

# **Borough of Edgewater School District**

Comprehensive Annual  
Financial Report and  
Report on Internal Control and Compliance

Year Ended June 30, 2017

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## **INTRODUCTORY SECTION**

# EDGEWATER BOARD OF EDUCATION

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Gary J. Grembowiec  
Business Administrator/Board Secretary

251 Undercliff Avenue  
Edgewater, New Jersey 07020  
Tel. (201) 945-4106 Fax (201) 840-9732

December 4, 2017

The Honorable President and Members of  
the Board of Education  
Borough of Edgewater School District  
County of Bergen, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Borough of Edgewater School District (the "District") for the fiscal year ended June 30, 2017, 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 Board of Education (the "Board"). 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 basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements Costs Principles and Audit Requirements for federal award, and New Jersey OMB Circular NJOMB 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. It is noted that a federal single audit was not required for their audit year. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, is included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Borough of Edgewater School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Edgewater Public School System, including the Eleanor Van Gelder Elementary School and the George Washington School, constitute the District's reporting entity.

2) EDUCATIONAL PROGRAM: The Edgewater Public School System is comprised of two elementary schools (Special Education Pre-K to Grade 6), serving approximately 906 students. The public schools are accredited by the New Jersey State Department of Education. The District is served by 68.8 (FTE) teachers and 4 (FTE) administrators. Approximately 61% of the faculty has earned Masters' degrees.

The Honorable President and Members of  
the Board of Education  
Borough of Edgewater School District  
December 4, 2017  
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The District provides a full range of educational services appropriate to levels Pre-K through Grade 6. These include reading, language arts, social studies, mathematics, science, computer education, remedial instruction, special education, resource room instruction, family life, physical and health education, career education, world languages and enrichment. The curriculum is aligned with the New Jersey Core Curriculum Content Standards, the Common Core Standards as required and that of the Leonia Public School System where Edgewater students attend Grades 7-12.

The District's Spring 2017 results for Language Arts Literacy (LAL) and Mathematics are as follows:

	<u>Language Arts Literacy (LAL)</u>			<u>Mathematics</u>		
	<u>Advanced Proficient</u>	<u>Proficient</u>	<u>Partially Proficient</u>	<u>Advanced Proficient</u>	<u>Proficient</u>	<u>Partially Proficient</u>
Grade 3	11.0%	53.0%	36.0%	18.0%	41.0%	41.0%
Grade 4	14.0%	38.0%	48.0%	9.0%	44.0%	48.0%
Grade 5	16.0%	46.0%	38.0%	12.0%	31.0%	57.0%
Grade 6	20.0%	34.0%	40.0%	16.0%	36.0%	48.0%

The District completed the 2016 - 2017 fiscal year with Pre-K through Grade 6 enrollment of 906 students and Grade 7-12 enrollment of 372 students in Leonia Public Schools, for an overall total of 1,278 students, which is a decrease of 9 students from the previous year's enrollment.

The following table details the changes in the District's average daily enrollment for grade levels Pre-K through 6 as of October 15 over the last five years:

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Pre K-6 Enrollment</u>	<u>Percent Change</u>
2016-2017	906	0.00%
2015-2016	906	<0.002%>
2014-2015	907	3.20%
2013-2014	878	11.96

3) ECONOMIC CONDITIONS AND OUTLOOK: The District's primary funding source is property tax revenue. Overall tax revenue for the General Fund was increased for the 2016-2017 school year, but the projected increase in expenditures from inflationary pressures and the enrollment growth has outpaced the additional revenue. As a result, the District, along with many other public school systems in the State, faces some difficult economic situations in the future. The District's administration continues to closely monitor the cost of operations and continues to look for innovative ways to cut costs in addition to finding new funding sources in order to maintain the quality educational services that the District has been accustomed to providing.



4) MAJOR INITIATIVES: Specific initiatives for the 2016-2017 school year include the following accomplishments:

- Curriculum articulation continued between Edgewater and Leonia Schools
- Continuation of music classes after school
- Continuation of after school clubs to include scholarships for economically disadvantaged
- Continued to expand our technology program by purchasing additional hardware and software
- Continued partnership with Teachers College Reading and Writing Project to strengthen literacy instruction in Grades K-6
- Launched Pearson Interactive Science curriculum in Grades K-6
- Launched Grade 5 & Grade 6 Chromebook Initiative

5) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system 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 of America ("GAAP"). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

6) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. 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 re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2017.

7) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in the "Notes to Financial Statements", Note 1.

8) DEBT ADMINISTRATION: At June 30, 2017, the District had \$29,553,000 in outstanding statutory debt, comprised entirely of school bonds to improve District facilities, and \$481 of debt authorized but not issued.

9) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in the "Notes to 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" or the "Act"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

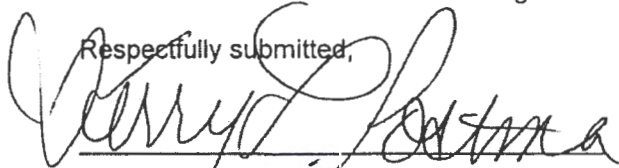
10) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

The Board is a member of the New Jersey School Boards Association Insurance Group (the "Group"). The Group is a risk-sharing public entity risk fund that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage to its members. Additional information on the Group is included in the "Notes to Financial Statements", Note 10.

11) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of PFK O'Connor Davies was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Federal Uniform Guidance Act and New Jersey OMB Circular NJOMB 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information 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.

12) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Borough of Edgewater School Board 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 the financial and accounting staff.

Respectfully submitted,



Chief School Administrator



Business Administrator/Board Secretary

**BOROUGH OF EDGEWATER SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2017**

Members of the Board of Education

Term  
Expires

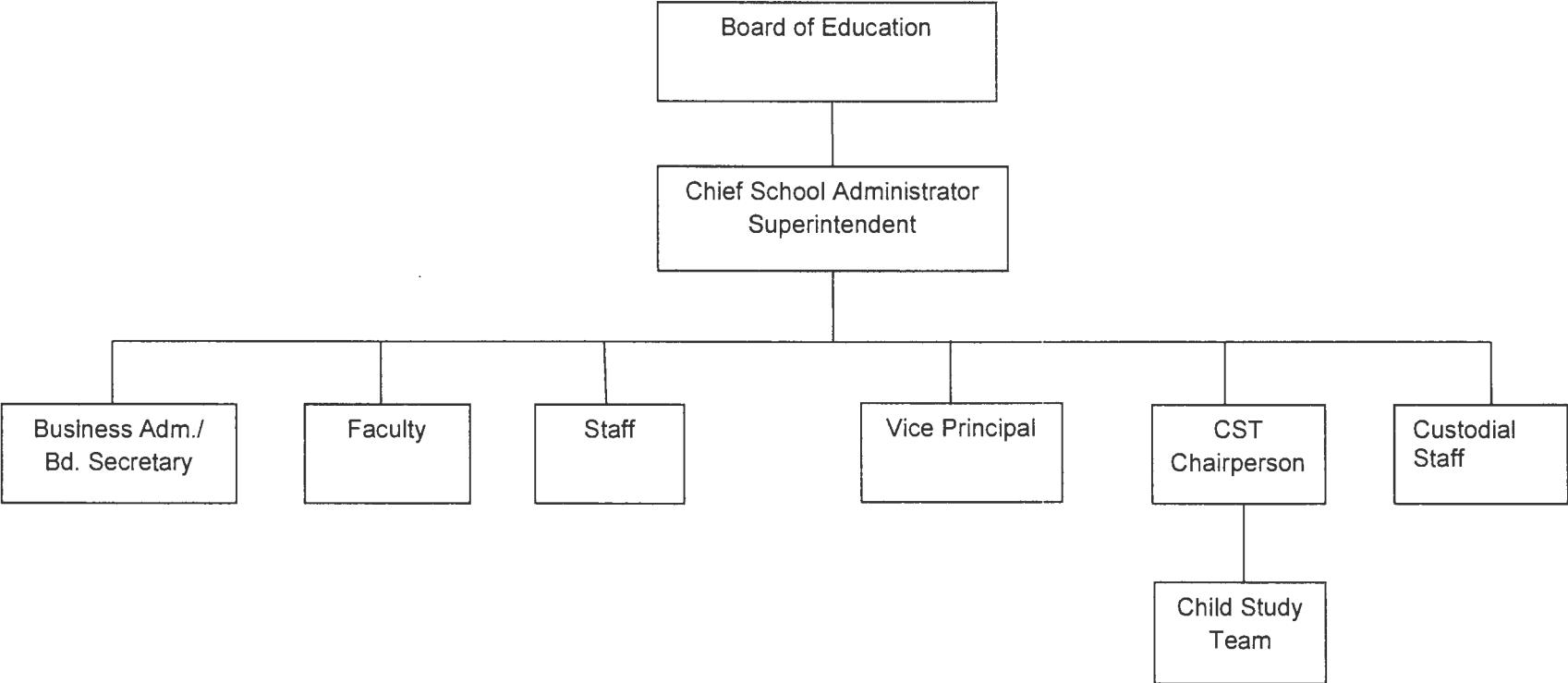
Thomas Quinton, President	12/31/2020
Cristina Stefani-Rackow, Vice President	12/31/2018
Barbara Bartolomeo	12/31/2019
Sandy Klein	12/31/2018
Christina Ling	12/31/2020

Other Officials

Title

Kerry Postma	Chief School Administrator
Gary J. Grembowiec	School Business Administrator/Board Secretary
Dennis McKeever	Board Attorney

**BOROUGH OF EDGEWATER SCHOOL DISTRICT  
ORGANIZATIONAL CHART**



**BOROUGH OF EDGEWATER SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2017**

Members of the Board of Education

Term  
Expires

Thomas Quinton, President	12/31/2020
Cristina Stefani-Rackow, Vice President	12/31/2018
Barbara Bartolomeo	12/31/2019
Sandy Klein	12/31/2018
Christina Ling	12/31/2020

Other Officials

Title

Kerry Postma	Chief School Administrator
Gary J. Grembowiec	School Business Administrator/Board Secretary
Dennis McKeever	Board Attorney

**BOROUGH OF EDGEWATER SCHOOL DISTRICT**  
**Consultants and Advisors**

**Attorney**

Dennis McKeever  
Counselor at Law  
53 Cardinal Drive  
P.O. Box 2369  
Westfield, NJ 07091-2369

**Audit Firm**

PKF O'Connor Davies, LLP  
303 Commerce Drive, Suite 301  
Cranford, NJ 07039

**Official Depositories**

TD Bank  
1400 Palisade Avenue  
Fort Lee, NJ 07024

## **FINANCIAL SECTION**

## Independent Auditors' Report

**The Honorable President and Members  
of the Board of Education  
Borough of Edgewater School District  
County of Bergen  
Edgewater, New Jersey**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Edgewater School District, in the County of Bergen, State of New Jersey (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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



**The Honorable President and Members  
of the Board of Education  
Borough of Edgewater School District**

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

***Summary of Opinions***

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Unmodified
Special Revenue Fund	Unmodified
Capital Projects Fund	Unmodified
Debt Service Fund	Unmodified
Food Service Fund	Unmodified
Pre-K Fund	Unmodified
Agency Fund	Unmodified

***Basis for Qualified Opinion on Governmental Activities***

The State of New Jersey did not make available employer and nonemployer allocations nor pension amounts by employer and nonemployer relative to the State of New Jersey, Teachers' Pension and Annuity Fund for the District. Accounting principles generally accepted in the United States of America require that Districts report employer pension expense and related revenue, which would increase the revenues and expenses in the Governmental Activities. The amount by which this departure would affect the revenues and expenses and related disclosures of the Governmental Activities has not been determined. Additionally, certain information that is required to be disclosed in footnote 6 is not available and has been omitted from the financial statements.

***Qualified Opinion***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities of the District as of June 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**The Honorable President and Members  
of the Board of Education  
Borough of Edgewater School District**

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***Other Matters***

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis, as required by the Office of School Finance, Department of Education, State of New Jersey and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively, and are also not a required part of the basic financial statements.

The combining and individual fund financial statements and long-term debt schedules and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and long-term debt schedules and the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**The Honorable President and Members  
of the Board of Education  
Borough of Edgewater School District**

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The introductory and statistical sections 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 or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

December 4, 2017  
Cranford, New Jersey

*John Lauria*

John Lauria, RMA, PSA  
Licensed Public School Accountant #208700

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Borough of Edgewater School District  
Management's Discussion and Analysis  
Year Ended June 30, 2017

As management of the Borough of Edgewater School District, we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

Management's Discussion and Analysis (MD&A) is 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 fiscal year (2016-2017) and the prior fiscal year (2015-2016) is presented in the MD&A.

### **Overview of the Financial Statements**

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

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

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

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

The government-wide financial statements can be found on pages 23-24 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 25-27 of this report.

**Proprietary funds.** The District maintains two proprietary fund types. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for the operations of its food service and Pre-K Education programs, both of which are considered major funds of the District. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 28-30 of this report.

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

The District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The basic fiduciary fund financial statements can be found on pages 31-32 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 33 - 67 of this report.

**Other information.** The combining statements referred to earlier in connection with governmental funds, enterprise funds and internal service funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found on pages 71 - 99 of this report.

## Financial Highlights

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of net position relating to the District's governmental and business-type activities at June 30, 2017 and 2016:

	2017			2016		
	Governmental Activities	Business Type- Activities	Total	Governmental Activities	Business Type- Activities	Total
Current and other assets	\$ 2,496,098	\$ 405,090	\$ 2,901,188	\$ 2,929,449	\$ 987,610	\$ 3,917,059
Capital assets, net	29,246,113	967	29,247,080	30,168,049	1,183	30,169,232
Total assets	31,742,211	406,057	32,148,268	33,097,498	988,793	34,086,291
Deferred outflows	1,282,783		1,282,783	801,553		801,553
Liabilities						
Current liabilities	2,609,479	7,732	2,617,211	2,193,651	443,566	2,637,217
Net pension liability	3,543,778		3,543,778	2,766,093		2,766,093
Long Term Liabilities	28,603,181		28,603,181	29,791,781		29,791,781
Total liabilities	34,756,438	7,732	34,764,170	34,751,525	443,566	35,195,091
Deferred inflows	335,876		335,876	396,838		396,838
Net position						
Net Investment in ,						
Capital Assets	-	967	967	17,074	1,183	18,257
Restricted	1,390,349		1,390,349	1,486,751		1,486,751
Unrestricted (deficit)	(3,457,669)	397,358	(3,060,311)	(2,753,137)	544,044	(2,209,093)
Total net position	\$ (2,067,320)	\$ 398,325	\$ (1,668,995)	\$ (1,249,312)	\$ 545,227	\$ (704,085)



Key financial highlighted for the 2016-2017 fiscal year include the following:

- Net position decreased \$964,910 resulting from an increase in instructional and support service expenses in Governmental Activities. There was also an increase in Business-type activities expenses resulting from increased costs of running the food service and Pre-K functions.
- Consistent with the prior year, the State withheld the school district's fiscal 2016-2017 last two state aid payments until July 2017.

Significant changes to deferred outflows and deferred inflows of resources pertain primarily to the impact of the changes in the GASB 68 net pension liability calculation performed in the schedule of employer allocations and schedule of pension amounts by employer. The changes in 2017 from the prior year resulted from changes in assumptions calculated by the actuary in conjunction with the net pension liability calculation for the measurement date of June 30, 2016 and rolled forward to June 30, 2017. The net pension liability associated with the District's governmental activities at June 30, 2017 amounted to \$3,543,778 also increased in the amount of approximately \$777,685 resulting from changes in the net pension calculation. Long-term liabilities decreased by bond principal payments made in the amount of \$750,000 partially offset by the \$31,400 increase in compensated absences payable.

A portion of the District's net position (restricted) represents resources that are subject to external restrictions on how they may be used, including funds reserved for future maintenance service, capital reserve, excess surplus – prior year – designated for subsequent years' expenditures and capital projects. Restricted net position decreased by \$96,402 during the year ended June 30, 2017 mostly as a result of the District's capital projects fund activity.

The remaining deficit balance (\$3,457,669) of unrestricted net position reflects long-term obligations, such as compensated absences and the net pension liability. Unrestricted net position decreased mainly due to pension expense of \$325,775 and correlating pension deferrals. In addition, the District had a (\$146,902) change in net position relative to the enterprise funds of the District.



**District activities.** The key elements of the District's changes in net position for the years ended June 30, 2017 and 2016 are as follows:

	2017			2016		
	Governmental Activities	Business Type-Activities	Total	Governmental Activities	Business Type-Activities	Total
<b>Revenues:</b>						
Program revenues:						
Charges for services		\$ 636,769	\$ 636,769	\$ 564,250		\$ 564,250
Operating grants and contributions	\$ 1,049,682	94,502	1,144,184	\$ 881,472	112,773	994,245
Capital grants and contributions	29,336		29,336	264,517		264,517
General revenues:						
Property taxes	20,583,476		20,583,476	20,032,003		20,032,003
State and federal aid not restricted to a specific purpose	2,513,303		2,513,303	1,118,629		1,118,629
Investment Income	88		88	77		77
Miscellaneous	46,712		46,712		979	979
<b>Total revenue</b>	<b>24,222,597</b>	<b>731,271</b>	<b>24,953,868</b>	<b>22,656,285</b>	<b>678,002</b>	<b>23,334,287</b>
<b>Expenses:</b>						
Instructional services	8,131,111		8,131,111	6,863,220		6,863,220
Support services	15,689,339		15,689,339	14,680,254		14,680,254
Interest on long term debt	1,220,154		1,220,154	1,240,054		1,240,054
Business Type Activities		878,173	878,173		711,444	711,444
<b>Total expenses</b>	<b>25,040,604</b>	<b>878,173</b>	<b>25,918,777</b>	<b>22,783,528</b>	<b>711,444</b>	<b>23,494,972</b>
Increase (decrease) in net position before transfers	(818,007)	(146,902)	(964,909)	(127,243)	(33,442)	(160,685)
Net position - beginning	(1,249,313)	545,227	(704,086)	(1,122,070)	578,669	(543,401)
Net position - beginning	(1,249,313)	545,227	(704,086)	(1,122,070)	578,669	(543,401)
<b>Net position - ending</b>	<b>\$ (2,067,320)</b>	<b>\$ 398,325</b>	<b>\$ (1,668,995)</b>	<b>\$ (1,249,313)</b>	<b>\$ 545,227</b>	<b>\$ (704,086)</b>

Property tax revenue increased \$551,473 as a result of the current year tax levy increase.

State and federal aid not restricted to a specific purpose increased in large part as a result of the increase in the reported amount of TPAF on-behalf amounts of \$938,283.

Instructional services increased by \$1,267,891 due to an increase in regular programs and allocated pension expense.

Support services increased by \$1,006,474 due in large part to the increase of \$698,640 in tuition payments to other LEA's within the State as well as an increase of \$352,885 in tuition - other payments.

## 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 District's fund balance amounts are classified as either restricted, committed, assigned or unassigned.

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, 2017, and the increases in relation to the prior year:

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2016</u>	<u>Percent of Increase</u>
Local sources	\$ 20,630,188	85.28%	\$ 238,578	1.17%
State sources	3,085,523	12.75%	1,514,967	96.46%
Federal sources	475,211	1.96%	(42,351)	-8.18%
Total	<u>\$ 24,190,922</u>	<u>100.00%</u>	<u>\$ 1,711,194</u>	

The increase in state sources is mostly due to the District's expenses of Preschool Education Aid which the District did not have in the prior year in the amount of \$570,613 and the reporting of the TPAF on-behalf payments increase in the amount of \$938,283.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2017 and the increases and (decreases) in relation to the prior year:

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2016</u>	<u>Percent of Increase (Decrease)</u>
Current expenditures:				
Instruction	\$ 5,303,589	21.73%	\$ 76,161	1.46%
Support services	17,095,432	70.06%	1,969,569	13.02%
Capital Outlay	27,043	0.11%	(252,254)	-90.32%
Debt service:				
Principal	750,000	3.07%	30,000	4.17%
Interest and Other Charges	1,226,342	5.03%	(20,375)	-1.63%
Total	<u>\$ 24,402,406</u>	<u>100.00%</u>	<u>\$ 1,803,101</u>	

Support services increased by \$1,969,569 due in large part to the increase of \$698,640 in tuition payments to other LEA's within the State as well as an increase of \$352,885 in tuition – other payments. In addition, the District's student and instruction related services expenses increased by \$528,207.

