

**BOROUGH OF LAWNSIDE
SCHOOL DISTRICT
LAWNSIDE, NEW JERSEY**



The Pride and Respect School

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2017

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INTRODUCTORY SECTION

LAWNSIDE SCHOOL DISTRICT
BOARD OF EDUCATION
426 CHARLESTON AVENUE
LAWNSIDE, NEW JERSEY 08045

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SUPERINTENDENT
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FAX: 856-310-0901
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The Pride and Respect School

DAWN LEARY
BUSINESS ADMINISTRATOR
856-547-2585
FAX: 856-547-3865
dleary@lawnside.k12.nj.us

November 20, 2017

Honorable President and
Members of the Board of Education Lawnside School District
County of Camden, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Lawnside School District (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 (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 financial position and results of operations of the various funds 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 letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditor's report on compliance and internal control over financial reporting and administrative findings – financial, compliance and performance is included in the single audit section of this report.

1. REPORT ENTITY AND ITS SERVICES: The Lawnside School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board Statement (GASB) as established by GASB Statement No. 14. All funds of the District are included in this report. The Lawnside Board of Education and its school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through eight. These include regular as well as special education for handicapped students. In addition to the classroom teachers, other professional and support staff is employed to meet the needs of the pupils we serve. The District completed the 2016-2017 fiscal year with an enrollment of 318 students, which is an increase over the previous year's enrollment. The table on the following page details the changes in student enrollment over the past ten years.

1. REPORT ENTITY AND ITS SERVICES (CONT'D):

STUDENT ENROLLMENT

<u>FISCAL YEAR</u>	<u>STUDENT ENROLLMENT</u>	<u>PERCENT CHANGE</u>
2016-2017	318	0.32%
2015-2016	317	10.84
2014-2015	286	0.35
2013-2014	285	1.42
2012-2013	281	1.44
2011-2012	277	4.53
2010-2011	265	5.16
2009-2010	252	(15.43)
2008-2009	298	(1.65)
2007-2008	303	(2.31)

2. ECONOMIC CONDITION AND OUTLOOK: The Borough of Lawnside encompasses an area of approximate 1.5 square miles. The Borough is primarily a residential community with limited ratables, therefore the financial support for the school district is primarily the responsibility of homeowners.

At the April, 2010 election, voters approved a referendum to build two classrooms and renovate both educational and non-educational areas in the Lawnside Public School. Bonds in the principal amount of \$2,900,000 were issued October, 2010.

The School District will continue to face difficult economic challenges as mandated expenditures continue to increase, property tax revenue is limited due to the 2% cap and state aid decreases or remains flat. The School District's administration will closely monitor the cost of operations and to look for new funding sources in order to maintain the educational services that the School District has been providing and that the students deserve.

3. MAJOR INITIATIVES: During the 2016-2017 school year, the District concentrated on the following areas:

- Professional Development
- Student Achievement
- Technology Parent Involvement

A variety of professional development opportunities were made available to the staff throughout the 2016-2017 school year. Those opportunities, included but were not limited to, a series of workshops conducted by an outside consultant, Global Institute for Maximizing Potential, Inc. The workshops focused on an analysis of data to drive the decision-making process for improving instruction throughout the Mathematics and Language Arts curriculums. Additionally, staff members and administrators were encouraged to attend workshops conducted on the county and state levels. Teachers and administrators utilized a collaborative approach in identifying best practices aimed at implementing successful instructional methodologies in preparation for the state-mandated assessments. Common planning periods for staff members allowed for collaboration among the various grade levels. An annual review of the K-8 "Pacing Charts" was conducted to ensure proper alignment in the areas of Mathematics and Language Arts and transition to the newly adopted Common Core Content Standards. Professional Development opportunities utilizing the Global Compliance Network (www.gcctraining.com) were also conducted during the 2016-2017 school year. Additional educational collaboration occurred between the Lawnside, Haddon Heights, and Barrington School Districts.

3. MAJOR INITIATIVES (CONT'D): Due to the collaborative efforts of the teachers and Global Institute, the District made incremental progress in student achievement. The District has rewritten the Science and Social Studies curriculums to further align them to the New Jersey Core Curriculum Content Standards. All teachers were encouraged to offer a differentiated instructional approach to address each student's individual academic needs.

All staff members are required to utilize technology in their classrooms to enhance daily instruction. Teachers were required to submit their lesson plans via e-mail during the 2016-2017 school year. Additionally, the Response To Intervention (RTI) program READ 180 was implemented within the District in grades 3-8 to address the reading needs of students. The District utilized the Study Island and Write to Learn on-line assessment programs in the areas of Mathematics and Language Arts during the school year. Furthermore, staff received data to drive instruction within the classroom using the Measures of Academic progress (MAP) assessments during the 2016-2017 school year.

Parental involvement continued to be a key factor in the quest to improve student achievement. Several parent oriented activities occurred in collaboration with the local and state PTA including but not limited to McDonald's, Wendy's, and Arby's nights, Family Arts Night, Wellness Day and the Annual June Jamboree. Activities such as; Open House, Back to School Night, Awards assemblies, Mock Test Night, Public Speaking Contests, and Parents' Night Out were conducted throughout the school year to improve parental involvement and community relations. The District's Parent-Teacher Association was instrumental in strengthening the relationship between the school and the community at-large. The staff worked collaboratively with the PTA by actively offering presentations/workshops during the monthly Parent-Teacher Association meetings. Additionally, the PTA conducted three Scholastic Book Fairs during the school year to increase the amount of literature for students in their homes.

During the 2016-2017 school year, the District offered the following extra-curricular activities; Junior Honor Society, Yearbook, Safety Patrol, Art Club, and various eighth grade activities. Additional collaboration has been implemented between the School District and several local faith-based organizations to focus on academic and social development. Participants in the program were selected on the basis of academic, social, and emotional needs. All supplemental educational programs focused on improving student achievement on the state-mandated assessments. Other volunteer oriented programs will be sought for the 2017-2018 school year.

4. INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure statements in conformity with generally accepted accounting principles (GAAP).

The internal control structure 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 financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management.

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

5. 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 approved budget. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as assigned fund balance at June 30, 2017.

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

7. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 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.

8. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, and fidelity bonds. The Board participates in the New Jersey School Boards Association Insurance Group for workers compensation insurance.

9. OTHER INFORMATION: State statutes require an annual audit by independent certified public accounts or registered municipal accounts. The accounting firm of Bowman & Company LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act and the related Uniform Guidance and State of New Jersey Circular 15-08 OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's report related specifically to the single audit are included in the single audit section of this report.

10. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Lawnside Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,



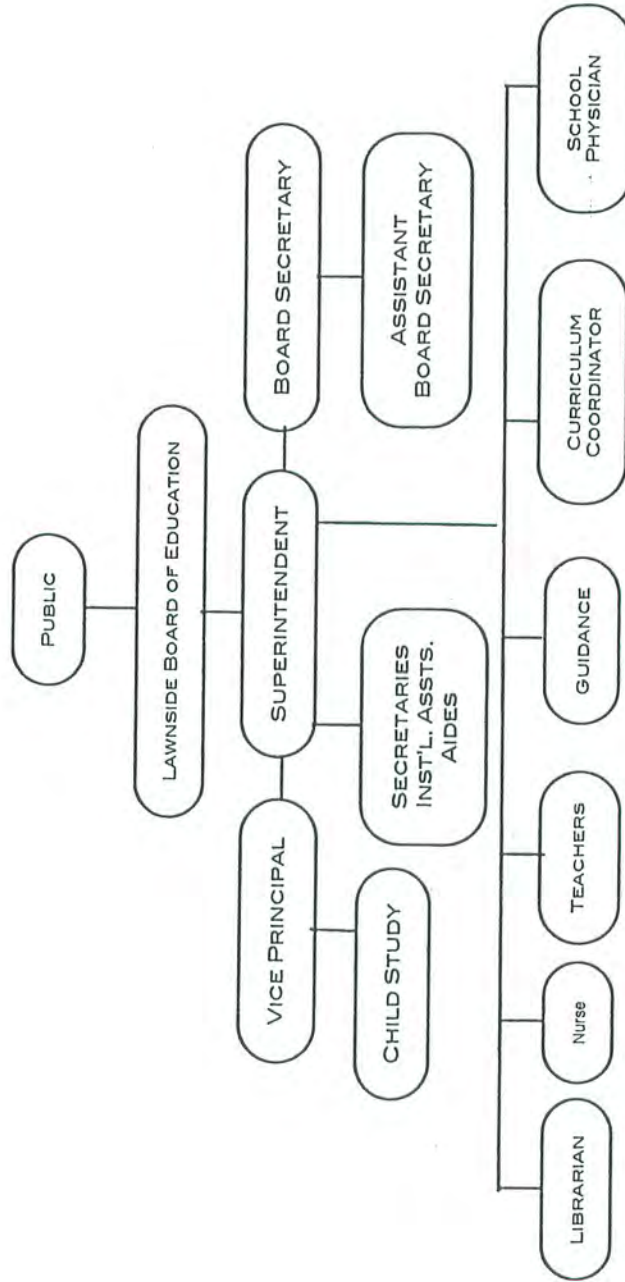
Dr. Ronn H. Johnson
Superintendent



Dawn Leary
Business Administrator/
Board Secretary

Lawnside School District

Organizational Chart



**BOROUGH OF LAWNSIDE
BOARD OF EDUCATION
LAWNSIDE, NEW JERSEY**

**ROSTER OF OFFICIALS
June 30, 2017**

Members of the Board of Education

Term Expires

Sabrina Forrest, President	2018
Amy Pierce, Vice President	2017
William Jordan	2018
Amy Kearney	2019
Shamyran Thomas	2017
Donica Venable	2019
Donza Worlds	2019
Marsharee Wright	2018
India Criss	2017

Other Officials

Dr. Ronn H. Johnson, Superintendent
Ms. Dawn Leary, Board Secretary/Business Administrator
Nancy McCabe, Treasurer
Amy Guerin, Esq. Solicitor

**BOROUGH OF LAWNSIDE
BOARD OF EDUCATION**

Consultants and Advisors

Audit Firm

**Bowman & Company LLP
601 White Horse Road
Voorhees, NJ 08043**

Attorney

**Amy R. Guerin, Esquire
Parker McCay
9000 Midlantic Drive
Suite 300
Mount Laurel, NJ 08054**

Broker of Record

**Public Risk Group
528 Meadowyck Lane
Southampton, NJ 08088**

Official Depository

**BB&T Bank, N.A.
305 White Horse Pike
Lawnside, NJ 08045**

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Lawnside School District
Lawnside, 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 Lawnside School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Administration and 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the School District's proportionate share of the net pension liability, and schedule of the School District's contributions, as listed 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 Borough of Lawnside School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, statistical section and schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of state financial assistance, as required by State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying combining statements and related major fund supporting statements and schedules and 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 accompanying combining statements and related major fund supporting statements and schedules and 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 introductory section and statistical section listed in the table of contents 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 November 20, 2017 on our consideration of the Borough of Lawnside School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Borough of Lawnside School District's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Kirk N. Applegate
Certified Public Accountant
Public School Accountant No. 20CS00223300

Voorhees, New Jersey
November 20, 2017

**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 AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Lawnside School District
Lawnside, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Lawnside School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Lawnside School 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Lawnside School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* as finding no. 2017-002 to be a material weakness.

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 deficiencies described in the accompanying *Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* as findings no. 2017-001, 2017-003, 2017-004, and 2017-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Lawnside School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, and which are described in the accompanying *Schedule of Findings and Questioned Costs* and *Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* as findings no. 2017-003, 2017-004, and 2017-005.

The Borough of Lawnside School District's Response to Findings

The Borough of Lawnside School District's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities, in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Kirk N. Applegate
Certified Public Accountant
Public School Accountant No. 20C00223300

Voorhees, New Jersey
November 20, 2017

REQUIRED SUPPLEMENTARY INFORMATION
PART I

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The management's discussion and analysis of the Borough of Lawnside School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal years ended June 30, 2017 and 2016. The intent of the discussion and analysis is to look at the School District's financial performance and review the notes to the basic financial statements to enhance the understanding of the School District's financial performance. It is recommended that the discussion and analysis be read in conjunction with a transmittal letter at the front of this financial report.

FINANCIAL HIGHLIGHTS

Financial Highlights for fiscal year 2017:

- Net Position at June 30, 2017 for governmental and business-type activities amounted to \$3,554,441 and \$121,214 respectively.
- The School District's General Fund balance increased to \$1,034,786 as of June 30, 2017 from \$986,942 as of June 30, 2016, an increase of \$47,844.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the School District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations *in more detail* than the government-wide statements.
- *Governmental funds* statements tell how basic services like regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the School District operates *like businesses*, such as its food services program.
- *Fiduciary funds* statements provide information about the financial relationships in which the School District acts solely as a *trustee or agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by the private-sector companies. The statement of net position includes all of the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School District's net position and how they have changed. Net position – the difference between the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – are one way to measure the School District's financial health or position.

