School District of SPOTSWOOD BOROUGH

Spotswood Borough
Board of Education
County of Middlesex
New Jersey

Comprehensive Annual Financial Report
Year Ended June 30, 2010

School District of

Spotswood Borough

Spotswood Borough Board of Education
Spotswood, New Jersey

Comprehensive Annual Financial Report
Year Ended June 30, 2010

Prepared by

Spotswood Borough School District
Business Division

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INTRODUCTORY SECTION

SPOTSWOOD BOARD OF EDUCATION

DR. WALTER USZENSKI
SUPERINTENDENT OF SCHOOLS

TISH SPINILLO
BUSINESS ADMINISTRATOR/
BOARD SECRETARY

ADMINISTRATIVE OFFICES
105 SUMMERHILL ROAD • SPOTSWOOD, NEW JERSEY 08884
732-723-2240 • FAX: 732-251-7666
WEB SITE: WWW.SPOTSWOOD.K12.NJ.US

November 2, 2010

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, 2010, 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, governmental activities, business-type activities, each major fund and the aggregate remaining fund information at June 30, 2010 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, basic financial statements, required supplementary information and other 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.

Blue Ribbon School

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 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 2009-2010 fiscal year with an average daily enrollment of 1,808 students, which is approximately a 2.73% 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

Fiscal Year	Student Enrollment	Percent Change
2010	1,808	2.73%
2009	1,760	(0.40)
2008	1,767	(0.56)
2007	1,777	1.43
2006	1,752	1.00

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 forced an adjustment to a projected loss in tuition revenue which is replaced with an equalized valuation tax levy calculation. This, compounded with a loss in State Aid, necessitated a very strict spending freeze, adjustment in staffmg and new and innovative revenue streams.

3. Initiatives

The Spotswood School District's initiatives for the 2010/2011 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 Literacry for 2010/11 school year.

By Fall 2010, the District will have in place common, formative and summative assessments F-12.

- **Curriculum Renewal**

  The Advanced Placement program at the high school for 2010/2011 will include the AP Spanish IV course.

  New programs at the high school for 2010/2011 will include a Forensic Science course.

  An elective course, 21st Century, will be included in the middle school's course electives for the 2010/2011 school year.

- **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.

  As administrative staff members have changed roles for 2010/2011, training of Carolyn J. Downey's Three-Minute Classroom Walk-Through is being provided to all administrators.

  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 2010/2011 school year, providing for groups of teacher who form a support group to work on a plan strategically around particular topics, and challenge their teaching in a nurturing environment.

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

4. Service Efforts and Accomplishments

The District's achievement continues to be highly competitive with the District Factor Group as well as state results. The District, according to the New Jersey Monthly Magazine, came in 6th out of 22 schools in Middlesex County for the DFG. Our high school is 105 of 322 in the State.

5. Major Operational or Financial Concerns

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

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

6. Significant Budget Variances or Budget Modifications

Having received a significant increase in ARRA Special Funding, 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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

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, 2010, the District's outstanding debt issues included $9,540,000 of bonds. In October 2008, the District was notified that its bond rating was downgraded from AAA to AA due to the national and state economic environment. The legal debt margin and the debt per capita can be found in the Statistical section, schedules J-13 and J-11, respectively.

11. Cash Management

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

12. Risk Management

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

13. Other Information

Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The independent accounting firm of Wiss and Company, LLP was selected by the Board to perform the audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB

Circular A-133 and New Jersey OMB Circular 04-04. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the Single Audit are included in the Single Audit section of this report.

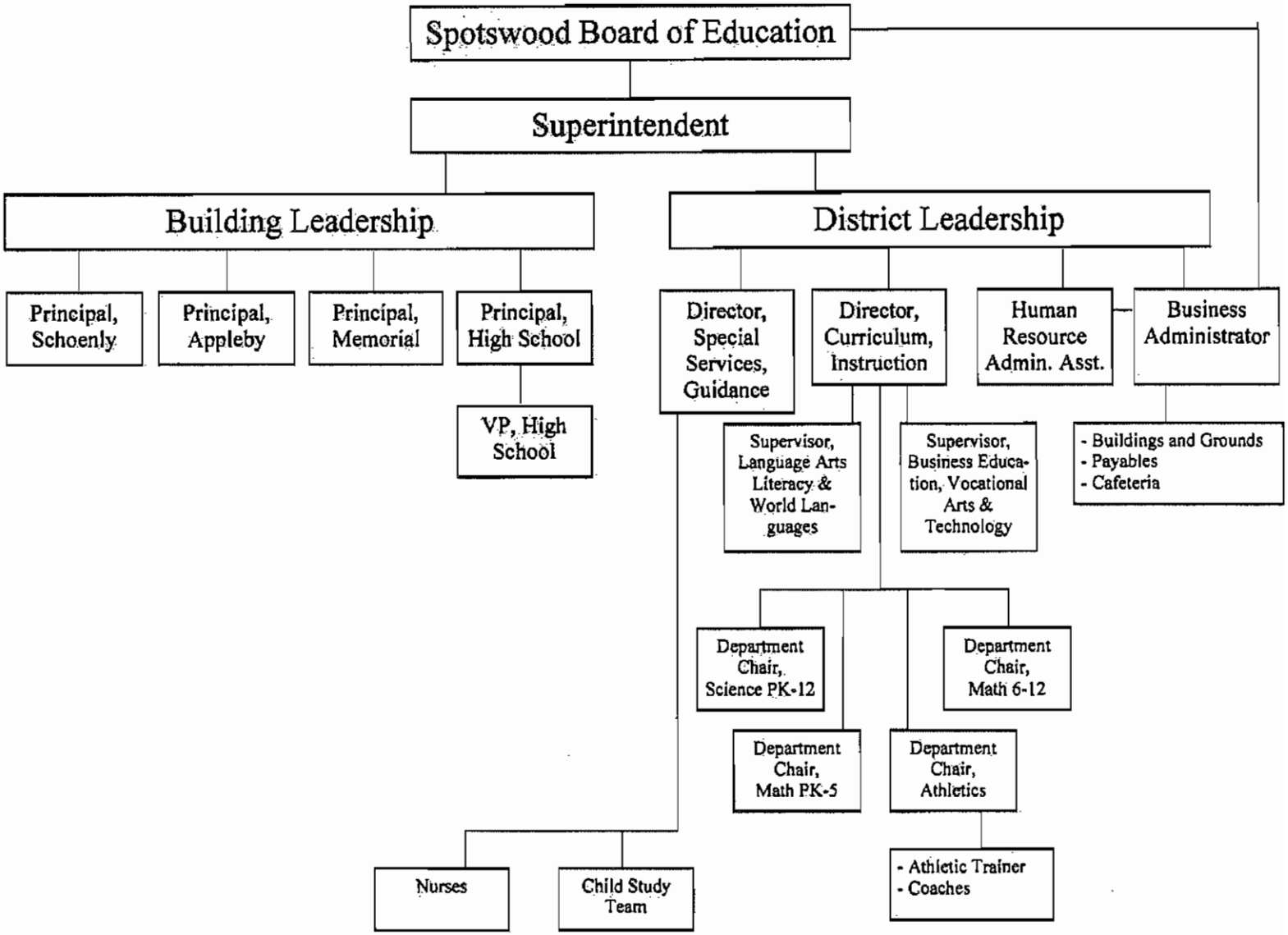
14. Acknowledgments

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

Respectfully Submitted,

Dr. Walter Uszenski, Ed.D
Superintendent of Schools

Ms. Letitia Spiniello
School Business Administrator
Board Secretary


Spotswood Board of Education
Superintendent
Building Leadership
District Leadership
Principal, Schoenly
Principal, Appleby
Principal, Memorial
Principal, High School
VP, High School
Director, Special Services, Guidance
Director, Curriculum, Instruction
Human Resource Admin. Asst.
Business Administrator
Supervisor, Language Arts Literacy & World Languages
Supervisor, Business Education, Vocational Arts & Technology
- Buildings and Grounds
- Payables
- Cafeteria
Department Chair, Science PK-12
Department Chair, Math 6-12
Department Chair, Math PK-5
Department Chair, Athletics
- Athletic Trainer
- Coaches
Nurses
Child Study Team

Spotswood Borough School District
Spotswood, New Jersey

Roster of Officials

June 30, 2010

Members of the Board of Education	**Term Expires**
Donna Faulkenberry, President	2011
Rich O'Brien, Vice President	2012
Dulce Branco-Rivera	2011
John Lavelle	2013
William Smith	2012
Patricia Payne (Milltown Representative)	

Other Officials

Dr. Walter Uszenski, Superintendent of Schools
Letitia Spinillo, 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, 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

WISS
ACCOUNTANTS
CONSULTANTS

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Spotswood Borough School District, County of Middlesex, New Jersey (the "District"), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2010 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2010, 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

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describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 introductory section, budgetary schedules, combining and individual fund financial statements, long-term debt schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary schedules, combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis 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 Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

David J. Gannon
Licensed Public School Accountant
No. 2305

Wiss & Company

WISS & COMPANY, LLP

November 2, 2010
Iselin, New Jersey

Required Supplementary Information
Part I

Management's Discussion and Analysis

Spotswood Borough School District
Management's Discussion and Analysis
Year ended June 30, 2010
(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, 2010. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

The 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) district-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and other supplementary information in addition to the basic financial statements themselves.

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

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

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

The district-wide financial statements can be found on pages 20-21 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 district-wide financial statements. However, unlike the district-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 district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-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 other supplementary information for the debt service fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 22-24 of this report.

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

The enterprise fund financial statements can be found on pages 25-27 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 district-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 28-29 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 district-wide and fund financial statements. The notes to the basic financial statements can be found on pages 30-53 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 54-77 of this report.

Financial Highlights

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, the total District-wide assets exceeded liabilities by $9,681,747 (net assets) at the close of 2010. The following table provides a summary of net assets relating to the District's governmental and business-type activities as of June 30, 2010 and 2009:

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

	2010			2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 2,345,280	$ 350,899	$ 2,696,179	$ 2,434,263	$ 331,881	$ 2,766,144
Capital assets, net	17,945,875		17,945,875	18,289,811		18,289,811
Total assets	20,291,155	350,899	20,642,054	20,724,074	331,881	21,055,955
Current liabilities	1,613,086	84,283	1,697,369	1,388,691	109,617	1,498,308
Long-term liabilities outstanding	9,262,938		9,262,938	10,208,910		10,208,910
Total liabilities	10,876,024	84,283	10,960,307	11,597,601	109,617	11,707,218
Net assets						
Invested in capital assets, net of related debt	8,405,875		8,405,875	7,934,811		7,934,811
Restrieted	1,464,885		1,464,885	1,802,712		1,802,712
Unrestricted (defieit)	(455,629)	266,616	(189,013)	(611,050)	222,264	(388,786)
Total net assets	$ 9,415,131	$ 266,616	$ 9,681,747	$ 9,126,473	$ 222,264	$ 9,348,737

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

The remaining (deficit) balance of unrestricted net assets $(455,629) of the governmental activities reflects the District's obligations such as compensated absences that are not invested in capital assets. The deficit (negative) amount is mainly the result of liabilities for compensated absences without an offsetting asset.

The decrease in capital assets, net of $343,936 is attributable to current year depreciation expense exceeding the amounts capitalized on capital assets. The District's projects funded by the referendum were completed during fiscal year 2005, and as a result, the District's capital projects fund balance has decreased the past five years.

The increase in invested in capital assets, net of related debt of $471,064 is mainly attributable to the paying down of long-term debt.

The decrease in long-term liabilities of $945,972 is mainly attributable to the paying down of long-term debt and no new issuances in the current year.

District activities. The key elements of the District's changes in net assets for the year ended June 30, 2010 and 2009 are as follows:

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

Years ended June 30,

	2010			2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	$ 3,906,064	$ 755,796	$ 4,661,860	$ 7,271,245	$ 811,236	$ 8,082,481
Operating grants and contributions	1,046,228	147,881	1,194,109	705,662	117,150	822,812
Capital grants and contributions	56,274		56,274			
General revenues:						
Property taxes	14,359,797		14,359,797	11,217,590		11,217,590
State aid not restricted to specific purposes	6,742,727		6,742,727	6,547,882		6,547,882
Federal aid not restricted to specific purposes	964,809		964,809			
Interest earnings	19,588	1,511	21,099	35,994	2,046	38,040
Miscellaneous	267,944		267,944	17,852		17,852
Cancellation of prior year accounts receivable	(175,954)		(175,954)			
Total revenues	27,187,477	905,188	28,092,665	25,796,225	930,432	26,726,657
Expenses:						
Instructional services	16,411,805	279,217	16,691,022	15,601,128	345,323	15,946,451
Support services	10,074,766	581,619	10,656,385	10,097,987	577,386	10,675,373
Interest on long-term debt	412,248		412,248	444,899		444,899
Total expenses	26,898,819	860,836	27,759,655	26,144,014	922,709	27,066,723
Change in net assets	288,658	44,352	333,010	(347,789)	7,723	(340,066)
Net assets – beginning of year	9,126,473	222,264	9,348,737	9,474,262	214,541	9,688,803
Net assets – end of year	$ 9,415,131	$ 266,616	$ 9,681,747	$ 9,126,473	$ 222,264	$ 9,348,737

The decrease in charges for services in the governmental activities (tuition) is the result of the consolidation of the Spotswood and Helmetta School Districts as of July 1, 2009. In the previous year, tuition was charged to Helmetta. Beginning this fiscal year, Spotswood collected the tax levy from Helmetta. General revenue – property taxes increased as a result of the tax levy revenue instead of tuition.

The increase in operating grants and contributions as well as certain instructional services expenditures, is a result of the American Recovery and Reinvestment Act ("ARRA") funds received in the current year for the NCLB and IDEIA grants.

The federal aid is new in the current year and was received through ARRA Education Stabilization Fund and ARRA Government Services Fund aid.

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 unreserved fund balance is divided between designated balances and undesignated balances. The District has designated portions of the fund balance to earmark resources for certain liabilities that are not recognized in the governmental funds.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2010, and the increases and decreases in relation to the prior year.