### General Fund

Fund balance in the General Fund decrease by \$209,145 mostly due to a decrease in unassigned compared to prior year. Of the \$1,534,386 fund balance in the General Fund, 199,498 is restricted for the prior year excess surplus, \$1,022,513 is restricted in the capital reserve account, \$100,000 is restricted in the maintenance reserve, \$12,104 of encumbrances is assigned to other purposes, and \$200,271 is unassigned.

Special Revenue Fund

Expenditures in the Special Revenue Fund increased as a result of an increase in instruction and support services. The District has an undesignated deficit fund balance of \$2,251 in the Special Revenue Fund as of June 30, 2017 as a result of the State deferring the payment of the final two state aid payments until July 2017.

For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditures, asset, liability) should be in symmetry, i.e. if one government recognizes an asset, the other government recognizes a liability.

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). The fund balance in the Capital Projects Fund of \$68,337 is the result of the unspent proceeds from transfers from capital reserve and state grant money that is being used for ongoing capital projects throughout the District.

**Business Type Activities.** The focus of the District’s business type activities is to provide information on near-term inflows, outflows, and balances of spendable resources related to the operations of its food service and adult and child care programs.

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 Enterprise funds revenues for the fiscal year ended June 30, 2017, and the increases in relation to the prior year:

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2016</u>	<u>Percent of Increase (Decrease)</u>
Local sources	\$ 638,555	86.18%	\$ 73,325	12.97%
State sources	3,502	0.47%	(36)	-1.02%
Federal sources	98,913	13.35%	(10,322)	-9.45%
Total	<u>\$ 740,970</u>	<u>100.00%</u>	<u>\$ 62,967</u>	

The increase in local sources is mainly attributable to an increase in the participation in the Pre K education programs as well as an increase in daily sales revenue for the food service program. The decrease in state and federal sources is mainly attributable to the decrease in the state and federal school lunch program reimbursements.

The following schedule presents a summary of the Enterprise fund operating expenses for the fiscal year ended June 30, 2017, and the increases in relation to the prior year:

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>(Decrease) Increase From 2016</u>	<u>Percent of (Decrease) Increase</u>
Salaries	\$ 310,130	34.93%	\$ (120,274)	-27.9%
Employee benefits	270,439	30.46%	191,170	241.2%
Supplies and materials	38,735	4.36%	25,582	194.5%
Cost of sales program	130,170	14.66%	(2,285)	-1.7%
Other	138,398	15.59%	82,235	146.4%
	<u>\$ 887,872</u>	<u>100.00%</u>	<u>\$ 176,428</u>	

The decrease in salaries is mainly attributable to the decrease in salaries attributable to the Pre-K Fund. The increase in supplies and materials, employee benefits and other expenses is attributable to the as a result of increased staffing (salaries and ancillary benefits) related to the expanded Pre-K programs.

#### Food Service Fund

The food service enterprise fund operated at a \$13,160 deficit this year. Total revenues from daily food sales increase from the prior year by \$318 as a result of increase in students which increase the meal claims from the prior year. Total operating expenses increased from the prior year by \$167,023 or 23.2% due to an increase in employee benefits (insurance), cost of sales program and supplies.

The net position of the food service fund, \$155,071 is comprised of net position - investment in capital assets of \$967 and unrestricted net position of \$154,104.

#### Pre K Education Fund

The Pre K education fund realized operating revenue of \$433,800 for the year ended June 30, 2017. Current year tuition revenues increased from the prior year by \$72,200 as a result of increased participation in our preschool program, while operating expenses increased from the prior year by \$133,546 as a result of increased staffing (salaries and ancillary benefits) related to the expanded programs. As a result, the fund generated net operating loss of \$133,742.

The net position of Pre K education fund, \$243,254 is comprised of unrestricted net position of \$243,254. The unrestricted net position is the result of the District running a successful Pre K education program.

#### **Capital Assets and Debt Administration**

*Capital Assets.* At June 30, 2017, the District's governmental activities had capital assets of \$69,867,168 (net of accumulated depreciation), including land, construction in progress, school buildings, machinery, equipment and vehicles.

The District's governmental funds' capital assets, net of depreciation consisted of the following at June 30, 2017 and 2016:

	June 30,	
	2017	2016
Land	\$ 179,988	\$ 179,988
Construction in progress	73,340	
Buildings and building improvements, net	28,160,435	29,045,656
Machinery, equipment, and vehicles, net	832,350	942,214
Total capital assets, net	<u>\$ 29,246,113</u>	<u>\$ 30,167,858</u>

The decrease in total capital assets is a result of the depreciation exceeding the additions to construction by \$921,936 in the current year.

*Debt Administration.* During the 2017 fiscal year, the District had outstanding long-term liabilities of \$29,823,181 of which \$270,181 was classified as the current portion.

At June 30, 2017 and 2016, the District's long-term liabilities consisted of:

	June 30	
	2017	2016
Bonds payable	\$ 29,553,000	\$ 30,303,000
Compensated absences payable	270,181	238,781
Total long-term liabilities	<u>\$ 29,823,181</u>	<u>\$ 30,541,781</u>

Long-term liabilities decreased mainly due to the principal payments made on the bonds outstanding and capital leases in addition to the annual amortization of premiums on bonds. In addition, the increase in compensated absences payable is due to employees of the district accruing more days at year end than in the previous year. More detailed information about the District's long-term liabilities and outstanding debt can be found in Notes 5 and 12 to the basic financial statements.

### **General Fund Budgetary Highlights**

The District budget is prepared according to New Jersey Statutes. The most significant budgeted fund is the general fund. During the fiscal year, there were several differences between the original budget and the final amended budget as a result of transfers being applied to certain line items. These transfers were made between line items as part of the normal process as permitted by State guidelines. Readers should refer to Section C of the financial report for comparisons between actual and budgeted amounts.

Described below are explanations for variations in realized revenues and expenditures for those lines where the final budgeted amounts differ from the actual amounts by more than \$300,000 and 5%. All other fluctuations less than \$300,000 and 5% are considered immaterial.

- On-behalf TPAF pension and reimbursed social security contributions are unbudgeted revenue sources. Consequently, actual revenues as well as the related expenditures exceeded the final budgeted amount by 100.0%.
- The final budget was exceeded by actual expenditures in the category of Tuition-Other as the District paid tuition to other governmental organizations as reimbursement for providing specialized instructions services to students residing within the boundaries of the paying school district in excess of anticipated amounts.

### **Requests for Information**

This financial report is designed to provide a general overview of the Borough of Edgewater 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, 251 Undercliff Avenue, Edgewater, New Jersey 07020.

## **BASIC FINANCIAL STATEMENTS**

## **DISTRICT-WIDE FINANCIAL STATEMENTS**



**Borough of Edgewater School District**

Statement of Net Position  
June 30, 2017

A-1

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 48,489	\$ 1,159,158	\$ 1,207,647
Accounts receivable	560,538	5,545	566,083
Inventories		4,945	4,945
Internal balances	764,558	(764,558)	-
Restricted assets:			
Cash and cash equivalents	1,122,513		1,122,513
Capital assets, non-depreciable	253,328		253,328
Capital assets, depreciable, net	28,992,785	967	28,993,752
<b>Total Assets</b>	<u>31,742,211</u>	<u>406,057</u>	<u>32,148,268</u>
 <b>Deferred outflows of resources</b>			
Pension deferrals	<u>1,282,783</u>		<u>1,282,783</u>
 <b>Liabilities</b>			
Accounts payable	693,250		693,250
Payable to state government	14,074		14,074
Accrued interest payable	403,572		403,572
Unearned revenue	278,583	7,732	286,315
Net pension liability	3,543,778		3,543,778
Current portion of long-term obligations	1,220,000		1,220,000
Noncurrent portion of long-term obligations	28,603,181		28,603,181
<b>Total liabilities</b>	<u>34,756,438</u>	<u>7,732</u>	<u>34,764,170</u>
 <b>Deferred inflows of resources</b>			
Pension deferrals	<u>335,876</u>		<u>335,876</u>
 <b>Net position</b>			
Net investment in capital assets		967	967
Restricted for:			
Capital projects	68,337		68,337
Debt service	1		1
Excess Surplus - prior year - designated for subsequent year's expenditures	199,498		199,498
Maintenance reserve	100,000		100,000
Capital reserve	1,022,513		1,022,513
Unrestricted (deficit)	<u>(3,457,669)</u>	<u>397,358</u>	<u>(3,060,311)</u>
 <b>Total net position</b>	<u>\$ (2,067,320)</u>	<u>\$ 398,325</u>	<u>\$ (1,668,995)</u>

Borough of Edgewater School District

Statement of Activities  
For The Year Ended June 30, 2017

A-2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
<b>Governmental activities:</b>						
Instruction:						
Regular	\$ 6,527,759		\$ 668,482		\$ (5,859,277)	\$ (5,859,277)
Special education	1,265,663				(1,265,663)	(1,265,663.00)
Other special instruction	310,137				(310,137)	(310,137.00)
Other instruction	27,552				(27,552)	(27,552.00)
Support Services:						
Tuition	8,628,019				(8,628,019)	(8,628,019.00)
Student & instruction related services	2,348,533		381,200		(1,967,333)	(1,967,333.00)
General administration	521,285				(521,285)	(521,285.00)
School administration	507,355				(507,355)	(507,355.00)
Central admin and inform technology	406,665				(406,665)	(406,665.00)
Required maintenance of plant services	1,585,199			\$ 29,336	(1,555,863)	(1,555,863.00)
Student transportation	1,692,283				(1,692,283)	(1,692,283.00)
Interest and other charges on long term obligations	1,220,154				(1,220,154)	(1,220,154.00)
Total Governmental Activities	<u>25,040,604</u>		<u>1,049,682</u>	<u>29,336</u>	<u>(23,961,586)</u>	<u>(23,961,586)</u>
<b>Business-type activities:</b>						
Preschool Education	309,392	\$ 202,969	1,239		\$ (105,184)	(105,184.00)
Food Service	568,781	433,800	93,263		(41,718)	(41,718.00)
Total Business-Type Activities	<u>878,173</u>	<u>636,769</u>	<u>94,502</u>		<u>(146,902)</u>	<u>(146,902.00)</u>
Total Primary Government	<u>25,918,777</u>	<u>636,769</u>	<u>1,144,184</u>	<u>29,336</u>	<u>(23,961,586)</u>	<u>(24,108,488)</u>
<b>General revenues</b>						
					18,695,192	18,695,192
					1,888,284	1,888,284
					2,513,303	2,513,303
					46,800	46,800
					<u>23,143,579</u>	<u>23,143,579</u>
					(818,007)	(964,909)
					(1,249,313)	(704,086)
					<u>\$ (2,067,320)</u>	<u>\$ (1,668,995)</u>

## **FUND FINANCIAL STATEMENTS**

## **GOVERNMENTAL FUNDS**

**Borough of Edgewater School District**

Balance Sheet  
Governmental Funds  
June 30, 2017

B-1

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Government Funds</u>
Cash and Cash Equivalents			\$ 48,488	\$ 1	\$ 48,489
Accounts Receivable:					
Federal		\$ 254,321			254,321
State	\$ 133,305		166,152		299,457
Other	8				8
Interfund	899,715	108,187			1,007,902
Restricted Cash and Cash Equivalents	<u>1,122,513</u>				<u>1,122,513</u>
<b>Total Assets</b>	<u>\$ 2,155,541</u>	<u>\$ 362,508</u>	<u>\$ 214,640</u>	<u>\$ 1</u>	<u>\$ 2,732,690</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Accounts Payable	602,968				602,968
Interfunds Payable	18,187	72,102	146,303		236,592
Payable to State Government		14,074			14,074
Unearned Revenue		<u>278,583</u>			<u>278,583</u>
<b>Total Liabilities</b>	<u>621,155</u>	<u>364,759</u>	<u>146,303</u>		<u>1,132,217</u>
<b>FUND BALANCE:</b>					
Restricted for:					
Excess surplus - prior year - designated for subsequent year's expenditures	199,498				199,498
Maintenance reserve	100,000				100,000
Capital reserve	1,022,513				1,022,513
Debt service				1	1
Capital projects			68,337		68,337
Assigned to:					
Other purposes	12,104				12,104
Unassigned	<u>200,271</u>	<u>(2,251)</u>			<u>198,020</u>
<b>Total Fund Balance</b>	<u>1,534,386</u>	<u>(2,251)</u>	<u>68,337</u>	<u>1</u>	<u>1,600,473</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 2,155,541</u>	<u>\$ 362,508</u>	<u>\$ 214,640</u>	<u>\$ 1</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the Capital assets are \$37,520,807. and the accumulated depreciation is \$8,274,694.	29,246,113
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	946,907
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(3,543,778)
Accrued pension contributions for the June 30, 2017 plan year are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.	(90,282)
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.	(403,572)
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 (See Note 7).	<u>(29,823,181)</u>
<b>Net position of governmental activities</b>	<u>\$ (2,067,320)</u>

**Borough of Edgewater School District**

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For The Year Ended June 30, 2017

B-2

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Government Funds</u>
<b>Revenues</b>					
Local Services:					
Local Tax Levy	\$ 18,695,192			\$ 1,888,284	\$ 20,583,476
Miscellaneous	46,712		\$ 88		46,800
Total - Local Services	<u>18,741,904</u>		88	1,888,284	20,630,276
State Sources	2,425,245	\$ 572,220	29,336	88,058	3,114,859
Federal Sources		475,211			475,211
Total Revenues	<u>21,167,149</u>	<u>1,047,431</u>	<u>29,424</u>	<u>1,976,342</u>	<u>24,220,346</u>
<b>Expenditures</b>					
Current:					
Instruction	4,635,107	668,482			5,303,589
Support Services-current:					
Instruction	8,628,019				8,628,019
Attendance and Social Work Services	32,162				32,162
Health services	151,820				151,820
Support services	1,132,026	381,200			1,513,226
School library	110,783				110,783
Instructional staff training	90,695				90,695
General administration	365,651				365,651
School administration	322,933				322,933
Central services and information technology	282,958				282,958
Required maintenance of plant services	294,068				294,068
Operation of plant	771,380				771,380
Student transportation	1,466,841				1,466,841
Unallocated benefits	1,753,092				1,753,092
On-behalf pension contributions	938,283				938,283
Reimbursed TPAF social security contributions	373,521				373,521
Capital outlay	27,043		73,340		100,383
Debt Service:					
Principal				750,000	750,000
Interest				1,226,342	1,226,342
Total Expenditures	<u>21,376,382</u>	<u>1,049,682</u>	<u>73,340</u>	<u>1,976,342</u>	<u>24,475,746</u>
Deficiency of revenues under expenditures	<u>(209,234)</u>	<u>(2,251)</u>	<u>(43,916)</u>	<u>-</u>	<u>(255,401)</u>
Other financing sources (uses):					
Transfers in	88				88
Transfers out			(88)		(88)
Cancellation of accounts receivable			(39,684)		(39,684)
Total Other Financing Sources (Uses)	<u>88</u>	<u>-</u>	<u>(39,772)</u>	<u>-</u>	<u>(39,684)</u>
Net change in fund balances	(209,146)	(2,251)	(83,688)	-	(295,085)
Fund balances, beginning	1,743,531		152,025	1	1,895,557
Fund balances, ending	<u>\$ 1,534,386</u>	<u>\$ (2,251)</u>	<u>\$ 68,337</u>	<u>\$ 1</u>	<u>\$ 1,600,473</u>

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

**Borough of Edgewater School District**

Reconciliation of Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
To The Statement of Activities  
For The Year Ended June 30, 2017

B-3

	<u>Ref.</u>		
Total net change in fund balances - governmental funds (from B-2)		\$	(295,085)
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	\$	(995,276)
	Capital Outlays	<u>73,340</u>	(921,936)
Repayments of bond principal are expenditure in the governmental funds, but the repayment reduces long-term liabilities in statement of net position and is not reported in the statement of activities.			
	Serial bonds payable		750,000
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when accrued, regardless of when due. In the governmental funds, interest is reported when due. When accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).			
			6,189
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds			
	Pension expense		(325,775)
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). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).			
			<u>(31,400)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)		\$	<u>(818,007)</u>

## **PROPRIETARY FUNDS**



**Borough of Edgewater School District**

Proprietary Fund  
Statement of Net Position  
As of June 30, 2017

B-4

	<u>Food Service</u>	<u>Pre - K</u>	<u>Total</u>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 371,234	\$ 787,924	\$ 1,159,158
Accounts receivable:			
Federal	4,824		4,824
State	244		244
Other	477		477
Inventories	4,945		4,945
Total current assets	<u>381,724</u>	<u>787,924</u>	<u>1,169,648</u>
Capital assets:			
Depreciable buildings and equipment	65,248		65,248
Accumulated depreciation	<u>(64,281)</u>		<u>(64,281)</u>
Total capital assets, net	967		967
Total assets	<u>382,691</u>	<u>787,924</u>	<u>1,170,615</u>
<b>Liabilities</b>			
Current liabilities:			
Interfunds payable - General Fund	219,888	544,670	764,558
Unearned revenue	7,732		7,732
Total current liabilities	<u>227,620</u>	<u>544,670</u>	<u>772,290</u>
Total liabilities	<u>227,620</u>	<u>544,670</u>	<u>772,290</u>
<b>Net position</b>			
Net investment in capital assets	967		967
Unrestricted	154,104	243,254	397,358
Total net position	<u>\$ 155,071</u>	<u>\$ 243,254</u>	<u>\$ 398,325</u>

Borough of Edgewater School District

Proprietary Fund  
Statement of Revenues, Expenses  
and Changes in Fund Net Position  
For The Year Ended June 30, 2017

B-5

	<u>Food Service</u>	<u>Pre - K</u>	<u>Total</u>
<b>Operating revenues:</b>			
Local sources:			
Daily sales - reimbursable programs	\$ 188,274		\$ 188,274
Daily sales - non-reimbursable programs	14,695		14,695
Tuition		\$ 433,800	433,800
Total operating revenues	<u>202,969</u>	<u>433,800</u>	<u>636,769</u>
<b>Operating expenses:</b>			
Cost of sales - reimbursable programs	122,332		122,332
Cost of sales - non-reimbursable programs	7,838		7,838
Salaries	98,504	211,626	310,130
Employee benefits	22,779	247,660	270,439
General supplies	15,195	23,540	38,735
Transportation		49,129	49,129
Miscellaneous		36,826	36,826
Depreciation	216		216
Management fee	8,661		8,661
Miscellaneous	33,867		33,867
Total operating expenses	<u>309,392</u>	<u>568,781</u>	<u>878,173</u>
Operating (loss) income	<u>(106,423)</u>	<u>(134,981)</u>	<u>(241,404)</u>
<b>Nonoperating revenues (expenses):</b>			
State sources:			
State school lunch program	3,502		3,502
Federal sources:			
National school lunch program	70,186		70,186
School breakfast program	1,875		1,875
Food distribution program	26,852		26,852
Interest and investment revenue	547	1,239	1,786
Miscellaneous expense	(9,699)		(9,699)
Total nonoperating revenues (expenses)	<u>93,263</u>	<u>1,239</u>	<u>94,502</u>
Change in net position	(13,160)	(133,742)	(146,902)
Total net position, beginning of year	168,231	376,996	545,227
Total net position, end of year	<u>\$ 155,071</u>	<u>\$ 243,254</u>	<u>\$ 398,325</u>

**Borough of Edgewater School District**

Proprietary Fund  
Statement of Cash Flows  
For The Year Ended June 30, 2017

B-6

	<u>Food Service</u>	<u>Pre - K</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 337,218	\$ 207,347	\$ 544,565
Payments to operating personnel	(107,165)	(117,874)	(225,039)
Payments for operating personnel benefits	(22,779)	(30,000)	(52,779)
Payments to suppliers	<u>(188,277)</u>		<u>(188,277)</u>
Net cash provided by operating activities	<u>18,997</u>	<u>59,473</u>	<u>78,470</u>
<b>Cash flows from noncapital financing activities</b>			
Cash received from state and federal reimbursements	<u>103,270</u>		<u>103,270</u>
Net cash provided by noncapital financing activities	<u>103,270</u>		<u>103,270</u>
<b>Cash flows from investing activities</b>			
Interest revenue		<u>1,239</u>	<u>1,239</u>
Net cash provided by investing activities		<u>1,239</u>	<u>1,239</u>
Net increase in cash and cash equivalents	<u>122,267</u>	<u>60,712</u>	<u>182,979</u>
Cash and cash equivalents, beginning of year	<u>248,967</u>	<u>727,212</u>	<u>976,179</u>
Cash and cash equivalents, end of year	<u>\$ 371,234</u>	<u>\$ 787,924</u>	<u>\$ 1,159,158</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating (loss) income	\$ (106,423)	\$ (134,981)	\$ (241,404)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:			
Depreciation	216		216
Miscellaneous	(9,699)		(9,699)
Changes in assets and liabilities:			
(Increase) in accounts receivable	(21)		(21)
Decrease in inventories	655		655
Increase in interfund payable	135,697	194,454	330,151
(Decrease) in unearned revenue	<u>(1,428)</u>		<u>(1,428)</u>
Net cash provided by operating activities	<u>\$ 18,997</u>	<u>\$ 59,473</u>	<u>\$ 78,470</u>

## **FIDUCIARY FUNDS**

**Borough of Edgewater School District**

Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2017

B-7

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 81,693
Total assets	<u>\$ 81,693</u>
<b>Liabilities</b>	
Accounts payable	\$ 5,829
Payroll deductions and withholdings payable	45,294
Interfund payable	6,752
Due to student groups	23,818
Total liabilities	<u>\$ 81,693</u>

**Borough of Edgewater School District**

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For The Year Ended June 30, 2017

B-8

NOT APPLICABLE

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

**Borough of Edgewater School District**  
**Notes to the Basic Financial Statements**  
**Year ended June 30, 2017**

**1. Summary of Significant Accounting Policies**

The financial statements of the Borough of Edgewater School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States (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.