- Increase or decrease in the School District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health or position of the School District, you need to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental activities* – The basic services, such as instruction for regular and special education, maintenance and operations, transportation and administration are included as government activities. Property taxes, state aid and fund balance appropriated finance most of these activities.
- *Business-type activities* – The School District charges fees to cover the costs of certain services such as food service.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on the significant funds – not the School District as a whole. Funds are used by the School District to keep track of specific sources of funding and spending on particular programs:

- May distinguish state or federal grants.
- Funds for capital projects and long-term debt.

The School District has three kinds of funds:

- *Governmental funds* – The School District's basic services are included in the governmental funds, which detail cash and other financial assets and also identify balances that remain at year-end. Governmental funds statements provide a short-term view to determine whether more or less financial resources can be spent in subsequent years.
- *Proprietary fund* – This fund represents charges or fees for such activities as food service.
- *Fiduciary funds* – The School District is the trustee for assets that belong to others. The student activities fund includes clubs, classes, athletic and scholarship funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. These funds are not included in the government-wide financial statements since the School District is not permitted to use these assets in the School District operation.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table presents a summary of the School District's net position for the fiscal years ended June 30, 2017 and June 30, 2016:

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 1,149,078	\$ 1,136,672	\$ 85,943	\$ 73,550	\$ 1,235,021	\$ 1,210,222
Capital Assets	<u>6,194,437</u>	<u>6,417,503</u>	<u>40,419</u>	<u>36,172</u>	<u>6,234,855</u>	<u>6,453,675</u>
Total Assets	<u>7,343,515</u>	<u>7,554,175</u>	<u>126,362</u>	<u>109,722</u>	<u>7,469,876</u>	<u>7,663,897</u>
Deferred Outflow of Resources - Related to Pensions	<u>800,871</u>	<u>536,181.00</u>	<u>-</u>	<u>-</u>	<u>800,871</u>	<u>536,181</u>
Long-term Liabilities Outstanding	4,239,993	3,896,328			4,239,993	3,896,328
Other Liabilities	<u>349,951</u>	<u>363,054</u>	<u>5,148</u>	<u>3,244</u>	<u>355,099</u>	<u>366,298</u>
Total Liabilities	<u>4,589,944</u>	<u>4,259,382</u>	<u>5,148</u>	<u>3,244</u>	<u>4,595,092</u>	<u>4,262,626</u>
Deferred Inflow of Resources - Related to Pensions	<u>-</u>	<u>23,682.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,682</u>
Net Investment in Capital Assets	3,819,437	3,917,503	40,419	36,172	3,859,855	3,953,675
Restricted	684,700	649,175			684,700	649,175
Unrestricted (Deficit)	<u>(949,696)</u>	<u>(759,385)</u>	<u>80,795</u>	<u>70,306</u>	<u>(868,901)</u>	<u>(689,080)</u>
Total Net Position	<u>\$ 3,554,441</u>	<u>\$ 3,807,293</u>	<u>\$ 121,214</u>	<u>\$ 106,478</u>	<u>\$ 3,675,655</u>	<u>\$ 3,913,770</u>

This is the third year of implementation for Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. The table below provides an illustration of the impact of the School District's Net Position for the implementation of GASB 68.

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Deferred Outflow s Related to Pensions	\$ 800,871	\$ 536,181	\$ 264,690	49.37%
Less: Net Pension Liability	(1,964,917)	(1,472,943)	(491,974)	33.40%
Less: Deferred Inflow s Related to Pensions	<u>-</u>	<u>(23,682)</u>	<u>23,682</u>	<u>-100.00%</u>
	<u>\$ (1,164,046)</u>	<u>\$ (960,444)</u>	<u>\$ (203,602)</u>	<u>21.20%</u>

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONT'D)

The School District's Net Position for governmental and business-type activities decreased by \$230,382 from July 1, 2016 to June 30, 2017. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 24,329	\$ 37,770	\$ (13,441)	-35.59%
Operating Grants and Contributions	2,453,263	1,771,846	681,418	38.46%
General Revenues:				
Property Taxes	4,472,331	4,392,531	79,800	1.82%
Federal and State Aid not Restricted	3,817,968	3,740,025	77,944	2.08%
Miscellaneous Income	54,248	31,649	22,598	71.40%
Total Revenues	<u>10,822,140</u>	<u>9,973,821</u>	<u>848,319</u>	<u>8.51%</u>
Expenses:				
Instruction:				
Regular	1,990,019	1,876,142	113,877	6.07%
Special Education	300,278	461,294	(161,016)	-34.91%
Other Instruction	74,572	130,997	(56,425)	-43.07%
Support Services:				
Tuition	2,371,966	2,605,891	(233,925)	-8.98%
Student and Instruction Related Services	916,227	1,021,566	(105,339)	-10.31%
School Administrative Services	444,301	425,534	18,767	4.41%
Other Administrative Services	141,601	156,035	(14,434)	-9.25%
Plant Operations and Maintenance	567,525	590,951	(23,425)	-3.96%
Pupil Transportation	671,010	404,629	266,381	65.83%
Unallocated Benefits	2,896,602	1,777,258	1,119,345	62.98%
Interest on Long-Term Debt	85,031	88,781	(3,750)	-4.22%
Assessment for Debt Service on SDA Funding	34,985	34,985		0.00%
Transfer to Charter Schools	123,629	173,701	(50,072)	-28.83%
Unallocated Depreciation	213,212	218,702	(5,490)	-2.51%
Food Service	229,296	187,106	42,190	22.55%
Total Expenses	<u>11,060,255</u>	<u>10,153,572</u>	<u>906,683</u>	<u>8.93%</u>
Change in Net Position	(238,115)	(179,751)	(58,364)	32.47%
Net Position, July 1	<u>3,913,770</u>	<u>4,093,521</u>	<u>(179,751)</u>	<u>-4.39%</u>
Net Position, June 30,	<u>\$ 3,675,655</u>	<u>\$ 3,913,770</u>	<u>\$ (238,115)</u>	<u>-6.08%</u>

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONT'D)

Governmental Activities

In 2016-2017, Governmental Activities Revenues were \$10,578,108 or 97.75% of total revenues.

In 2015-2016, Governmental Activities Revenues were \$9,763,326 or 97.89% of total revenues.

In 2016-2017, General Revenues - Property Taxes of \$4,472,331 made up 42.25%, and General Revenues - Federal & State Grants of \$3,817,968 made up 36.18% of Governmental Activities Revenues.

In 2015-2016, General Revenues - Property Taxes of \$4,392,531 made up 44.99%, and General Revenues - Federal & State Grants of \$3,740,025 made up 38.31% of Governmental Activities Revenues.

In 2016-2017, the School District's Governmental Activities expenditures increased by \$864,493 or 8.67%. \$652,170 or 75.44% of this increase was attributable to the increase in the net pension liability for GASB 68 in fiscal year 2016-2017.

