |
| Title I, Part A, Carryover  | 84.010A                   | NCLB4970-11                         | 9/1/10 - 8/31/11 | 90,316          | (849)                          |             |                  |                           |             |  | (849)   |  |  |
| Title II, Part A  | 84.367                    | NCLB4970-13                         | 9/1/12 - 8/31/13 | 25,820          |                                |             |                  | 26,522                    |             |  | (26,522)  |  |  |
| Title II, Part A, Carryover   | 84.367                    | NCLB4970-12                         | 9/1/11 - 8/31/12 | 30,186          | (26,468)                       |             | 11,886           | 4,000                     | 237         |  | (18,345)  |  |  |
| Title II, Part A, Carryover   | 84.367                    | NCLB4970-11                         | 9/1/10 - 8/31/11 | 32,863          | (3,824)                        |             |                  |                           |             |  | (3,824)   |  |  |
| Title III   | 84.365                    | NCLB4970-13                         | 9/1/12 - 8/31/13 | 23,372          |                                |             |                  | 17,460                    |             |  | (17,460)  |  |  |
| Title III, Carryover  | 84.365                    | NCLB4970-12                         | 9/1/11 - 8/31/12 | 32,570          | (26,695)                       |             | 30,370           | 3,875                     |             |  | (200)   |  |  |
| Title III, Carryover  | 84.365                    | NCLB4970-10                         | 9/1/10 - 8/31/11 | 63,591          | (173)                          |             |                  |                           |             |  | (173)   |  |  |
| Title II Part D, Carryover  | 84.318                    | NCLB4970-10                         | 9/1/09 - 8/31/12 | 867             | 720                            |             | 146              |                           |             |  |   | \$ 866                                     |  |
| Title IV, Carryover   | 84.186A                   | NCLB4970-10                         | 9/1/09 - 8/31/11 | 3,984           | 956                            |             |                  |                           |             |  |   | 956  |  |
| IDEA, Preschool   | 84.173                    | IDEA497013C                         | 9/1/12 - 8/31/13 | 19,130          |                                |             | 11,745           | 24,469                    |             |  | (12,724)  |  |  |
| IDEA, Preschool, Carryover  | 84.173                    | IDEA497012C                         | 9/1/11 - 8/31/12 | 19,075          | (5,587)                        | \$ 2,050    | 4,335            | 798                       |             |  |   |  |  |
| IDEA, Preschool, Carryover  | 84.173                    | IDEA497010C                         | 9/1/09 - 8/31/12 | 18,598          | 2,668                          | (2,050)     |                  |                           |             |  |   | 618  |  |
| IDEA, Part B  | 84.027                    | IDEA497013C                         | 9/1/12 - 8/31/13 | 372,146         |                                |             | 312,158          | 369,288                   |             |  | (57,130)  |  |  |
| IDEA, Part B, Carryover   | 84.027                    | IDEA497012C                         | 9/1/11 - 8/31/12 | 367,964         | (17,919)                       |             | 32,844           | 23,094                    |             |  | (8,169)   |  |  |
| U.S. Department of Homeland Security<br>Passed-through State Department of Education<br>Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036                    |                                     |                  | 16,099          |                                |             | 11,616           | 16,099                    |             |  | (4,483)   |  |  |
| <b>Total Special Revenue Fund</b>   |                           |                                     |                  |                 | (187,551)                      | -           | 519,871          | 590,947                   | 238         | -  | (260,829)                                       | 2,440                                      | -  |
| <b>Enterprise Fund:</b>   |                           |                                     |                  |                 |                                |             |                  |                           |             |  |   |  |  |
| U.S. Department of Agriculture:   |                           |                                     |                  |                 |                                |             |                  |                           |             |  |   |  |  |
| Passed Through State Department of Education:   |                           |                                     |                  |                 |                                |             |                  |                           |             |  |   |  |  |
| National School Lunch Program   | 10.555                    | N/A                                 | 7/1/11 - 6/30/12 | 122,587         | (21,701)                       |             | 21,701           |                           |             |  |   |  |  |
| National School Lunch Program   | 10.555                    | N/A                                 | 7/1/12 - 6/30/13 | 128,186         |                                |             | 103,938          | 128,186                   |             |  | (24,248)  |  |  |
| Food Donation Program (NC)  | 10.555                    | N/A                                 | 7/1/11 - 6/30/12 | 31,815          |                                |             |                  | 1,763                     |             |  |   |  |  |
| Food Donation Program (NC)  | 10.555                    | N/A                                 | 7/1/12 - 6/30/13 | 30,318          |                                |             | 30,318           | 28,974                    |             |  |   | \$ 1,344                                   |  |
| <b>Total U.S. Department of Agriculture and Enterprise Fund</b>   |                           |                                     |                  |                 | (19,938)                       |             | 155,957          | 158,923                   |             |  | (24,248)  | 1,344                                      |  |
| <b>Total Federal Awards</b>   |                           |                                     |                  |                 | \$ (242,608)                   | \$ -        | \$ 743,735       | \$ 782,658                | \$ 238      | \$ -                                       | \$ (285,077)                                    | \$ 3,784                                   | \$ -                                     |