Revenue	Amount	Percent of Total	(Decrease) Increase from 2009	Percent of (Decrease) Increase
Local sources	$ 18,556,728	67.95%	$ (891)	(.00)%
State sources	6,902,876	25.28	153,873	2.28
Federal sources	1,847,451	6.77	1,358,420	277.78
Total	$ 27,307,055	100.00%	$ 1,511,402	5.86%

The increase in federal sources is mainly attributable to the stimulus funds from ARRA received in the current year.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2010 and the increases and decreases related to the prior year:

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2009	Percent of Increase (Decrease)
Current expenditures:				
Instruction	$ 12,401,175	45.40%	$ 483,534	4.06%
Undistributed expenditures	13,203,011	48.34	428,387	3.35
Capital outlay	473,560	1.73	236,676	99.91
Debt service:				
Principal	815,000	2.98	(68,000)	(7.70)
Interest	422,978	1.55	(34,637)	(7.57)
Total	$ 27,315,724	100.00%	$ 1,045,960	3.98%

The increase in instruction expenditures and undistributed expenditures is attributable mainly to the increases in tuition paid to out of district schools. Capital outlay increased due to the bleachers project at the High School as well as equipment purchased with ARRA funding. The overall increase in spending, less than 4%, is modest and reflects the conservative nature that the District has taken towards its budget and its affect on taxpayers.

General Fund Budgetary Highlights

Overall, there were no additional appropriations made to the original budget as compared to the final budget. During the year, revenues exceeded budgetary estimates and expenditures exceeded budgetary estimates by only 0.7%, 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.

- Special education – resource room/center – a decrease of $204,445 is attributable to a realignment of teachers and aides in the resource room program in order to save costs. Resource room decreased the number of employees required to run the program.

- Instruction –Tuition – an increase of $282,603 is attributable to the merger of the Helmetta school district. Helmetta's budget was combined with Spotswood's through budget transfers.

- Operation and maintenance of plant services – a decrease of $207,550 is attributable to the transfer of unused funds in the electricity budget to the

unallocated benefits category in order to cover future unemployment expenditures.

- Student transportation services – an increase of $252,981 is attributable to the merger of the Helmetta School District. Helmetta's budget was combined with Spotswood's through budget transfers.

- Unallocated benefits – an increase of $469,707 is attributable to the increase in health insurance premiums where there were unexpected increases. Also, the District transferred funds over to the unemployment line in order to cover future claims.

Capital Assets and Debt Administration

Capital Assets. The District has capital assets, net of depreciation of $17,945,875 at June 30, 2010, 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, 2010	June 30, 2009
Land	$ 197,617	$ 197,617
Construction in progress	14,198	
Site improvements	282,385	333,238
Buildings and building improvements	17,040,605	17,384,013
Machinery, equipment and vehicles	411,070	374,973
Total capital assets, net	$ 17,945,875	$ 18,289,811

Debt Administration and Long-Term Liabilities. During the 2010 fiscal year, no new debt was issued.

The District's long-term liabilities consisted of:

	June 30, 2010	June 30, 2009
Bonds payable	$ 9,540,000	$ 10,355,000
Compensated absences payable	824,527	900,323
Total long-term liabilities	$ 10,364,527	$ 11,255,323

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

- Serious attention is being given to the new levy calculation resulting from the Department of Education merging of the Helmetta District which appears to be based on equalized valuation for the calculation.

- The ability for the State to fund the state aid at the level it has proposed given the previous year was supported with ARRA funds.

- 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 ability to generate fund balance for allocation towards maintenance reserve accounts to offset general routine maintenance expenditures is being given careful consideration.

All of these factors were considered in preparing the District's budget for the 2010-11 fiscal year. The reduction and/or stabilization of state aid will make future budgets difficult.

Requests for Information

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

Basic Financial Statements

District-wide Financial Statements

The district-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, 2010.

Spotswood Borough School District

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 954,212	$ 330,038	$ 1,284,250
Accounts receivable	265,035	29,029	294,064
Internal balances	16,718	(16,718)	-
Inventories		8,550	8,550
Restricted assets:			
Cash and cash equivalents	1,109,315		1,109,315
Capital assets, non-depreciable	211,815		211,815
Capital assets, depreciable, net	17,734,060		17,734,060
Total assets	20,291,155	350,899	20,642,054
Liabilities			
Accounts payable	290,652		290,652
Accrued interest payable	165,973		165,973
Intergovernmental payables - state	12,319		12,319
Unearned revenue	42,553	84,283	126,836
Current portion of long-term obligations	1,101,589		1,101,589
Noncurrent portion of long-term obligations	9,262,938		9,262,938
Total liabilities	10,876,024	84,283	10,960,307
Net assets			
Invested in capital assets, net of related debt	8,405,875		8,405,875
Restricted for:			
Debt service	1		1
Maintenance reserve	500,000		500,000
Capital reserve	609,315		609,315
Excess surplus	355,569		355,569
Unrestricted (deficit)	(455,629)	266,616	(189,013)
Total net assets	$ 9,415,131	$ 266,616	$ 9,681,747

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

Spotswood Borough School District

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Captial Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Total
Governmental activities							
Instruction	$ 16,411,805	$ 3,906,064	$ 742,434		$ (11,763,307)		$ (11,763,307)
Support services:							
Health services	367,615				(367,615)		(367,615)
Other support services	2,672,857		230,993		(2,441,864)		(2,441,864)
Improvement of instruction	551,552				(551,552)		(551,552)
School library	224,678				(224,678)		(224,678)
Instructional staff training	118,111				(118,111)		(118,111)
General administration	509,212				(509,212)		(509,212)
School administration	1,200,129				(1,200,129)		(1,200,129)
Central services	572,572				(572,572)		(572,572)
Administrative information technology	223,036				(223,036)		(223,036)
Required maintenance of plant services	548,616				(548,616)		(548,616)
Operation of plant	2,143,438				(2,143,438)		(2,143,438)
Student transportatiou	942,950				(942,950)		(942,950)
Capital Outlay			72,801	$ 56,274	129,075		129,075
Interest on long-term debt	412,248				(412,248)		(412,248)
Total governmental aetivities	26,898,819	3,906,064	1,046,228	56,274	(21,890,253)		(21,890,253)
Business-type activities							
Food service	566,808	430,963	147,881			$ 12,036	12,036
CARES	279,217	324,091				44,874	44,874
Printing services	14,811	742				(14,069)	(14,069)
Total business-type activities	860,836	755,796	147,881			42,841	42,841
Total primary government	$ 27,759,655	$ 4,661,860	$ 1,194,109	$ 56,274	(21,890,253)	42,841	(21,847,412)
	General revenues						
	Property taxes, levied for general purposes				13,204,758		13,204,758
	Property taxes, levied for debt service				1,155,039		1,155,039
	State sources				6,742,727		6,742,727
	Federal sources				964,809		964,809
	Interest earnings				19,588	1,511	21,099
	Miscellaneous income				267,944		267,944
	Cancellation of prior year accounts receivable				(175,954)		(175,954)
	Total general revenues				22,178,911	1,511	22,180,422
	Change in net assets				288,658	44,352	333,010
	Net assets—beginning of year				9,126,473	222,264	9,348,737
	Net assets—end of year				$ 9,415,131	$ 266,616	$ 9,681,747

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

Fund Financial Statements

Governmental Funds

Spotswood Borough School District
Governmental Funds

Balance Sheet

June 30, 2010

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 954,211			$ 1	$ 954,212
Accounts receivable:					
State	47,206		$ 56,274		103,480
Federal		$ 77,935			77,935
Other	7,876				7,876
Interfund	186,274				186,274
Restricted assets:					
Cash and cash equivalents	1,109,315				1,109,315
Total assets	$ 2,304,882	$ 77,935	$ 56,274	$ 1	$ 2,439,092
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 5,971	$ 1,425			$ 7,396
Intergovernmental payables:					
State		12,319			12,319
Interfunds payable	283,256	37,538	$ 56,274		377,068
Deferred revenue	15,900	26,653			42,553
Total liabilities	305,127	77,935	56,274		439,336
Fund balances:					
Reserved for:					
Encumbrances	229,548				229,548
Excess surplus-prior year	215,917				215,917
Excess surplus-current year	139,652				139,652
Capital reserve account	609,315				609,315
Maintenance reserve account	500,000				500,000
Unreserved:					
Designated for subsequent year's expenditures	434,174				434,174
Undesignated (deficit)	(128,851)			$ 1	(128,850)
Total fund balances	1,999,755			1	1,999,756
Total liabilities and fund balances	$ 2,304,882	$ 77,935	$ 56,274	$ 1	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $30,115,834 and the accumulated depreciation is $12,169,959.	17,945,875
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.	(165,973)
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(10,364,527)
Net assets of governmental activities	$ 9,415,131

See independent auditor's 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, 2010

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources:					
Local tax levy	$ 13,204,758			$ 1,155,039	$ 14,359,797
Tuition	3,906,064				3,906,064
Investment income	19,486		$ 102		19,588
Miscellaneous	267,944	$ 3,437			271,381
Total local sources	17,398,252	3,437	102	1,155,039	18,556,830
State sources	6,659,787	160,149	56,274	82,940	6,959,150
Federal sources	964,809	882,642			1,847,451
Total revenues	25,022,848	1,046,228	56,376	1,237,979	27,363,431
Expenditures					
Current:					
Instruction	11,102,310	742,434			11,844,744
Undistributed-current:					
Instruction	556,431				556,431
Health services	279,581				279,581
Other support services	1,840,280	230,993			2,071,273
Improvement of instruction	402,949				402,949
Education media library	168,896				168,896
Instructional staff training	100,900				100,900
General administration	409,226				409,226
School administration	876,282				876,282
Central services	456,939				456,939
Administrative information technology	172,483				172,483
Required maintenance of plant services	468,852				468,852
Operation of plant	1,682,635				1,682,635
Student transportation	876,800				876,800
Unallocated benefits	3,623,469				3,623,469
On-behalf TPAF social security and pension contributions	1,612,726				1,612,726
Capital outlay	400,759	72,801	140,685		614,245
Debt Service:					
Principal				815,000	815,000
Interest				422,978	422,978
Total expenditures	25,031,518	1,046,228	140,685	1,237,978	27,456,409
(Deficit) excess of revenues (under) over expenditures	(8,670)	-	(84,309)	1	(92,978)
Other financing sources (uses)					
Cancellation of prior year accounts receivable			(175,954)		(175,954)
Transfers in	751		42,221		42,972
Transfers out	(42,221)		(751)		(42,972)
Total other finaneing sources (uses)	(41,470)		(134,484)		(175,954)
Net change in fund balances	(50,140)	-	(218,793)	1	(268,932)
Fund balances, July 1	2,049,895	-	218,793	-	2,268,688
Fund balances, June 30	$ 1,999,755	$ -	$ -	$ 1	$ 1,999,756

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

See independent auditor's 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, 2010

Total net change in fund balances - governmental funds (from B-2)		$ (268,932)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.		
Depreciation expense	$ (725,064)	
Capital outlays	381,128	(343,936)
Repayments of bond principal are expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. The issuance of bonds provide current financial resources to governmental funds, while the repayment of principal consumes the current financial resources of governmental funds.		815,000
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.		10,730
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).		75,796
Change in net assets of governmental activities (A-2)		$ 288,658

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Enterprise Funds

Spotswood Borough School District
Enterprise Funds

Statement of Net Assets

June 30, 2010

	Major Enterprise Funds			
	Food Service	C.A.R.E.S.	Printing Services	Totals
Assets				
Current assets:				
Cash and cash equivalents	$ 77,913	$ 252,125		$ 330,038
Accounts receivable:				
State	457			457
Federal	6,977			6,977
Other	21,595			21,595
Inventories	8,550			8,550
Total current assets	115,492	252,125		367,617
Capital assets:				
Equipment	135,445			135,445
Accumulated depreciation	(135,445)			(135,445)
Total capital assets, net	-			-
Total assets	115,492	252,125		367,617
Liabilities				
Current liabilities:				
Interfund payable			$ 16,718	16,718
Unearned revenue	2,896	81,387		84,283
Total current liabilities	2,896	81,387	16,718	101,001
Net assets				
Unrestricted (deficit)	112,596	170,738	(16,718)	266,616
Total net assets	$ 112,596	$ 170,738	$ (16,718)	$ 266,616

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

Spotswood Borough School District
Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended June 30, 2010

	Major Enterprise Funds			
	Food Service	C.A.R.E.S.	Printing Services	Totals
Operating revenues:				
Local sources:				
Daily sales reimbursable programs	$ 422,932			$ 422,932
Program fees		$ 324,091	$ 742	324,833
Special functions	8,031			8,031
Total operating revenues	430,963	324,091	742	755,796
Operating expenses:				
Salaries	200,970	228,503		429,473
Employee benefits	36,677			36,677
Purchase professional services	12,144			12,144
Purchased property services	19,983	299		20,282
Supplies and materials	21,166	19,803	14,811	55,780
Cost of sales	273,727			273,727
Other objects	2,141	30,612		32,753
Total operating expenses	566,808	279,217	14,811	860,836
Operating (loss) income	(135,845)	44,874	(14,069)	(105,040)
Nonoperating revenues:				
State sources:				
State school lunch program	6,931			6,931
Federal sources:				
National school lunch program	107,799			107,799
Food donation program	33,151			33,151
Interest revenue	1,250	261		1,511
Total nonoperating revenues	149,131	261		149,392
Change in net assets	13,286	45,135	(14,069)	44,352
Total net assets (deficit), beginning of year	99,310	125,603	(2,649)	222,264
Total net assets (deficit), end of year	$ 112,596	$ 170,738	$ (16,718)	$ 266,616

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

Spotswood Borough School District
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2010

	Major Enterprise Funds			
	Food Service	C.A.R.E.S.	Printing Services	Totals
Cash flows from operating activities				
Receipts from customers	$ 433,112	$ 298,359	$ 742	$ 732,213
Payments to employees and for employee benefits	(237,647)	(228,503)		(466,150)
Payments to suppliers	(330,335)	(50,714)	(14,811)	(395,860)
Net cash (used in) provided by operating activities	(134,870)	19,142	(14,069)	(129,797)
Cash flows from noncapital financing activities				
Cash received from state and federal reimbursements	115,898			115,898
Receipts from food donation program	33,549			33,549
Cash received from other funds			14,069	14,069
Net cash provided by noncapital financing activities	149,447		14,069	163,516
Cash flows from investing activities				
Cash received from interest income	1,250	261		1,511
Net cash provided by investing activities	1,250	261		1,511
Net increase in cash and cash equivalents	15,827	19,403	-	35,230
Cash and cash equivalents, beginning of year	62,086	232,722	-	294,808
Cash and cash equivalents, end of year	$ 77,913	$ 252,125	$ -	$ 330,038
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:				
Operating (loss) income	$ (135,845)	$ 44,874	$ (14,069)	$ (105,040)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:				
Change in assets and liabilities:				
(Increase) in inventory	(1,174)			(1,174)
Decrease in accounts receivable	2,149			2,149
(Decrease) in unearned revenue		(25,732)		(25,732)
Net cash (used in) provided by operating activities	$ (134,870)	$ 19,142	$ (14,069)	$ (129,797)

Noncash noncapital financing activities

The District received $33,549 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2010.