**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 Borough of Edgewater School District in Manchester Township, New Jersey. 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.

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which



Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement grants, the District considers revenues to be available if they are collected within one year of the end of the current fiscal period. 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, the net pension liability and capital leases, are recorded only when payment is due.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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

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

The District has reported the following major governmental funds:

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

*Special Revenue Fund:* The District maintains one special revenue fund, which includes the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes, other than debt service or capital projects.

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

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

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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

The District reports the following major proprietary funds:

*Food Service Enterprise Fund:* 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.

*Pre-Kindergarten Enterprise Fund:* The Pre-K fund was established by the District for Fiscal Year 2013. The stated intent is that the costs of maintaining a Pre-K program (including both direct and indirect costs) of providing those services to the students are financed through tuition payments.

Additionally, the District reports the following fund types:

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.

*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.

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the District enterprise funds are charges for sales of food and tuition. Operating expenses for enterprise funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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

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

In accordance with P.L. 2011, which became effective January 17, 2012, the District elected to move the annual school board election from April to the date of the annual November general election, thereby eliminating the vote on the annual based budget. 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 Bergen County office of the DOE for approval. Budgets are prepared using the

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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

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 School Board resolution. Budget amendments were made during the year ended June 30, 2017 and were not significant.

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 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. Open encumbrances at year-end are reappropriated in the subsequent year's budget. 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. 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.

**F. Inventories**

Inventories, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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

**G. Capital Assets**

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

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

	<u>Years</u>
Buildings	50
Building improvements	10-50
Site improvements	20
Machinery and equipment	10-15
Computer and related tech	5
Vehicles	8

**H. Compensated Absences**

A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. The District uses the "vesting method" for estimating its accrued sick and vacation leave liability. District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after one year of service. The liability for vested compensated absences of the District is recorded in the government-wide financial statements and includes salary related payments.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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

**H. Compensated Absences (continued)**

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, 2017, a liability existed for compensated absences in the government-wide financial statements in the amount of \$270,181 and no liability existed for compensated absences in the proprietary fund types.

**I. Deferred Outflows/Inflows of Resources**

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

**J. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types 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 proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**K. Net Position**

Net Position represents the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities in the government-wide financial statements. Net position net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-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.

**L. Fund Balances**

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

- 1) Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 3) Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.



Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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

- 4) Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Interest is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- 5) Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

Of the \$1,534,386 of fund balances in the General Fund, \$12,104 of encumbrances is assigned to other purposes, \$199,498 has been classified as restricted fund balance designated for subsequent years expenditures – prior year excess surplus, \$1,122,513 has been classified as restricted for maintenance reserve and capital reserve in the amounts of \$100,000 and \$1,022,513, respectively, and \$200,271 is classified as unassigned. All of the fund balance in the Special Revenue Fund in the amount of \$(2,251) is classified as unassigned. All of the fund balance in the Capital Projects Fund in the amount of \$68,337 is restricted for capital projects. All of the fund balance in the Debt Service Fund in the amount of \$1 is restricted for future debt service payments.

**N. 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.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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

**O. 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 medical and pension contributions for certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the District's annual budget.

**P. Calculation of Excess Surplus**

The designation for restricted fund balance – excess surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2017 was \$199,498. The full amount has been appropriated in the 2017/18 budget.

**Q. GASB Pronouncements**

**GASB Pronouncements implemented in the 2017 Fiscal Year**

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements. Although the Borough of Edgewater entered into one tax abatement during the school fiscal year ended June 30, 2017, none were deemed material to the Borough of Edgewater School District and therefore disclosure is not required. Furthermore if the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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

**Q. GASB Pronouncements (continued)**

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth. As previously mentioned the Borough of Edgewater's one tax abatement did not materially affect the realized tax revenues of the Borough of Edgewater School District.

**Recently Issued Accounting Pronouncements to be implemented in future years**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB No. 75"). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the District in the 2018 fiscal year. Management has not yet determined the impact of this Statement on the financial statements.

**R. Subsequent Events**

Management has reviewed and evaluated all events and transactions from June 30, 2017 through December 4, 2017, the date that the financial statements are issued and the effects of those that provide additional pertinent information about conditions that existed at the balance sheet date, have been recognized in the accompanying financial statements.

On July 13, 2017, the District issued \$26,565,000 of refunding school bonds, Series 2017. This transaction partially refunded the District's outstanding Series 2010 bonds.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**2. Reconciliation of Government-Wide and Fund Financial Statements**

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

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

The details of this \$29,823,181 difference are as follows:

Bonds payable	\$ 29,553,000
Compensated absences	<u>270,181</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 29,823,181</u>

**3. Cash and Equivalents**

**Cash and equivalents** – Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. 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.

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.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**3. Cash and Equivalents (continued)**

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

**Deposits**

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

New Jersey statutes 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.

Operating cash accounts are held in the District's name by one institution. At June 30, 2017 the carrying amount of the District's deposits was \$1,844,873 and the bank balance was \$2,944,622. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2017 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$2,635,977. \$57,875 held in the District's payroll and agency accounts are not covered by GUDPA.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**3. Cash and Equivalents (continued)**

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

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

**Investments**

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

- a. Bonds and 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, which have a maturity date not greater than twelve months from the date of purchase.
- c. New Jersey Cash Management Fund, New Jersey Asset and Rebate Management Fund and MBIA.

*Custodial Credit Risk:* 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.

*Concentration of Credit Risk:* The District places no limit on the amount the District may invest in any one issuer.

*Interest Rate Risk:* The District does not have a policy to limit interest rate risk.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**4. Capital Assets**

The following is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2017:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 179,988			\$ 179,988
Construction in process		\$ 73,340		73,340
Total capital assets, not being depreciated	179,988	73,340		253,328
Capital assets, being depreciated:				
Site improvements	624,434			624,434
Buildings and building improvements	34,025,825			34,025,825
Machinery, equipment and vehicles	2,617,220			2,617,220
Total capital assets being depreciated	37,267,479			37,267,479
Less accumulated depreciation for:				
Site improvements	190,477	31,306		221,783
Buildings and building improvements	5,413,935	854,106		6,268,041
Machinery, equipment and vehicles	1,675,006	109,864		1,784,870
Total accumulated depreciation	7,279,418	995,276		8,274,694
Total capital assets, being depreciated, net	29,988,061	(995,276)		28,992,785
Governmental activities capital assets, net	<u>\$ 30,168,049</u>	<u>\$ (921,936)</u>		<u>\$ 29,246,113</u>

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

Regular Instruction	\$ 592,286
General administration	50,848
Required maintenance of plant services	148,162
Student transportation	203,980
Total depreciation expense – governmental activities	<u>\$ 995,276</u>

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**4. Capital Assets (continued)**

The following is a summarization of the business-type activities changes in capital assets for the fiscal year ended June 30, 2017:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Ending Balance</b>
<b>Business-type activities:</b>			
Capital assets, being depreciated:			
Machinery and equipment	\$ 65,248		\$ 65,248
Less accumulated depreciation for:			
Machinery and equipment	64,065	\$ 216	64,281
Total business-type activities capital assets, net	<u>\$ 1,183</u>	<u>\$ (216)</u>	<u>\$ 967</u>

**5. Long-Term Liabilities**

During the fiscal year ended June 30, 2017, the following changes occurred in long-term liabilities:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
Governmental activities:					
Compensated absences payable	\$ 238,781	\$ 31,400		\$ 270,181	
Bonds payable	30,303,000		\$ 750,000	29,553,000	\$ 1,220,000
Subtotal	30,541,781	31,400	750,000	29,823,181	1,220,000
Net pension liability	2,766,093	777,685		3,543,778	
<b>Governmental activity long- term liabilities</b>	<u>\$ 33,307,874</u>	<u>\$ 809,088</u>	<u>\$ 750,000</u>	<u>\$ 33,366,959</u>	<u>\$ 1,220,000</u>



Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**5. Long-Term Liabilities (continued)**

The District expects to liquidate the balance in compensated absences with payments made from the District's general fund. Bonds payable will be liquidated with payments from the debt service fund. The net pension liability will be liquidated with payments from both the general fund and the enterprise fund - regional day school.

**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. The principal and interest of these bonds will be paid from the debt service fund as required by New Jersey statutes.

On December 8, 2009, the voters of the District approved a referendum which authorized debt totaling \$28,728,400 and on May 20, 2010, the District issued \$28,728,000 of school bonds with interest rates ranging from 3.00% to 4.30%.

On March 1, 2013, the District refunded their 2003 General Improvement Bonds. Total refunding bonds issued was \$3,080,000 with interest rates ranging from 3.00% to 4.00%. The amount of bonds refunded was \$3,190,000.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2018	\$ 770,000	\$ 1,205,542	\$ 1,975,542
2019	800,000	1,197,067	1,997,067
2020	825,000	1,170,017	1,995,017
2021	860,000	1,139,017	1,999,017
2022	890,000	1,105,517	1,995,517
2023-2027	5,220,000	5,054,183	10,274,183
2028-2032	6,500,000	3,996,283	10,496,283
2033-2037	8,015,000	2,602,553	10,617,553
2038-2040	5,673,000	728,592	6,401,592
	<u>\$ 29,553,000</u>	<u>\$ 18,198,767</u>	<u>\$ 47,751,767</u>

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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

**Public Employee's Retirement System**

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**6. Pension Plans (continued)**

date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55<sup>th</sup> of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60<sup>th</sup> of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

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

**Funding Policy**

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

During the year ended June 30, 2017, the State of New Jersey contributed \$938,283 to the TPAF for post-retirement medical benefits and other pension costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$373,521 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the government-wide and fund financial statements.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**6. Pension Plans (continued)**

The Board's actuarially determined contributions to PERS for each of the years ended June 30, 2017, 2016, and 2015 was \$90,282, \$106,298 and \$119,870, respectively, equal to the required contributions for each year.

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

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

*Public Employee's Retirement System (PERS)*

At June 30, 2017, the District reported a liability of \$3,543,778 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2015, which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportion was 0.0119652982 percent, which was a decrease of 0.0003569166 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized full accrual pension expense of \$325,775 in the government-wide financial statements. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**6. Pension Plans (continued)**

	<b>Deferred Outflows of resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 734,082	
Net difference between projected and actual earnings on pension plan investments	135,127	
Changes in proportion	257,388	\$ 335,876
Difference between expected and actual experience	65,904	
District contributions subsequent to the measurement date	90,282	
	<u>\$ 1,282,783</u>	<u>\$ 335,876</u>

\$90,282 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction of the net pension liability as follows:

<b>Year ended June 30:</b>	
2018	\$ 196,264
2019	196,265
2020	236,822
2021	170,320
2022	56,954
	<u>\$ 856,625</u>

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**6. Pension Plans (continued)**

*Actuarial Assumptions*

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

	<u>June 30, 2016</u>
Inflation	3.08%
Salary increases	
2021-2026	1.65 - 4.15%
	Based on age
Thereafter	2.65 - 5.15%
	Based on age
Investment rate of return	7.65%

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

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**6. Pension Plans (continued)**

*Long-Term Rate of Return*

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
U.S. Treasuries	1.50%	1.64%
Investment Grade Credit	8.00%	1.79%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	100.00%	

*Discount rate*

*Discount Rate* – The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general



Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**6. Pension Plans (continued)**

obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	At 1% Decrease (2.98%)	At Current Discount Rate (3.98%)	At 1% Increase (4.98%)
District's proportionate share of the net pension liability	\$ 4,342,486	\$ 3,543,778	\$ 2,884,375

*Pension Plan Fiduciary Net Position*

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

*Additional Information*

Collective balances of the local group at June 30, 2016 are as follows:

Deferred outflows of resources	\$ 8,685,338,380
Deferred inflows of resources	\$ 870,133,595
Net pension liability	\$ 29,617,131,759
District's Proportion	0.0119652982%



Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**6. Pension Plans (continued)**

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 is \$2,830,763,540.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at June 30, 2016, 2015 and 2014 is 5.57, 5.72 and 6.44 years, respectively.

Teachers Pensions and Annuity Fund (TPAF)

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

The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2016 was not determined or made available by the State of New Jersey. The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2015 was \$23,946,788. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2016, the State's proportionate share of the TPAF net pension liability associated with the District was not determined or made available by the State of New Jersey. At June 30, 2015, the State's proportionate share of the TPAF net pension liability associated with the District was 0.0378879269%.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**6. Pension Plans (continued)**

*Actuarial assumptions*

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

Inflation rate	2.50%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

*Mortality Rates*

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

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

*Long-Term Expected Rate of Return*

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

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**6. Pension Plans (continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%
	100.00%	

*Discount Rate*

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**6. Pension Plans (continued)**

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

The State's proportionate share of the net pension liability associated with the District as of June 30, 2016 was not determined or made available by the State of New Jersey. The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13 percent) or 1-percentage-point higher (5.13 percent) than the current rate:

	<b>At 1% Decrease (3.13%)</b>	<b>At Current Discount Rate (4.13%)</b>	<b>At 1% Increase (5.13%)</b>
State's proportionate share of the net pension liability associated with the District	\$ 28,459,862	\$ 23,946,788	\$ 20,058,504

*Pension plan fiduciary net position*

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

**Additional Information**

Collective balances of the local group at June 30, 2016 are as follows:

Deferred outflows of resources	\$ 17,581,004,496
Deferred inflows of resources	\$ 300,836,088
Net pension liability	\$ 79,028,907,033
State's proportionate share associated with the District	Not determined or made available by the State of New Jersey

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**6. Pension Plans (continued)**

Collective pension expense for the plan for the measurement period ended June 30, 2016 is \$5,938,166,374.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at June 30, 2016, 2015 and 2014 is 8.3, 8.3 and 8.5 years, respectively.

**7. Post-Retirement Benefits**

**Plan Description**

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

**Funding Policy**

P.L. 1987, chapter 384 and P.L. 1990, chapter 6 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, chapter 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016 there was 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The State paid. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**7. Post-Retirement Benefits (continued)**

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2017 and 2015 were \$426,463 and \$325,177, respectively, which equaled the required contributions for each year. The State contribution for 2016 was not determined or made available by the State of New Jersey. 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.

The School Employees Health Benefits Program (SEHBP) 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 Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the State of New Jersey Treasury website.

**8. Interfund Receivables and Payables**

The total interfund accounts receivable and payable for the District at June 30, 2017 amounted to \$1,007,902 analyzed as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 899,715	\$ 18,187
Special Revenue Fund	108,187	72,102
Capital Projects Fund		146,303
Enterprise Fund - Food Service		219,888
Pre-K Fund		544,670
Payroll Agency Fund		6,752
	<u>\$ 1,007,902</u>	<u>\$ 1,007,902</u>

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**8. Interfund Receivables and Payables (continued)**

The interfund between the Payroll Agency Fund and the General Fund pertains to payroll withholdings in excess of requirements in the amount of \$6,752. The interfund between the Pre-K Fund and General Fund represents expenses paid out by the General Fund that were on behalf of the Pre-K Fund in the amount of \$454,670. The interfund between the Pre-K Fund and the Special Revenue Fund pertains to amounts received for Preschool Education Aid recorded in the Pre-K Fund in the amount of \$90,000. The interfund between the Food Service Fund and the General Fund represents expenses paid by the General Fund that were on behalf of the Food Service Fund in the amount of \$219,888. The interfund between the Capital Projects Fund and the General Fund in the amount of \$146,303 represents amounts received by the Capital Projects Fund that are due to the General Fund as they do not represent deposits that are capital in nature and the transfer of interest earned. The interfund between the Special Revenue Fund and General Fund pertains to the elimination of the pooled cash deficit in the Special Revenue Fund in the amount of \$72,102. The interfund between the General Fund and Special Revenue Fund represents short term loans between the funds in the amount of \$18,187.

All interfunds are expected to be liquidated 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, 2017 may be impaired. 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 combined 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 Board.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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

**New Jersey Unemployment Compensation Insurance**

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

**12. Deferred Compensation Plans**

The District offers its employees a choice of the following deferred compensation plans (the "Plans") created in accordance with Internal Revenue Code Section 403(b). The Plans, which are administered by the entities listed below, permits 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. The plan administrators are as follows:

- Equitable
- First Investors
- Lincoln Investment Planning
- Retirement Annuity Consultants
- Vanguard

**13. Restricted Assets**

The funds set aside for capital and maintenance reserve are classified as restricted assets (cash and cash equivalents and other accounts receivable) as they are restricted for use for future capital projects and maintenance requirements.



Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**14. Maintenance Reserve Account**

A maintenance reserve account was established by the District by way of a Board approved resolution for the accumulation of funds for use as maintenance expenditures in subsequent fiscal years. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget. Funds placed in the maintenance reserve account are restricted to maintenance projects in the District's approved Comprehensive Maintenance Plan (CMP).

Upon submission of the CMP to the New Jersey Department of Education, the District may increase the balance in the maintenance reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line – item appropriation amounts, or both. The 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-14.2(g), the balance in the account cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year. The activity of the maintenance reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning balance, July 1, 2016	\$ 100,000
Ending balance, June 30, 2017	<u>\$ 100,000</u>

The balance in the maintenance reserve does not exceed four percent of the replacement cost of the school district's school facilities for the current year at June 30, 2017.

Borough of Edgewater School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

**15. Capital Reserve Account**

A capital reserve account was established by the District by way of a Board resolution, and issued for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget. Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line – item 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.

Beginning balance, July 1, 2016	\$ 1,022,513
Ending Balance, June 30, 2017	<u>\$ 1,022,513</u>

The June 30, 2017 LRFP balance of local support costs of uncompleted projects exceeds the amount set aside in capital reserve.

**16. Commitments**

The District has contractual commitments at June 30, 2017 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$12,104. The District did not have contractual commitments at June 30, 2017 in the general capital fund.