NC - Represents non cash expenditures

N/A - not available

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

Spotswood Borough School District  
Schedule of Expenditures of State Financial Assistance

Year ended June 30, 2013

| State Grantor/<br>Pass-Through Grantor/Program Title | Grant or State<br>Project Number | Grant Period      | Award<br>Amount | Balance<br>at June<br>30, 2012 | Carryover/<br>Walkover<br>Amount | Cash<br>Received    | Budgetary<br>Expenditures | Adjustments | Repayment<br>of prior<br>years<br>balances | Balance June 30, 2013    |                     |                   | Memo                     |                            |                  |
|--|----------------------------------|-------------------|-----------------|--------------------------------|----------------------------------|---------------------|---------------------------|-------------|--|--------------------------|---------------------|-------------------|--------------------------|----------------------------|------------------|
|  |                                  |                   |                 |                                |                                  |                     |                           |             |  | (Accounts<br>receivable) | Unearned<br>Revenue | Due to<br>Grantor | Budgetary<br>Receivables | Cumulative<br>Expenditures |                  |
| <b>State Department of Education</b>                 |                                  |                   |                 |                                |                                  |                     |                           |             |  |                          |                     |                   |                          |                            |                  |
| <b>General Funds:</b>                                |                                  |                   |                 |                                |                                  |                     |                           |             |  |                          |                     |                   |                          |                            |                  |
| Equalization Aid                                     | 495-034-5120-078                 | 7/01/11 - 6/30/12 | \$ 4,750,182    | \$ (468,672)                   |                                  | \$ 468,672          |                           |             |  |                          |                     |                   |                          |                            |                  |
| Special Education Categorical Aid                    | 495-034-5120-089                 | 7/01/11 - 6/30/12 | 856,032         | (84,459)                       |                                  | 84,459              |                           |             |  |                          |                     |                   |                          |                            |                  |
| Extraordinary Special Education Aid                  | 495-034-5120-473                 | 7/01/11 - 6/30/12 | 57,226          | (57,226)                       |                                  | 57,226              |                           |             |  |                          |                     |                   |                          |                            |                  |
| Additional Non Public Transportation Aid             | Not available                    | 7/01/11 - 6/30/12 | 7,251           | (7,251)                        |                                  | 7,251               |                           |             |  |                          |                     |                   |                          |                            |                  |
| Reimbursed TPAF - Social Security                    | 495-034-5095-002                 | 7/01/11 - 6/30/12 | 871,806         | (43,123)                       |                                  | 43,123              |                           |             |  |                          |                     |                   |                          |                            |                  |
| Equalization Aid                                     | 495-034-5120-078                 | 7/01/12 - 6/30/13 | 5,034,495       |                                |                                  | 4,539,139           | \$ 5,034,495              |             |  |                          |                     | \$ (495,356)      | \$ 5,034,495             |                            |                  |
| Special Education Categorical Aid                    | 495-034-5120-089                 | 7/01/12 - 6/30/13 | 903,672         |                                |                                  | 814,758             | 903,672                   |             |  |                          |                     | (88,914)          | 903,672                  |                            |                  |
| Transportation Aid                                   | 495-034-5120-014                 | 7/01/12 - 6/30/13 | 48,643          |                                |                                  | 43,857              | 48,643                    |             |  |                          |                     | (4,786)           | 48,643                   |                            |                  |
| Security Aid   | 495-034-5120-084                 | 7/01/12 - 6/30/13 | 28,108          |                                |                                  | 25,342              | 28,108                    |             |  |                          |                     | (2,766)           | 28,108                   |                            |                  |
| Extraordinary Special Education Aid                  | 495-034-5120-473                 | 7/01/12 - 6/30/13 | 71,416          |                                |                                  | 71,416              |                           |             |  |                          |                     | \$ (71,416)       | 71,416                   |                            |                  |
| Additional Non Public Transportation Aid             | Not available                    | 7/01/12 - 6/30/13 | 3,917           |                                |                                  | 3,917               |                           |             |  |                          |                     | (3,917)           | 3,917                    |                            |                  |