Business-Type Activities

In 2016-2017, Business-Type Activities Revenues were \$244,032 or 2.25% of total revenues. In 2015-2016, Business-Type Activities Revenues were \$210,495 or 2.11% of total revenues.

Charges for Services for Business-Type Activities were \$24,329 in 2016-2017 compared to \$37,770 in 2015-2016, a 35.59% decrease. This decrease was attributable to a decrease in a-la carte sales.

Operating Grants and Contributions for Business-Type Activities were \$219,681 in 2016-2017 compared to \$172,710 in 2015-2016, a 27.20% increase.

Expenses for Business-Type Activities were \$229,296 in 2016-2017 compared to \$187,106 in 2015-2016, a 22.55% increase.

General Fund Budgeting Highlights

During the fiscal 2017 school year, the Board of Education amended its general fund budget as needed. The net change in the total budget modification primarily resulted from the rollover of the prior year's encumbrances.

The final budgetary basis revenue estimate was \$8,018,533, which was equal to the original budget.

The 2016-2017 General Fund Tax Levy was \$4,261,049, an increase of \$83,550 or 2.00% from the 2015-2016 General Fund Tax Levy of \$4,177,499.

During fiscal year 2017, the School District budgeted \$4,261,049 and \$3,752,484 for property taxes (local tax levy) and state aid revenues, respectively.

The School District also received \$201,548, \$245,951, \$212,359, \$1,757 and \$8,911 in reimbursed T.P.A.F. Social Security Aid, T.P.A.F. Pension Contributions, T.P.A.F. Post-Retirement Medical Contributions, T.P.A.F. Long-Term Disability Insurance Cost, and T.P.A.F. Non-Contributory Group Insurance Cost, respectively.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONT'D)

General Fund Budgeting Highlights (Cont'd)

The final budgetary basis expenditure appropriation estimate was \$8,485,785, which was equal to the original budget and the carryover of prior year encumbrances.

The School District's expenditures also include reimbursed T.P.A.F. Social Security Aid, T.P.A.F. Pension Contributions, T.P.A.F. Post-Retirement Medical Contributions, T.P.A.F. Long-Term Disability Insurance Cost, and T.P.A.F. Non-Contributory Group Insurance Cost of \$201,548, \$245,951, \$212,359, \$1,757 and \$8,911, respectively, which contributes to an unfavorable expenditure variance for the fiscal year.

Financial Analysis of the Government's Funds

Governmental Funds - As of the end of the current fiscal year, the School District's governmental funds reported combining ending fund balances of \$1,027,054, an increase of \$40,111 in comparison with the prior year.

Of the combined ending fund balances of \$1,027,054, \$302,826 constitutes unassigned fund balance. The remainder of fund balance of \$724,228 is restricted or assigned for various purposes.

Proprietary Funds - As of the end of the current fiscal year, the School District's proprietary funds had ending net position of \$121,214, an increase of \$14,736 in comparison with the prior year.

Of the ending net position of \$121,214, \$80,795 constitutes unrestricted net position. The remainder of net position of \$40,419 is net investment in capital assets.

CAPITAL ASSETS

At the end of fiscal year 2017 and 2016, the School District had \$6,234,855 and \$6,453,675 in capital assets net of accumulated depreciation. Net Investment in Capital Assets was \$3,859,855 at June 30, 2017 and \$3,953,675 at June 30, 2016. The following table reflects the capital assets net of accumulated depreciation as of June 30, 2017 and June 30, 2016.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 11,903	\$ 11,903			\$ 11,903	\$ 11,903
Buildings and Improvements	5,932,385	6,120,695			5,932,385	6,120,695
Equipment	250,149	284,905	\$ 40,419	\$ 36,172	290,568	321,077
Total	\$ 6,194,437	\$ 6,417,503	\$ 40,419	\$ 36,172	\$ 6,234,855	\$ 6,453,675

Depreciation expense was \$249,235 for fiscal year ended 2017 and \$269,488 for fiscal year ended 2016.

DEBT ADMINISTRATION

Long-term Debt - At the end of the current fiscal year, the School District had total bonded debt outstanding of \$2,375,000. The entire School District's bonded debt is governmental as opposed to business-type. The 2017-2018 adopted budget has an appropriation of \$150,000 representing the payment of the annual principal. The 2017-2018 principal payment was due on September 1, 2017.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)

FACTORS ON THE SCHOOL DISTRICT'S FUTURE

One of the most important factors affecting the School District's budget is state aid. The 2017-2018 budget was adopted with an \$85,221 increase in the tax levy based in part on the state aid the School District anticipates receiving, which has an increase of just (0.18%) from prior year budget. In addition, the 2017-2018 budget was supplemented by excess surplus in the amount of \$537,600 and assigned fund balance of \$33,648.

Any reduction of state aid and/or an increase in expenditures will put an additional burden on the taxpayers of this School District. The School District has dedicated itself to strong financial controls. The School District spends a lot of time monitoring its budget and scrutinizing spending requests. The School District commits itself to constantly reviewing the ways in which it conducts business and making improvements whenever possible, in order to meet future challenges and maximize instructional spending.

In conclusion, the Board of Education and Administration have committed themselves to financial excellence for many years. Additionally, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District will continue with sound fiscal management to meet the challenge of the future.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizen groups, taxpayers, parents, students, other local officials and investors and creditors with a general overview of the School District's finances and to show its accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact the Lawnside School District Business Administrator/Board Secretary, at 426 Charleston Avenue, Lawnside, New Jersey or by telephone (856) 547-2585.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 695,945.38	\$ 62,969.89	\$ 758,915.27
Intergovernmental Receivables	353,132.53	12,222.67	365,355.20
Inventory		10,750.57	10,750.57
Restricted Assets:			
Restricted Cash and Cash Equivalents	100,000.00		100,000.00
Capital Assets, net	6,194,436.61	40,418.73	6,234,855.34
Total Assets	7,343,514.52	126,361.86	7,469,876.38
DEFERRED OUTFLOWS OF RESOURCES:			
Related to Pensions	800,871.00	-	800,871.00
LIABILITIES:			
Accounts Payable and Other Current Liabilities			
Related to Pensions	49,792.00		49,792.00
Other	98,581.47	5,147.93	103,729.40
Accrued Interest Payable	28,135.42		28,135.42
Unearned Revenue	23,442.21		23,442.21
Noncurrent Liabilities:			
Due within One Year	150,000.00		150,000.00
Due beyond One Year	4,239,993.21		4,239,993.21
Total Liabilities	4,589,944.31	5,147.93	4,595,092.24
NET POSITION:			
Net Investment in Capital Assets	3,819,436.61	40,418.73	3,859,855.34
Restricted:			
Other Purposes	684,700.42		684,700.42
Unrestricted (Deficit)	(949,695.82)	80,795.20	(868,900.62)
Total Net Position	\$ 3,554,441.21	\$ 121,213.93	\$ 3,675,655.14