**REQUIRED SUPPLEMENTARY INFORMATION –  
PART II  
SCHEDDULES AND NOTE RELATED TO  
ACCOUNTING AND REPORTING FOR PENSIONS  
(GASB 68)**

**Borough of Edgewater School District**

Required Supplementary Information  
 Schedule of the District's Proportionate Share of the Net Pension Liability  
 New Jersey Public Employees' Retirement System (PERS)  
 Last Ten Fiscal Years (1)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
School District's proportionate share of the net pension liability	<u>0.014540526%</u>	<u>0.012322215%</u>	<u>0.0119652982%</u>
School District's proportionate share of the net pension liability	<u>\$ 2,722,384</u>	<u>\$ 2,766,090</u>	<u>\$ 3,543,778</u>
School District's covered-employee payroll	<u>\$ 907,290</u>	<u>\$ 1,004,832</u>	<u>\$ 737,906</u>
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>300.06%</u>	<u>275.28%</u>	<u>480.25%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>48.62%</u>	<u>47.93%</u>	<u>40.14%</u>

Note - The amounts presented for each fiscal year were determined as of the June 30 measurement date within the prior fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

**Borough of Edgewater School District**

Required Supplementary Information - Schedule of Contributions  
 New Jersey Public Employees' Retirement System (PERS)  
 Last Ten Fiscal Years (1)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	<u>\$ 119,870</u>	<u>\$ 105,938</u>	<u>\$ 106,298</u>
Contributions in relation to the contractually required contribution	<u>\$ (119,870)</u>	<u>\$ (105,938)</u>	<u>\$ (106,298)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	<u>\$ 1,004,832</u>	<u>\$ 737,906</u>	<u>\$ 746,127</u>
Contributions as a percentage of covered-employee payroll	<u>11.93%</u>	<u>14.36%</u>	<u>14.25%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

**Borough of Edgewater School District**

Required Supplementary Information - Schedule of the  
District's Proportionate Share of the Net Pension Liability  
New Jersey Teachers' Pension and Annuity Fund (TPAF)  
Last Ten Fiscal Years (1)

	2015	2016	2017
School District's proportion of the net pension liability (asset)	<u>0.034867692%</u>	<u>0.037887927%</u>	<u>Not available</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 18,635,646</u>	<u>\$ 23,946,788</u>	<u>Not available</u>
School District's covered-employee payroll	<u>\$ 5,129,256</u>	<u>\$ 5,058,574</u>	<u>\$ 5,085,378</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>363.32%</u>	<u>473.39%</u>	<u>Not available</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>33.64%</u>	<u>28.71%</u>	<u>22.33%</u>

Note - The amounts presented for each fiscal year were determined as of the June 30 measurement date within the prior fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

**REQUIRED SUPPLEMENTARY INFORMATION – PART III**  
**BUDGETARY COMPARISON SCHEDULES**

Borough of Edgewater School District

Budgetary Comparison Schedule  
General Fund  
For The Year Ended June 30, 2017

C-1  
Sheet #1

REVENUES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Local Sources:					
Local Tax Levy	\$ 18,695,192		\$ 18,695,192	\$ 18,695,192	
Miscellaneous	39,050		39,050	46,712	\$ 7,662
Total Local Sources	<u>18,734,242</u>		<u>18,734,242</u>	<u>18,741,904</u>	<u>7,662</u>
State Sources:					
Special Education Categorical Aid	476,311		476,311	476,311	
Security Aid	45,596		45,596	45,596	
Transportation Aid	136,664		136,664	136,664	
Supplemental Enrichment Growth Aid	255,143		255,143	255,143	
Under Adequacy Aid	21,476		21,476	21,476	
Extraordinary Special Education Costs Aid	100,000		100,000	112,947	12,947
PARCC Readiness Aid	13,300		13,300	13,300	
Per Pupil Growth Aid	13,300		13,300	13,300	
Professional Learning Community Aid	13,570		13,570	13,570	
Other state aids				20,358	20,358
TPAF Post Retirement Medical Benefits (On-Behalf Non-Budgeted)				426,463	426,463
TPAF Pension Benefits (On-Behalf-Non-Budgeted)				511,820	511,820
TPAF Social Security Reimbursed (Non-Budgeted)				373,521	373,521
Total - State Sources	<u>1,075,360</u>		<u>1,075,360</u>	<u>2,420,469</u>	<u>1,345,109</u>
Total Revenues	<u>19,809,602</u>		<u>19,809,602</u>	<u>21,162,373</u>	<u>1,352,771</u>



Borough of Edgewater School District

Budgetary Comparison Schedule  
General Fund  
For The Year Ended June 30, 2017

C-1  
Sheet #2

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 20,675	\$ (20,675)			
Kindergarten - Salaries of Teachers	415,719	7,790	\$ 423,509	\$ 423,509	
Grades 1 - 5 Salaries of Teachers	2,181,176	289,802	2,470,978	2,440,732	\$ 30,246
Grades 6 - 8 Salaries of Teachers	222,730	1,183	223,913	223,913	
	<u>2,840,300</u>	<u>278,100</u>	<u>3,118,400</u>	<u>3,088,154</u>	<u>30,246</u>
Regular Programs - Home Instruction					
Salaries of Teachers	6,500	(4,479)	2,021	2,021	
	<u>6,500</u>	<u>(4,479)</u>	<u>2,021</u>	<u>2,021</u>	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	58,709	(6,333)	52,376	52,376	
Purchased Technical Services	114,747	7,408	122,155	122,155	
General Supplies	210,758	70,892	281,650	256,454	25,196
Textbooks	71,317	30	71,347	71,322	25
Other Objects		(3,047)	(3,047)	(3,047)	
	<u>455,531</u>	<u>68,950</u>	<u>524,481</u>	<u>499,260</u>	<u>25,221</u>
<b>Total Regular Programs - Instruction</b>	<u>3,302,331</u>	<u>342,571</u>	<u>3,644,902</u>	<u>3,589,435</u>	<u>55,467</u>
Special Education - Instruction:					
Cognitive Mild:					
Salaries of Teachers	161,856	(1,924)	159,932	159,932	
Other Salaries for Instruction	125,609	80,275	205,884	205,883	
	<u>287,465</u>	<u>78,351</u>	<u>365,816</u>	<u>365,815</u>	
Total Cognitive Mild	<u>287,465</u>	<u>78,351</u>	<u>365,816</u>	<u>365,815</u>	
Learning/Language:					
Other Salaries for Instruction	34,109	(34,109)			
	<u>34,109</u>	<u>(34,109)</u>			
Multiple Disabilities:					
Salaries of Teachers	60,924	(25,159)	35,765	35,765	
General Supplies	1,000	(1,000)			
	<u>61,924</u>	<u>(26,159)</u>	<u>35,765</u>	<u>35,765</u>	
Total Multiple Disabilities	<u>61,924</u>	<u>(26,159)</u>	<u>35,765</u>	<u>35,765</u>	

Borough of Edgewater School District

Budgetary Comparison Schedule  
General Fund  
For The Year Ended June 30, 2017

C-1  
Sheet #3

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
Current Expense:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 404,057	\$ (56,324)	\$ 347,733	\$ 347,733	
Other Salaries for Instruction	38,760	(38,760)			
General Supplies	2,500	(2,500)			
<b>Total Resource Room/Resource Center</b>	<b>445,317</b>	<b>(97,584)</b>	<b>347,733</b>	<b>347,733</b>	
Preschool Disabilities - Full Time:					
Salaries of Teachers	8,046	(5,315)	2,731	2,731	
Other Salaries for Instruction	94,507	(21,165)	73,342	73,342	
	102,553	(26,480)	76,073	76,073	
<b>Total Special Education Instruction</b>	<b>931,368</b>	<b>(105,981)</b>	<b>825,387</b>	<b>825,386</b>	
Basic Skill/Remedial - Instruction:					
Salaries of Teachers	65,134	(65,134)			
<b>Total Basic Skills/Remedial - Instruction</b>	<b>65,134</b>	<b>(65,134)</b>			
Bilingual Education - Instruction:					
Salaries of Teachers	200,859	1,393	202,252	202,252	
General Supplies	1,000	(1,000)			
<b>Total Bilingual Education - Instruction</b>	<b>201,859</b>	<b>393</b>	<b>202,252</b>	<b>202,252</b>	
<b>Total Other Special Instruction</b>	<b>266,993</b>	<b>(64,741)</b>	<b>202,252</b>	<b>202,252</b>	

Borough of Edgewater School District

Budgetary Comparison Schedule  
General Fund  
For The Year Ended June 30, 2017

C-1  
Sheet #4

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
Current Expense:					
School Sponsored Co curricular Activities - Instruction:					
Salaries	\$ 9,836	\$ 8,007	\$ 17,843	\$ 17,843	
Supplies and Materials		191	191	191	
Total School Sponsored Co curricular Activities - Instruction:	<u>9,836</u>	<u>8,198</u>	<u>18,034</u>	<u>18,034</u>	
<b>Total Instruction</b>	<u>4,510,528</u>	<u>180,047</u>	<u>4,690,575</u>	<u>4,635,107</u>	<u>\$ 55,467</u>
Undistributed Expenditures :					
Instruction:					
Tuition to Other LEAs Within the State-Regular	5,617,328	319,993	5,937,321	5,937,321	
Tuition to Other LEAs Within the State-Special	1,352,137	112,541	1,464,678	1,464,678	
Tuition to County Special Services Schools & Regional Day Schools	504,881	258,183	763,064	763,064	
Tuition to Priv. Sch. For the Disabled W/ State	98,037	(42,067)	55,970	55,970	
Tuition - State Facilities	35,465	(35,465)			
Tuition - Other	54,101	(32,501)	21,600	406,986	(385,386)
Total Undistributed Expenditures - Instruction	<u>7,661,949</u>	<u>580,684</u>	<u>8,242,633</u>	<u>8,628,019</u>	<u>(385,386)</u>
Attendance and Social Work Services:					
Salaries	10,253	10,524	20,777	20,777	
Other Purchased Services	11,879	(494)	11,385	11,385	
Total Attendance and Social Work Services	<u>22,132</u>	<u>10,030</u>	<u>32,162</u>	<u>32,162</u>	

Borough of Edgewater School District

Budgetary Comparison Schedule  
General Fund  
For The Year Ended June 30, 2017

C-1  
Sheet #5

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
Current Expense:					
Health Services:					
Salaries	\$ 113,703	\$ (11,800)	\$ 101,903	\$ 91,447	\$ 10,456
Salaries Other Professional Staff		29,563	29,563	29,563	
Purchased Professional and Technical Services	18,638	(7,748)	10,890	10,890	
Other Purchased Services (400-500 series)	35,000	(15,780)	19,220	19,220	
Supplies and Materials	700	125	825	700	125
<b>Total Health Services</b>	<b>168,041</b>	<b>(5,640)</b>	<b>162,401</b>	<b>151,820</b>	<b>10,581</b>
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	79,340	1,124	80,464	80,464	
Purchased Professional - Educational Services	342,771	189,345	532,116	532,116	
<b>Total Other Support Services - Speech, OT, PT and Related Services</b>	<b>422,111</b>	<b>190,469</b>	<b>612,580</b>	<b>612,580</b>	
Other Support Services- Students - Extraordinary Services:					
Salaries	5,572	(5,572)			
Purchased Professional - Educational Services	35,000	(3,399)	31,601	31,601	
Supplies and Materials	1,000	(1,000)			
<b>Total Other Support Services- Students - Extraordinary Services</b>	<b>41,572</b>	<b>(9,971)</b>	<b>31,601</b>	<b>31,601</b>	
Other Support Services - Students - Guidance:					
Salaries - Other Professional Staff	55,823	(2,902)	52,921	52,921	
<b>Total Other Support Services - Students - Guidance</b>	<b>55,823</b>	<b>(2,902)</b>	<b>52,921</b>	<b>52,921</b>	

Borough of Edgewater School District

Budgetary Comparison Schedule  
 General Fund  
 For The Year Ended June 30, 2017

C-1  
 Sheet #6

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
Current Expense:					
Other Support Services - Child Study Teams:					
Salaries and Other Professional Staff	\$ 329,473	\$ 15,889	\$ 345,362	\$ 345,362	
Salaries of Secretarial and Clerical Assistants	37,998	745	38,743	38,743	
Purchased Professional and Technical Services	26,631	17,809	44,440	44,440	
Miscellaneous Purchased Services	1,050	(797)	253	253	
Supplies and Materials	5,200	926	6,126	6,126	
<b>Total Other Support Services - Child Study Teams</b>	<b>400,352</b>	<b>34,572</b>	<b>434,924</b>	<b>434,924</b>	
Educational Media Serv./Sch. Library					
Salaries	103,313	6,693	110,006	110,006	
Supplies and Materials	1,000	(223)	777	777	
<b>Total Educational Media Serv./Sch. Library</b>	<b>104,313</b>	<b>6,470</b>	<b>110,783</b>	<b>110,783</b>	
<b>Total Student and Instruction Related Services</b>	<b>1,214,344</b>	<b>223,028</b>	<b>1,437,372</b>	<b>1,426,791</b>	<b>\$ 10,581</b>

Borough of Edgewater School District

Budgetary Comparison Schedule  
General Fund  
For The Year Ended June 30, 2017

C-1  
Sheet #7

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
Current Expense:					
Instructional Staff Training Services:					
Salaries - Supervisors of Instruction	\$ 86,700	\$ (9,623)	\$ 77,077	\$ 77,077	
Purchased Professional - Educational Services	30,776	(16,783)	13,993	13,168	\$ 825
Other Purchased Professional Services	4,485	(4,035)	450	450	
<b>Total Instructional Staff Training Services</b>	<b>121,961</b>	<b>(30,441)</b>	<b>91,520</b>	<b>90,695</b>	<b>825</b>
Support Services - General Administration:					
Salaries - Treasure of School Monies	-	392	392	392	
Salaries of Other Professional Staff	231,574	(9,673)	221,901	196,051	25,850
Legal Services	45,000	2,618	47,618	46,883	735
Audit Fees	33,000	1,235	34,235	34,235	
Architect/Engineer Services	15,000	(13,160)	1,840	1,840	
Other Purchased Professional Services	2,500	(2,500)			
Purchased Technical Services	8,000	174	8,174	8,174	
Communications/Telephone	59,776	(19,626)	40,150	40,150	
BOE Conferences and Travel	2,051	(1,501)	550	550	
General Supplies	1,225	1,437	2,662	2,662	
BOE In-House Training/Meeting Supplies	1,948	(1,576)	372	372	
Miscellaneous Expenditures	7,000	23,581	30,581	26,153	4,428
BOE Membership Dues and Fees	8,000	189	8,189	8,189	
<b>Total Support Services - General Administration</b>	<b>415,074</b>	<b>(18,410)</b>	<b>396,664</b>	<b>365,651</b>	<b>31,013</b>
Support Services-School Administration:					
Salaries of Principals/Assistant Principals	261,459	2,050	263,509	236,309	27,200
Salaries of Secretarial and Clerical Assistants	104,898	(22,471)	82,427	82,427	
Supplies and Materials	3,000	140	3,140	3,140	
Other Objects	1,000	57	1,057	1,057	
<b>Total Support Services-School Administration</b>	<b>370,357</b>	<b>(20,224)</b>	<b>350,133</b>	<b>322,933</b>	<b>27,200</b>

Borough of Edgewater School District

Budgetary Comparison Schedule  
 General Fund  
 For The Year Ended June 30, 2017

C-1  
 Sheet #8

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Central Services:					
Salaries - Business Office	\$ 229,044	\$ (229,044)			
Salaries - Business Administrator		137,111	\$ 137,111	\$ 137,111	
Salaries - Clerical		94,798	94,798	94,798	
Purchased Professional Services	41,399	(1,342)	40,057	40,057	
Supplies and Materials	3,546	94	3,640	3,640	
Miscellaneous Expenditures	2,600	197	2,797	2,797	
Total Central Services	276,589	1,814	278,403	278,403	
Administrative Information Technology:					
Other Purchased Services (400-500 series)	3,627	(396)	3,231	3,231	
Supplies and Materials	8,173	(6,849)	1,324	1,324	
Total Administrative Information Technology	11,800	(7,245)	4,555	4,555	
Required Maint for School Facilities:					
Salaries	167,215	11,057	178,272	178,272	
Cleaning, Repair, and Maintenance Services	91,599	5,182	96,781	96,781	
General Supplies	22,643	(4,003)	18,640	18,640	
Other Objects	378	(3)	375	375	
Total Required Maint for School Facilities	281,835	12,233	294,068	294,068	

Borough of Edgewater School District

Budgetary Comparison Schedule  
General Fund  
For The Year Ended June 30, 2017

C-1  
Sheet #9

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
Current Expense:					
Custodial Services:					
Salaries	\$ 254,960	\$ (254,960)			
Other Salaries		345,479	\$ 345,479	\$ 345,479	
Cleaning, Repair, and Maintenance Services	43,471	(594)	42,877	42,877	
Other Purchased Property Services	20,000	5,763	25,763	24,383	\$ 1,380
Insurance	118,324	(504)	117,820	105,069	12,751
General Supplies	31,015	2,649	33,664	33,664	
Energy (Electricity)	364,000	(122,027)	241,973	217,897	24,076
Other Objects	2,000	11	2,011	2,011	
<b>Total Custodial Services</b>	<b>833,770</b>	<b>(24,183)</b>	<b>809,587</b>	<b>771,380</b>	<b>38,207</b>
<b>Total Operations and Maintenance of Plant Services</b>	<b>1,115,605</b>	<b>(11,950)</b>	<b>1,103,655</b>	<b>1,065,448</b>	<b>38,207</b>
Student Transportation Services:					
Salaries for Pupil Transportation:					
Other Salaries for Instruction	69,721	(34,614)	35,107	35,107	
Between Home & School - Regular		5,131	5,131	5,131	
Between Home & School - Nonpublic Schools	1,516	(1,516)			
Purchased Professional and Technical Services	2,652	(911)	1,741	1,741	
Contracted Services:					
Aid in Lieu of Payment for Non-public School Students	88,000	27,707	115,707	116,591	(884)
Special Education Students - Joint Agreements	376,927	(104,165)	272,762	223,634	49,128
Special Education Students - ESC's and CSTAs	996,513	42,599	1,039,112	1,039,112	
Misc. Purchased Services	37,507	8,018	45,525	45,525	
<b>Total Student Transportation Expenses</b>	<b>1,572,836</b>	<b>(57,751)</b>	<b>1,515,085</b>	<b>1,466,841</b>	<b>48,244</b>



Borough of Edgewater School District

Budgetary Comparison Schedule  
General Fund  
For The Year Ended June 30, 2017

C-1  
Sheet #10

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
Current Expense:					
Unallocated Benefits:					
Social Security Contributions	\$ 150,030	\$ (11,509)	\$ 138,521	\$ 138,521	
Other Retirement Contributions - PERS	130,391	(22,526)	107,865	107,865	
Unemployment Compensation	45,180	(45,180)			
Workmen's Compensation	62,000	8,762	70,762	70,762	
Health Benefits	2,077,461	(745,097)	1,332,364	1,400,777	\$ (68,413)
Tuition Reimbursement	15,000	5,000	20,000	20,000	
Other Employee Benefits	36,400	(21,233)	15,167	15,167	
<b>Total Unallocated Benefits</b>	<u>2,516,462</u>	<u>(831,783)</u>	<u>1,684,679</u>	<u>1,753,092</u>	<u>(68,413)</u>
On-Behalf Contributions:					
TPAF Post Retirement Medical Benefits (non-budgeted)				426,463	(426,463)
TPAF Pension Contributions (non-budgeted)				511,820	(511,820)
Reimbursed TPAF Social Security Contributions (non-budgeted)				373,521	(373,521)
<b>Total On-Behalf Contributions</b>				<u>1,311,804</u>	<u>(1,311,804)</u>
<b>Total Personal Services - Employee Benefits</b>	<u>2,516,462</u>	<u>(831,783)</u>	<u>1,684,679</u>	<u>3,064,896</u>	<u>(1,380,217)</u>
<b>Total Undistributed Expenses</b>	<u>15,276,977</u>	<u>(172,278)</u>	<u>15,104,699</u>	<u>16,714,232</u>	<u>(1,609,533)</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>19,787,505</u>	<u>7,769</u>	<u>19,795,274</u>	<u>21,349,339</u>	<u>(1,554,066)</u>
Capital Outlay:					
Facilities Acquisition and Construction Services:					
Other Purchased Professional Services		3,840	3,840		3,840
Assessment for Debt Service on SDA Funding	27,043		27,043	27,043	
<b>Total Facilities Acquisition and Construction Services</b>	<u>27,043</u>	<u>3,840</u>	<u>30,883</u>	<u>27,043</u>	<u>3,840</u>
<b>TOTAL CAPITAL OUTLAY</b>	<u>27,043</u>	<u>3,840</u>	<u>30,883</u>	<u>27,043</u>	<u>3,840</u>

Borough of Edgewater School District

Budgetary Comparison Schedule  
General Fund  
For The Year Ended June 30, 2017

C-1  
Sheet #11

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Total Expenditures	\$ 19,814,548	\$ 11,609	\$ 19,826,157	\$ 21,376,382	\$ (1,550,225)
Deficiency of Revenues Under Expenditures	(4,946)	(11,609)	(16,555)	(214,009)	(197,454)
Other Financing Sources :					
Operating Transfers (Out):					
Transfers In				88	88
Total Other Financing Sources (Uses)				88	88
(Deficiency) excess of revenues (under) over expenditures and other financing sources (uses)	(4,946)	(11,609)	(16,555)	(213,921)	(197,366)
Fund Balances, Beginning of Year	1,798,390		1,798,390	1,798,390	
Fund Balances, End of Year	\$ 1,793,444	\$ (11,609)	\$ 1,781,835	\$ 1,584,469	\$ (197,366)
<b>Recapitulation of (deficiency) excess of   revenues (under) over expenditures and   other financing sources (uses)</b>					
Budgeted fund balance	\$ (4,946)		\$ (4,946)	\$ (202,313)	\$ (197,367)
Adjustment for prior year encumbrances		(11,608)	(11,608)	(11,608)	
Total	\$ (4,946)	\$ (11,608)	\$ (16,554)	\$ (213,921)	\$ (197,367)
<b>Recapitulation of fund balance:</b>					
Restricted Fund Balance:					
Excess surplus restricted for subsequent years expenditures				\$ 199,498	
Capital reserve				1,022,513	
Maintenance reserve				100,000	
Assigned to:					
Year end encumbrances				12,104	
Unassigned fund balance				250,354	
				1,584,469	
Reconciliation to Governmental Fund Statement (GAAP):					
Last state aid payments not recognized on GAAP basis				(50,083)	
Fund balance per Governmental Funds (GAAP)				\$ 1,534,386	