| Reimbursed TPAF - Social Security                    | 495-034-5095-002                 | 7/01/12 - 6/30/13 | 894,459         |                                |                                  | 850,094             | 894,459                   |             |  |                          |                     | (44,365)          | 894,459                  |                            |                  |
| <b>Total General Funds</b>                           |                                  |                   |                 | <u>(660,731)</u>               |                                  | <u>6,933,921</u>    | <u>6,984,710</u>          |             |  |                          |                     | <u>(119,698)</u>  |                          | <u>(591,822)</u>           | <u>6,984,710</u> |
| <b>Special Revenue Funds:</b>                        |                                  |                   |                 |                                |                                  |                     |                           |             |  |                          |                     |                   |                          |                            |                  |
| Martin Luther King Jr.                               | 07MLKJ109AVF                     | Indefinite        | 2,069           | 1,308                          |                                  |                     |                           |             |  |                          |                     | \$ 1,308          |                          |                            |                  |
| <b>New Jersey Non-Public Aid:</b>                    |                                  |                   |                 |                                |                                  |                     |                           |             |  |                          |                     |                   |                          |                            |                  |
| Textbook Aid   | 100-034-5120-064                 | 7/01/11 - 6/30/12 | 14,175          | 905                            |                                  |                     |                           |             | \$ 905                                     |                          |                     |                   |                          |                            |                  |
| Textbook Aid   | 100-034-5120-064                 | 7/01/12 - 6/30/13 | 15,164          |                                |                                  | 15,164              | 12,992                    |             |  |                          |                     |                   | \$ 2,172                 | 12,992                     |                  |
| <b>Nursing Services</b>                              |                                  |                   |                 |                                |                                  |                     |                           |             |  |                          |                     |                   |                          |                            |                  |
| Nursing Services                                     | 100-034-5120-070                 | 7/01/11 - 6/30/12 | 20,248          | 59                             |                                  |                     |                           |             |  |                          |                     | 59                |                          |                            |                  |
| Nursing Services                                     | 100-034-5120-070                 | 7/01/12 - 6/30/13 | 21,048          |                                |                                  | 21,048              | 19,986                    |             |  |                          |                     |                   | 1,062                    | 19,986                     |                  |
| <b>Technology Services</b>                           |                                  |                   |                 |                                |                                  |                     |                           |             |  |                          |                     |                   |                          |                            |                  |
| Technology Services                                  | 100-034-5120-373                 | 7/01/12 - 6/30/13 | 5,597           |                                |                                  | 5,597               | 5,457                     |             |  |                          |                     |                   | 140                      | 5,457                      |                  |
| <b>Non-Public Handicapped Services:</b>              |                                  |                   |                 |                                |                                  |                     |                           |             |  |                          |                     |                   |                          |                            |                  |
| Examination and Classification                       | 100-034-5120-066                 | 7/01/11 - 6/30/12 | 12,877          | 7,081                          |                                  |                     |                           |             |  |                          |                     | 7,081             |                          |                            |                  |
| Supplemental Instruction                             |                                  | 7/01/11 - 6/30/12 | 8,418           | 2,806                          |                                  |                     |                           |             |  |                          |                     | 2,806             |                          |                            |                  |
| Corrective Speech                                    |                                  | 7/01/11 - 6/30/12 | 26,855          | 9,478                          |                                  |                     |                           |             |  |                          |                     | 9,478             |                          |                            |                  |