See independent auditor's 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 Assets

June 30, 2010

	Unemployment Compensation Trust	Agency Fund
Assets		
Cash and cash equivalents	$ 451	$ 579,858
Interfund receivable	299,325	
Total assets	299,776	$ 579,858
Liabilities		
Accounts payable	17,964	
Payroll deductions and withholdings payable and summer escrow payable		$ 309,086
Interfund payable		91,813
Due to student groups		178,959
Total liabilities	17,964	$ 579,858
Net assets		
Held in trust for unemployment claims	$ 281,812	

See independent auditor's report and accompanying notes to the basic financial statemer

Spotswood Borough School District
Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2010

	Unemployment Compensation Trust
Additions	
Contributions from plan members	$ 34,851
Board contributions	341,779
Interest earned on investments	15
Total additions	376,645
Deductions	
Unemployment benefit claims paid	109,827
Total deductions	109,827
Change in net assets	266,818
Net assets, beginning of the year	14,994
Net assets, end of the year	$ 281,812

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

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.

1. Summary of Significant Accounting Policies (continued)

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-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 amongst the school districts in the State of New Jersey.

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

The district-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

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.

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 financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Debt Service Fund: The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary funds:

Food Service, C.A.R.E.S. Program and Printing Services 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 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. The printing services fund accounts for all revenues and expenses related to operating printing and copying services internally and for other governmental entities.

1. Summary of Significant Accounting Policies (continued)

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 interest earned on the balance as well as payments to the State for reimbursement of unemployment claims.

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

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

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.

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.

1. Summary of Significant Accounting Policies (continued)

When both restricted and unrestricted sources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

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 and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referred in N.J.A.C. 6A:23. The overexpenditure in the general fund is due to the inclusion of the non-budgeted on behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary overexpenditures. All budget amendments must be approved by

1. Summary of Significant Accounting Policies (continued)

School Board resolution. Budget amendments during the year ended June 30, 2010 were insignificant and consistent with prior years.

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

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

E. Cash, Cash Equivalents and Investments

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

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.

1. Summary of Significant Accounting Policies (continued)

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, 2010, the unused Food Donation Program commodities of $2,896 are reported as unearned revenue in the Enterprise Fund.

H. Capital Assets

Capital assets, which include property, plant and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the district-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.

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

	Years
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, 2010, the amount earned by these employees but not disbursed was $273,573 and is included in liabilities – payroll deductions and withholdings payable and summer escrow payable in the fiduciary fund.

1. Summary of Significant Accounting Policies (continued)

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 district-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, 2010, a liability existed for compensated absences in the district-wide financial statements in the amount of $824,527 and no liability existed for compensated absences in the enterprise funds.

K. Deferred Revenue

Deferred revenue in the special revenue fund represents cash, which has been received but not yet earned and outstanding encumbrances. Deferred revenue in the general fund represents cash which has been received in advance for summer tuition payments.

L. Long-Term Obligations

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

1. Summary of Significant Accounting Policies (continued)

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

M. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent plans for future use of financial resources that are subject to change.

Of the $1,999,755 of fund balance in the General Fund (B-1), $229,548 is reserved for encumbrances, $609,315 has been reserved in the capital reserve account, $434,174 has been designated for subsequent year's expenditures, $500,000 has been reserved in the maintenance reserve account, $215,917 of prior year's excess surplus has been designated for subsequent year's expenditures, $139,652 is the current year excess fund balance that has been designated for subsequent years expenditures and $(128,851) is unreserved and undesignated (deficit).

N. Net Assets

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

See Note 4 for additional information relating to capital assets.

1. Summary of Significant Accounting Policies (continued)

O. Management Estimates

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

P. On-Behalf Payments

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

Q. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for reserved fund balance - excess surplus is a required calculation. New Jersey school districts are required to reserve General Fund fund balance in the General Fund at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The current year excess fund balance at June 30, 2010 is $139,652, which will be designated in the 2011-2012 budget.

R. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2010 through November 2, 2010, 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 District-wide and Fund Financial Statements

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

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

The details of this $10,364,527 difference are as follows:

Bonds payable	$ 9,540,000
Compensated absences payable	824,527
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets – governmental activities	$ 10,364,527

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.

3. Deposits and Investments (continued)

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 Arbitrage Rebate Management Fund (NJARM) and M.B.I.A. Class.

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

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

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

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

At June 30, 2010, the carrying amount of the District's deposits for all funds was $2,245,920, and the bank balance was $2,677,920, not including funds held with NJARM. Of the bank balances, $250,000 of the District's cash deposits on June 30, 2010 were secured by federal depository insurance and $2,427,920 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.

3. Deposits and Investments (continued)

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 Arbitrage Rebate Management Fund and MBIA CLASS.
d. Bonds or other obligations of the school District.

In order to maximize liquidity, the District utilizes the NJARM as its sole investment. The District invests funds in the New Jersey Arbitrage 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, 2010, the District's balance was $727,954.

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.

3. Deposits and Investments (continued)

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2010, 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, 2010.

4. Capital Assets

The following is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2010:

	Beginning Balance	Increases	Ending Balance
Governmental activities:			
Capital assets, not being depreciated:			
Land	$ 197,617		$ 197,617
Construction in progress		$ 14,198	14,198
Total capital assets, not being depreciated	197,617	14,198	211,815
Capital assets, being depreciated:			
Site improvements	1,463,848		1,463,848
Buildings and building improvements	25,943,871	284,038	26,227,909
Machinery, equipment and vehicles	2,129,370	82,892	2,212,262
Total capital assets being depreciated	29,537,089	366,930	29,904,019
Less accumulated depreciation for:			
Site improvements	(1,130,610)	(50,853)	(1,181,463)
Buildings and building improvements	(8,559,858)	(627,446)	(9,187,304)
Machinery, equipment and vehicles	(1,754,427)	(46,765)	(1,801,192)
Total accumulated depreciation	(11,444,895)	(725,064)	(12,169,959)
Total capital assets, being depreciated, net	18,092,194	(358,134)	17,734,060
Governmental activities capital assets, net	$ 18,289,811	$ (343,936)	$ 17,945,875

4. Capital Assets (continued)

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

Instruction	$	421,652
Undistributed current:		
Instruction		19,808
Health services		9,953
Other support services		73,734
Improvement of instruction		14,344
School library		6,012
Instructional staff training		3,592
General administration		14,568
School administration		31,194
Central services		16,266
Administation technology		6,140
Required maintenance of plant services		16,690
Operation of plant		59,899
Student transportation		31,212
	$	725,064

The following is a summarization of business-type activities changes in capital assets for the year ended June 30, 2010:

Business-type activities:	**Beginning Balance**	**Ending Balance**
Capital assets, being depreciation:		
Equipment	$ 135,445	$ 135,445
Less accumulated depreciation for:		
Equipment	(135,445)	(135,445)
Total business-type activities capital assets, net	$ –	$ –

5. Long-Term Liabilities

During the year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences payable	$ 900,323	$ 34,790	$ 110,586	$ 824,527	$ 266,589
Bonds payable	10,355,000		815,000	9,540,000	835,000
Governmental activity long-term liabilities	$11,255,323	$ 34,790	$ 925,586	$ 10,364,527	$1,101,589

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

Bonds Payable

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

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

	Principal	Interest	Total
Year ending June 30:			
2011	$ 835,000	$ 389,634	$ 1,224,634
2012	745,000	358,766	1,103,766
2013	760,000	329,728	1,089,728
2014	770,000	299,428	1,069,428
2015	785,000	268,728	1,053,728
2016-2020	2,950,000	978,650	3,928,650
2021-2024	2,695,000	303,450	2,998,450
	$ 9,540,000	$ 2,928,384	$ 12,468,384

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

6. 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.

Teachers' Pension and Annuity Fund

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

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available for these

6. Pension Plans (continued)

systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2010, the State of New Jersey contributed $721,487 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 $891,239 during the year ended June 30, 2010 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 district-wide and fund financial statements.

The Board's actuarially determined contributions to PERS for each of the years ended June 30, 2010, 2009 and 2008 were $216,959, $171,712 and $131,821, respectively, equal to the required contributions for each year.

7. Post-Retirement Benefits

Plan Description

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

Funding Policy

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for 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 $116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

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

7. Post-Retirement Benefits (continued)

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, 2010, 2009 and 2008 were $685,014, $641,373, and $621,520, respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

8. Interfund Receivables and Payables

The total interfund receivables and payables for the District at June 30, 2010 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	$ 186,274	$ 283,256
Special Revenue Fund		37,538
Capital Projects Fund		56,274
Enterprise Fund - Printing Services Fund		16,718
Fiduciary Fund - Payroll Agency Fund		91,813
Fiduciary Fund - Unemployment Compensation Trust Fund	299,325	
	$ 485,599	$ 485,599

A portion of the interfund payable in the payroll agency fund represents funds to be returned to the general fund that was 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 fund for deductions not yet transferred over. The interfund payable in capital projects fund represents funds due to the general fund. The interfund payables in the Special Revenue and Printing Services Enterprise Funds represent cash overdrafts that were liquidated by the General Fund. The interfund payable in the general fund is due to the unemployment compensation fund as a contribution from the general fund. All interfunds are expected to be paid within one year.

9. Economic Dependency

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

10. Contingent Liabilities

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2010 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, 2010 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.

11. Risk Management

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

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

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

12. Transfers – Reconciliation

The following presents a reconciliation of transfers during the 2010 fiscal year:

	In	Out
General Fund	$ 751	$ 42,221
Capital Projects Fund	42,221	751
	$ 42,972	$ 42,972

The transfer from the general fund to the capital projects fund represents an amount to cover a short fall as a result of an accounts receivable from NJSDA being canceled. The transfer from capital projects fund to the general fund represents interest earned during the current year and an unexpended amount from a project that was funded through the capital reserve.

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

13. Deferred Compensation (continued)

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 $609,315 of capital reserve and $500,000 of maintenance reserve funds that are classified as restricted assets on the statement of net assets.

15. Capital Reserve Account

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

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

The activity of the capital reserve for the July 1, 2009 to June 30, 2010 fiscal year is as follows:

Beginning balance, July 1, 2009	$	607,148
Transfer from Capital Projects Fund		649
Interest earnings		1,518
Ending balance, June 30, 2010	$	609,315

The June 30, 2010 LRFP balance of local support costs of uncompleted capital projects at June 30, 2010 is $4,629,680.

16. Deficit Fund Balance

The District has a deficit undesignated fund balance of $128,851 in the General Fund as of June 30, 2010 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made available until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenues, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payments in the subsequent fiscal year, the school district cannot recognize the last state aid payments on the GAAP financial statements until the State records the payable.

The District has a deficit fund balance of $16,718 in the Printing Services enterprise fund as a result of a shortfall of revenues to meet operational expenses in the initial years of the funds implementation.

Required Supplementary Information
Part II

Budgetary Comparison

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Local tax levy	$ 13,204,758		$ 13,204,758	$ 13,204,758	
Tuition	3,775,284	$ 44,000	3,819,284	3,906,064	$ 86,780
Interest on investments				19,486	19,486
Miscellaneous	100,241	(44,000)	56,241	267,944	211,703
Total revenues - local sources	17,080,283	-	17,080,283	17,398,252	317,969
State sources:					
Equalization aid	3,607,849	644,310	4,252,159	4,021,309	(230,850)
Transportation aid	89,921	189,161	279,082	181,403	(97,679)
Special education aid	684,061	168,149	852,210	852,210	
Security aid	109,265	25,059	134,324	87,311	(47,013)
Extraordinary aid				41,865	41,865
Additional non public transportation aid				5,341	5,341
On-behalf TPAF pension contributions (non-budgeted)				721,487	721,487
Reimbursed TPAF social security contributions (non-budgeted)				891,239	891,239
Total - state sources	4,491,096	1,026,679	5,517,775	6,802,165	1,284,390
Federal sources:					
Medicaid reimbursement	9,759		9,759	22,247	12,488
Equalization aid - ARRA ESF	907,434		907,434	907,434	
Equalization aid - ARRA GSF	35,128		35,128	35,128	
Total - federal sources:	952,321		952,321	964,809	12,488
Total revenues	22,523,700	1,026,679	23,550,379	25,165,226	1,614,847
Expenditures					
Current expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Kindergarten / Preschool	850,500	(43,606)	806,894	802,780	4,114
Grades 1-5	1,746,893	(66,459)	1,680,434	1,670,870	9,564
Grades 6-8	1,394,306	186,080	1,580,386	1,568,804	11,582
Grades 9-12	4,077,910	(188,058)	3,889,852	3,811,928	77,924
Home instruction - regular programs:					
Salaries of teachers	19,000	7,013	26,013	25,653	360
Undistributed instruction - regular programs:					
Other salaries for instruction	228,986	25,113	254,099	252,103	1,996
Other purchased services	49,172	12,000	61,172	42,954	18,218
General supplies	583,157	(9,870)	573,287	533,244	40,043
Textbooks	75,826	3,733	79,559	78,896	663
Other objects	680	(162)	518	338	180
Total instruction - regular programs	9,026,430	(74,216)	8,952,214	8,787,570	164,644
Special education:					
Cognitive mild:					
Salaries of teachers		10,703	10,703		10,703
Total Cognitive mild		10,703	10,703		10,703