Borough of Edgewater School District

Budgetary Comparison Schedule  
 Special Revenue Fund  
 For The Year Ended June 30, 2017

C-2

	Original Budget	Transfers	Final Budget	Actual	Variance Final to Actual
<u>Revenues</u>					
State Sources	\$ 574,353	\$ 17,932	\$ 592,285	\$ 574,471	\$ (17,814)
Federal Sources	189,538	306,143	495,681	462,156	(33,525)
Total Revenues	<u>763,891</u>	<u>324,075</u>	<u>1,087,966</u>	<u>1,036,627</u>	<u>(51,339)</u>
<u>Expenditures</u>					
Instruction:					
Salaries of teachers	\$ 266,138	\$ 55,053	\$ 321,191	\$ 317,758	\$ 3,433
Salaries of supervisors of instruction		60,073	60,073	60,073	
Other purchased services		14,459	14,459	972	13,487
Tuition	132,019	56,852	188,871	188,830	41
Supplies and Materials	70,299	31,901	102,200	86,641	15,559
Textbooks		1,153	1,153	1,153	
Total Instruction	<u>468,456</u>	<u>219,491</u>	<u>687,947</u>	<u>655,427</u>	<u>32,520</u>
Support Services:					
Salaries of secretarial and clerical assistants	40,231		40,231	40,231	
Salaries of family/parent liaison and community parent involvement specialists	65,500		65,500	65,500	
Employee Benefits	101,134	32,355	133,489	133,489	
Purchased professional and technical services		41,651	41,651	33,819	7,832
Purchased professional and educational services	12,770	11,778	24,548	17,000	7,548
Other purchased services	75,800	16,200	92,000	91,044	956
Supplies and Materials		400	400		400
Other objects		2,200	2,200	117	2,083
Total Support Services	<u>295,435</u>	<u>104,584</u>	<u>400,019</u>	<u>381,200</u>	<u>18,819</u>
Total Expenditures	<u>763,891</u>	<u>324,075</u>	<u>1,087,966</u>	<u>1,036,627</u>	<u>51,339</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**Borough of Edgewater School District**

Required Supplementary Information  
Budget-To-GAAP Reconciliation  
Note to Required Supplementary Information  
For The Year Ended June 30, 2017

C-3  
1 of 2

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 21,162,373	\$ 1,036,627
Differences - Budgetary to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current year		
Prior year		13,055
State Aid Payment Recognized for:		
GAAP statements, not recognized for budgetary purposes (prior year)	54,859	
budgetary purposes, not recognized for GAAP statements (current year)	<u>(50,083)</u>	<u>(2,251)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 21,167,149</u>	<u>\$ 1,047,431</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 21,376,382	\$ 1,036,627
Difference - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
		<u>13,055</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 21,376,382</u>	<u>\$ 1,049,682</u>

## Borough of Edgewater School District

### Required Supplementary Information Budgetary Comparison Schedule Note to Required Supplementary Information For The Year Ended June 30, 2017

C-3  
2 of 2

#### 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. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest most specific level, of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget, which have been adjusted for legally authorized revisions of the annual budgets during the year.

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 GAAP, with the exception of 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 revenue, whereas GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General and Special Revenue Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June State aid payments for the current year. Since the State is recording the June State aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

## **SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND**

Borough of Edgewater School District  
Special Revenue Fund

Combining Schedule of Revenues and Expenditures - Budgetary Basis

Year ended June 30, 2017

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p. 1

	<u>Title I</u>	<u>Title IIA</u>	<u>Title III Other</u>	<u>Title III Immigrant</u>	<u>I.D.E.A.</u>	
					<u>Part B</u>	<u>Preschool</u>
<u>Revenues</u>						
State Sources						
Federal Sources	\$ 219,838	\$ 17,000	\$ 14,686	\$ 11,184	\$ 195,245	\$ 4,203
<b>Total Revenues</b>	<b>\$ 219,838</b>	<b>\$ 17,000</b>	<b>\$ 14,686</b>	<b>\$ 11,184</b>	<b>\$ 195,245</b>	<b>\$ 4,203</b>
<u>Expenditures</u>						
Instruction:						
Salaries of teachers	129,831					
Tuition					188,830	
Supplies and Materials	29,652		13,890	11,184	6,415	
<b>Total instruction</b>	<b>159,483</b>		<b>13,890</b>	<b>11,184</b>	<b>195,245</b>	
Support services:						
Employee Benefits	32,355					
Purchased professional and technical services	28,000					4,203
Purchased professional and educational services		17,000				
Other purchased services			796			
<b>Total support services</b>	<b>60,355</b>	<b>17,000</b>	<b>796</b>			<b>4,203</b>
<b>Total Expenditures</b>	<b>\$ 219,838</b>	<b>\$ 17,000</b>	<b>\$ 14,686</b>	<b>\$ 11,184</b>	<b>\$ 195,245</b>	<b>\$ 4,203</b>



Borough of Edgewater School District  
Special Revenue Fund

Combining Schedule of Revenues and Expenditures - Budgetary Basis

Year ended June 30, 2017

E-1  
p.2  
(continued)

	Preschool Education Aid	New Jersey Non - Public Aid				English as a Second Language	Total
		Corrective Speech	Textbooks	Nursing	Technology Initiative		
<b>Revenues</b>							
State Sources	\$ 570,613	\$ 972	\$ 1,153	\$ 117	\$ 520	\$ 1,096	\$ 574,471
Federal Sources							462,156
<b>Total Revenues</b>	<u>\$ 570,613</u>	<u>\$ 972</u>	<u>\$ 1,153</u>	<u>\$ 117</u>	<u>\$ 520</u>		<u>\$ 1,036,627</u>
<b>Expenditures</b>							
Instruction:							
Salaries of teachers	187,927						317,758
Salaries of supervisors of instruction	60,073						60,073
Other purchased services		972					972
Tuition							188,830
Supplies and Materials	25,500						86,641
Textbooks			1,153				1,153
<b>Total instruction</b>	<u>273,500</u>	<u>972</u>	<u>1,153</u>				<u>655,427</u>
Support services:							
Salaries of secretarial and clerical assistants	40,231						40,231
Salaries of family/parent liaison and community parent involvement specialists	65,500						65,500
Employee Benefits	101,134						133,489
Purchased professional and technical services					520	1,096	33,819
Purchased professional and educational services							17,000
Other purchased services	90,248						91,044
Other objects				117			117
<b>Total support services</b>	<u>297,113</u>			<u>117</u>	<u>520</u>	<u>1,096</u>	<u>381,200</u>
<b>Total Expenditures</b>	<u>\$ 570,613</u>	<u>\$ 972</u>	<u>\$ 1,153</u>	<u>\$ 117</u>	<u>\$ 520</u>	<u>\$ 1,096</u>	<u>\$ 1,036,627</u>

**Borough of Edgewater School District**  
Special Revenue Fund  
Pre-school Education Schedule of Expenditures  
Budgetary Basis  
For The Year Ended June 30, 2017

E-2

	Original Budget	Budget Transfers	Final Budgeted	Actual	Variance
<b>EXPENDITURES</b>					
Instruction:					
Salaries of teachers	\$ 266,138	\$ (75,073)	\$ 191,065	\$ 187,927	\$ 3,138
Salaries of supervisors of instruction		60,073	60,073	60,073	
Supplies and Materials	25,550		25,550	25,500	50
<b>Total Instruction</b>	<b>291,688</b>	<b>(15,000)</b>	<b>276,688</b>	<b>273,500</b>	<b>3,188</b>
Undistributed Expenditures:					
Salaries of secretarial and clerical assistants	40,231		40,231	40,231	
Salaries of family/parent liaison and community parent involvement specialists	65,500		65,500	65,500	
Employee Benefits	101,134		101,134	101,134	
Other purchased services	75,800	15,000	90,800	90,248	552
<b>Total Undistributed Expenditures</b>	<b>282,665</b>	<b>15,000</b>	<b>297,665</b>	<b>297,113</b>	<b>552</b>
<b>Total Expenditures</b>	<b>\$ 574,353</b>	<b>\$</b>	<b>\$ 574,353</b>	<b>\$ 570,613</b>	<b>\$ 3,740</b>

**CALCULATION OF BUDGET AND CARRYOVER**

Total Revised 2016-17 Preschool Education Aid Allocation	\$ 43,846
Actual Preschool Education Aid Carryover (June 30, 2016)	780,239
Total Preschool Education Aid Funds Available for 2016-17 Budget	824,085
Less: 2015-16 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	574,353
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2017	249,732
Add: 2016-17 Unexpended Preschool Education Aid	3,740
 2016-17 Actual Carryover - Preschool Education Aid	 <b>\$ 253,472</b>
 2016-17 Preschool Education Aid Carryover Budgeted for 2017-18	 <b>\$ 205,885</b>

**CAPITAL PROJECTS FUND**

Borough of Edgewater School District

Capital Projects Fund  
 Summary Schedule of Project Expenditures  
 For the Year Ended June 30, 2017

F-1

<u>Project Title/Issue</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures Current Year</u>	<u>Expenditures Prior Year</u>	<u>Unexpended Balance June 30, 2017</u>
Construction of New George Washington School	12/08/2009	\$ 28,728,000	\$ -	\$ 28,675,434	\$ 52,566
Emergency Generator at Eleanor Van Gelder School	01/06/2014	441,500	73,340	342,041	26,119
		<u>\$ 29,169,500</u>	<u>\$ 73,340</u>	<u>\$ 29,017,475</u>	<u>\$ 78,685</u>

## Borough of Edgewater School District

### Capital Projects Fund Summary Schedule of Revenues, Expenditures and Changes in Fund Balance For the Year Ended June 30, 2017

F-2

Revenues and Other Financing Sources:	
Interest Revenue	\$ 88
Total Revenue and Other Financing Sources	<u>88</u>
Expenditures and Other Financing Uses:	
Construction Services	73,340
Total Expenditures	<u>73,340</u>
Excess (Deficit) of Revenue over (under) Expenditures	<u>(73,252)</u>
Other Financing Sources (Uses):	
Transfer to General Fund	(88)
	<u>(88)</u>
Excess (Deficit) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(73,340)
Fund Balance - Beginning of Year	<u>152,025</u>
Fund Balance - Ending of Year	<u>\$ 78,685</u>
 <u>Reconciliation to Fund Financial Statements</u>	
Fund balance, June 30, 2017 - budgetary basis	\$ 78,685
Less difference in grant revenue recognized	<u>(10,348)</u>
Fund balance, June 30, 2017 - GAAP basis	<u>\$ 68,337</u>

**Borough of Edgewater School District**

Capital Projects Fund  
 Schedule of Project Revenues, Expenditures, Project Status and Project Balance  
 Budgetary Basis  
 Construction of a New Elementary School and Installation of  
 Solar Panels at the Eleanor Van Gelder School  
 From Inception Through June 30, 2017

F-2a

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenues and Other Financing Sources:				
Bond Proceeds and Transfers	\$ 28,728,000	\$	\$ 28,728,000	\$ 28,728,400
Total Revenue and Other Financing Sources	<u>28,728,000</u>	<u></u>	<u>28,728,000</u>	<u>28,728,400</u>
Expenditures:				
Salaries	88,260		88,260	100,000
Architect/Design and Construction Management				
Solar	48,543		48,543	68,000
New School	2,043,362		2,043,362	1,945,000
Legal Services:				
Solar	5,600		5,600	5,600
New School	53,665		53,665	150,000
Purchased Professional and Technical Services	297,368		297,368	270,800
Construction Services:				
Solar	289,000		289,000	368,000
New School	22,748,187		22,748,187	22,500,000
New School - Generator	677,066		677,066	
Other Purchased Services:				
Solar	1,039		1,039	36,800
New School	2,423,346		2,423,346	3,284,200
Total Expenditures	<u>28,675,434</u>	<u>-</u>	<u>28,675,434</u>	<u>28,728,400</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>\$ 52,566</u>	<u>\$</u>	<u>\$ 52,566</u>	<u>\$</u>
Additional Project Information:				
Project Number - New School	1270-N01-09-1000			
Project Number - Solar	1270-050-09-1000			
Grant Date	N/A			
Bond Authorization Date	December 8, 2009			
Bonds Authorized	\$ 28,728,400			
Bonds Issued	\$ 28,728,000			
Original Authorized Cost	\$ 28,725,400			
Change Orders				
Revised Authorized Cost	\$ 28,728,400			
Change Order Percentage				
Percentage Completion	99.82%			
Original Target Completion Date	Not Readily Available			
Revised Target Completion Date	Not Readily Available			

**Borough of Edgewater School District**

Capital Projects Fund  
 Schedule of Project Revenues, Expenditures, Project Status and Project Balance  
 Budgetary Basis  
 Installation of Generator at the Eleanor Van Gelder School  
 From Inception Through June 30, 2017

F-2b

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenues and Other Financing Sources:				
State Sources - SCC Grant	\$ 176,500		\$ 176,500	\$ 176,500
Transfer from Capital Reserves	265,000		265,000	265,000
<b>Total Revenue and Other Financing Sources</b>	<b>441,500</b>	<b>-</b>	<b>441,500</b>	<b>441,500</b>
Expenditures:				
Architect/Design	15,190		15,190	30,000
Legal Services	4,223		4,223	10,000
Construction Services	322,628	73,340	395,968	401,500
<b>Total Expenditures</b>	<b>342,041</b>	<b>73,340</b>	<b>415,381</b>	<b>441,500</b>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>\$ 99,459</u>	<u>\$ (73,340)</u>	<u>\$ 26,119</u>	<u>\$</u>
Additional Project Information:				
Project Number	1270-050-14-1008-G04			
Grant Date	1/6/2014			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 441,500			
Change Orders				
Revised Authorized Cost	\$ 441,500			
Change Order Percentage	N/A			
Percentage Completion	77.47%			
Original Target Completion Date	6/30/2016			
Revised Target Completion Date	Not Readily Available			

## **FIDUCIARY FUNDS**



**Borough of Edgewater School District**

Fiduciary Fund  
 Combining Statement of Net Position  
 June 30, 2017

H-1

	Agency		
	Student Activity	Payroll	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 23,818	\$ 57,875	\$ 81,693
Total assets	<u>\$ 23,818</u>	<u>\$ 57,875</u>	<u>\$ 81,693</u>
<b>Liabilities</b>			
Accounts payable		\$ 5,829	\$ 5,829
Payroll deductions and withholdings payable		45,294	45,294
Interfund payable		6,752	6,752
Due to student groups	\$ 23,818		23,818
<b>TOTAL LIABILITIES</b>	<u>\$ 23,818</u>	<u>\$ 57,875</u>	<u>\$ 81,693</u>

**Borough of Edgewater School District**

Combining Statement of Changes in Net Position  
Fiduciary Fund  
For The Year Ended June 30, 2017

H-2

NOT APPLICABLE

**Borough of Edgewater School District**

Student Activity Agency Fund  
Statement of Activity  
For Year Ended June 30, 2017

H-3

	<u>Balance, June 30, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2017</u>
Elementary Schools:				
Eleanor Van Gelder	\$ 18,792	\$ 33,200	\$ 29,909	\$ 22,083
George Washington	3,873	9,770	11,908	1,735
Total All Schools	<u>\$ 22,665</u>	<u>\$ 42,970</u>	<u>\$ 41,817</u>	<u>\$ 23,818</u>

**Borough of Edgewater School District**

Payroll Agency Fund  
 Schedule of Receipts and Disbursements  
 For The Year Ended June 30, 2017

H-4

	Balance			Balance
	June 30, 2016	Additions	Deletions	June 30, 2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ 684,257	\$ 7,623,311	\$ 8,249,693	\$ 57,875
Total Assets	<u>\$ 684,257</u>	<u>\$ 7,623,311</u>	<u>\$ 8,249,693</u>	<u>\$ 57,875</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 271,285	\$ 4,375,754	\$ 4,641,210	\$ 5,829
Payroll deductions and withholdings payable	412,972	3,240,805	3,608,483	45,294
Interfund payable		6,752		6,752
Total Liabilities	<u>\$ 684,257</u>	<u>\$ 7,623,311</u>	<u>\$ 8,249,693</u>	<u>\$ 57,875</u>

## **LONG-TERM DEBT**

**Borough of Edgewater School District**

Long-Term Debt  
Schedule of Serial Bonds  
For the Year Ended June 30, 2017

I-1  
Sheet 1

Purpose	Date of Issue	Original Issue	Annual Maturities of Bonds Outstanding June 30, 2017		Interest Rate	Balance July 1, 2016	Retired or Matured	Balance June 30, 2017
			Date	Amount				
Eleanor Van Gelder School Roof Replacement	08/08/07	\$ 665,000	09/15/17	\$ 75,000	5.00%	\$ 150,000	\$ 75,000	\$ 75,000
Construction of a New Elementary School and Installation of Solar Panels at the Eleanor Van Gelder School	05/20/10	28,728,000	03/01/18	365,000	4.00%			
			03/01/19	455,000	4.00%			
			03/01/20	465,000	4.00%			
			03/01/21	490,000	4.00%			
			03/01/22	515,000	4.00%			
			03/01/23	550,000	4.00%			
			03/01/24	1,000,000	4.00%			
			03/01/25	1,050,000	4.00%			
			03/01/26	1,100,000	4.00%			
			03/01/27	1,145,000	4.00%			
			03/01/28	1,195,000	4.00%			
			03/01/29	1,240,000	4.00%			
			03/01/30	1,300,000	4.00%			
			03/01/31	1,355,000	4.10%			
			03/01/32	1,410,000	4.15%			
			03/01/33	1,470,000	4.20%			
			03/01/34	1,535,000	4.25%			
			03/01/35	1,600,000	4.25%			
			03/01/36	1,670,000	4.30%			
			03/01/37	1,740,000	4.30%			
03/01/38	1,815,000	4.30%						
03/01/39	1,890,000	4.30%						
03/01/40	1,968,000	4.30%						
						27,673,000	350,000	27,323,000

**Borough of Edgewater School District**

Long-Term Debt  
 Schedule of Serial Bonds  
 For the Year Ended June 30, 2017

L-1  
Sheet 2

Purpose	Date of Issue	Original Issue	Annual Maturities of Bonds Outstanding June 30, 2017		Interest Rate	Balance July 1, 2016	Retired or Matured	Balance June 30, 2017
			Date	Amount				
Refunding 2003 Series General Improvement Bonds	03/01/2013	\$ 3,080,000	09/01/17	\$ 330,000	2.00%			
			09/01/18	345,000	3.00%			
			09/01/19	360,000	3.00%			
			09/01/20	370,000	4.00%			
			09/01/21	375,000	4.00%			
			09/01/22	375,000	4.00%			
						\$ 2,480,000	\$ 325,000	\$ 2,155,000
						\$ 30,303,000	\$ 750,000	\$ 29,553,000

**Borough of Edgewater School District**

Long-Term Debt  
Schedule of Obligations Under Capital Leases  
For The Year Ended June 30, 2017

1-2

**NOT APPLICABLE**



**Borough of Edgewater School District**

Budgetary Comparison Schedule  
Debt Service Fund  
For The Year Ended June 30, 2017

I-3

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Revenues</u>				
Local Sources:				
Local Tax Levy	\$ 1,888,284	\$ 1,888,284	\$ 1,888,284	\$ -
State Sources:				
Debt Service Aid Type II	<u>88,058</u>	<u>88,058</u>	<u>88,058</u>	<u>-</u>
Total Revenues	<u>1,976,342</u>	<u>1,976,342</u>	<u>1,976,342</u>	<u>-</u>
<u>Expenditures</u>				
Regular Debt Service:				
Interest Payment	1,226,342	1,226,342	1,226,342	-
Redemption of Principal	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>
Total Regular Debt Service	<u>1,976,342</u>	<u>1,976,342</u>	<u>1,976,342</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>

## **INTRODUCTION TO THE STATISTICAL SECTION**

## STATISTICAL SECTION

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

### Contents

### Exhibit

#### **Financial Trends**

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

J-1 thru J-5

#### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

#### **Debt Capacity**

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

J-10 thru J-13

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

#### **Operating Information**

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The District implemented GASB Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2006.