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

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2017

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	Total
Governmental Activities:							
Instruction:							
Regular	\$ 1,990,019.28		\$ 265,218.88		\$ (1,724,800.40)		\$ (1,724,800.40)
Special Education	300,277.64				(300,277.64)		(300,277.64)
Other Instruction	74,571.78				(74,571.78)		(74,571.78)
Support Services:							
Tuition	2,371,966.47				(2,371,966.47)		(2,371,966.47)
Student and Instruction Related Services	916,227.41				(916,227.41)		(916,227.41)
School Administrative Services	444,301.14		89,273.96		(355,027.18)		(355,027.18)
Other Administrative Services	141,600.51				(141,600.51)		(141,600.51)
Plant Operations and Maintenance	567,525.43				(567,525.43)		(567,525.43)
Pupil Transportation	671,010.36				(671,010.36)		(671,010.36)
Unallocated Benefits	2,896,602.22		1,879,089.79		(1,017,512.43)		(1,017,512.43)
Interest on Long-Term Debt	85,031.26				(85,031.26)		(85,031.26)
Assessment for Debt Service on SDA Funding	34,985.00				(34,985.00)		(34,985.00)
Transfer to Charter Schools	123,629.00				(123,629.00)		(123,629.00)
Unallocated Depreciation	213,211.68				(213,211.68)		(213,211.68)
Total Governmental Activities	10,830,959.18	\$ -	2,233,582.63	\$ -	(8,597,376.55)	\$ -	(8,597,376.55)
Business-Type Activities:							
Food Service	229,295.76	24,329.33	219,680.75			14,714.32	14,714.32
Total Business-Type Activities	229,295.76	24,329.33	219,680.75	-	-	14,714.32	14,714.32
Total Government	\$ 11,060,254.94	\$ 24,329.33	\$ 2,453,263.38	\$ -	(8,597,376.55)	14,714.32	(8,582,662.23)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, net					4,261,049.00		4,261,049.00
Taxes Levied for Debt Service					211,282.00		211,282.00
Federal and State Aid not Restricted					3,817,968.23		3,817,968.23
Miscellaneous Income					54,225.90	22.00	54,247.90
Total General Revenues					8,344,525.13	22.00	8,344,547.13
Change in Net Position					(252,851.42)	14,736.32	(238,115.10)
Net Position -- July 1					3,807,292.63	106,477.61	3,913,770.24
Net Position -- June 30					\$ 3,554,441.21	\$ 121,213.93	\$ 3,675,655.14

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

FUND FINANCIAL STATEMENTS

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Balance Sheet
 Governmental Funds
 June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	\$ 795,943.90			\$ 1.48	\$ 795,945.38
Receivables from Other Governments	109,659.50	\$ 198,364.00	\$ 45,109.03		353,132.53
Interfund	157,727.77				157,727.77
Total Assets	\$ 1,063,331.17	\$ 198,364.00	\$ 45,109.03	\$ 1.48	\$ 1,306,805.68
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 28,545.19	\$ 62,874.50			\$ 91,419.69
Interfund		119,780.52	\$ 45,109.03		164,889.55
Unearned Revenue		23,442.21			23,442.21
Total Liabilities	28,545.19	206,097.23	45,109.03	\$ -	279,751.45
Fund Balances (Deficit):					
Restricted:					
Excess Surplus - Designated for Subsequent Years Expenditures	537,600.43				537,600.43
Excess Surplus - Current Year	47,098.51				47,098.51
Maintenance Reserve	50,000.00				50,000.00
Tuition Reserve	50,000.00				50,000.00
Debt Service				1.48	1.48
Assigned:					
Encumbrances	5,880.47				5,880.47
Subsequent Year's Expenditures	33,647.57				33,647.57
Unassigned					
General Fund	310,559.00	(7,733.23)			302,825.77
Total Fund Balances (Deficit)	1,034,785.98	(7,733.23)	-	1.48	1,027,054.23
Total Liabilities and Fund Balances	\$ 1,063,331.17	\$ 198,364.00	\$ 45,109.03	\$ 1.48	\$ 1,306,805.68

(Continued)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Balance Sheet
 Governmental Funds
 June 30, 2017

	<u>Total Governmental Funds</u>
<p>Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:</p>	
Total Fund Balances (Brought Forward from Previous Page)	\$ 1,027,054.23
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$8,738,927.43, and the accumulated depreciation is \$2,544,490.82.	6,194,436.61
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.	(2,425,076.21)
Accrued interest on bonds payable, is not due and payable in the current period and therefore are not reported as liabilities in the funds.	(28,135.42)
Net Pension Liability	(1,964,917.00)
Accounts payable related to the April 1, 2018 required PERS pension contribution that is not liquidated with current financial resources	(49,792.00)
Deferred Outflows of Resources - Related to Pensions	<u>800,871.00</u>
Net position of governmental activities	<u><u>\$ 3,554,441.21</u></u>

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

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:					
Local Tax Levy	\$ 4,261,049.00			\$ 211,282.00	\$ 4,472,331.00
Miscellaneous	54,225.90	\$ 3,668.41			57,894.31
State Sources	4,488,493.81	69,774.77			4,558,268.58
Federal Sources		345,224.87			345,224.87
Total Revenues	8,803,768.71	418,668.05	\$ -	211,282.00	9,433,718.76
EXPENDITURES:					
Current:					
Regular Instruction	1,685,003.36	272,952.11			1,957,955.47
Special Education Instruction	300,277.64				300,277.64
Other Instruction	74,571.78				74,571.78
Support Services & Undistributed Costs:					
Tuition	2,371,966.47				2,371,966.47
Student & Instruction Related Services	916,227.41				916,227.41
School Administrative Services	355,027.18	89,273.96			444,301.14
Other Administrative Services	139,224.15				139,224.15
Plant Operations and Maintenance	567,525.43				567,525.43
Pupil Transportation	671,010.36				671,010.36
Unallocated Benefits	1,493,583.01	64,175.21			1,557,758.22
Debt Service:					
Principal				125,000.00	125,000.00
Interest and Other Charges				86,281.26	86,281.26
Assessment for Debt Service on SDA Funding	34,985.00				34,985.00
Transfer to Charter Schools	123,629.00				123,629.00
Capital Outlay	22,894.00				22,894.00
Total Expenditures	8,755,924.79	426,401.28		211,281.26	9,393,607.33
Net Change in Fund Balances	47,843.92	(7,733.23)	-	0.74	40,111.43
Fund Balance -- July 1	986,942.06	-	-	0.74	986,942.80
Fund Balance (Deficit) -- June 30	\$ 1,034,785.98	\$ (7,733.23)	\$ -	\$ 1.48	\$ 1,027,054.23

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

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ 40,111.43
--	--------------

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 actual capital outlays exceeded depreciation in the period.