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Special education:					
Resource room/center:					
Salaries of teachers	$ 1,174,300	$ (107,917)	$ 1,066,383	$ 1,063,190	$ 3,193
Other salaries for instruction	321,838	(99,270)	222,568	186,056	36,512
General supplies	17,609	12	17,621	17,196	425
Textbooks	3,150	2,730	5,880	5,880	
Total resource room/center	1,516,897	(204,445)	1,312,452	1,272,322	40,130
Preschool disabilities - part time:					
Salaries of teachers	20,500	47	20,547	20,547	
Other salaries for instruction	22,039	43,516	65,555	65,555	
General supplies	8,012		8,012	1,188	6,824
Total preschool disabilities - part time	50,551	43,563	94,114	87,290	6,824
Total special education	1,567,448	(150,179)	1,417,269	1,359,612	57,657
Basic skills/remedial - instruction:					
Salaries of teachers	284,808	29,597	314,405	313,329	1,076
General supplies	1,085		1,085	862	223
Total basic skills/remedial - instruction	285,893	29,597	315,490	314,191	1,299
Bilingual education - instruction:					
Salaries of teachers	44,700	32,030	76,730	67,730	9,000
Total bilingual education - instruction	44,700	32,030	76,730	67,730	9,000
School - sponsored cocurricular activities:					
Salaries	111,725	56,354	168,079	168,079	
Supplies and materials	6,891		6,891	5,891	1,000
Total school - sponsored cocurricular activities	118,616	56,354	174,970	173,970	1,000
School - sponsored athletics - instruction:					
Salaries	295,634	13,464	309,098	309,097	1
Supplies and materials	49,213		49,213	32,415	16,798
Purchased services	86,403	(42,303)	44,100	40,250	3,850
Other objects	21,460	(3,800)	17,660	17,475	185
Total school - sponsored athletics - instruction	452,710	(32,639)	420,071	399,237	20,834
Total instruction	11,495,797	(139,053)	11,356,744	11,102,310	254,434
Undistributed expenditures:					
Instruction:					
Tuition to other LEAs w/ in state - Special		177,355	177,355	173,635	3,720
Tuition to co. spec. serv. and reg. day schools	291,985	(98,372)	193,613	73,202	120,411
Tuition to private schools for the hand - w/in state	187,662	203,620	391,282	309,594	81,688
Total instruction	479,647	282,603	762,250	556,431	205,819
Health services:					
Salaries	226,500	405	226,905	225,605	1,300
Purchased professional and technical services	52,250	4,000	56,250	50,183	6,067
Supplies and materials	3,477	1,000	4,477	3,793	684
Total health services	282,227	5,405	287,632	279,581	8,051

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Speech, OT, PT & related services:					
Salaries	$ 300,522	$ (34,417)	$ 266,105	$ 266,105	
Supplies and materials	13,707	(10,886)	2,821	2,676	$ 145
Textbooks		100	100	83	17
Total speech, OT, PT & related services	314,229	(45,203)	269,026	268,864	162
Other support services - students - extra services:					
Salaries		42	42	42	
Purchased professional - educational services		80,000	80,000	73,619	6,381
Total other support services - students - extra services		80,042	80,042	73,661	6,381
Guidance:					
Salaries of other professional staff	511,466	35,400	546,866	546,866	
Salaries of secretarial and clerical assistants	99,141	(30,370)	68,771	68,771	
Purchased professional - educational services	19,764	(4,901)	14,863	10,750	4,113
Other purchased professional and technical services	8,836		8,836	25	8,811
Total guidance	639,207	129	639,336	626,412	12,924
Child study teams:					
Salaries of other professional staff	595,299	(66,330)	528,969	528,969	
Salaries of secretarial and clerical assistants	104,050	4,103	108,153	108,153	
Purchased professional educational services	193,000	73,500	266,500	221,248	45,252
Other purchased professional services	10,500		10,500	479	10,021
Supplies and materials	15,500		15,500	12,494	3,006
Total child study teams	918,349	11,273	929,622	871,343	58,279
Improvement of instructional services:					
Salaries of supervisors of instruction	375,080	19,406	394,486	390,606	3,880
Other purchased services	20,900	661	21,561	9,107	12,454
Other objects	8,200	(711)	7,489	3,236	4,253
Total improvement of instructional services	404,180	19,356	423,536	402,949	20,587
Educational media services/school library:					
Salaries	151,500	(5,000)	146,500	144,123	2,377
Supplies and materials	26,294	(680)	25,614	24,773	841
Total educational media services/school library	177,794	(5,680)	172,114	168,896	3,218
Instructional staff training services:					
Other salaries	33,053	18,085	51,138	37,552	13,586
Purchased professional - educational services	42,795	(15,000)	27,795	8,868	18,927
Other purchased services	48,526	1,299	49,825	14,020	35,805
Supplies and materials	34,725	9,374	44,099	37,016	7,083
Other objects	28,300	(23,000)	5,300	3,444	1,856
Total instructional staff training services	187,399	(9,242)	178,157	100,900	77,257

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Support services-general administration:					
Salaries	$ 257,730	$ (11,040)	$ 246,690	$ 243,241	$ 3,449
Other purchased professional services	86,800	22,530	109,330	90,247	19,083
Communications/telephone	45,000	1,428	46,428	35,386	11,042
General supplies	30,200	(6,171)	24,029	17,642	6,387
Other purchased services		6,500	6,500	5,788	712
BOE other purchased professional services	3,000		3,000	175	2,825
BOE membership dues and fees	12,500		12,500	11,858	642
Miscellaneous expenditures	12,400		12,400	4,889	7,511
Total support services-general administration	447,630	13,247	460,877	409,226	51,651
Support services-school administration:					
Salaries of principals/ assistant principals	528,332	33,973	562,305	562,305	
Salaries of secretarial and clerical assistants	274,330	29,401	303,731	289,196	14,535
Other purchased services	30,205	380	30,585	14,641	15,944
Supplies and materials	20,916	(300)	20,616	4,045	16,571
Other objects	8,000		8,000	6,095	1,905
Total support services-school administration	861,783	63,454	925,237	876,282	48,955
Central services:					
Salaries	258,159	25,460	283,619	283,619	
Purchased technical services	65,000	42,251	107,251	90,263	16,988
Purchased professional services	62,800	(8,393)	54,407	54,407	
Misc. purchased services	15,500	(12,373)	3,127	3,124	3
Supplies and materials	21,370	1,457	22,827	22,827	
Other objects	3,500	(790)	2,710	2,699	11
Total central services	426,329	47,612	473,941	456,939	17,002
Administrative information technology:					
Salaries	113,816	16,045	129,861	127,861	2,000
Purchased technical services	38,947	(5,081)	33,866	33,866	
Other purchased services	2,500	(1,894)	606	606	
Other objects	10,125	25	10,150	10,150	
Total administrative information technology	165,388	9,095	174,483	172,483	2,000
Required maintenance for school facilities:					
Salaries	196,700	(18,936)	177,764	173,863	3,901
Cleaning, repair and maintenance services	317,965	(9,474)	308,491	236,256	72,235
General supplies	110,100	(22,999)	87,101	53,260	33,841
Other objects	7,000		7,000	5,473	1,527
Total required maintenance for school facilities	631,765	(51,409)	580,356	468,852	111,504
Operation and maintenance of plant services:					
Salaries	1,058,684	(2,944)	1,055,740	993,290	62,450
Other purchased property services	21,000	(2,000)	19,000	13,918	5,082
Miscellaneous purchased services	15,000	(8,950)	6,050	2,050	4,000
General supplies	132,100	(44,868)	87,232	74,905	12,327
Energy - natural gas	181,000		181,000	111,541	69,459
Energy - electric	564,000	(148,788)	415,212	284,046	131,166
Other objects	3,000		3,000		3,000
Total operation and maintenance of plant services	1,974,784	(207,550)	1,767,234	1,479,750	287,484

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Care and upkeep of grounds:					
Salaries	$ 100,943	$ 3	$ 100,946	$ 94,637	$ 6,309
Cleaning, repair and maintenance services	15,600	28,000	43,600	27,440	16,160
General supplies	16,650	27,874	44,524	12,846	31,678
Total care and upkeep of grounds	133,193	55,877	189,070	134,923	54,147
Security:					
Salaries	65,320	(2,070)	63,250	61,912	1,338
General supplies	115,000	(81,631)	33,369	6,050	27,319
Total security	180,320	(83,701)	96,619	67,962	28,657
Student transportation services:					
Salaries for pupil transportation:					
Between home and school - sp. ed.	25,493	5,302	30,795	30,795	
Between home and school - regular	40,486	(5,267)	35,219	35,219	
Other than between home and school	9,000	12	9,012	9,012	
Contracted services:					
Between home & school - regular	130,000	203,224	333,224	333,224	
Other between home & school - regular	136,900	(30,487)	106,413	106,413	
Vendors - special ed	250,000	73,352	323,352	323,293	59
Aid in lieu payments - nonpublic schools	20,000	(2,939)	17,061	17,061	
Miscellaneous purchased services	12,000	9,784	21,784	21,783	1
Total student transportation services	623,879	252,981	876,860	876,800	60
Unallocated benefits:					
Social security contributions	380,000	(32,081)	347,919	342,913	5,006
Other retirement contributions - ERIP	4,680		4,680	3,472	1,208
Other retirement contributions - regular	300,000	2,939	302,939	302,939	
Group insurance	211,718	(50,864)	160,854	155,865	4,989
Unemployment compensation	25,000	316,779	341,779	341,779	
Worker's compensation	114,000	4,733	118,733	118,733	
Health insurance	2,141,537	172,259	2,313,796	2,286,894	26,902
Tuition reimbursement	18,000	55,942	73,942	70,874	3,068
Total unallocated benefits	3,194,935	469,707	3,664,642	3,623,469	41,173
On-behalf TPAF pension contributions (non-budgeted)				721,487	(721,487)
Reimbursed TPAF social security (non-budgeted)				891,239	(891,239)
Total on-behalf payments				1,612,726	(1,612,726)
Total personal services: benefits	3,194,935	469,707	3,664,642	5,236,195	(1,571,553)
Food services:					
Transfers to cover deficit	20,000		20,000		20,000
Total food services:	20,000		20,000		20,000
Total undistributed expenditures	12,063,038	907,996	12,971,034	13,528,449	(557,415)
Total current expenditures	23,558,835	768,943	24,327,778	24,630,759	(302,981)

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Capital outlay:					
Equipment:					
Regular programs - instruction:					
Kindergarten	$ 23,000		$ 23,000	$ 19,441	$ 3,559
Grades 1-5	32,000		32,000	28,666	3,334
Grades 6-8	24,000		24,000	20,148	3,852
Grades 9-12	88,398	$ (8,173)	80,225	67,678	12,547
Undistributed expenditures:					
Support services - students - spec.	14,000	3,300	17,300	17,271	29
Operations & maint of plant	45,200	13,499	58,699		58,699
Total equipment	226,598	8,626	235,224	153,204	82,020
Facilities acquisition and construction services:					
Architectual services		19,000	19,000	14,198	4,802
Other purchased professional services	35,000	96,000	131,000		131,000
Construction services	135,000	(129,214)	5,786	1,000	4,786
Supplies and materials	227,752	14,214	241,966	232,357	9,609
Total facilities acquisition and construction services	397,752	-	397,752	247,555	150,197
Total expenditures - capital outlay	624,350	8,626	632,976	400,759	232,217
Total expenditures	24,183,185	777,569	24,960,754	25,031,518	(70,764)
(Deficiency) excess of revenues (under) over expenditures	(1,659,485)	249,110	(1,410,375)	133,708	(1,544,083)
Other financing sources (uses):					
Transfers in				751	751
Transfers out				(42,221)	(42,221)
Total other financing sources (uses)				(41,470)	(41,470)
(Deficiency) excess of revenues (under) over expenditures and other financing sources (uses)	(1,659,485)	249,110	(1,410,375)	92,238	(1,502,613)
Fund balances, July 1	2,551,950		2,551,950	2,551,950	
Fund balances, June 30	$ 892,465	$ 249,110	$ 1,141,575	$ 2,644,188	$ (1,502,613)
Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing sources (uses)					
Budgeted fund balance	$ (1,659,485)		$ (1,659,485)	$ (156,872)	$ (1,502,613)
Adjustment for prior year encumbrances		$ 249,110	249,110	249,110	
Total	$ (1,659,485)	$ 249,110	$ (1,410,375)	$ 92,238	$ (1,502,613)
Recapitulation of fund balance:					
Reserved for capital reserve				$ 609,315	
Reserved for maintenance reserve				500,000	
Reserved for encumbrances				229,548	
Excess surplus - prior year				215,917	
Designated for subsequent years expenditures				434,174	
Unrestrieted fund balance				515,582	
Excess surplus - current year				139,652	
				2,644,188	
Reconciliation to Government Funds Statements GAAP:					
Last state aid payments not recognized on GAAP basis				(644,433)	
Fund balance per Government Funds (GAAP) (B-1)				$ 1,999,755	

Spotswood Borough School District
General Fund

American Recovery and Reinvestment Act - Budget and Actual
Education Stabilization Fund
(Budgetary Basis)

Year ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Federal sources:					
Equalization aid - ARRA ESF	$ 907,434		$ 907,434	$ 907,434	
Total - federal sources	907,434		907,434	907,434	
Expenditures					
Current expenditures:					
Undistributed expenditures:					
Unallocated benefits:					
Health insurance	907,434		907,434	907,434	
Total unallocated benefits	907,434		907,434	907,434	
Total current expenditures	907,434		907,434	907,434	
Excess revenues over expenditures	-		-	-	
Fund balances, July 1	-		-	-	
Fund balanees, June 30	$ -	$ -	$ -	$ -	$ -

Spotswood Borough School District
General Fund

American Recovery and Reinvestment Act - Budget and Actual
Government Services Fund
(Budgetary Basis)

Year ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Federal sources:					
Equalization aid - ARRA GSF	$ 35,128		$ 35,128	$ 35,128	
Total - federal sources	35,128		35,128	35,128	
Expenditures					
Current expenditures:					
Undistributed expenditures:					
Unallocated benefits:					
Health insurance	35,128		35,128	35,128	
Total unallocated benefits	35,128		35,128	35,128	
Total current expenditures	35,128		35,128	35,128	
Excess revenues over expenditures	-		-	-	
Fund balances, July 1	-		-	-	
Fund balances, June 30	$ -	$ -	$ -	$ -	$ -

Spotswood Borough School District
Special Revenue Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
State sources	$ 223,840	$ (10,427)	$ 213,413	$ 160,149	$ (53,264)
Federal sources	466,968	509,107	976,075	877,289	(98,786)
Other sources	33,497	(9,730)	23,767	2,492	(21,275)
Total revenues	724,305	488,950	1,213,255	1,039,930	(173,325)
Expenditures:					
Current expenditures:					
Instruetion:					
Salaries:					
Salaries of teachers	100,000	45,453	145,453	136,432	9,021
Tuition	200,000	305,893	505,893	505,180	713
Purchased professional services	10,000	68,115	78,115	68,582	9,533
Supplies and materials	31,000	823	31,823	31,602	221
Total instruetion	341,000	420,284	761,284	741,796	19,488
Support services:					
Salaries and wages	5,000	806	5,806	5,806	
Personal services–employee benefits	20,000	3,292	23,292	23,292	
Purchased professional edueational services	285,394	64,568	349,962	196,235	153,727
Total support services	310,394	68,666	379,060	225,333	153,727
Capital outlay:					
Equipment	72,911		72,911	72,801	110
Total capital outlay	72,911	-	72,911	72,801	110
Total expenditures	724,305	488,950	1,213,255	1,039,930	173,325
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ -	$ -	$ -