## **FINANCIAL TRENDS**

Borough of Edgewater School District

Net Position By Component  
LAST TEN YEARS  
(Accrual Basis of Accounting)  
Unaudited

J-1

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities:</b>										
Net investment in capital assets	\$ 4,445,172	\$ 4,942,981	\$ 5,168,665	\$ 5,518,375	\$ 5,857,262	\$ 5,585,748	\$ 5,201,403	\$ 776,791	\$ 17,074	\$ -
Restricted	3,359,916	3,552,692	3,488,846	26,012,480	6,988,746	2,944,373	2,762,562	1,853,943	1,486,751	1,390,349
Unrestricted	24,907	293,293	28,300	(22,537,284)	(4,029,920)	(313,469)	(173,383)	(2,030,229)	(2,753,138)	(3,457,669)
<b>Total Governmental Activities Net Position</b>	<b>\$ 7,829,995</b>	<b>\$ 8,788,966</b>	<b>\$ 8,705,811</b>	<b>\$ 8,993,571</b>	<b>\$ 8,816,087</b>	<b>\$ 8,216,852</b>	<b>\$ 7,790,582</b>	<b>\$ 600,505</b>	<b>\$ (1,249,313)</b>	<b>\$ (2,067,320)</b>
<b>Business-Type Activities</b>										
Net investment in capital assets	\$ 2,911	\$ 2,695	\$ 2,479	\$ 2,263	\$ 2,047	\$ 1,831	\$ 1,615	\$ 1,399	\$ 1,183	\$ 967
Unrestricted	23,405	35,664	49,169	60,851	81,162	322,601	390,106	577,270	544,044	397,358
<b>Total Business-Type Activities Net Position</b>	<b>\$ 26,316</b>	<b>\$ 38,359</b>	<b>\$ 51,648</b>	<b>\$ 63,114</b>	<b>\$ 83,209</b>	<b>\$ 324,432</b>	<b>\$ 391,721</b>	<b>\$ 578,669</b>	<b>\$ 545,227</b>	<b>\$ 398,325</b>
<b>Government-Wide:</b>										
Net investment in capital assets	\$ 4,448,083	\$ 4,945,676	\$ 5,191,144	\$ 5,520,638	\$ 5,859,309	\$ 5,587,579	\$ 5,203,018	\$ 778,190	\$ 18,257	\$ 967
Restricted	3,359,916	3,552,692	3,488,846	26,012,480	6,988,746	2,944,373	2,762,562	1,853,943	1,486,751	1,390,349
Unrestricted	48,312	328,957	77,469	(22,476,433)	(3,948,759)	9,132	216,723	(1,452,959)	(2,209,093)	(3,080,311)
<b>Total District Net Position</b>	<b>\$ 7,856,311</b>	<b>\$ 8,827,325</b>	<b>\$ 8,757,459</b>	<b>\$ 9,056,885</b>	<b>\$ 8,899,296</b>	<b>\$ 8,541,084</b>	<b>\$ 8,182,303</b>	<b>\$ 1,179,174</b>	<b>\$ (704,085)</b>	<b>\$ (1,668,995)</b>

Source: CAFR Schedule A-1 and District Reports

**Borough of Edgewater School District**

Net Position By Component  
LAST TEN YEARS  
(Accrual Basis of Accounting)  
Unaudited

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Government Activities Instruction:										
Regular	\$ 2,791,989	\$ 3,122,285	\$ 3,303,923	\$ 3,422,408	\$ 3,575,466	\$ 3,892,617	\$ 4,006,589	\$ 4,723,302	\$ 4,871,840	\$ 6,527,759
Special Education	787,540	647,845	575,935	440,727	558,763	718,988	1,282,820	1,103,181	1,613,187	1,265,663
Other Special Instruction	355,771	341,887	537,482	502,098	432,766	412,523	371,800	498,542	348,981	310,137
Other Instruction	38,307	35,864	25,141	51,608	40,843		2,277	22,178	29,214	27,552
Support Services:										
Tuition	5,145,880	5,289,052	5,488,774	5,804,159	8,395,141	6,472,243	8,824,783	8,958,574	7,721,550	8,628,019
Student & Instruction Related Services	1,205,302	1,308,713	1,411,433	1,372,698	1,403,583	1,294,741	1,181,145	1,498,292	1,665,152	2,348,533
General Administration Services	266,922	255,315	327,550	306,579	210,194	259,404	439,263	448,325	607,331	521,285
School Administrative Services	183,921	182,089	261,572	203,485	180,058	272,105	542,323	561,341	497,295	507,355
Central Services	203,011	220,859	248,847	283,399	313,520	379,909	385,104	378,193	363,084	406,665
Administrative Information Technology	69,817	68,140	72,743	98,598	89,455	112,826	12,778	12,898	6,050	
Plant Operations and Maintenance	771,704	617,827	758,280	695,498	625,558	1,113,816	1,134,938	1,367,696	1,253,568	1,585,199
Pupil Transportation	828,515	896,694	925,277	929,443	989,317	1,048,843	1,351,962	1,448,681	1,506,819	1,692,283
Special Schools	12,196	3,486	18,838	18,135	20,466		17,467	5,333	-	-
Transfer of Funds to Charter Schools			72,114	78,454	38,042	22,431	8,867	-	-	-
State Assessment on EDA Grants				21,974	12,779	17,538	27,043	25,912	27,043	-
Interest in Long-Term Debt	249,157	244,732	360,455	1,224,989	1,366,140	1,292,172	1,286,190	1,439,937	1,240,054	1,220,154
Unallocated Depreciation	238,407	241,035	244,055	257,290	271,113	1,011,514	1,044,345	5,257,189	1,032,360	-
<b>Total Governmental Activities Expenses</b>	<b>13,148,439</b>	<b>13,855,803</b>	<b>14,610,199</b>	<b>15,711,542</b>	<b>16,523,206</b>	<b>18,321,469</b>	<b>19,899,292</b>	<b>25,747,351</b>	<b>22,783,528</b>	<b>25,040,604</b>
Business-Type Activities:										
Food Service	139,079	145,114	172,402	178,593	207,522	254,786	284,873	280,095	276,209	568,781
Pre-K						395,312	529,723	352,833	435,235	309,392
<b>Total Business-Type Activities Expenses</b>	<b>139,079</b>	<b>145,114</b>	<b>172,402</b>	<b>178,593</b>	<b>207,522</b>	<b>650,098</b>	<b>794,597</b>	<b>632,928</b>	<b>711,444</b>	<b>878,173</b>
<b>Total District-wide Expenses</b>	<b>13,287,518</b>	<b>13,800,917</b>	<b>14,782,601</b>	<b>15,888,135</b>	<b>16,730,728</b>	<b>18,971,567</b>	<b>20,693,889</b>	<b>26,380,079</b>	<b>23,494,973</b>	<b>25,918,777</b>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services	34,029.00	47,695.00	66,649.00							
Operating Grants and Contributions	1,916,560	1,733,382	1,788,783	791,842	846,298	948,260	879,193	1,101,691	881,472	1,049,682
Capital Grants and Contributions									264,517	29,336
<b>Total Governmental Activities</b>	<b>1,950,589</b>	<b>1,781,077</b>	<b>1,855,432</b>	<b>791,842</b>	<b>846,298</b>	<b>948,260</b>	<b>879,193</b>	<b>1,101,691</b>	<b>1,145,989</b>	<b>1,079,018</b>
Business Type Activities:										
Charges for Services:										
Food Service	94,756	110,611	130,784	130,444	147,321	156,168	188,117	202,868	202,651	433,800
Pre-K						654,072	579,600	493,177	361,600	202,969
Capital Grants and Contributions - Food Service & Preschool	49,328	46,546	54,833	57,760	80,225	81,006	93,789	123,045	112,773	94,502
<b>Total Business Type Activities</b>	<b>144,084</b>	<b>157,157</b>	<b>185,597</b>	<b>188,204</b>	<b>227,545</b>	<b>891,246</b>	<b>861,506</b>	<b>819,090</b>	<b>677,023</b>	<b>731,271</b>
<b>Total District-wide Program Revenues</b>	<b>2,094,673</b>	<b>1,938,234</b>	<b>2,041,029</b>	<b>980,046</b>	<b>1,073,843</b>	<b>1,839,506</b>	<b>1,740,700</b>	<b>1,920,781</b>	<b>1,823,013</b>	<b>1,810,289</b>
<b>Net (Expense) Revenue</b>										
Governmental Activities	(11,197,850)	(11,874,726)	(12,754,787)	(14,919,701)	(15,878,909)	(17,373,209)	(19,020,099)	(24,645,880)	(21,637,539)	(23,961,586)
Business-Type Activities	5,005	12,043	13,195	11,611	20,024	241,148	66,909	186,381	(34,421)	(146,602)
<b>Total District-Wide Net (Expense) Revenue</b>	<b>\$ (11,192,845)</b>	<b>\$ (11,862,683)</b>	<b>\$ (12,741,572)</b>	<b>\$ (14,908,089)</b>	<b>\$ (15,658,885)</b>	<b>\$ (17,132,062)</b>	<b>\$ (18,953,190)</b>	<b>\$ (24,459,299)</b>	<b>\$ (21,671,960)</b>	<b>\$ (24,108,488)</b>

Borough of Edgewater School District

Net Position By Component  
LAST TEN YEARS  
(Accrual Basis of Accounting)  
Unaudited

J-2  
Sheet 2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b><u>General Revenue and Other Changes in Net Positions</u></b>										
Governmental Activities										
Property Taxes - General Purpose, Net	\$ 11,411,111	\$ 11,666,842	\$ 11,741,879	\$ 12,154,377	\$ 12,739,891	\$ 14,254,469	\$ 15,632,668	\$ 16,582,328	\$ 18,153,303	\$ 18,665,192
Taxes Levied for Debt Service	726,687	730,728	663,320	2,392,641	1,854,451	1,067,270	1,731,143	1,878,556	1,878,700	1,888,284
Unrestricted Grants and Contributions	174,998	243,058	112,011	506,663	898,850	1,249,592	1,064,077	1,156,921	1,116,830	2,513,303
Interest and Miscellaneous Income	169,257	193,069	154,402	227,054	72,433	202,444	166,140	134,915	359,665	46,800
Unrecorded Prior Year Expenditures					(45,959)					
Cancellation of Grants Receivable				(75,275)						
Transfers					(20,240)					
<b>Total Governmental Activities General Revenues and Other Changes</b>	<b>12,482,053</b>	<b>12,833,697</b>	<b>12,671,612</b>	<b>15,207,460</b>	<b>15,499,426</b>	<b>16,773,775</b>	<b>18,594,028</b>	<b>19,752,720</b>	<b>21,510,297</b>	<b>23,143,579</b>
Business-Type Activities;										
Investment Earnings			94	70	71	75	380	587	979	-
Transfers										
<b>Total Business-type Activities General Revenues and Other Changes</b>				<b>70</b>	<b>71</b>	<b>75</b>	<b>380</b>	<b>587</b>	<b>979</b>	<b>-</b>
<b>Total District-Wide General Revenues and Other Changes in Net Position</b>	<b>12,482,053</b>	<b>12,482,053</b>	<b>12,833,697</b>	<b>15,207,530</b>	<b>15,499,497</b>	<b>16,773,850</b>	<b>18,594,408</b>	<b>19,753,307</b>	<b>21,511,276</b>	<b>23,143,579</b>
<b><u>Change in Net Positions</u></b>										
Governmental Activities										
	1,284,203	958,971	(83,155)	287,760	(177,483)	(599,435)	(426,071)	(4,892,949)	(127,242)	(818,007)
Business-type Activities										
	5,005	12,043	13,289	11,681	20,095	241,223	67,289	186,948	(33,442)	(146,902)
<b>Total District-wide Change in Net Position</b>	<b>\$ 1,289,208</b>	<b>\$ 971,014</b>	<b>\$ (69,866)</b>	<b>\$ 299,441</b>	<b>\$ (157,388)</b>	<b>\$ (358,212)</b>	<b>\$ (358,781)</b>	<b>\$ (4,706,001)</b>	<b>\$ (160,684)</b>	<b>\$ (964,909)</b>

Source: CAF Schedule A-2 and District records

Borough of Edgewater School District

Net Position By Component  
LAST TEN YEARS  
(Accrual Basis of Accounting)  
Unaudited

J-3

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund	\$ 3,047,027	\$ 3,327,262	\$ 3,299,978							
Reserved	298,837	575,348	408,884							
Unreserved										
Restricted				\$ 2,480,182	\$ 1,874,038	\$ 2,305,131	\$ 2,423,454	\$ 1,801,377	\$ 1,326,957	\$ 1,322,011
Assigned								7,768		12,104
Unassigned				451,141	513,081	421,614	291,138	328,673	408,808	200,271
Total General Fund	<u>\$ 3,345,864</u>	<u>\$ 3,902,610</u>	<u>\$ 3,708,862</u>	<u>\$ 2,931,323</u>	<u>\$ 2,387,119</u>	<u>\$ 2,726,745</u>	<u>\$ 2,714,589</u>	<u>\$ 2,128,050</u>	<u>\$ 1,743,531</u>	<u>\$ 1,534,386</u>
All Other Governmental Funds:										
Reserved			\$ 41,006							
Restricted for:										
Capital Projects Funds	\$ 283,291	\$ 194,423	28,455,235	\$ 23,807,614	\$ 4,229,338	\$ 725,563	\$ 339,108	\$ 52,566	\$ 152,025	\$ 68,337
Debit Service Fund	32,641	35,091	2,450	753,681	890,931	137,249			1	1
Unreserved (Deficit), reported in:										
Special Revenue Fund	(3,043)	(4,084)	(8,005)	(1,328)	(5,561)					(2,251)
Total All Other Governmental Funds	<u>\$ 312,889</u>	<u>\$ 225,430</u>	<u>\$ 28,490,686</u>	<u>\$ 24,559,967</u>	<u>\$ 5,114,708</u>	<u>\$ 862,812</u>	<u>\$ 339,108</u>	<u>\$ 52,566</u>	<u>\$ 152,028</u>	<u>\$ 66,087</u>
Total Governmental Funds	<u>\$ 3,658,753</u>	<u>\$ 4,128,040</u>	<u>\$ 32,199,548</u>	<u>\$ 27,491,290</u>	<u>\$ 7,501,827</u>	<u>\$ 3,589,557</u>	<u>\$ 3,053,698</u>	<u>\$ 2,180,616</u>	<u>\$ 1,895,557</u>	<u>\$ 1,600,473</u>

Source: CAFR Schedule B-1 and District records.

GASB #54 was implemented in the 2011 fiscal year, which required the presentation of fund balances to be reported in different classifications from those presented in prior years. Prior years have not been restated above.



**Borough of Edgewater School District**

Change in Fund Balances-Governmental Funds  
LAST TEN YEARS  
(Modified Accrual Basis of Accounting)  
Unaudited

J-4

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Tax Levy	\$ 12,137,798	\$ 12,397,570	\$ 12,405,199	\$ 14,547,018	\$ 14,594,342	\$ 15,321,739	\$ 17,363,811	\$ 18,460,884	\$ 20,032,003	\$ 20,583,476
Tuition Charges	34,029	47,695	66,649							
Interest Earnings	120,521	36,225	16,398	2,107	1,162	983	638	3,363	4,035	88
Miscellaneous	33,489	156,844	137,808	224,947	71,271	91,461	167,145	131,552	355,630	46,712
State Sources	1,838,823	1,764,271	1,493,351	1,070,741	1,488,599	1,999,152	1,772,050	2,012,841	1,747,057	3,114,859
Federal Sources	252,735	212,169	407,443	229,764	256,548	198,699	169,579	245,772	517,562	475,211
<b>Total Revenues</b>	<b>14,417,395</b>	<b>14,614,774</b>	<b>14,526,848</b>	<b>16,074,577</b>	<b>16,411,922</b>	<b>17,612,034</b>	<b>19,473,222</b>	<b>20,854,411</b>	<b>22,656,286</b>	<b>24,220,346</b>
<b>Expenditures</b>										
<b>Instruction:</b>										
Regular	1,921,058	2,284,748	2,476,753	2,554,507	2,568,775	2,785,103	2,869,575	3,455,434	3,715,804	4,257,917
Special	662,975	540,709	462,953	319,472	390,467	494,014	925,445	760,330	1,237,052	825,386
Other Special	238,665	247,679	392,477	362,812	301,240	283,047	257,317	343,610	253,286	202,252
Other Instruction	25,888	26,276	19,181	37,238	28,613		1,575	15,285	21,287	18,034
<b>Support Services:</b>										
Tuition	5,145,880	5,289,052	5,466,774	5,804,159	6,395,141	6,472,243	6,824,783	6,956,574	7,721,550	8,628,019
Student and Instruction Related Services	1,035,743	1,081,518	1,095,363	1,146,240	1,095,584	1,048,576	960,578	1,190,105	1,368,861	1,898,686
General Administrative Services	239,620	227,339	306,046	272,296	176,329	222,763	375,538	381,498	524,946	365,651
School Administrative Services	127,920	121,833	197,829	148,041	126,250	187,786	376,710	388,199	362,218	322,933
Central Services	165,461	181,043	202,034	211,917	223,365	267,408	275,941	276,972	282,140	278,403
Administrative Information Technology	57,642	54,984	59,223	77,318	66,052	108,061	12,778	11,219	6,050	4,555
Plant Operations and Maintenance	611,413	595,124	708,888	617,579	527,239	912,007	961,416	1,146,169	1,064,200	1,065,448
Pupil Transportation	802,120	866,775	904,391	896,193	955,617	1,020,663	1,298,761	1,431,702	1,494,738	1,466,841
Unallocated Benefits	1,476,214	1,471,438	1,653,241	1,635,813	1,956,309	2,141,430	2,380,351	2,799,533	2,301,158	3,064,896
Special Schools	9,372	2,501	13,676	13,050	14,231		12,080	3,675		
Transfer Funds to Charter Schools			72,114	78,454	38,042	22,431	8,867			
Capital Outlay	580,023	369,987	426,182	4,816,356	19,487,006	3,631,813	519,289	601,272	621,339	100,383
<b>Debt Service:</b>										
Principal	445,000	540,000	500,000	587,000	610,000	630,000	660,000	700,000	720,000	750,000
Interest and Other Charges	249,046	244,481	226,411	1,129,117	1,374,926	1,296,958	1,288,079	1,265,917	1,246,717	1,226,342
<b>Total Expenditures</b>	<b>13,794,040</b>	<b>14,145,487</b>	<b>15,183,536</b>	<b>20,707,560</b>	<b>36,335,187</b>	<b>21,524,304</b>	<b>20,009,082</b>	<b>21,727,493</b>	<b>22,941,345</b>	<b>24,475,746</b>
<b>Excess (Deficiency) of Revenue</b>										
<b>Over (Under) Expenditures</b>	<b>623,355</b>	<b>469,287</b>	<b>(656,688)</b>	<b>(4,632,983)</b>	<b>(19,923,265)</b>	<b>(3,912,269)</b>	<b>(535,859)</b>	<b>(873,081)</b>	<b>(285,059)</b>	<b>(255,401)</b>
<b>Other Financial Sources (Uses)</b>										
Transfers In	58,697	13,172	9,605	49,147		2,980	637	117	265,057	88
Transfers Out	(58,697)	(13,172)	(9,605)	(49,147)	(20,240)	(2,980)	(637)	(117)	(265,057)	(88)
Cancellation of Grant Receivable and Payables				(75,275)						(39,684)
Unrecorded Prior Year Expenditures					(45,959)					
Premium on Sale of Bonds	15,247		196							
Bond Proceeds	665,000		28,728,000							
<b>Total Other Financing Sources (Uses)</b>	<b>680,247</b>		<b>28,728,196</b>	<b>(75,275)</b>	<b>(66,199)</b>					<b>(39,684)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,303,602</b>	<b>\$ 469,287</b>	<b>\$ 28,071,508</b>	<b>\$ (4,708,258)</b>	<b>\$ (19,989,463)</b>	<b>\$ (3,912,269)</b>	<b>\$ (535,859)</b>	<b>\$ (873,081)</b>	<b>\$ (285,059)</b>	<b>\$ (295,085)</b>
<b>Debt Service as Percentage of Noncapital Expenditures</b>										
	5.5%	6.0%	4.9%	10.8%	11.8%	10.8%	10.0%	9.3%	8.7%	8.8%

Source: Borough of Edgewater School District Financial Reports.