Depreciation Expense	\$ (245,960.49)	
Capital Outlay	<u>22,894.00</u>	
		(223,066.49)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	125,000.00
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In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)	1,250.00
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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 reduction in the reconciliation; when the paid amount exceeds the earned amount the difference is an addition to the reconciliation.	(1,691.36)
---	------------

Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School District's pension contributions in the current period.	<u>(194,455.00)</u>
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Change in Net Position of Governmental Activities	<u>\$ (252,851.42)</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2017

	Business-Type Activities - Enterprise Funds
	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 62,969.89
Accounts Receivable:	
State	163.61
Federal	12,059.06
Inventories	<u>10,750.57</u>
Total Current Assets	<u>85,943.13</u>
Noncurrent Assets:	
Capital Assets	132,109.20
Less: Accumulated Depreciation	<u>(91,690.47)</u>
Total Noncurrent Assets	<u>40,418.73</u>
Total Assets	<u>126,361.86</u>
LIABILITIES:	
Current Liabilities:	
Unearned Revenue	<u>5,147.93</u>
NET POSITION:	
Net Investment in Capital Assets	40,418.73
Unrestricted	<u>80,795.20</u>
Total Net Position	<u><u>\$ 121,213.93</u></u>

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

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Business-Type Activities - Enterprise Fund
	<u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 1,254.93
Daily Sales - Non-Reimbursable Programs	<u>23,074.40</u>
Total Operating Revenues	<u>24,329.33</u>
OPERATING EXPENSES:	
Cost of Sales - Reimbursable Programs	90,783.85
Cost of Sales - Non-Reimbursable Programs	10,000.00
Salaries and Fringe Benefits	91,491.93
Repairs and Maintenance	7,738.06
Food Service Management Fee	13,287.78
General Supplies	8,403.73
Miscellaneous	3,938.26
Depreciation	<u>3,652.15</u>
Total Operating Expenses	<u>229,295.76</u>
Operating Loss	<u>(204,966.43)</u>
NONOPERATING REVENUES:	
State Sources:	
State School Lunch Program	2,685.82
Federal Sources:	
National School Lunch Program	136,097.74
National Breakfast Program	59,522.19
After-School Snack Program	4,602.72
Food Distribution Program	16,772.28
Interest Earned	<u>22.00</u>
Total Nonoperating Revenues	<u>219,702.75</u>
Change in Net Position	14,736.32
Total Net Position -- July 1	<u>106,477.61</u>
Total Net Position -- June 30	<u><u>\$ 121,213.93</u></u>

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

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds
	<u>Food Service</u>
CASH FLOWS USED IN OPERATING ACTIVITIES:	
Receipts from Customers	\$ 24,329.33
Payments to Employees	(91,491.93)
Payments to Vendors	<u>(136,214.76)</u>
Net Cash Used in Operating Activities	<u>(203,377.36)</u>
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES :	
Capital Acquisitions	<u>(7,899.00)</u>
CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES:	
State Sources	2,726.97
Federal Sources	<u>220,541.07</u>
Net Cash Provided by Non-Capital Financing Activities	<u>223,268.04</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:	
Interest Revenue	<u>22.00</u>
Net Increase in Cash and Cash Equivalents	12,013.68
Cash and Cash Equivalents -- July 1	<u>50,956.21</u>
Cash and Equivalents -- June 30	<u><u>\$ 62,969.89</u></u>
Reconciliation of Operating Loss to Net Cash Used in	
Operating Activities:	
Operating Loss	\$ (204,966.43)
Adjustments to Reconcile Operating Loss to Net Cash	
Used for Operating Activities:	
Depreciation	3,652.15
Change in Assets and Liabilities:	
(Increase) Decrease in Inventories	<u>(2,063.08)</u>
Total Adjustments	<u>1,589.07</u>
Net Cash Used in Operating Activities	<u><u>\$ (203,377.36)</u></u>

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

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2017

	Private-Purpose Trust Funds	Agency Funds		Total
	Unemployment Compensation Trust	Student Activity	Payroll	
ASSETS:				
Cash and Cash Equivalents	\$ 89,823.72	\$ 28,819.37	\$ 2,000.00	\$ 120,643.09
Due from State	4,689.88			4,689.88
Due from General	9,161.78			9,161.78
Total Assets	<u>103,675.38</u>	<u>\$ 28,819.37</u>	<u>\$ 2,000.00</u>	<u>134,494.75</u>
LIABILITIES:				
Payable to General Fund			\$ 2,000.00	2,000.00
Accounts Payable	277.59			277.59
Due to Unemployment				
Payable to Student Groups		\$ 28,819.37		28,819.37
Payroll Deductions and Withholdings				
Total Liabilities	<u>277.59</u>	<u>\$ 28,819.37</u>	<u>\$ 2,000.00</u>	<u>31,096.96</u>
NET POSITION:				
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 103,397.79</u>			<u>\$ 103,397.79</u>

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

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust Fund Unemployment Compensation Trust
ADDITIONS:	
Contributions:	
Plan Members	\$ 5,850.95
Refund of Prior Year Expenses	4,689.88
Interest Earnings	<u>40.49</u>
Total Additions	10,581.32
DEDUCTIONS:	
Unemployment Claims	<u>1,941.51</u>
Change in Net Position	8,639.81
Net Position -- July 1	<u>94,757.98</u>
Net Position -- June 30	<u><u>\$ 103,397.79</u></u>

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

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Borough of Lawnside School District (the "School District") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Description of the Financial Reporting Entity

The School District is a Type II district located in the County of Camden, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education (the "Board"). The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The Superintendent is appointed by the Board to act as executive officer of the School District. The purpose of the School District is to educate students in grades K through 8 at its school. The School District has an approximate enrollment at June 30, 2017 of 318.

The primary criterion for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School District over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Component Units

In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Component Units (Cont'd)**

Based upon the application of these criteria, the School District has no component units.

Government-wide and Fund Financial Statements

The School District's basic financial statements consist of government-wide statements and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the School District to not allocate indirect expenses to functions in the statement of activities. 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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the School District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Fiduciary funds are reported by fund type.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied. The Camden County Board of Taxation is responsible for the assessment of properties, and the respective municipal tax collector is responsible for the collection of property taxes. Assessments are certified and property taxes are levied on January 1. Property tax payments are due February 1, May 1, August 1 and November 1. Unpaid property taxes are considered delinquent the following January 1 and are then subject to municipal lien. In accordance with New Jersey State Statute, the School District is entitled to receive moneys under an established payment schedule, and any unpaid amount is considered as an accounts receivable. The governing body of each municipality is required to pay over to the School District, within forty (40) days after the beginning of the school year, twenty percent (20%) of the moneys from school tax due. Thereafter, but prior to the last day of the school year, the municipality must pay the balance of moneys from school tax due for school purposes in such amounts as requested, with certain limitations, from time to time by the School District, within thirty days after each request.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Measurable means that the amount of revenue can be determined. 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 and claims and judgments, are recorded only when payment is due.