Spotswood Borough School District
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2010

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedule (C-1, C-2)	$ 25,165,226	$ 1,039,930
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current year		(1,874)
Prior year		8,172
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.		
Prior year	502,055	
Current year	(644,433)	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	$ 25,022,848	$ 1,046,228
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-1, C-2)	$ 25,031,518	$ 1,039,930
Differences - budget to GAAP		
Encumbrances (net) for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		6,298
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	$ 25,031,518	$ 1,046,228

Other 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, 2010

	Title II		I.D.E.I.A.		I.D.E.I.A. ARRA	
	Part A	Part D	Part B Regular	Preschool	Part B Regular	Preschool
Revenues:						
State sources						
Federal sources	$ 29,681	$ 720	$ 343,828	$ 13,360	$ 372,472	$ 12,011
Other sources						
Total revenues	$ 29,681	$ 720	$ 343,828	$ 13,360	$ 372,472	$ 12,011
Expenditures:						
Current expenditures:						
Instruction:						
Salaries of teachers	$ 20,000			$ 12,001	$ 42,095	$ 5,268
Tuition			$ 289,663		215,517	
Purchased professional services			52,933			
Supplies and materials	4,206	$ 720	1,232	231	4,707	2,780
Total instruction	24,206	720	343,828	12,232	262,319	8,048
Support services:						
Salaries and wages					5,806	
Personal services–employee benefits	4,000			918	9,579	403
Purchased professional educational services	1,475			210	25,373	154
Total support services	5,475			1,128	40,758	557
Capital outlay:						
Equipment					69,395	3,406
Total capital outlay					69,395	3,406
Total expenditures	$ 29,681	$ 720	$ 343,828	$ 13,360	$ 372,472	$ 12,011

Spotswood Township School District
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures
Budgetary Basis

Year ended June 30, 2010

	Title I Regular Part A	Title I Part A ARRA	Title IV Regular	Non Public Programs			
				Textbooks	Nursing	Exam & Class	Corrective Speech
Revenues:							
State sources				$ 25,520	$ 30,263	$ 14,620	$ 28,874
Federal sources	$ 74,224	$ 27,791	$ 3,202				
Other sources							
Total revenues	$ 74,224	$ 27,791	$ 3,202	$ 25,520	$ 30,263	$ 14,620	$ 28,874
Expenditures:							
Current expenditures:							
Instruction:							
Salaries of teachers	$ 44,178	$ 12,890					
Tuition							
Purchased professional services	9,500	2,947	$ 3,202				
Supplies and materials	8,154	7,080					
Total instruction	61,832	22,917	3,202				
Support services:							
Salaries and wages							
Personal services–employee benefits	8,392						
Purchased professional educational services	4,000	4,874		$ 25,520	$ 30,263	$ 14,620	$ 28,874
Total support services	12,392	4,874		25,520	30,263	14,620	28,874
Capital outlay:							
Equipment							
Total capital outlay							
Total expenditures	$ 74,224	$ 27,791	$ 3,202	$ 25,520	$ 30,263	$ 14,620	$ 28,874

Spotswood Township School District
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures
Budgetary Basis

Year ended June 30, 2010

	Non Public Programs				
	Transportation	Comp Ed	Supple - mental Instruction	Local Programs	Totals
Revenues:					
State sources	$ 10,048	$ 41,267	$ 9,557		$ 160,149
Federal sources					877,289
Other sources				$ 2,492	2,492
Total revenues	$ 10,048	$ 41,267	$ 9,557	$ 2,492	$ 1,039,930
Expenditures:					
Current expenditures:					
Instruction:					
Salaries of teachers					$ 136,432
Tuition					505,180
Purchased professional services					68,582
Supplies and materials				$ 2,492	31,602
Total instruction				2,492	741,796
Support services:					
Salaries and wages					5,806
Personal services–employee benefits					23,292
Purchased professional educational services	$ 10,048	$ 41,267	$ 9,557		196,235
Total support services	10,048	41,267	9,557		225,333
Capital outlay:					
Equipment					72,801
Total capital outlay					72,801
Total expenditures	$ 10,048	$ 41,267	$ 9,557	$ 2,492	$ 1,039,930

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Capital Projects Fund

Spotswood Borough School District
Capital Projects Fund

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

From inception and for the year ended June 30, 2010

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
State Sources - SDA Grant	$ 2,201,453	$ (207,746)	$ 1,993,707	$ 1,993,707
Bond proceeds and transfers	4,079,014		4,079,014	4,079,014
Contribution from private sources	302		302	302
Transfer from capital reserve	85,060	(649)	84,411	84,411
Total revenues	6,365,829	(208,395)	6,157,434	$ 6,157,434
			208,395	
Expenditures and other financing uses				
Purchased professional and technical services	556,194		556,194	
Construction services	4,883,628	140,685	5,024,313	
Equipment	576,927		576,927	
Total expenditures	6,016,749	140,685	6,157,434	
Excess (deficiency) of revenues over (under) expenditures	$ 349,080	$ (349,080)	$ -	

Spotswood Borough School District
Capital Projects Fund

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

Spotswood High School

From inception and for the year ended June 30, 2010

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
State Sources - SDA Grant	$ 2,139,981	$ (202,548)	$ 1,937,433	$ 1,937,433
Bond proceeds and transfers	4,079,014		4,079,014	4,079,014
Contribution from private sources	302		302	302
Transfer from capital reserve				
Total revenues	6,219,297	(202,548)	6,016,749	$ 6,016,749
Expenditures and other financing uses				
Purchased professional and technical services	556,194		556,194	
Construction services	4,883,628		4,883,628	
Equipment	576,927		576,927	
Total expenditures	6,016,749	-	6,016,749	
Excess (deficiency) of revenues over (under) expenditures	$ 202,548	$ (202,548)	$ -	

Additional project information	
Project number	4970-040-02-0878
Grant date	12/30/2002
Bond authorization date	9/24/2002
Bonds Authorized	$ 4,440,000
Bonds Issued	4,440,000
Original Authorized Cost	$ 6,580,585
Additional Authorized Cost	(563,836)
Revised Authorized Cost	6,016,749
Percentage (Decrease) over Original Authorized Cost	-8.57%
Percentage completion	100.00%
Original target completion date	September 2004
Revised target completion date	Completed

Spotswood Borough School District
Capital Projects Fund

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

Memorial Middle School: ADA Renovation Project

From inception and for the year ended June 30, 2010

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
State Sources - SDA Grant	$ 61,472	$ (5,198)	$ 56,274	$ 56,274
Bond proceeds and transfers				
Contribution from private sources				
Transfer from capital reserve	85,060	(649)	84,411	84,411
Total revenues	146,532	(5,847)	140,685	$ 140,685
Expenditures and other financing uses				
Purchased professional and technical services				
Construction services		140,685	140,685	
Equipment				
Total expenditures	-	140,685	140,685	
Excess (deficiency) of revenues over (under) expenditures	$ 146,532	$ (146,532)	$ -	

Additional project information	
Project number	4970-090-09-1001
Grant date	6/18/2009
Bond authorization date	N/A
Bonds Authorized	-
Bonds Issued	-
Original Authorized Cost	$ 146,532
Additional Authorized Cost	(5,847)
Revised Authorized Cost	140,685
Perecntage Inerease over Original Authorized Cost	-3.99%
Percentage completion	100.00%
Original target eompletion date	September 2009
Revised target completion date	Completed

Spotswood Borough School District
Capital Projects Fund

Summary Schedule of Project Expenditures

From inception and for the year ended June 30, 2010

Issue/Project Title	Appropriations	Expenditures to Date: Prior Year	Expenditures to Date: Current Year	Adjustments	Unexpended Balance
High School Addition and Renovation	$ 6,219,297	$ 6,016,749		$ (202,548)	
Memorial School ADA Renovation	146,532		$ 140,685	(5,847)	
	$ 6,365,829	$ 6,016,749	$ 140,685	$ (208,395)	$ -

Components of appropriations for referendum question	
Bonds issued	$ 4,079,014
Other	302
State grant (SDA)	2,139,981
	$ 6,219,297

Components of Capital Reserve appropriations	
State grant (SDA)	$ 61,472
Transfer from Capital Reserve	85,060
	$ 146,532

Fiduciary Funds

Spotswood Borough School District
Trust and Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2010

	Trust	Agency		
	Unemployment Compensation	Student Activity	Payroll	Total Agency
Assets				
Cash and cash equivalents	$ 451	$ 178,959	$ 400,899	$ 579,858
Interfund receivable	299,325			
Total assets	299,776	$ 178,959	$ 400,899	$ 579,858
Liabilities				
Accounts payable	17,964			
Payroll deductions and withholdings payable and summer escrow payable			$ 309,086	$ 309,086
Interfund payable			91,813	91,813
Due to student groups		$ 178,959		178,959
Total liabilities	17,964	$ 178,959	$ 400,899	$ 579,858
Net assets				
Reserved	$ 281,812			

Spotswood Borough School District
Trust Funds

Combining Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2010

	Unemployment Compensation Fund
Additions:	
Contributions from plan members	$ 34,851
Board contributions	341,779
Interest earned on investments	15
Total additions	376,645
Deductions:	
Unemployment benefits claims paid	109,827
Total deductions	109,827
Change in net assets	266,818
Net assets, beginning of year	14,994
Net assets, end of year	$ 281,812

Spotswood Borough School District
Student Activity Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2010

	Balance July 1, 2009	Cash Receipts	Cash Disbursements	Balance June 30, 2010
Elementary Schools				
Appleby	$ 13,637	$ 33,441	$ 37,299	$ 9,779
Schoenly	17,151	13,059	13,886	16,324
Total Elementary Schools	30,788	46,500	51,185	26,103
Middle School				
Memorial School	22,270	27,079	34,950	14,399
Total Middle School	22,270	27,079	34,950	14,399
Senior High School				
Spotswood High School	135,041	285,745	308,789	111,997
Athletic Fund	20,707	129,276	123,523	26,460
Total Senior High School	155,748	415,021	432,312	138,457
Total all Schools	$ 208,806	$ 488,600	$ 518,447	$ 178,959

Spotswood Borough School District
Payroll Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2010

	Balance July 1, 2009	Cash Receipts	Cash Disbursements	Balance June 30, 2010
Assets				
Cash and cash equivalents	$376,374	$18,310,083	$ 18,285,558	$ 400,899
Total assets	$376,374	$18,310,083	$ 18,285,558	$ 400,899
Liabilities				
Payroll deductions and withholdings and summer escrow payable	$300,630	$18,294,014	$ 18,285,558	$ 309,086
Interfund payable	75,744	16,069		91,813
Total liabilities	$376,374	$18,310,083	$ 18,285,558	$ 400,899

Spotswood Borough School District
Liquidation of Merged Non-Operating District

Schedule of Liquidation Period Receipts, Disbursements and Fund Balance

Year ended June 30, 2010

Cash - 6/30/09 Balance		$	230,333
Receipts			
	Accounts receivable		50,220
	Miscellaneous income not accrued at 6/30/09		346,739
Disbursements			
	Accounts payable		(127,069)
	Fund Balance - remitted to municipality		(199,831)
	Miscellaneous expense not accrued at 6/30/09		(301,054)
Cash - 6/30/10 balance/due to municipality		$	(662)

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Long-Term Debt

Spotswood Borough School District
Long-Term Debt

Schedule of Serial Bonds Payable

Year ended June 30, 2010

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Annual Maturities Amount	Interest Rate	Balance July 1, 2009	Retired	Balance June 30, 2010
Refunding School Bonds	12/15/2002	$ 2,645,000	11/1/2010	$ 265,000	3.50%	$ 1,560,000	$ 265,000	$ 1,295,000
			11/1/2011	265,000	4.00			
			11/1/2012	260,000	4.00			
			11/1/2013	255,000	4.00			
			11/1/2014	250,000	4.00			
Pension Refunding Bonds (Taxable)	12/15/2002	770,000	11/1/2010	110,000	4.60	215,000	105,000	110,000
Site improvements	2/15/2003	10,519,000	1/15/2011	460,000	4.00	8,580,000	445,000	8,135,000
			1/15/2012	480,000	4.00			
			1/15/2013	500,000	4.00			
			1/15/2014	515,000	4.00			
			1/15/2015	535,000	4.00			
			1/15/2016	555,000	4.00			
			1/15/2017	570,000	4.00			
			1/15/2018	590,000	4.20			
			1/15/2019	610,000	4.30			
			1/15/2020	625,000	4.30			
			1/15/2021	645,000	4.40			
			1/15/2022	665,000	4.50			
			1/15/2023	685,000	4.50			
			1/15/2024	700,000	4.50			
						$ 10,355,000	$ 815,000	$ 9,540,000

Spotswood Borough School District
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local sources:					
Local tax levy	$ 1,155,039		$ 1,155,039	$ 1,155,039	
State sources:					
Debt Service Aid Type II	82,940		82,940	82,940	
Total revenues	1,237,979		1,237,979	1,237,979	
Expenditures:					
Interest on bonds	422,979		422,979	422,978	$ 1
Principal on bonds	815,000		815,000	815,000	
Total expenditures	1,237,979		1,237,979	1,237,978	1
Excess of revenues over expenditures				1	1
Net change in fund balances				1	1
Fund balance, July 1					
Fund balance, June 30	$ -	$ -	$ -	$ 1	$ 1

Statistical Section
Unaudited

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

(accrual basis of accounting)
Unaudited

	Fiscal Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities								
Invested in capital assets, net of related debt	$ 586,361	$ 1,297,502	$ 6,164,049	$ 6,623,975	$ 7,435,707	$ 7,754,182	$ 7,934,811	$ 8,405,875
Restricted	225,769	3,795,828	681,014	1,034,224	1,203,732	2,129,345	1,802,712	1,464,885
Unrestricted (deficit)	341,978	453,503	588,102	109,077	297,690	(409,265)	(611,050)	(455,629)
Total governmental activities net assets	$ 1,154,108	$ 5,546,833	$ 7,433,165	$ 7,767,276	$ 8,937,129	$ 9,474,262	$ 9,126,473	$ 9,415,131
Business-type activities								
Unrestricted	$ 101,065	$ 104,960	$ 104,792	$ 164,723	$ 181,104	$ 214,541	$ 222,264	$ 266,616
Total business-type activities net assets	$ 101,065	$ 104,960	$ 104,792	$ 164,723	$ 181,104	$ 214,541	$ 222,264	$ 266,616
District-wide								
Invested in capital assets, net of related debt	$ 586,361	$ 1,297,502	$ 6,164,049	$ 6,623,975	$ 7,435,707	$ 7,754,182	$ 7,934,811	$ 8,405,875
Restricted	225,769	3,795,828	681,014	1,034,224	1,203,732	2,129,345	1,802,712	1,464,885
Unrestricted (deficit)	443,043	558,463	692,894	273,800	478,794	(194,724)	(388,786)	(189,013)
Total district net assets	$ 1,255,173	$ 5,651,793	$ 7,537,957	$ 7,931,999	$ 9,118,233	$ 9,688,803	$ 9,348,737	$ 9,681,747

Source: CAFR Schedule A-1

Note: This table was required with the implementation of GASB 44 in the 2006 fiscal year.
This information is presented back to the year of implementation of GASB 34 and additional years will be added until ten years are presented.