See Independent Auditors' Report

**Borough of Edgewater School District**

General Fund - Other Local Revenue by Source  
**LAST TEN YEARS**  
*(Modified Accrual Basis of Accounting)*  
*Unaudited*

J-5

<u>Fiscal Year</u> <u>Ending June 30.</u>	<u>Tuition</u>	<u>Interest on</u> <u>Investments</u>	<u>Rental - Use</u> <u>of Facilities</u>	<u>Medical</u> <u>Contributions</u>	<u>Prior Year</u> <u>Reimbursements</u>	<u>Prior Year</u> <u>Voids</u>	<u>Club</u> <u>Fees</u>	<u>Other</u>	<u>Total</u>
2008	\$ 34,029	\$ 77,071	\$ 18,230					\$ 15,259	\$ 94,326
2009	47,695	23,053	30,000					126,844	144,589
2010	66,649	6,989	30,000					107,808	227,592
2011		68,934	10,000	\$ 53,625	\$ 18,206			74,182	211,446
2012		2,200			22,500			15,921	40,621
2013		5,136	15,000					22,356	42,492
2014		3,580		3,766				160,436	167,782
2015		3,363						131,426	134,789
2016		4,035	24,000		85,381	\$ 211,541	\$ 13,820	20,888	359,665
2017		88			1,056			45,568	46,712

Source: Borough of Edgewater School District records

## **REVENUE CAPACITY**

**Borough of Edgewater School District**

Assessed Value and Estimated Actual Value of Taxable Property  
LAST TEN YEARS  
Unaudited

J-6

Year Ended June 30	Land Vacant	Residential	Commercial	Industrial	Apartments	Total Assessed Value	Add Public Utilities*	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2008*	\$ 52,490,700	\$ 1,760,369,900	\$613,151,200	\$ 42,425,700	\$ 552,095,100	\$ 3,020,532,600	\$1,091,713	\$3,021,624,313	\$ 221,474,700	0.40	\$2,891,438,483
2009	49,105,400	1,786,728,700	618,395,300	42,425,700	511,108,800	3,007,763,900	1,150,145	3,008,914,045	221,474,700	0.41	2,908,422,685
2010	47,424,500	1,771,314,100	611,067,900	42,049,000	488,763,400	2,960,618,900	1,450,701	2,962,069,601	222,611,000	0.455	2,894,436,437
2011	45,227,200	1,463,121,400	581,383,500	30,204,400	478,473,100	2,598,409,600	1,259,173	2,599,668,773	211,990,500	0.561	2,821,205,491
2012	45,227,200	1,466,104,500	578,261,800	30,204,400	479,814,600	2,599,612,500	1,188,586	2,600,801,086	215,832,700	0.577	2,979,498,567
2013	53,129,100	1,483,198,300	572,208,300	25,614,400	489,200,000	2,623,350,100	1,342,815	2,624,692,915	215,825,000	0.616	3,015,344,943
2014	42,707,100	1,509,306,200	590,875,500	25,614,400	489,009,900	2,657,513,000	1,409,977	2,658,922,977	215,825,200	0.670	3,021,486,850
2015	60,858,500	1,570,040,600	605,247,900	25,614,400	480,777,600	2,742,539,000	1,597,567	2,744,136,607	217,951,600	0.711	3,141,467,580
2016	89,097,900	1,644,915,900	592,568,500	25,614,400	460,069,100	2,812,265,800	1,575,594	2,812,265,800	217,864,300	0.722	3,352,389,394
2017	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available

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.

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

<sup>b</sup> - Tax rates are per \$100 of assessed value.

\* - Revaluation effective in this year.

N/A - Not Provided

Source: Borough of Edgewater Tax Assessor.

**Borough of Edgewater School District**

Direct and Overlapping Tax Rates  
LAST TEN YEARS  
Unaudited  
(Rate per \$100 of Assessed Value)

J-7

Year Ended June 30,	Borough of Edgewater School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Borough of Edgewater	Bergen County	
2008	\$ 0.3761 *	\$ 0.0239 *	\$ 0.40 *	\$ 0.52 *	\$ 0.17	\$ 1.09
2009	0.3858	0.0242	0.41	0.56	0.18	1.15
2010	0.4307	0.0243	0.455	0.581	0.189	1.225
2011	0.4687	0.0923	0.561	0.70 **	0.219	1.480 *
2012	0.490	0.087	0.577	0.732	0.257	1.556
2013	0.543	0.073	0.616	0.740	0.267	1.626
2014	0.595	0.075	0.670	0.766	0.262	1.701
2015	0.624	0.087	0.711	0.771	0.278	1.755
2016	0.662	0.060	0.772	0.766	0.288	1.779
2017	0.665	0.067	0.717	0.774	0.309	1.800

Note: N.J.S.A. 18A:7F-5D limits the amount that the District can submit for a General Fund tax levy. The levy, when added to other components of the District's net budget, may not exceed the pre-budget year net budget by more than the spending growth limitation calculation.

<sup>a</sup> - The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

<sup>b</sup> - Rates for debt service are based on each year's requirements.

\* - Reflects revaluation of real property.

\*\* Includes Library

Source: Borough of Edgewater Tax Collector and School Business Administrator

**Borough of Edgewater School District**

Principal Property Taxpayers  
CURRENT YEAR  
Unaudited

J-8

	<u>2017</u>	
Taxpayer	<u>Taxable Assessed Valuation</u>	<u>% of Total District's Net Assessed Value</u>
Not available	Not available	Not available
Not available	Not available	Not available
Not available	Not available	Not available
Not available	Not available	Not available
Not available	Not available	Not available
Not available	Not available	Not available
Not available	Not available	Not available
Not available	Not available	Not available
Not available	Not available	Not available
Not available	Not available	Not available
Total	<u>\$ -</u>	<u>0.00%</u>

Source: Borough of Edgewater Tax Assessor.

**Borough of Edgewater School District**

Property Tax Levies and Collections  
LAST TEN YEARS  
Unaudited

J-9

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	<u>Collected Within the Fiscal Year of the Levy<sup>a</sup></u>			
		Amount	Percentage of Levy	Collections in Subsequent Years	
2008	\$ 12,137,798	\$ 12,137,798	100.00%	Not available	
2009	12,397,570	12,397,570	100.00%	Not available	
2010	12,405,199	12,405,199	100.00%	Not available	
2011	14,547,018	14,547,018	100.00%	Not available	
2012	14,594,342	14,594,342	100.00%	Not available	
2013	15,321,739	15,321,739	100.00%	Not available	
2014	17,363,811	17,363,811	100.00%	Not available	
2015	18,460,884	18,460,884	100.00%	Not available	
2016	20,282,952	20,282,952	100.00%	Not available	
2017	20,583,476	20,583,476	100.00%	Not available	

<sup>a</sup> - 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.

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

## **DEBT CAPACITY**



**Borough of Edgewater School District**

Ratios of Outstanding Debt by Type  
LAST TEN YEARS  
Unaudited

J-10

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Governmental Activities</u>		<u>Total District</u>	<u>Percentage of</u> <u>Personal</u> <u>Income<sup>a</sup></u>	<u>Per Capita<sup>b</sup></u>
	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Bond</u> <u>Anticipation</u> <u>Notes (BANs)</u>			
2008	\$ 6,632,000		\$ 6,632,000	1.04%	\$ 700.46
2009	6,092,000		6,092,000	0.94%	636.04
2010	34,320,000	\$ 1,000,000	35,320,000	5.42%	3,669.99
2011	33,733,000		33,733,000	4.44%	2,929.99
2012	33,123,000		33,123,000	4.19%	2,857.89
2013	32,383,000		32,383,000	4.03%	2,704.89
2014	31,723,000		31,723,000	3.70%	2,645.35
2015	31,023,000		31,023,000	3.44%	2,513.41
2016	30,653,000		30,653,000	3.30%	2,547.20
2017	29,553,000		29,553,000	N/A	N/A

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

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

Source: Borough of Edgewater School District Financial Reports.

**Borough of Edgewater School District**

Ratios of General Bonded Debt Outstanding  
LAST TEN YEARS  
Unaudited

J-11

Fiscal Year Ended <u>June 30,</u>	<u>General Bonded Debt Outstanding</u>		<u>Net General Bonded Debt Outstanding</u>	Percentage of Net Valuation <u>Taxable<sup>a</sup></u>	<u>Per Capita<sup>b</sup></u>
	<u>General Obligation Bonds</u>	<u>Deductions</u>			
2008	\$ 6,632,000		\$ 6,632,000	0.594%	\$ 700.46
2009	6,092,000		6,092,000	0.202%	636.04
2010	34,320,000		34,320,000	1.141%	3,566.08
2011	33,733,000		33,733,000	1.30%	2,929.99
2012	33,123,000		33,123,000	1.27%	2,857.89
2013	32,383,000		32,383,000	1.23%	2,704.89
2014	31,723,000		31,723,000	1.19%	2,645.35
2015	31,023,000		31,023,000	1.13%	2,513.41
2016	30,653,000		30,653,000	1.12%	2,547.20
2017	29,553,000		29,553,000	N/A	N/A

Note: Details regarding the District's outstanding debt can be found in the Notes to Financial Statements.

<sup>a</sup> - See J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

<sup>b</sup> - See J-14 for population data. This ratio is calculated using population for the prior calendar year.

Source: Borough of Edgewater School District Financial Reports.

**Borough of Edgewater School District**

Ratios of Overlapping Governmental Activities Debt  
As Of June 30, 2017

<u>Governmental Unit</u>	Unaudited		J-12
	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Edgewater	Not available	Not available	Not available
Bergen County General Obligation Debt			Not available
Total Overlapping Debt			Not available
Borough of Edgewater School District Direct Debt			Not available
Total Direct and Overlapping Debt			Not available
N/A			

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 are borne by residents and businesses of the Borough of Edgewater. This process recognizes that, when considering the District's ability to issue and repay long-term, 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 unit.

<sup>a</sup> - For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the District's boundaries and dividing it by each unit's total equalized property value.

Sources: Assessed value data used to estimate applicable percentages provided by the Bergen County Board of Taxation; debt outstanding data provided by each governmental unit.

**Borough of Edgewater School District**

Legal Debt Margin Information  
LAST TEN YEARS  
Unaudited

J-13

Legal Debt Margin Calculation for Fiscal Year 2017

Year	Equalized Valuation Basis
2016	\$ 2,813,841,394
2015	3,194,198,696
2014	<u>2,970,615,918</u>
	<u>\$ 8,978,656,008</u>
Average Equalized Valuation of Taxable Property	<u>\$ 2,992,885,336</u>
Debt Limit (2.5% of Average Equalization Value)*	\$ 74,822,133
Net Bonded School Debt as of December 31, 2016	<u>29,903,000</u>
Legal Debt Margin	<u>\$ 44,919,133</u>

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Limit	\$ 60,449,990	\$ 67,829,588	\$ 69,785,664	\$ 70,463,535	\$ 71,937,878	\$ 73,334,349	\$ 73,871,578	\$ 73,809,045	\$ 75,526,865	\$ 74,822,133
Total Net Debt Applicable to Limit	<u>6,632,000</u>	<u>6,092,000</u>	<u>34,320,000</u>	<u>33,733,000</u>	<u>33,123,000</u>	<u>32,383,000</u>	<u>31,723,000</u>	<u>31,023,000</u>	<u>30,653,000</u>	<u>29,903,000</u>
Legal Debt Margin	<u>\$ 53,817,990</u>	<u>\$ 61,737,588</u>	<u>\$ 35,465,664</u>	<u>\$ 36,730,535</u>	<u>\$ 38,814,878</u>	<u>\$ 40,951,349</u>	<u>\$ 42,148,578</u>	<u>\$ 42,786,045</u>	<u>\$ 44,873,865</u>	<u>\$ 44,919,133</u>
Total Net Debt applicable to the Limit as a Percentage of Debt Limit	15.44%	12.12%	10.97%	8.98%	49.18%	44.16%	42.94%	42.03%	40.59%	39.97%

\* - Limit set by N.J.S.A. 18A:24-19 for a K through 6 district; other % limits would be applicable for other districts.

Source: Equalized valuation bases were provided by the Annual Report of the State of New Jersey. Department of Treasury, Division of Taxation.

## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

**Borough of Edgewater School District**

Demographic and Economic Statistics  
LAST TEN YEARS  
Unaudited

J-14

<u>Year</u>	<u>Borough Population<sup>a</sup></u>	<u>Bergen County Per Capita Personal Income<sup>b</sup></u>	<u>Borough Personal Income<sup>c</sup></u>	<u>Borough Unemployment Rate<sup>d</sup></u>
2007	9,468	\$ 67,113	\$ 635,425,884	3.60%
2008	9,578	68,541	648,392,288	4.70%
2009	9,624	64,388	651,506,304	8.40%
2010	11,526	63,198 *	728,420,148	8.60%
2011	11,590	65,486	758,982,740	8.40%
2012	11,972	66,096	791,301,312	8.60%
2013	11,992	66,985	803,284,120	7.70%
2014	12,343	69,495	857,776,785	6.40%
2015	12,034	70,498	901,980,993	6.00%
2016	12,044	73,536	929,284,359	5.60%

\* - Latest Bergen County per capita personal income available (2013) was used for calculation purposes.

Source:

<sup>a</sup> - Population information provided by the US Department of Census - Population Division.

<sup>b</sup> - Per Capita Personal Income provided by the US Department of Commerce - Bureau of Economic Analysis

<sup>c</sup> - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

<sup>d</sup> - Unemployment data provided by the NJ Department of Labor and Workforce Development.

**Borough of Edgewater School District**

Principal Employers  
CURRENT YEAR AND  
TEN YEARS AGO  
Unaudited

J-15

2017			2008		
<u>Employer</u>	<u>Employees</u>	<u>% of Total Municipal Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>% of Total Municipal Employment</u>
*	*	*	*	*	*
*	*	*	*	*	*
*	*	*	*	*	*
*	*	*	*	*	*
*	*	*	*	*	*
*	*	*	*	*	*
*	*	*	*	*	*
*	*	*	*	*	*
*	*	*	*	*	*
*	*	*	*	*	*
*	*	*	*	*	*

NOTE:

The District was unsuccessful in its attempts to obtain information regarding the principal employers of the Borough of Edgewater.

\*Information not available

**Borough of Edgewater School District**

Full-Time Equivalent District Employees by Function/Program  
LAST TEN YEARS  
Unaudited

J-16

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Instruction</b>										
Regular	31.2	36.0	36.0	44.5	46.5	47.0	48.0	52.7	54.2	56.4
Special Education	4.0	4.0	4.0	6.0	6.0	8.0	8.0	8.6	8.6	9.6
Other Special Education	4.0	4.0	4.0	5.0	5.0	5.0	5.0			
Other Instruction	1.0	1.0	1.0	1.0	1.0	1.0	1.0	4.0	6.0	8.0
<b>Support Services:</b>										
Student & Instruction Related Services	5.5	5.5	5.5	6.5	6.5	6.5	7.0	29.1	28.0	27.0
General Administration Services	1.5	1.5	1.5	1.0	1.0	1.0	2.0	2.0	2.0	2.0
School Administration Services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	5.6	5.6	5.6
Central Services	3.0	3.0	3.0	3.5	3.5	4.0	5.0	3.8	3.0	3.0
Administration Information Technology	1.0	1.0	1.0	1.5	1.5	2.0	2.0	0.0	0.0	0.0
Plant Operations and Maintenance	5.0	5.0	5.0	5.0	5.0	12.5	14.0	14.0	12.5	12.5
Career Life Skills										
<b>Total</b>	<u>59.1</u>	<u>58.2</u>	<u>63.0</u>	<u>63.0</u>	<u>78.0</u>	<u>89.0</u>	<u>94.0</u>	<u>119.8</u>	<u>119.9</u>	<u>124.1</u>

Source: Borough of Edgewater District Personnel Records



## **OPERATING INFORMATION**

**Borough of Edgewater School District**

Operating Statistics  
LAST TEN YEARS  
Unaudited

J-17

Enrollment - Grades

Fiscal Year	Pre-K-6	7-12	Operating Expenditures <sup>a</sup>	Cost per Pupil <sup>b</sup>	Percentage Change	Teaching Staff <sup>c</sup>	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) <sup>d</sup>	Average Daily Attendance (ADA) <sup>d</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
2008	425	273	\$ 12,519,971	\$ 17,937	-4.78%	37	11.1:1	445	425	6.97%	95.51%
2009	488	269	12,991,019	17,161	-4.32%	36	13.56:1	486	463	9.21%	95.27%
2010	597	295	14,030,943	15,730	-8.34%	36	16.50:1	594	566	22.22%	95.29%
2011	628	325	14,197,062	14,897	-5.30%	44.5	14.11:1	618.8	590.8	4.42%	95.57%
2012	656	337	14,614,975	14,718	-1.20%	46.5	14.11:7	663.7	634.2	7.00%	95.50%
2013	780	343	15,717,584	13,996	-4.90%	47	16.3:1	764.8	731.3	15.00%	95.60%
2014	808	381	17,339,394	14,583	10.31%	48	16.8:1	865	826.5	13.07%	95.97%
2015	905	379	18,901,616	14,721	0.90%	53	17.1:1	907.4	867.1	4.90%	95.55%
2016	906	381	19,462,818	15,122	2.72%	54	16.8:1	905.9	870.2	0.00160%	96.06%
2017	903	372	22,398,661	17,568	16.17%	56	16.1:1	906.4	862.3	0.00067%	95.14%

Note: Enrollment based on annual October District count.

<sup>a</sup> - Operating expenditures equal total expenditures less debt service and capital outlay.

<sup>b</sup> - Cost per pupil represents operating expenditures divided by enrollment. This cost per pupil may be different from other cost per pupil calculations.

<sup>c</sup> - Teaching staff includes only full-time equivalents of certificated staff.

<sup>d</sup> - Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Source: Borough of Edgewater School District Records

**Borough of Edgewater School District**

School Building Information  
LAST TEN YEARS  
Unaudited

J-18

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b><u>District Building</u></b>										
<b><u>Elementary</u></b>										
George Washington School (2012):										
Square Feet	23,155	23,155	23,155	N/A	N/A	100,000	100,000	100,000	100,000	100,000
Capacity (students)	350	350	350	N/A	N/A	925	925	925	925	925
Enrollment	N/A	N/A	N/A	N/A	N/A	423	460	525	508	488
Eleanor Van Gelder School (1914):										
Square Feet	63,941	63,941	63,941	63,941	63,941	63,941	63,941	63,941	63,941	63,941
Capacity (students)	565	565	565	565	565	565	565	565	565	565
Enrollment	425	488	597	628	656	332	348	382	398	418

Number of Schools at June 30, 2017

Elementary = 2

Other =

N/A - Not Applicable.

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October District count.

Source: Borough of Edgewater School District Board office.

**Borough of Edgewater School District**  
 Schedule of Required Maintenance for School Facilities  
 LAST TEN YEARS  
 Unaudited

J-19

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

<u>School Facilities*</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
George Washington	\$	\$	\$	\$	\$	\$ 96,842	\$ 139,583	\$ 193,588	\$ 199,672	\$ 204,665
Eleanor Van Gelder	<u>135,138</u>	<u>132,590</u>	<u>247,936</u>	<u>187,657</u>	<u>178,050</u>	<u>118,775</u>	<u>149,585</u>	<u>82,966</u>	<u>86,266</u>	<u>89,403</u>
	<u>\$ 135,138</u>	<u>\$ 132,590</u>	<u>\$ 247,936</u>	<u>\$ 187,657</u>	<u>\$ 178,050</u>	<u>\$ 215,617</u>	<u>\$ 289,168</u>	<u>\$ 276,554</u>	<u>\$ 285,938</u>	<u>\$ 294,068</u>

\* - School facilities as defined under EFCFA (N.J.A.C. 6A:26-1-2 and N.J.A.C. 6:26-1.3).