| Examination and Classification                       |                                  | 7/01/12 - 6/30/13 | 12,899          |                                |                                  | 12,899              | 10,983                    |             |  |                          |                     |                   | 1,916                    | 10,983                     |                  |
| Supplemental Instruction                             |                                  | 7/01/12 - 6/30/13 | 5,551           |                                |                                  | 5,551               | 4,857                     |             |  |                          |                     |                   | 694                      | 4,857                      |                  |
| Corrective Speech                                    |                                  | 7/01/12 - 6/30/13 | 18,749          |                                |                                  | 18,749              | 15,624                    |             |  |                          |                     |                   | 3,125                    | 15,624                     |                  |
| <b>Non-Public Auxiliary Services:</b>                |                                  |                   |                 |                                |                                  |                     |                           |             |  |                          |                     |                   |                          |                            |                  |
| Basic Skills/Comp Educ                               | 100-034-5120-067                 | 7/01/11 - 6/30/12 | 40,576          | 25,360                         |                                  |                     |                           |             |  |                          |                     | 25,360            |                          |                            |                  |
| Basic Skills/Comp Educ                               |                                  | 7/01/12 - 6/30/13 | 25,082          |                                |                                  | 25,082              | 15,885                    |             |  |                          |                     |                   | 9,197                    | 15,885                     |                  |
| Transportation                                       |                                  | 7/01/12 - 6/30/13 | 4,775           |                                |                                  | 4,775               | 4,775                     |             |  |                          |                     |                   |                          | 4,775                      |                  |
| <b>Total Special Revenue Funds</b>                   |                                  |                   |                 | <u>46,997</u>                  |                                  | <u>108,865</u>      | <u>90,559</u>             |             |  |                          |                     | <u>45,689</u>     | <u>1,308</u>             | <u>18,306</u>              | <u>90,559</u>    |
| <b>Debt Service Fund:</b>                            |                                  |                   |                 |                                |                                  |                     |                           |             |  |                          |                     |                   |                          |                            |                  |
| Debt Service Aid - Type II                           | 495-034-5120-017                 | 7/01/12 - 6/30/13 | 62,725          |                                |                                  | 62,725              | 62,725                    |             |  |                          |                     |                   |                          |                            | 62,725           |
| <b>Total Debt Service Fund</b>                       |                                  |                   |                 |                                |                                  | <u>62,725</u>       | <u>62,725</u>             |             |  |                          |                     |                   |                          |                            | <u>62,725</u>    |
| <b>Enterprise Funds:</b>                             |                                  |                   |                 |                                |                                  |                     |                           |             |  |                          |                     |                   |                          |                            |                  |
| National School Lunch Program (State Share)          | 100-034-5120-122                 | 7/01/11 - 6/30/12 | 5,737           | (1,005)                        |                                  | 1,005               |                           |             |  |                          |                     |                   |                          |                            |                  |
| National School Lunch Program (State Share)          | 100-034-5120-122                 | 7/01/12 - 6/30/13 | 5,392           |                                |                                  | 4,388               | 5,392                     |             |  |                          |                     | (1,004)           |                          | 5,392                      |                  |
| <b>Total Enterprise Funds</b>                        |                                  |                   |                 | <u>(1,005)</u>                 |                                  | <u>5,393</u>        | <u>5,392</u>              |             |  |                          |                     | <u>(1,004)</u>    |                          | <u>5,392</u>               |                  |
| <b>Total State Financial Assistance</b>              |                                  |                   |                 | <u>\$ (614,739)</u>            | <u>\$ -</u>                      | <u>\$ 7,110,904</u> | <u>\$ 7,143,386</u>       | <u>\$ -</u> | <u>\$ 45,689</u>                           | <u>\$ (120,702)</u>      | <u>\$ 1,308</u>     | <u>\$ 18,306</u>  | <u>\$ (591,822)</u>      | <u>\$ 7,143,386</u>        |                  |