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

(accrual basis of accounting)
Unaudited

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

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

(accrual basis of accounting)
Unaudited

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

Source: CAFR Schedule A-2

Note: This table was required with the implementation of GASB 44 in the 2006 fiscal year.
This information is presented baek to the year of implementation of GASB 34 and additional years will be added until ten years are presented.

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

	Fiscal Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved								
Encumbrances	$ 175,152	$ 150,697	$ 105,791	$ 263,843	$ 155,583	$ 114,738		$ 229,548
Adult school	6,951	8,975						
Tuition reserve			200,000	200,000	450,000	250,000	$ 250,000	
Capital reserve	1	1	1	938	987	415,027	607,148	609,315
Maintenance reserve								500,000
Legally restricted for tax relief		38,458						
Excess surplus-current year		831,011	280,039	249,281	624,316	510,854	215,917	139,652
Excess surplus-prior year				280,039	249,281	624,316	510,854	215,917
Unreserved								
Designated for subsequent years	300,000	765,460	993,469	69,961	519,340	275,292	499,521	434,174
Undesignated (deficit)	761,473	349,608	215,046	225,261	215,017	222,852	(33,545)	(128,851)
Total general fund	$ 1,243,577	$ 2,144,210	$ 1,794,346	$ 1,289,323	$ 2,214,524	$ 2,413,079	$ 2,049,895	$ 1,999,755
All Other Governmental Funds								
Reserved	$ 8,024,003	$ 4,041,445	$ 80,676	$ 592,555				
Unreserved, reported in:								
Special revenue fund (deficit)	(2,681)							
Capital projects fund (deficit)	2,105,446	(1,146,439)	101,677	222,108	$ 329,146	$ 329,146	$ 218,793	
Debt service fund	43,665	22,377	18,621	18,623	2	2		$ 1
Total all other governmental funds	$ 10,170,433	$ 2,917,383	$ 200,974	$ 833,286	$ 329,148	$ 329,148	$ 218,793	$ 1
TOTAL FUND BALANCES	$ 11,414,010	$ 5,061,593	$ 1,995,320	$ 2,122,609	$ 2,543,672	$ 2,742,227	$ 2,268,688	$ 1,999,756

Source: CAFR Schedule B-1

Note: This table was required with the implementation of GASB 44 in the 2006 fiscal year.
This information is presented back to the year of implementation of GASB 34 and additional years will be added until ten years are presented.

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

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Tax levy	$ 7,391,840	$ 7,505,034	$ 8,316,080	$ 8,852,020	$ 9,120,752	$ 9,914,207	$ 10,653,497	$ 11,221,843	$ 11,217,590	$ 14,359,797
Tuition charges	4,569,062	5,027,965	5,780,896	5,935,859	6,387,911	6,760,319	7,158,656	6,806,025	7,271,245	3,906,064
Interest earnings	42,248	26,554	79,803	67,465	38,651	81,478	90,936	71,221	35,994	19,588
Miscellaneous	135,764	81,445	41,658	130,738	118,650	129,527	134,951	107,111	33,362	271,381
State sources	4,209,480	4,789,156	5,146,160	9,220,258	7,047,403	5,943,013	6,578,671	6,727,520	6,749,003	6,959,150
Federal sources	303,673	362,244	418,735	429,609	555,657	572,111	564,449	510,220	489,031	1,847,451
Total revenue	16,652,067	17,792,398	19,783,332	24,635,949	23,269,024	23,400,655	25,181,160	25,443,940	25,796,225	27,363,431
Expenditures										
Current										
Instruction	7,505,187	7,645,549	8,439,957	8,385,295	8,844,605	9,314,214	9,571,219	10,097,307	11,491,356	11,844,744
Undistributed - current										
Instruction	636,224	632,722	540,553	309,435	476,769	480,539	285,271	263,086	426,285	556,431
Health services	237,781	212,185	312,954	224,410	200,868	205,947	248,324	237,046	285,426	279,581
Support services	840,236	1,010,463	1,187,512	1,353,157	1,741,232	1,807,728	1,976,467	1,935,311	2,199,534	2,071,273
Improvement of instruction	320,533	395,245	405,597	512,847	458,729	456,222	365,982	418,729	383,442	402,949
School library	152,800	142,531	125,263	131,554	155,186	149,762	150,338	159,211	171,070	168,896
Instructional staff training	38,805	22,131	19,332	28,219	15,763	15,214	87,852	102,208	104,111	100,900
General administration	353,833	389,079	428,746	347,971	383,157	367,440	378,820	416,116	400,539	409,226
School administration	767,554	747,439	809,928	860,773	856,940	853,535	873,177	934,079	851,452	876,282
Support serviees					10,281					
Central services					480,777	427,002	377,050	383,875	427,982	456,939
Administrative information technology					125,165	89,980	108,564	113,138	156,386	172,483
Required maintenance of plant services	379,202	407,683	449,933	567,258	501,141	408,942	598,595	558,926	522,000	468,852
Operation of plant	1,004,577	906,775	1,009,074	1,104,407	1,501,642	1,564,779	1,641,601	1,788,205	1,985,867	1,682,635
Student transportation	532,996	557,673	482,963	464,206	438,659	529,740	450,226	448,233	634,074	876,800
Business and other support services and benefits	2,461,928	2,631,967	2,936,379	3,216,612	3,068,633	3,319,548	3,323,462	3,550,683	3,053,805	3,623,469
On-behalf TPAF social security and pension contrib.	752,945	590,204	873,513	1,088,056	1,148,418	1,371,189	2,071,330	2,123,784	1,598,936	1,612,726
Capital outlay	561,913	460,177	1,234,191	11,273,910	4,553,805	527,766	871,927	358,317	236,884	614,245
Special schools	4,330	11,171								
Debt service										
Principal	315,000	315,000	325,000	455,000	769,000	770,000	855,000	865,000	883,000	815,000
Interest and other charges	255,368	236,378	195,013	580,742	584,340	555,319	524,892	492,131	457,615	422,978
Total expenditures	17,121,212	17,314,372	19,775,908	30,903,852	26,315,110	23,214,866	24,760,097	25,245,385	26,269,764	27,456,409
Excess (Deficit) of revenues over (under) expenditures	(469,145)	478,026	7,424	(6,267,903)	(3,046,086)	185,789	421,063	198,555	(473,539)	(92,978)
Other financing sources (uses)										
Serial bonds issued			10,519,000							
Cancellation of prior year aecounts receivable										(175,954)
Transfers in			36,952	57,432	9,045	728,016	2,614	1,482	281,045	42,972
Transfers out	(62,000)	(86,000)	(55,775)	(141,946)	(29,232)	(786,516)	(2,614)	(1,482)	(281,045)	(42,972)
Total other financing sources (uses)	(62,000)	(86,000)	10,500,177	(84,514)	(20,187)	(58,500)	-	-	-	(175,954)
Net ehange in fund balances	$ (531,145)	$ 392,026	$ 10,507,601	$ (6,352,417)	$ (3,066,273)	$ 127,289	$ 421,063	$ 198,555	$ (473,539)	$ (268,932)
Debt service as a percentage of noncapital expenditures	3%	3%	3%	5%	6%	6%	6%	5%	5%	5%

Source: CAFR Schedule B-2

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

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Prior Year Refunds	Helmetta Fund Balance	Misc.	Total
2001	$ 42,220	$ 4,569,062	$ 8,689		$ 17,505	$ 4,637,476
2002	26,531	5,027,965	17,612		21,405	5,093,513
2003	42,851	5,780,896			17,369	5,841,116
2004	10,033	5,935,859			128,623	6,074,515
2005	29,606	6,387,911			117,133	6,534,650
2006	70,128	6,760,319			99,491	6,929,938
2007	88,322	7,158,656			118,532	7,365,510
2008	69,739	6,806,025			104,911	6,980,675
2009	35,422	7,271,245			17,852	7,324,519
2010	19,486	3,906,064		$ 150,000	117,944	4,193,494

Source: District Records.

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

Spotswood Borough

Fiscal Year Ended June 30,	Net Valuation Taxable	Estimated Actual (County Equalized Value)	Total Direct School Tax Rate [b]
2000	$ 198,541,800	$ 405,104,673	$ 3.57
2001	200,327,900	444,975,344	3.74
2002	207,744,997	511,834,686	3.89
2003	209,560,500	601,480,586	4.13
2004	210,605,878	601,480,586	4.27
2005	736,976,729	678,992,825	1.29
2006	739,666,679	761,738,710	1.39
2007	746,290,022	875,661,916	1.47
2008	751,746,603	947,878,445	1.49
2009	742,085,200	916,494,010	1.50

Helmetta Borough

Fiscal Year Ended June 30,	Net Valuation Taxable	Estimated Actual (County Equalized Value)	Total Direct School Tax Rate [b]
2000	$ 52,275,664	$ 91,934,368	$ 2.72
2001	54,723,248	107,525,133	3.28
2002	56,543,900	123,431,347	4.33
2003	58,073,200	145,401,102	4.51
2004	61,437,800	175,787,697	3.81
2005	63,787,570	214,703,304	4.00
2006	64,478,264	245,640,394	4.61
2007	64,478,264	245,640,394	4.61
2008	249,543,139 *	n/a	1.26
2009	247,741,799	n/a	1.26

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

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

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

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

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

n/a: Information is not available.

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

Fiscal Year Ended June 30,	Spotswood Board of Education	Overlapping Rates		
	Total Direct	Spotswood Borough	Middlesex County	Total Direct and Overlapping Tax Rate
2000	$ 3.57	$ 1.56	$ 0.82	$ 5.95
2001	3.74	1.60	0.82	6.16
2002	3.89	1.64	0.92	6.45
2003	4.13	1.73	0.95	6.81
2004	4.27	1.77	1.02	7.06
2005	1.29	0.54	0.30	2.13
2006	1.39	0.59	0.30	2.28
2007	1.47	0.65	0.30	2.42
2008	1.49	0.74	0.32	2.55
2009	1.50	0.78	0.34	2.62

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

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

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

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

Fiscal Year Ended June 30,	Borough of Helmetta School District	Overlapping Rates		
	Total Direct School Tax Rate	Municipality of Helmetta	Middlesex County	Total Direct and Overlapping Tax Rate
2000	$ 2.72	$ 0.96	$ 0.73	$ 4.41
2001	3.28	1.01	0.72	5.01
2002	4.33	1.23	0.82	6.37
2003	4.51	1.21	0.86	6.57
2004	3.81	1.25	0.91	5.97
2005	4.00	1.33	0.91	6.24
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	2.00
2009	1.26	0.44	0.28	1.97

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.

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

Spotswood Borough

Taxpayer	2010 Taxable Assessed Value	2010 % of Total District Net Assessed Value	2001 Taxable Assessed Value	2001 % of Total District Net Assessed Value
Spotswood Shopping Center/Mandelbaum	$ 10,492,400	1.41%	$ 2,950,900	1.47%
Clearwater Village	9,533,700	1.28%	n/a	n/a
Schweitzer-Mauduit	8,621,300	1.16%	4,369,400	2.18%
Inland Container	6,500,000	0.88%	2,350,000	1.17%
Gillette Enterprises	5,479,900	0.74%	1,290,600	0.64%
Renaissance Properties	5,300,000	0.71%	n/a	n/a
Robert Maglies	4,471,300	0.60%	1,262,400	0.63%
Grief Brothers	4,338,100	0.58%	1,407,800	0.70%
Summerhill Corners	3,638,100	0.49%	1,245,300	0.62%
Citadel Brookview LLC	3,367,800	0.45%	n/a	n/a
L. Weingarten and S&H Hutt	n/a	n/a	2,396,100	1.20%
Stanley Lee	n/a	n/a	2,348,800	1.17%
Fleet Bank	n/a	n/a	730,000	0.36%
Total	$ 61,742,600	8.32%	$ 20,351,300	10.14%

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	2010 Taxable Assessed Value	2010 % of Total District Net Assessed Value	2001 Taxable Assessed Value	2001 % of Total District Net Assessed Value
Kaplan at Helmetta, LLC	$ 3,320,900	0.45%	n/a	n/a
Sutton Plaza Associates, LLC	1,622,500	0.22%	n/a	n/a
Bohinski, Loretta	1,053,500	0.14%	n/a	n/a
Buchan, William & Roseann	949,500	0.13%	$ 677,700	1.30%
Aggo, LLC	877,600	0.12%	n/a	n/a
Bohinski, Charles & Sandra	724,700	0.10%	399,900	0.77%
Beecher, J & H	624,600	0.08%	263,400	0.51%
Raczynski, Anthony & Barbara	605,200	0.08%	207,000	0.40%
Kubiak, Tadeusz & Elizabeth	587,300	0.08%	n/a	n/a
Maglies, Robert	581,000	0.08%	338,700	0.65%
Swisher	n/a	n/a	1,000,000	1.92%
Bohinski, Charles & Loretta	n/a	n/a	318,000	0.61%
Leach, John & Betty	n/a	n/a	306,000	0.59%
Morgart, Rosemarie	n/a	n/a	245,300	0.47%
Total	$ 10,946,800	1.48%	$ 1,886,700	3.63%

Source: District CAFR & Municipal Tax Assessor.

n/a: Information is not available.