Source: Borough of Edgewater School District Records

**Borough of Edgewater School District**

Insurance Schedule  
June 30, 2017  
Unaudited

J-20

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJ Schools Insurance Group:		
Property:		
Blanket Real and Personal Property Per Occurrence	\$ 45,000,000	\$ 5,000
Blanket Extra Expense	50,000,000	5,000
Blanket Valuable Papers	10,000,000	5,000
Flood Insurance:		
Zones A and V	25,000,000	500,000
All Other Zones	75,000,000	10,000
Earthquake Insurance	50,000,000	5,000
Demolition and Increased Cost of Construction	25,000,000	5,000
Electronic Data Processing:		
Blanket Hardware	250,000	1,000
Blanket Extra Expense	Included	1,000
Boiler and Machinery:		
Property Damage	100,000,000	5,000
Crime:		
Public Employee Dishonesty with Faithful Performance	500,000	1,000
Theft, Disappearance and Destruction:		
Loss of Money and Securities	25,000	500
Money Orders and Counterfeit Paper Currency	25,000	500
Forgery or Alteration	500,000	1,000
Computer Fraud	500,000	1,000
Comprehensive General Liability:		
Bodily Injury and Property Damage	16,000,000	1,000
Employee Benefit Liability	16,000,000	1,000
Automobile:		
Liability	16,000,000	
School Board Legal Liability - NJ Schools Insurance Group		
Group:		
School Leaders Errors and Omissions:		
Coverage A	16,000,000	5,000
Coverage B	100,000/300,000	5,000
Workers' Compensation and Employers' Liability - NJ Schools Insurance Group		
Association Insurance Group:		
Workers' Compensation	Statutory	
Employers' Liability	2,000,000	
Public Employees' Faithful Performance Blanket Position Bond- NJSBAIG		
Board Secretary	230,000	1,000
Treasurer	230,000	1,000

Source: Borough of Edgewater School District records.

## **SINGLE AUDIT SECTION**

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

Independent Auditors' Report

**The Honorable President and Members  
of the Board of Education  
Borough of Edgewater School District  
County of Bergen  
Edgewater, New Jersey**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Edgewater School District's, in the County of Bergen, New Jersey (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2017. Our report qualifies our opinion on the Governmental Activities because The State of New Jersey did not make available employer and nonemployer allocations nor pension amounts by employer and nonemployer relative to the State of New Jersey, Teachers' Pension and Annuity Fund for the District.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency, 2017-001.

**The Honorable President and Members  
of the Board of Education  
Borough of Edgewater School District**

Page 2

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

**Compliance and Other Matters**

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

**District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*PKF O'Connor Davies, LLP*

December 4, 2017  
Cranford, New Jersey

*John Lauria*

John Lauria, RMA, PSA  
Licensed Public School Accountant No. 208700



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

**Independent Auditors' Report**

**The Honorable President and Members  
of the Board of Education  
Borough of Edgewater School District  
County of Bergen  
Edgewater, New Jersey**

**Report on Compliance for Each Major State Program**

We have audited the Borough of Edgewater School District's, in the County of Bergen, New Jersey (the "District") compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2017. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the audit requirements of New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

**The Honorable President and Members  
of the Board of Education  
Borough of Edgewater School District**

Page 2

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

***Opinion on Each Major State Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

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

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

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

**The Honorable President and Members  
of the Board of Education  
Borough of Edgewater School District**

Page 3

**Purpose of this Report**

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

*PKF O'Connor Davies, LLP*

December 4, 2017  
Cranford, New Jersey

*John Lauria*

John Lauria, RMA, PSA  
Licensed Public School Accountant No. 208700

Borough of Edgewater School District

K-3  
Schedule A

Schedule of Expenditures of Federal Awards  
For The Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Federal FAIN Number	Award Amount	Grant Period	Balance, June 30, 2016			Cash Received	Budgetary Expenditures	Repayment of Prior Year Balance	Balance, June 30, 2017		
					(Accounts Receivable)	Unearned Revenue	Due To Grantor				(Accounts Receivable)	Unearned Revenue	Due To Grantor
U.S. Department of Education													
Passed - Through State of New Jersey													
Department of Education:													
Special Revenue Fund:													
Special Education Cluster:													
IDEA Part B	84.027	S027A150100	226,004	7/1/16-6/30/17			\$ 185,436	\$ (195,245)		\$ (9,809)			
IDEA Part B	84.027	S027A150100	275,214	7/1/15-6/30/16	\$ (16,952)		16,952						
IDEA Part B	84.027	S027A150100	196,607	9/1/13-8/31/14			\$ 95,491		\$ (95,491)				
IDEA Part B	84.027	S027A150100	186,678	9/1/12-8/31/13			26,260		(26,260)				
IDEA Preschool	84.173	S173A150114	7,225	7/1/16-6/30/17				2,967	(4,203)		(1,236)		
IDEA Preschool	84.173	S173A150114	9,150	7/1/15-6/30/16		\$ 488					\$ 488		
IDEA Preschool	84.173	S173A150114	8,418	9/1/13-8/31/14			6,670			(6,670)			
IDEA Preschool	84.173	S173A150114	13,943	9/1/12-8/31/13			2,442			(2,442)			
Subtotal of Special Education Cluster					(16,952)	488	130,863	205,355	(199,448)	(130,863)	(11,045)	488	
Title I, Part A	84.010	S010A150030	214,556	7/1/16-6/30/17				2,984	(219,838)		(216,854)		
Title I, Part A	84.010	S010A150030	234,333	9/1/13-8/31/14	(61,133)			61,133					
Title II, Part A	84.367	S367B150029	17,093	7/1/16-6/30/17					(17,000)		(17,000)		
Title II, Part A	84.367	S367B150029	23,736	7/1/15-6/30/16	(23,736)			20,000			(3,736)		
Title II, Part A	84.367	S367B150029	24,855	9/1/14-8/31/15			635					635	
Title III	84.365	S365A150030	14,493	7/1/16-6/30/17				9,000	(14,686)		(5,686)		
Title III	84.365	S365A150030	18,531	7/1/15-6/30/16	(18,531)			18,531					
Title III	84.365	S365A150030	18,284	9/1/13-8/31/14			11,485			(11,485)			
Title III	84.365	S365A150030	17,247	9/1/12-8/31/13			360			(360)			
Title III, Immigrant	84.365	S365A150030	11,225	7/1/16-6/30/17				29,107	(11,184)			17,923	
Title III, Immigrant	84.365	S365A150030	1,576	7/1/15-6/30/16	(1,576)			1,578					
Total Special Revenue Fund					(121,928)	1,123	142,706	347,686	(462,156)	(142,708)	(254,321)	19,046	
U.S. Department of Agriculture													
Passed-through State of New Jersey Department													
of Education:													
Enterprise Fund:													
Child Nutrition Cluster:													
Food Donation Program (NC)	10.550	171NJ304N1099	26,852	7/1/16-6/30/17				26,852	(26,852)				
School Breakfast Program	10.553	171NJ304N1099	1,875	7/1/16-6/30/17				1,753	(1,875)		(122)		
School Breakfast Program	10.553	161NJ304N1099	3,754	7/1/15-6/30/16	(230)			230					
National School Lunch Program	10.555	171NJ304N1099	65,264	7/1/16-6/30/17				60,906	(65,264)		(4,358)		
National School Lunch Program	10.555	171NJ304N1099	77,299	7/1/15-6/30/16	(4,908)			4,908					
Subtotal Child Nutrition Cluster					(5,138)			94,649	(93,991)		(4,480)		
Federal PB Lunch - Healthy Hunger-Free Kids Act of 2010	10.555	171NJ304N1099	4,922	7/1/16-6/30/17				4,578	(4,922)		(344)		
Total Enterprise Fund					(5,138)			99,227	(98,913)		(4,824)		
<b>Total Federal Financial Awards</b>					\$ (127,066)	\$ 1,123	\$ 142,706	\$ 448,913	\$ (561,069)	\$ (142,708)	\$ (259,145)	\$ 19,046	\$ -

Borough of Edgewater School District

Schedule of Expenditures of State Awards  
For The Year Ended June 30, 2017

State Grantor/Program Title	Grant or State Project Number	Award Amount	Grant Period	Balance, June 30, 2016			Repayment of Prior Year Balance	Balance, June 30, 2017			MEMO			
				(Accounts Receivable)	Due To	Cash		Budgetary	Unearned	Due To	Budgetary	Cumulative		
				Unearned Revenue	Grantor	Received		Expenditures	Revenue	Grantor	Receivable	Expenditures		
<b>New Jersey State Department of Education:</b>														
<b>General Funds:</b>														
Special Education Categorical Aid	495-034-5120-089	\$ 476,311	7/1/16-6/30/17			\$ 451,853	\$ (476,311)				\$ (24,458)	\$ (476,311)		
Transportation Aid	495-034-5120-014	136,664	7/1/16-6/30/17			129,647	(136,664)				(7,017)	(136,664)		
Security Aid	495-034-5120-057	45,596	7/1/16-6/30/17			43,256	(45,596)				(2,341)	(45,596)		
Supplemental Enrichment Growth Aid	495-034-5120-085	255,143	7/1/16-6/30/17			242,042	(255,143)				(13,101)	(255,143)		
Under Adequacy Aid	495-034-5120-000	21,476	7/1/16-6/30/17			20,373	(21,476)				(1,103)	(21,476)		
PARCC Readiness Aid	495-034-5120-044	13,300	7/1/16-6/30/17			12,617	(13,300)				(683)	(13,300)		
Per Pupil Growth Aid	495-034-5120-044	13,300	7/1/16-6/30/17			12,617	(13,300)				(683)	(13,300)		
Professional Learning Community Aid	495-034-5120-101	13,570	7/1/16-6/30/17			12,873	(13,570)				(697)	(13,570)		
Non-Public School Transportation	495-034-5095-014	20,358	7/1/16-6/30/17			(20,358)			\$ (20,358)			(20,358)		
Extraordinary Aid	495-034-5120-044	100,000	7/1/16-6/30/17				(112,947)		(112,947)			(112,947)		
Special Education Categorical Aid	495-034-5120-089	487,053	7/1/16-6/30/16	\$ (9,108)		9,108								
Transportation Aid	495-034-5120-014	113,998	7/1/16-6/30/16	(11,400)		11,400								
Security Aid	495-034-5120-057	40,295	7/1/16-6/30/16	(4,030)		4,030								
Supplemental Enrichment Growth Aid	495-034-5120-085	255,143	7/1/16-6/30/16	(25,514)		25,514								
Under Adequacy Aid	495-034-5120-000	21,476	7/1/16-6/30/16	(2,147)		2,147								
PARCC Readiness Aid	495-034-5120-044	13,300	7/1/16-6/30/16	(1,330)		1,330								
Per Pupil Growth Aid	495-034-5120-044	13,300	7/1/16-6/30/16	(1,330)		1,330								
Non-Public School Transportation	495-034-5095-014	17,847	7/1/16-6/30/16	(17,847)		17,847								
Extraordinary Aid	495-034-5120-044	150,795	7/1/16-6/30/16	(150,795)		150,795								
TPAF Social Security Aid	495-034-5095-002	373,521	7/1/16-6/30/17			373,521	(373,521)					(373,521)		
TPAF Social Security Aid	495-034-5095-002	359,851	7/1/16-6/30/16	(18,073)		18,073								
<b>On-Behalf TPAF Contributions:</b>														
Pension Benefit Contributions	495-034-5095-006	511,820	7/1/16-6/30/17			511,820	(511,820)					(511,820)		
Post Retirement Medical Contributions	495-034-5095-001	426,463	7/1/16-6/30/17			426,463	(426,463)					(426,463)		
<b>Total General Funds</b>				<u>(241,574)</u>		<u>2,478,655</u>	<u>(2,420,469)</u>		<u>(133,305)</u>		<u>(50,063)</u>	<u>(2,420,469)</u>		
<b>Special Revenue Funds:</b>														
Preschool Education Aid	495-034-5120-086	137,232	7/1/10-6/30/11		47,257		(47,257)					(47,257)		
Preschool Education Aid	495-034-5120-086	133,420	7/1/11-6/30/12		82,916		(82,916)					(82,916)		
Preschool Education Aid	495-034-5120-086	7,768	7/1/12-6/30/13		7,768		(7,768)					(7,768)		
Preschool Education Aid	495-034-5120-086	279,020	7/1/13-6/30/14		279,020		(279,020)					(279,020)		
Preschool Education Aid	495-034-5120-086	368,712	7/1/14-6/30/15		363,278		(153,652)		\$ 209,626			(153,652)		
Preschool Education Aid	495-034-5120-086	43,846	7/1/16-6/30/17			43,846			43,846		(2,251)			
Safety Grant	Not available	3,421	7/1/16-6/30/17			3,421			3,421					
<b>NJ Nonpublic Aid:</b>														
Textbook Aid	100-034-5120-064	1,153	7/1/16-6/30/17			1,153	(1,153)					(1,153)		
Textbook Aid	100-034-5120-064	971	7/1/15-6/30/16		\$ 72				\$ (72)					
Security Aid	100-034-5120-084	1,000	7/1/16-6/30/17			1,000					\$ 1,000			
<b>Auxiliary Services:</b>														
Compensatory Education	100-034-5120-057	8,271	7/1/16-6/30/17			6,271					6,271			
Compensatory Education	100-034-5120-067	5,922	7/1/15-6/30/16		5,922		(5,922)							
English as a Second Language	100-034-5120-067	3,654	7/1/16-6/30/17			3,654	(1,096)				2,558	(1,096)		
<b>Handicapped Services:</b>														
Corrective Speech	100-034-5120-066	3,534	7/1/16-6/30/17			3,534	(972)				2,562	(972)		
Corrective Speech	100-034-5120-066	3,177	7/1/15-6/30/16		1,672		(1,672)							
Technology	100-034-5120-071	520	7/1/16-6/30/17			520	(520)					(520)		
Technology	100-034-5120-071	442	7/1/15-6/30/16		442		(442)							
Nursing Services	100-034-5120-070	1,800	7/1/16-6/30/17			1,800	(117)				1,683	(117)		
Nursing Services	100-034-5120-070	1,530	7/1/15-6/30/16		300		(300)							
<b>Total Special Revenue Funds</b>				<u>780,239</u>	<u>8,408</u>	<u>65,199</u>	<u>(574,471)</u>		<u>(8,408)</u>		<u>256,893</u>	<u>14,074</u>	<u>(2,251)</u>	<u>(574,471)</u>
<b>Debt Service Fund:</b>														
Debt Service Aid	495-034-5120-125	68,058	7/1/16-6/30/17			68,058	(68,058)					(68,058)		
						68,058	(68,058)					(68,058)		
<b>New Jersey State Department of Education:</b>														
<b>Capital Projects Fund:</b>														
NJ Schools Development Authority	Not available	176,500	7/1/14-Completion	(136,816)			(29,336)		(166,152)			(29,336)		
				(136,816)			(29,336)		(166,152)			(29,336)		
<b>New Jersey State Department of Agriculture:</b>														
<b>Enterprise Fund:</b>														
State School Lunch Program (state share)	100-010-3350-023	3,502	7/1/16-6/30/17			3,258	(3,502)		(244)			(3,502)		
State School Lunch Program (state share)	100-010-3350-023	3,539	7/1/15-6/30/16	(237)		237								
<b>Total Enterprise Funds</b>				<u>(237)</u>		<u>3,495</u>	<u>(3,502)</u>		<u>(244)</u>			<u>(3,502)</u>		
<b>Total State Awards</b>				<u>\$ 401,612</u>	<u>\$ 8,408</u>	<u>\$ 2,635,407</u>	<u>\$ (3,115,836)</u>		<u>\$ (8,408)</u>	<u>\$ (209,701)</u>	<u>\$ 256,893</u>	<u>\$ 14,074</u>	<u>\$ (62,334)</u>	<u>\$ (3,115,836)</u>
<b>State Financial Assistance Not Subject to Single Audit Determination</b>														
<b>On-Behalf TPAF Contributions:</b>														
Pension Benefit Contributions	495-034-5095-006	511,820	7/1/16-6/30/17			511,820	(511,820)							
Post Retirement Medical Contributions	495-034-5095-001	426,463	7/1/16-6/30/17			426,463	(426,463)							
				<u>\$ 401,612</u>	<u>\$ 8,408</u>	<u>\$ 1,697,124</u>	<u>\$ (2,177,953)</u>		<u>\$ (8,408)</u>	<u>\$ (209,701)</u>	<u>\$ 266,893</u>	<u>\$ 14,074</u>	<u>\$ (62,334)</u>	<u>\$ (3,115,836)</u>

Borough of Edgewater School District

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

Year ended June 30, 2017

**1. General**

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

**2. Basis of Accounting**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the enterprise funds, which are 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 basis 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 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some 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 or 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 fiscal year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

Borough of Edgewater School District

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

Year ended June 30, 2017

**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 two state aid payments in the current year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payments 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 \$50,083 for the general fund and \$2,251 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		\$ 2,425,245	\$ 2,425,245
Special Revenue	\$ 475,211	571,860	1,047,071
Capital Project Fund		29,336	29,336
Debt Service Fund		88,058	88,058
	<u>\$ 475,211</u>	<u>\$ 3,114,499</u>	<u>\$ 3,589,710</u>

**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.

Borough of Edgewater School District

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

Year ended June 30, 2017

**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 for TPAF members for the year ended June 30, 2017.

The post-retirement pension, medical and disability insurance benefits received on behalf of the District for the year ended June 30, 2017 amounted to \$938,283. Since on-behalf post retirement, medical and disability insurance benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB Circular 15-08, however they are reported on the Schedule of Expenditures of State Financial Assistance, as directed by the funding agency.

**6. Indirect Costs**

The District did not use the 10% de minimis indirect cost rate.



Borough of Edgewater School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2017

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

**Financial Statements Section**

Type of auditors' report issued: Qualified

Internal control over financial reporting:

Are any material weaknesses identified?            Yes   X   No

Are any significant deficiencies identified?   X   Yes            None Reported

Is any noncompliance material to financial statements noted?            Yes   X   No

**State Awards Section**

Internal control over major state programs:

Are any material weaknesses identified?            Yes   X   No

Are any significant deficiencies identified?            Yes   X   None reported

Type of auditors' report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 15-08?            Yes   X   No

Borough of Edgewater School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2017

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

**State Awards Section (continued)**

Identification of major state programs:

GMIS/Program Number	Name of State Program or Cluster
	State Aid Cluster:
495-034-5120-078	Equalization Aid
495-034-5120-089	Special Education Categorical Aid
495-034-5120-083	Educational Adequacy Aid
495-034-5120-084	Security Aid
495-034-5120-097	Per Pupil Growth Aid
495-034-5120-098	PARCC Readiness Aid
495-034-5120-101	Professional Learning Community Aid
495-034-5120-086	Reimbursed TPAF Social Security Contributions

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

\$750,000

Auditee qualified as low-risk auditee?

           Yes      X                         No

Borough of Edgewater School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2017

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

Significant Deficiency in Internal Control

**2017-01**

*Criteria:*

Timely and accurate financial reporting is an important element of the District's control environment. Financial reporting provides the foundation for financial analysis, a critical component needed to be able to respond timely to financial related issues.

*Condition:*

The District did not maintain a general ledger that was in agreement with the District's subsidiary records nor were entries made in a timely manner. Balances in the general ledger were not examined or reconciled to detailed analyses on an ongoing basis. In addition to internal controls over financial reporting, the District did not maintain budgetary controls resulting in noncompliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality.

*Context:*

Management's preparation and review of the financial statements and related supporting schedules in regard to accounts receivable, accounts payable and interfunds were not performed timely and consistently. The District did not expend funds in accordance with appropriations established by the approved budget resulting in over-expenditures being identified despite the Board Secretary's monthly certification to the contrary (N.J.A.C. 6A:23A-16.10). In addition, the District did not allocate expenditures to the correct fund in a timely manner in certain instances.

*Cause and Effect:*

As a result, the District's financial records for the year ending June 30, 2017 were not finalized until months after fiscal year end and financial information provided throughout the year may not have accurately reflected the financial activity of the District. A large number of adjusting journal entries were needed to ensure the completeness and accuracy of the financial statements at year end.

Borough of Edgewater School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2017

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

*Recommendation:*

That the District maintain a general ledger accounting record that is reconciled monthly to other subsidiary records. The District should also strengthen controls to ensure accurate and timely posting of the financial activity for the fiscal period so that actions can be taken and informed decisions can be made in a timely manner. Approved budgetary line accounts should not be over-expended. The Board Secretary should not approve the issuance of purchase orders that would cause over-expenditure in the line account to be charged, prior to the board approving the requested transfer of additional appropriations to cover such orders. The Board Secretary should file monthly certifications of the budgetary line item status which are consistent with the actual budgetary records.

*View of Responsible Officials and Planned Corrective Action:*

District management concurs with the finding and will develop a corrective action plan in response to the recommendation above.

Borough of Edgewater School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2017

**Part III – Schedule of Federal and State Award Findings and Questioned Costs**

No state financial assistance program compliance findings or questioned costs were noted that are required to be reported in accordance with New Jersey OMB Circular Letter 15-08.

Borough of Edgewater School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2017

**Part III – Schedule of Federal and State Award Findings and Questioned Costs**

No prior year findings were noted.