N/A - Not available

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

Spotswood Borough School District

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

Year ended June 30, 2013

**1. General**

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

**2. Basis of Accounting**

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

**3. Relationship to Basic Financial Statements**

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

Spotswood Borough School District  
Notes to Schedules of Expenditures of  
Federal Awards and State Financial Assistance  
Year ended June 30, 2013

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$38,691 for the general fund and \$6,570 for the special revenue fund. See note to required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3). Federal and State award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

|                              | <b>Federal</b> | <b>State</b> | <b>Total</b> |
|------------------------------|----------------|--------------|--------------|
| General Fund                 | \$ 32,788      | \$ 8,555,846 | \$ 8,588,634 |
| Special Revenue Fund         | 592,884        | 90,559       | 683,443      |
| Debt Service Fund            |                | 62,725       | 62,725       |
| Enterprise Food Service Fund | 158,923        | 5,392        | 164,315      |
| Total award revenues         | \$ 784,595     | \$ 8,714,522 | \$ 9,499,117 |

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

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

Spotswood Borough School District  
Notes to Schedules of Expenditures of  
Federal Awards and State Financial Assistance  
Year ended June 30, 2013

**5. Other**

Revenues and expenditures reported under the Food Donation Program represent current year value received and current year distributions, respectively. TPAF Social Security Contributions represent the amount reimbursed by the State for the employer's share of Social Security Contributions for TPAF members for the fiscal year ended June 30, 2013.

The on-behalf post-retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2013 amount to \$1,609,827. Since on-behalf post retirement pension and medical benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB's Circular 04-04 and are not reported on the Schedule of Expenditures of State Financial Assistance, as directed by the funding agency.

**6. Adjustments**

The adjustments presented on exhibits K-3 represent the cancellation of various prior year liabilities.

Spotswood Borough School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

**Part I - Summary of Auditors' Results**

**Financial Statement Section**

|   |                 |                   |              |                  |
|---|-----------------|-------------------|--------------|------------------|
| Type of auditors' report issued:                      |                 | <u>Unmodified</u> |              |                  |
| Internal control over financial reporting:            |                 |                   |              |                  |
| Material weakness(es) identified?                     | <u>        </u> | Yes               | <u>  ✓  </u> | No               |
| Significant deficiency(ies) identified?               | <u>        </u> | Yes               | <u>  ✓  </u> | None<br>Reported |
| Noncompliance material to financial statements noted? | <u>        </u> | Yes               | <u>  ✓  </u> | No               |

**Federal Awards Section**

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

Identification of major programs:

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

Spotswood Borough School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2013

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

**State Awards Section**

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

\$300,000

Auditee qualified as low-risk auditee?

✓ Yes        No

Type of auditors' report on compliance for major programs:

Unmodified

Internal control over major programs:

Material weakness(es) identified?

       Yes   ✓   No

Significant deficiency(ies) identified?

       Yes   ✓   None Reported

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

       Yes   ✓   No

Identification of major programs:

| <b>GMIS/Program Number</b> | <b>Name of State Program or Cluster</b> |
|----------------------------|---|
| 495-034-5120-078           | Equalization Aid                        |
| 495-034-5120-089           | Special Education Categorical Aid       |
| 495-034-5120-084           | Security Aid                            |

Spotswood Borough School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2013

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

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

Spotswood Borough School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2013

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

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

**Federal Award Programs**

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

**State Award Programs**

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

Spotswood Borough School District  
Summary Schedule of Prior Year Audit Findings  
Year ended June 30, 2013

Not applicable.