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

Spotswood Borough

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2001	$ 7,391,840	$ 7,391,840	100.00%	$ -
2002	7,505,034	7,505,034	100.00%	-
2003	8,316,080	8,316,080	100.00%	-
2004	8,852,020	8,852,020	100.00%	-
2005	9,120,752	9,120,752	100.00%	-
2006	9,914,207	9,914,207	100.00%	-
2007	10,653,497	10,653,497	100.00%	-
2008	11,221,843	11,221,843	100.00%	-
2009	11,217,590	11,217,590	100.00%	-
2010	11,217,593	11,217,593	100.00%	-

Helmetta Borough

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2001	$ 2,825,287	$ 2,825,287	100.00%	$ -
2002	3,641,793	3,641,793	100.00%	-
2003	3,980,152	3,980,152	100.00%	-
2004	3,822,305	3,822,305	100.00%	-
2005	4,053,308	4,053,308	100.00%	-
2006	4,053,308	4,053,308	100.00%	-
2007	4,787,617	4,787,617	100.00%	-
2008	3,069,427	3,069,427	100.00%	-
2009	3,069,427	3,069,427	100.00%	-
2010	3,142,204	3,142,204	100.00%	-

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

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

Spotswood Borough

Fiscal Year Ended June 30,	Governmental Activities General Obligation Bonds [b]	Total District	Percentage of Personal Income [a]	Per Capita [a]
2001	$ 4,083,000	$ 4,083,000	0.93%	$ 37,812
2002	3,768,000	3,443,000	1.10%	37,842
2003	14,952,000	14,342,000	0.27%	38,096
2004	14,497,000	14,497,000	0.26%	38,096
2005	13,728,000	13,728,000	0.28%	38,096
2006	12,958,000	12,958,000	0.29%	38,096
2007	12,103,000	12,103,000	0.34%	41,050
2008	11,238,000	11,238,000	0.37%	41,050
2009	10,355,000	10,355,000	0.45%	46,674
2010	9,540,000	9,540,000	0.49%	46,674

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

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

Note: Not applicable for Helmetta.

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

b Includes Early Retirement Incentive Plan (ERIP) refunding.

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

Spotswood Borough

Fiscal Year Ended June 30,	General Bonded Debt Outstanding: General Obligation Bonds	General Bonded Debt Outstanding: Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value [a] of Property	Per Capita [b]
2001	$ 4,083,000	$ 4,083,000	0.02%	$ 518
2002	3,768,000	3,768,000	0.02%	478
2003	14,952,000	14,952,000	0.07%	1,897
2004	14,497,000	14,497,000	0.07%	1,760
2005	13,728,000	13,728,000	0.07%	1,742
2006	12,958,000	12,958,000	0.02%	1,742
2007	12,103,000	12,103,000	0.02%	1,742
2008	11,238,000	11,238,000	0.02%	1,374
2009	10,355,000	10,355,000	0.01%	1,271
2010	9,540,000	9,540,000	0.01%	1,166

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, 2010
Unaudited

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
County of Middlesex	$ 4,795,102	100%	$ 4,795,102
Spotswood Borough	6,751,491	100%	6,751,491
Helmetta Municipality	165,825	100%	165,825
Other debt			
Middlesex County General Obligation Debt	607,439,232	0.23%	1,377,672
Subtotal, overlapping debt			13,090,090
Spotswood Borough School District Direct Debt			9,540,000
Total direct and overlapping debt			$ 22,630,090

Sources: Spotswood Borough Chief Finance Officer, Middlesex County Finance Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Spotswood. 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 Nine Fiscal Years
Unaudited

Spotswood Borough

Legal Debt Margin Calculation for Fiscal Year 2010

		Equalized valuation basis	
		2010	$ 916,494,010
		2009	921,811,535
		2008	947,878,445
	[A]		$ 2,786,183,990
	[A/3]		$ 928,727,997
Debt limit (4 % of average equalization value)	[B]		37,149,120 a
Net bonded school debt	[C]		9,540,000
Legal debt margin	[B-C]		$ 27,609,120

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	$ 16,350,674	$ 18,158,863	$ 20,777,208	$ 23,123,536	$ 25,443,706	$ 24,754,086	$ 34,470,388	$ 36,952,291	$ 37,149,120
Total net debt applicable to limit	4,083,000	3,768,000	14,952,000	13,728,000	12,958,000	12,103,000	11,238,000	10,355,000	9,540,000
Legal debt margin	$ 12,267,674	$ 14,390,863	$ 5,825,208	$ 9,395,536	$ 12,485,706	$ 12,651,086	$ 23,232,388	$ 26,597,291	$ 27,609,120
Total net debt applicable to the limit as a percentage of debt limit	24.97%	82.34%	66.07%	59.37%	50.93%	48.89%	32.60%	28.02%	25.68%

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.

Note: Information prior to 2002 was not available.

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

Helmetta Borough

Legal Debt Margin Calculation for Fiscal Year 2010

		Equalized valuation basis	
		2010	$ 241,061,040
		2009	241,061,040
		2008	214,703,304
		[A]	$ 696,825,384
		[A/3]	$ 232,275,128
Debt limit (4 % of average equalization value)		[B]	9,291,005 a
Net bonded school debt		[C]	-
Legal debt margin		[B-C]	$ 9,291,005

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	$ 3,809,285	$ 4,305,211	$ 3,763,576	$ 4,446,201	$ 7,145,228	$ 8,488,242	$ 9,494,863	$ 9,352,063	$ 9,291,005
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-
Legal debt margin	$ 3,809,285	$ 4,305,211	$ 3,763,576	$ 4,446,201	$ 7,145,228	$ 8,488,242	$ 9,494,863	$ 9,352,063	$ 9,291,005
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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.

Note: Information prior to 2002 was not available.

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

Spotswood Borough

Year	Population [a]	Personal Income (thousands of dollars) [b]	Per Capita Personal Income [c]	Unemployment Rate [d]
2001	7,880	n/a	$ 25,247	4.4%
2002	7,880	n/a	25,247	5.2%
2003	7,880	n/a	25,247	6.4%
2004	7,880	n/a	25,247	5.4%
2005	7,880	n/a	25,247	5.4%
2006	7,880	n/a	25,247	5.4%
2007	8,179	n/a	41,050	4.0%
2008	8,179	n/a	41,050	5.4%
2009	8,145	n/a	46,674	4.7%
2010	8,180	n/a	46,674	8.9%

Helmetta Borough

Year	Population [a]	Personal Income [e]	Per Capita Personal Income [c]	Unemployment Rate [d]
2001	1,875	$ 70,966,875	$ 37,849	4.0%
2002	1,890	72,022,230	38,107	6.0%
2003	1,949	75,069,633	38,517	5.9%
2004	2,009	79,598,589	39,621	4.9%
2005	2,037	83,472,186	40,978	3.8%
2006	2,015	88,704,330	44,022	4.8%
2007	2,012	n/a	n/a	4.2%
2008	1,825	48,705,600	26,688	5.7%
2009	2,008	53,589,504	26,688	5.1%
2010	2,008	53,589,504	26,688	8.8%

Source:

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

[b] Personal income data was not available for the Spotswood Borough.

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

[d] Unemployment data provided by the NJ Dept of Labor and Workforce Development-County Labor Force Estimates.

[e] Personal incomes has been estimated based upon the municipal population and per capita personal income presented.

n/a: Information is not available.

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

Spotswood/ Helmetta Boroughs

Information is not available.

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

Spotswood Borough

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Instruction										
Regular	97	99	101	104	107	108	113	122	125	123
Special education	32	30	31	28	27	27	27	28	22	22
Vocational	14	13	13	13	14	14	14	13	11	11
Other instruetion	7	6	7	6	8	7	7	6	6	6
Support Services:										
Student & instruction related services	43	42	39	46	48	48	44	44	44	44
a General adminsitrative services	2	2	2	2	2	2	2	2	2	2
School administrative services	12	11	13	14	14	14	14	14	14	14
Business adminsitrative services	10	10	10	10	10	10	10	10	10	10
Plant operations and maintenance	21	21	21	25	24	24	23	22	22	22
Pupil transportation	-	-	1	1	1	1	1	1	1	1
Food Service	10	11	10	4	2	2	-	-	-	-
Total	248	245	248	253	257	257	255	262	257	255

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

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Instruction										
Regular	-	-	-	-	-	-	-	-	-	-
Special education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Support Services:										
Student & instruction related services	1	1	1	1	1	1	1	1	1	1
a General adminsitrative services	1	1	1	1	1	1	1	1	1	1
School administrative services	-	-	-	-	-	-	-	-	-	-
Business adminsitrative services	1	1	1	1	1	1	1	1	1	1
Plant operations and maintenance	-	-	-	-	-	-	-	-	-	-
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Food Service	-	-	-	-	-	-	-	-	-	-
Total	3	3	3	3	3	3	3	3	3	3

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

Spotswood Borough School District
Operating Statistics
Last Ten Fiscal Years
Unaudited

Spotswood Borough

Fiscal Year	Enrollment	Operating Expenditures [a]	Cost Per Pupil	Percentage Change	Teaching Staff [b]	Average Daily Enrollment (ADE) [c]	Average Daily Attendance (ADA) [c]	% Change in Average Daily Enrollment	Student Attendance Percentage
2001	1,623	$ 16,028,649	$ 9,876	1.46%	158	1,623	1,536	4.19%	94.64%
2002	1,668	16,348,900	9,801	-0.75%	159	1,668	1,586	2.70%	95.08%
2003	1,664	18,086,483	10,869	10.89%	171	1,664	1,576	-0.24%	94.71%
2004	1,681	18,594,200	11,061	1.77%	169	1,681	1,590	1.01%	94.59%
2005	1,734	20,407,965	11,769	6.40%	169	1,734	1,634	3.06%	94.23%
2006	1,764	21,361,781	12,110	2.89%	169	1,752	1,690	1.03%	96.46%
2007	1,772	22,508,278	12,702	4.89%	171	1,777	1,676	1.41%	94.32%
2008	1,767	23,529,937	13,316	4.83%	173	1,767	1,678	-0.57%	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	2.67%	95.34%

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 distrit count.

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

Spotswood Borough School District
Operating Statistics
Last Ten Fiscal Years
Unaudited

Helmetta Borough

Fiscal Year	Enrollment	Operating Expenditures [a]	Cost Per Pupil	Percentage Change	Average Daily Enrollment (ADE) [c]	Average Daily Attendance (ADA) [c]	% Change in Average Daily Enrollment	Student Attendance Percentage
2001	n/a	$ 2,127,709	n/a	n/a	n/a	n/a	n/a	n/a
2002	254	2,763,474	$ 10,880	n/a	254	238	n/a	93.70%
2003	273	3,190,915	11,688	7.43%	273	238	6.96%	87.18%
2004	256	3,340,505	13,049	11.64%	256	239	-6.64%	93.36%
2005	259	3,175,282	12,260	-6.05%	259	245	1.16%	94.59%
2006	273	3,518,494	12,888	5.13%	273	259	5.13%	94.87%
2007	273	3,903,784	14,300	10.95%	273	259	0.00%	94.87%
2008	287	4,002,408	13,946	-2.47%	287	274	4.88%	95.47%
2009	288	4,202,163	14,591	4.63%	288	274	0.35%	95.14%
2010	n/a							

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
DISTRICT										
Appleby Elementary										
Square Feet	48,843	48,843	48,843	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	505	554	554	404	426	441	445	443	443	459
Schoenly School										
Square Feet	18,234	18,234	18,234	34,680	34,680	34,680	34,680	34,680	34,680	34,680
Capacity	216	216	216	620	620	620	620	620	620	620
Enrollment	230	192	199	221	256	244	248	236	236	255
Memorial Middle School										
Square Feet	25,211	25,211	25,211	48,216	48,216	48,216	48,216	48,216	48,216	48,216
Capacity	183	183	183	527	527	527	527	527	527	527
Enrollment	231	214	377	341	316	332	331	343	343	330
High School										
Square Feet	139,537	139,537	139,537	144,080	144,080	144,080	144,080	144,080	144,080	144,080
Capacity	720	720	720	984	984	984	984	984	984	984
Enrollment	702	721	750	768	751	747	748	745	745	772

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	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Spotswood High School	$ 227,713	$ 226,715	$ 316,222	$ 290,549	$ 258,499	$ 205,766	$ 338,303	$ 270,818	$ 233,051	$ 228,244
E. Raymond Appleby	120,718	96,258	97,365	177,550	58,121	77,442	117,011	94,796	92,423	79,894
G. Austin Sehoenly	50,938	145,633	57,464	61,734	41,588	101,691	41,650	35,389	34,503	29,826
Memorial School	69,483	53,394	87,875	68,762	50,734	116,242	70,294	48,930	47,706	41,238
Grand Total	$ 468,852	$ 522,000	$ 558,926	$ 598,595	$ 408,942	$ 501,141	$ 567,258	$ 449,933	$ 407,683	$ 379,202

Source: District records of required maintenance; QAAR

Spotswood Borough School District
Insurance Schedule
Year Ended June 30, 2010
Unaudited

Company	Type of Coverage	Coverage	Deductible
NJSBAIG	Property Blanket Building & Contents Replacement Cost Values	$ 45,665,767	$ 5,000
NJSBAIG	Property	55,350,644	5,000
	Environmental Package	1,000,000 occ/ 10,000,000 agg	10,000
	Builders Risk Coverage	5,000,000	5,000
	Property in Transit	1,000,000	5,000
	Fire Department Service Charge	10,000	5,000
	Fine Arts	1,000,000	5,000
	Pollutant Cleanup & Removal	250,000	5,000
	Earthquake	50,000,000	5,000
	Flood	50,000,000 occ/ 50,000,000 agg	10,000
	Gym Floor Coverage	20,000	5,000
	Alternative Energy Business Income	25,000	5,000
NJSBAIG	Underground Storage Tanks	250/tank	N/A
	Extra Expense	50,000,000	5,000
	Valuable Papers	10,000,000	5,000
	EDP	500,000	1,000
	Equipment Breakdown	100,000,000	5,000
	Increased cost of Construction/Building	10,000,000	5,000
	Arson Reward	10,000	5,000
	Debris Removal (25% of Property Coverage up to)	2,500,000	5,000
NJSBAIG	Newly Acquired Property Up to 120 Days After Acquisition	10,000,000	5,000
	Terrorism Sub-limit ($1,000,000 shared with GL, AL & Property)	100,000,000	5,000
	Utility Services Interruption	250,000	5,000
	Lawn, Shrubs, Plants for Fire and Explosion	1,000,000	5,000
	New Construction, Additions, & Refurbishments Covered for 30 days	5,000,000	5,000
	Mold, Wet or Dry Rot & Bacteria Clean Up	25,000	5,000
	Limited Mold Cleanup & Removal When caused by fire or lightening, w/in 30 days	25,000,000	5,000
NJSBAIG	Electronic Data Processing-Computer Virus	250,000	1,000
NJSBAIG	Student Accident - Voluntary Program Benefit Period 10 years	25,000	N/A

Spotswood Borough School District
Insurance Schedule
Year Ended June 30, 2010
Unaudited

Company	Type of Coverage	Coverage	Deductible
NJSBAIG	Boiler & Machinery Coverage		
	Equipment Breakdown	$ 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
	Contingent Business Income	100,000	5,000
	Perishable Goods	500,000	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 Substances	500,000	5,000
	Newly Acquired Locations (60 days notice)	250,000	5,000
NJSBAIG	Crime and Bonds:		
	Faithful Performance	500,000	1,000
	Forgery and Alteration	1,000,000	1,000
	Money and Seeurities	100,000	1,000
	Money Orders/Counterfeit	100,000	1,000
	Computer Fraud	1,000,000	1,000
NJSBAIG	General Liability	11,000,000	N/A
	General Liability Per occurrence	1,000,000	1,000
	Violent Acts	250,000	25,000
NJSBAIG	Automobile Liability	11,000,000	1,000
	Combined Single Limit for Uninsured	1,000,000	1,000
	Personal Injury Protection	250,000	1,000
NJSBAIG	School Leaders Errors and Omissions Liability:		
	Retro Date Cov A (July 1, 1986)	6,000,000	5,000
	Retro Date Cov B (July 1, 1986)	100,000/300,000	10,000
Selective Insurance	Fidelity Bonds:		
	School Treasurer	500,000	N/A
	School Business Administrator/Board Secretary	500,000	N/A
ERIC North	Worker's Compensation		
	Covered Payrolls-Professional	15,376,354	N/A
	Covered Payrolls-Non-Professional	530,000	N/A

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

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WISS
ACCOUNTANTS
CONSULTANTS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Spotswood Borough School District, in the County of Middlesex, New Jersey (the "District") as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

However, we noted certain matters that we have reported to the District in the separate Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance dated November 2, 2010.

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*.

However, we noted certain matters that we have reported to management of the District in the separate Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance dated November 2, 2010.

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

David J. Gannon
Licensed Public School Accountant
No. 2305

Wiss & Company

WISS & COMPANY, LLP

November 2, 2010
Iselin, New Jersey

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

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

Compliance

We have audited the compliance of the Spotswood Borough School District, in the County of Middlesex, New Jersey (the "District") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State 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, 2010. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

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

David J. Gannon
Licensed Public School Accountant
No. 2305

Wiss & Company

WISS & COMPANY, LLP

November 2, 2010
Iselin, New Jersey

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Spotswood Borough School District

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009	Adjustments	Cash Received	Budgetary Expenditures	Adjustments	Repayment of prior years balances	(Accounts receivable) at June 30, 2010	Deferred Revenue at June 30, 2010	Due to Grantor at June 30, 2010
General Fund:													
U.S. Department of Education:													
Direct:													
Medical Assistance Program (SEMI)	93.778	N/A	7/1/09 - 6/30/10	$ 22,247			$ 22,247	$ (22,247)					
Passed Through State Department of Education:													
ARRA - SFSF - ESF (Educ. State Grants)	84.394	N/A	7/1/09 - 6/30/10	907,434			907,434	(907,434)					
ARRA - SFSF - GSF (Government Services)	84.397	N/A	7/1/09 - 6/30/10	35,128			35,128	(35,128)					
Total U.S. Department of Education and General Fund							964,809	(964,809)					
Special Revenue Fund:													
U.S. Department of Education:													
Passed Through State Department of Education:													
NCLB Consolidated Programs:													
Title I	84.010A	NCLB4970-07	9/1/06 - 8/31/08	81,574	$ 48					$ (48)			
Title I	84.010A	NCLB4970-08	9/1/07 - 8/31/09	60,307	798	$ (798)							
Title I	84.010A	NCLB4970-09	9/1/08 - 8/31/10	78,803	(23,499)	3,876	20,238	(615)					
Title I	84.010A	NCLB4970-10	9/1/09 - 8/31/10	85,146		1,910	65,890	(73,609)			$ (5,809)		
ARRA-Title I	84.389	ARRA4970-10	9/1/09 - 8/31/10	27,938			23,039	(27,791)			(4,752)		
Title III	84.365	NCLB4970-09	9/1/08 - 8/31/09	1,643	(1,551)						(1,551)		
Title II Part A	84.367	NCLB4970-09	9/1/08 - 8/31/09	36,224	(6,280)		5,894				(386)		
Title II Part A	84.367	NCLB4970-07	9/1/06 - 8/31/07	35,268	61					(61)			
Title II Part A	84.367	NCLB4970-08	9/1/07 - 8/31/09	35,514	4,084	(4,084)							
Title II Part A	84.367	NCLB4970-10	9/1/09 - 8/31/10	33,004		4,084	25,806	(29,681)				$ 209	
Title II Part D	84.318	NCLB4970-08	9/1/07 - 8/31/09	429	429	(429)							
Title II Part D	84.318	NCLB4970-10	9/1/09 - 8/31/10	867		429		(720)			(291)		
Title V	84.298	NCLB4970-08	9/1/06 - 8/31/07	2,792	482					(482)			
Title IV	84.186A	NCLB4970-09	9/1/08 - 8/31/10	4,113	(2,125)		2,125						
Title IV	84.186A	NCLB4970-07	9/1/06 - 8/31/08	5,159	915					(915)			
Title IV	84.186A	NCLB4970-08	9/1/07 - 8/31/09	5,289	203	(9)		(194)					
Title IV	84.186A	NCLB4970-10	9/1/09 - 8/31/10	3,984		9	742	(3,008)			(2,257)		
IDEIA, Preschool	84.173	IDEA497010C	9/1/09 - 8/31/10	18,598			11,773	(10,343)				1,430	
ARRA-IDEIA, Preschool	84.392	IDEA497010C	9/1/09 - 8/31/10	14,596			10,693	(12,011)			(1,318)		
IDEIA, Part B	84.027	IDEA497010C	9/1/09 - 8/31/10	363,589			323,539	(342,057)			(18,518)		
ARRA-IDEIA, Part B	84.391	IDEA497010C	9/1/09 - 8/31/10	403,827			330,959	(372,472)			(41,513)		
IDEIA, Preschool	84.173	IDEA497009C	9/1/08 - 8/31/09	18,587	(2,967)		2,967						
IDEIA, Part B	84.027	IDEA497009C	9/1/08 - 8/31/10	363,187	(17,559)		17,559	(1,540)			(1,540)		
IDEIA, Preschool	84.173	IDEA497008C	9/1/07 - 8/31/09	20,453	3,017			(3,017)					
IDEIA, Part B	84.027	IDEA497008C	9/1/07 - 8/31/09	354,668	231			(231)					
Carl D. Perkins Vocational	84.048	PERK497006C	9/1/07 - 8/31/09	16,310	760					(760)			
Total U.S. Department of Education and Special Revenue Fund					(42,953)	4,988	841,224	(877,289)		(2,266)	(77,935)	1,639	
Enterprise Fund:													
U.S. Department of Agriculture:													
Passed Through State Department of Education:													
National School Lunch Program	10.555	N/A	7/1/09 - 6/30/10	107,799			100,822	(107,799)			(6,977)		
Food Donation Program (NC)	10.555	N/A	7/1/09 - 6/30/10	33,549			33,549	(30,653)				2,896	
National School Lunch Program	10.555	N/A	7/1/08 - 6/30/09	91,857	(8,039)		8,039						
Food Donation Program (NC)	10.555	N/A	7/1/08 - 6/30/09	19,120	2,498			(2,498)					
Total U.S. Department of Agriculture and Enterprise Fund					(5,541)		142,410	(140,950)			(6,977)	2,896	
Total Federal Awards					$ (48,494)	$ 4,988	$ 1,948,443	$ (1,983,048)	$ -	$ (2,266)	$ (84,912)	$ 4,535	$ -

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

See accompanying notes to schedules of expenditures of federal awords and state finoncial assistance.

Spotswood Borough School District

Schedule of Expenditures of State Financial Assistance

Year ended June 30, 2010

State Grantor/ Pass-Through Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009	Carryover/ Walkover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of prior years balances	Balance June 30, 2010 (Accounts receivable)	Deferred Revenue	Due to Grantor	Memo Budgetary Receivables	Memo Cumulative Expenditures
State Department of Education														
General Funds:														
Equalization Aid	495-034-5120-078	7/01/09 - 6/30/10	$ 4,021,309			$ 3,517,352	$ (4,021,309)						$ (503,957)	$ (4,021,309)
Equalization Aid	495-034-5120-078	7/01/08 - 6/30/09	4,268,898	$ (420,095)		420,095								
Transportation Aid	495-034-5120-014	7/01/09 - 6/30/10	181,403			158,669	(181,403)						(22,734)	(181,403)
Transportation Aid	495-034-5120-014	7/01/08 - 6/30/09	68,848	(6,775)		6,775								
Special Education Categorical Aid	495-034-5120-089	7/01/09 - 6/30/10	852,210			745,410	(852,210)						(106,800)	(852,210)
Special Education Categorical Aid	495-034-5120-089	7/01/08 - 6/30/09	661,113	(65,059)		65,059								
Security Aid	495-034-5120-084	7/01/09 - 6/30/10	87,311			76,369	(87,311)						(10,942)	(87,311)
Security Aid	495-034-5120-084	7/01/08 - 6/30/09	102,892	(10,126)		10,126								
Extraordinary Aid	495-034-5120-044	7/01/08 - 6/30/09	21,509	(21,509)		21,509								
Additional Non Public Transportation Aid	Not available	7/01/08 - 6/30/09	4,141	(4,141)		4,141								
Extraordinary Aid	495-034-5120-044	7/01/09 - 6/30/10	41,865				(41,865)			$ (41,865)				(41,865)
Additional Non Public Transportation Aid	Not available	7/01/09 - 6/30/10	5,341				(5,341)			(5,341)				(5,341)
Reimbursed TPAF - Social Security	495-034-5095-051	7/01/09 - 6/30/10	891,239			891,239	(891,239)							(891,239)
Total General Funds				(527,705)		5,916,744	(6,080,678)			(47,206)			(644,433)	(6,080,678)
Enterprise Funds:														
National School Lunch Program (State Share)	100-034-5120-122	7/01/08 - 6/30/09	6,537	(563)		563								
National School Lunch Program (State Share)	100-034-5120-122	7/01/09 - 6/30/10	6,931			6,474	(6,931)			(457)				(6,931)
Total Enterprise Funds				(563)		7,037	(6,931)			(457)				(6,931)
Special Revenue Funds:														
New Jersey Non-Public Aid:														
Textbook Aid	100-034-5120-064	7/01/09 - 6/30/10	25,520			25,520	(25,520)							(25,520)
Nursing Services	100-034-5120-070	7/01/09 - 6/30/10	30,263			30,263	(30,263)							(30,263)
Martin Luther King Jr.	07MLKJ109AVF	Indefinite	2,069	1,308							$ 1,308			(244)
Non-Public Handicapped Services:	100-034-5120-066													
Examination and Classification		7/01/08 - 6/30/09	25,779	15,348					$ (15,348)					
Supplemental Instruction		7/01/08 - 6/30/09	20,650	11,564					(11,564)					
Corrective Speech		7/01/09 - 6/30/10	28,874			28,874	(28,874)							(28,874)
Examination and Classification		7/01/09 - 6/30/10	14,626			14,626	(14,620)					$ 6		(14,620)
Supplemental Instruction		7/01/09 - 6/30/10	10,354			10,354	(9,557)					797		(9,557)
Non-Public Auxiliary Services:	100-034-5120-067													
Basic Skills/Comp Educ		7/01/08 - 6/30/09	80,622	10,949					(10,949)					
ESL		7/01/08 - 6/30/09	1,015	1,015					(1,015)					
Transportation		7/01/09 - 6/30/10	10,048			10,048	(10,048)							(10,048)
Basic Skills/Comp Educ		7/01/09 - 6/30/10	52,783			52,783	(41,267)					11,516		(41,267)
Total Special Revenue Funds				40,184		172,468	(160,149)		(38,876)		1,308	12,319		(160,393)
Capital Projects Fund:														
NJSDA:														
School Construction Projects	4970-090-09-0ZAA	7/01/09 - completion	61,472				(56,274)			(56,274)				(56,274)
School Construction Projects	4970-050-02-0020/0023/0875/0878	7/01/02 - completion	5,445,310	(175,954)				$ 175,954						(5,408,556)
Total capital projects fund				(175,954)			(56,274)	175,954		(56,274)				(5,464,830)
Debt Service Fund:														
Debt Service Aid - Type II	495-034-5120-017	7/01/09 - 6/30/10	82,940			82,940	(82,940)							(82,940)
Total Debt Service Fund						82,940	(82,940)							(82,940)
Total State Financial Assistance				$ (664,038)	$ -	$ 6,179,189	$ (6,386,972)	$ 175,954	$ (38,876)	$ (103,937)	$ 1,308	$ 12,319	$ (644,433)	$ (11,795,772)

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, 2010

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 re ceived 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 food service 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, 2010

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 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 $142,378 for the general fund and $6,298 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:

	Federal	State	Total
General Fund	$ 964,809	$ 6,659,787	$ 7,624,596
Special Revenue Fund	882,642	160,149	1,042,791
Capital Projects Fund		56,274	56,274
Debt Service Fund		82,940	82,940
Enterprise Food Service Fund	140,950	6,931	147,881
Total award revenues	$ 1,988,401	$ 6,966,081	$ 8,954,482

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, 2010

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, 2010.

The on-behalf post-retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2010 amount to $721,487. 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 represent cancellations and adjustments to prior year encumbrances and prior year accounts receivable.

Spotswood Borough School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	Unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	✓	No
Significant deficiency(ies) identified?		Yes	✓	None Reported
Noncompliance material to financial statements noted?		Yes	✓	No

Federal Awards Section

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 / 84.173 / 84.391 / 84.392 84.394 / 84.397	IDEIA Part B Basic, Preschool and ARRA Cluster ARRA – SFSF Cluster (ESF/GSF)

Spotswood Borough School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2010

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

State Awards Section

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000			
Auditee qualified as low-risk auditee?	✓	Yes		No
Type of auditor's report on compliance for major programs:	Unqualified			
Internal control over major programs:				
Material weakness(es) identified?		Yes	✓	No
Significant deficiency(ies) identified?		Yes	✓	None Reported
Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 04-04?		Yes	✓	No

Identification of major programs:

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

Spotswood Borough School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2010

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, 2010

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

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

Spotswood Borough School District

Summary Schedule of Prior Year Audit Findings

Year ended June 30, 2010

Not applicable.