Property taxes, reimbursable-type grants, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following major governmental funds:

General Fund - The general fund is the primary operating fund of the School District. It 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 classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America, as they pertain to governmental entities, state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, ad valorem tax revenues, and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to, or remodeling of buildings, and the purchase of built-in equipment.

Special Revenue Fund - The special revenue fund is used to account for and report 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 expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, or from the general fund by way of transfers from capital outlay or the capital reserve account.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

Proprietary funds are used to account for the School District's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. 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. All items not meeting this definition are reported as nonoperating revenues and expenses.

The School District reports the following major proprietary fund:

Enterprise Funds

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

Fiduciary funds are used to account for assets held by the School District on behalf of outside-related organizations or on behalf of other funds within the School District. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The School District maintains the following fiduciary funds:

Agency Funds - Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). The School District retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District maintains the following agency funds: student activity fund and payroll fund.

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. The School District maintains the following private-purpose trust funds:

New Jersey Unemployment Compensation Insurance Trust Fund - Revenues consist of contributions that have been included in the annual budget of the School District, employee payroll withholdings, and interest income. Expenditures represent claims incurred for unemployment.

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

Amounts reported as program revenues include (1) charges 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 property taxes.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Budgets / Budgetary Control**

Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds, and are submitted to the county office of education. In accordance with P.L. 2011, c. 202, the School District passed a resolution to move the school board election to the first Tuesday after the first Monday in November, starting in November of 2012, to be held simultaneously with the general election. As a result, a vote is not required on the School District's general fund tax levy for the budget year, other than the general fund tax levy required to support a proposal for additional funds, if any. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

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 generally accepted accounting principles, with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only, and the special revenue fund. N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. 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 budgetary basis. The budgetary basis differs from GAAP in that the 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.

The budget, as detailed on exhibit C-1, exhibit C-2 and exhibit I-3 includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the School District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting, with the exception of the aforementioned revenue recognition policy for the one or more June state aid payments.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance at fiscal year-end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected on the balance sheet as unearned revenues at fiscal year-end.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Encumbrances (Cont'd)**

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased 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. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

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 Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, 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 amount of their deposits to the governmental units.

Inventories

Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in the governmental fund financial statements is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements and in the proprietary fund types are recorded as expenses when consumed rather than when purchased.

Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2017. The School District had no prepaid expenses for the fiscal year ended June 30, 2017.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Short-Term Interfund Receivables / Payables**

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the School District, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances, thus leaving a net amount due between the governmental and business-type activities that are eliminated in the total government column. Balances with fiduciary activities are not considered to be internal balances; therefore, such balances appear on the statement of net position as accounts receivable.

Capital Assets

Capital assets represent the cumulative amount of capital assets owned by the School District. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position and proprietary fund statement of net position. In the case of gifts or contributions, such capital assets are recorded at acquisition value at the time received.

The School District's capitalization threshold is \$2,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land	10-20 Years	N/A
Land Improvements	10-20 Years	N/A
Buildings and Improvements	10-50 Years	N/A
Equipment	5-20 Years	4-12 Years

The School District does not possess any infrastructure assets.

Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The School District is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the School District's proportion of expenses and liabilities to the pension as a whole, differences between the School District's pension contribution and its proportionate share of contributions, and the School District's pension contributions subsequent to the pension valuation measurement date.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Tuition Payable**

Tuition charges for the fiscal years ended June 30, 2017 and 2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the School District is eligible to realize the revenue.

Accrued Salaries and Wages

Certain School District employees who provide services to the School District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2017, there were no employees who participated in this program.

Compensated Absences

Compensated absences are payments to employees for accumulated time such as paid vacation, paid holidays, sick pay, and sabbatical leave. A liability for compensated absences that is attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the School District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the School District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The School District uses the vesting method to calculate the compensated absences amount. The entire compensated absence liability, including the employer's share of applicable taxes, is reported on the government-wide financial statements. The portion related to employees in the proprietary funds is recorded at the fund level. The current portion is the amount estimated to be used in the following fiscal year. Expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), and additions to/deductions from TPAF's and PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Net Position**

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net Investment in Capital Assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Balance (Cont'd)**

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In 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 expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the School District to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures / expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds and after non-operating revenues / expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Impact of Recently Issued Accounting Principles**Recently Issued and Adopted Accounting Pronouncements**

The School District implemented the following GASB Statements for the fiscal year ended June 30, 2017:

Statement No. 77, *Tax Abatement Disclosures*. This Statement provides financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The adoption of this Statement had no impact on the basic financial statements of the School District.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued and Adopted Accounting Pronouncements (Cont'd)**

Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The adoption of this Statement had no impact on the basic financial statements of the School District.

Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this Statement did not have a significant impact on the basic financial statements of the School District.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the School District relative to the happening of a future condition. Such funds are classified as uncollateralized.

As of June 30, 2017, the School District's bank balances of \$1,232,206.32 were insured by FDIC or GUDPA.

Note 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 consisted of intergovernmental awards / grants. All receivables are considered collectible in full due to the stable condition of state programs, the current fiscal year guarantee of federal funds, and the regulated budgetary control of governmental entities in New Jersey.

Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

<u>Description</u>	<u>Governmental Funds</u>			<u>Proprietary Fund</u>		<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Activities</u>	<u>Food Service Fund</u>	
Federal Awards		\$ 198,364.00		\$ 198,364.00	\$ 12,059.06	\$ 210,423.06
State Awards	\$ 69,759.50		\$ 45,109.03	114,868.53	163.61	115,032.14
Other	39,900.00			39,900.00		39,900.00
	<u>\$ 109,659.50</u>	<u>\$ 198,364.00</u>	<u>\$ 45,109.03</u>	<u>\$ 353,132.53</u>	<u>\$ 12,222.67</u>	<u>\$ 365,355.20</u>

Note 4: INVENTORY

Inventory recorded at June 30, 2017 in business-type activities on the government-wide statement of net position, and on the food service enterprise fund statement of net position, consisted of the following:

Food	\$	8,647.11
Supplies		<u>2,103.46</u>
	\$	<u><u>10,750.57</u></u>

Note 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 is as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance June 30, 2017</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 11,903.00	\$ -	\$ -	\$ 11,903.00
Total Capital Assets, not being Depreciated	<u>11,903.00</u>	<u>-</u>	<u>-</u>	<u>11,903.00</u>
Capital Assets, being Depreciated:				
Land Improvements	140,300.00			140,300.00
Buildings and Improvements	7,984,934.22			7,984,934.22
Equipment	578,896.21	22,894.00		601,790.21
Total Capital Assets, being Depreciated	<u>8,704,130.43</u>	<u>22,894.00</u>	<u>-</u>	<u>8,727,024.43</u>
Total Capital Assets, Cost	<u>8,716,033.43</u>	<u>22,894.00</u>	<u>-</u>	<u>8,738,927.43</u>
Less Accumulated Depreciation for:				
Land Improvements	(140,300.00)			(140,300.00)
Buildings and Improvements	(1,864,238.94)	(188,310.78)		(2,052,549.72)
Equipment	(293,991.39)	(57,649.71)		(351,641.10)
Total Accumulated Depreciation	<u>(2,298,530.33)</u>	<u>(245,960.49)</u>	<u>-</u>	<u>(2,544,490.82)</u>
Total Capital Assets, being Depreciated, Net	<u>6,405,600.10</u>	<u>(223,066.49)</u>	<u>-</u>	<u>6,182,533.61</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,417,503.10</u>	<u>\$ (223,066.49)</u>	<u>\$ -</u>	<u>\$ 6,194,436.61</u>
Business-Type Activities:				
Capital Assets, being Depreciated:				
Equipment	\$ 124,210.20	\$ 7,899.00		\$ 132,109.20
Less Accumulated Depreciation for:				
Equipment	(88,038.32)	(3,652.15)		(91,690.47)
Business-Type Activities Capital Assets, Net	<u>\$ 36,171.88</u>	<u>\$ 4,246.85</u>	<u>\$ -</u>	<u>\$ 40,418.73</u>

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

Governmental Activities:	
Regular Instruction	\$ 32,063.81
Central Administration	685.00
Unallocated	<u>213,211.68</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 245,960.49</u>

Note 6: LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in long-term obligations for governmental activities:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due within</u> <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 2,500,000.00	\$ -	\$ (125,000.00)	\$ 2,375,000.00	\$ 150,000.00
Other Liabilities:					
Compensated Absences	48,384.85	4,716.36	(3,025.00)	50,076.21	
Net Pension Liability	1,472,943.00	1,028,155.00	(536,181.00)	1,964,917.00	
Total Other Liabilities	1,521,327.85	1,032,871.36	(539,206.00)	2,014,993.21	-
Governmental Activity Long-Term Liabilities	\$ 4,021,327.85	\$ 1,032,871.36	\$ (664,206.00)	\$ 4,389,993.21	\$ 150,000.00

Bonds payable are generally liquidated by the debt service fund, while the compensated absences are liquidated by the general fund.

Bonds Payable - Bonds are authorized in accordance with State law 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 School District are general obligation bonds.

On November 3, 2010, the School District issued \$2,900,000.00 general obligation bonds at interest rates varying from 3.00% to 4.00% for various construction and renovation projects. The final maturity of these bonds is September 1, 2027. The bonds will be paid from property taxes.

Principal and interest due on bonds outstanding is as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 150,000.00	\$ 82,156.26	\$ 232,156.26
2019	175,000.00	77,281.26	252,281.26
2020	200,000.00	71,656.26	271,656.26
2021	225,000.00	65,281.26	290,281.26
2022	225,000.00	58,390.63	283,390.63
2023-2027	1,150,000.00	166,437.50	1,316,437.50
2028	250,000.00	5,000.00	255,000.00
	<u>\$ 2,375,000.00</u>	<u>\$ 526,203.17</u>	<u>\$ 2,901,203.17</u>

Bonds Authorized but not Issued - As of June 30, 2017, the School District had no authorizations to issue additional bonded debt.

Note 6: LONG-TERM LIABILITIES (CONT'D)

Compensated Absences - As previously stated, compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 13 for a description of the School District's policy.

Net Pension Liability - For details on the net pension liability, refer to note 8. The School District's annual required contribution to the Public Employees' Retirement System is budgeted and paid from the general fund on an annual basis.

Note 7: OPERATING LEASES

At June 30, 2017, the School District had operating lease agreements in effect for copy machines and postage machines. The present value of the future minimum rental payments under the operating lease agreements are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2018	\$ 15,542.52
2019	15,737.76
2020	8,567.76
2021	1,397.76
2022	1,397.76
	<hr/>
	\$ 42,643.56
	<hr/>

Rental payments under operating leases for the fiscal year ended June 30, 2017 were \$14,781.00.

Note 8: PENSION PLANS

A substantial number of the School District's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), which are administered by the New Jersey Division of Pensions and Benefits (the "Division"). In addition, School District employees may participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This plan is administered by Prudential Financial for the Division. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.nj.gov/treasury/pensions>

Note 8: PENSION PLANS (CONT'D)**General Information About the Pension Plans****Plan Descriptions**

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The State of New Jersey (the "State") is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF's Board of Trustees is primarily responsible for the administration of the TPAF.

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the School District, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Note 8: PENSION PLANS (CONT'D)**General Information About the Pension Plans (Cont'd)****Vesting and Benefit Provisions**

Teachers' Pension and Annuity Fund - The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

Tier Definition

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier.

Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The membership tiers for PERS are the same as previously noted for TPAF.

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Note 8: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Teachers' Pension and Annuity Fund - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions*.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 7.31% of the School District's covered payroll, of which 0.00% of payroll was required from the School District and 100.00% of payroll was required from the State of New Jersey. The School District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2017 because of the 100.00% special funding situation with the State of New Jersey.

Based on the most recent TPAF measurement date of June 30, 2016, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2017 was \$188,534.00, and was paid by April 1, 2017. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$191,014.61.

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The School District's contribution amounts are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

Note 8: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

Public Employees' Retirement System (Cont'd) - The School District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 12.98% of the School District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the School District's contractually required contribution to the pension plan for the fiscal year ended June 30, 2017 was \$58,939.00, and was paid by April 1, 2017. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$27,844.89.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended June 30, 2017, there were no employees participating in the Defined Contribution Retirement Program.

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

Teachers' Pension and Annuity Fund - At June 30, 2017, the School District was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

The State's proportionate share of net pension liability, attributable to the School District is as follows:

School District's Proportionate Share of Net Pension Liability	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the School District	<u>18,622,892.00</u>
	<u>\$ 18,622,892.00</u>

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. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. For the June 30, 2016 measurement date, the School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At June 30, 2016, the School District proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2016 measurement date, the State's proportionate share of the TPAF net pension liability associated with the School District was .0236732580%, which was an increase of .0018902341% from its proportion measured as of June 30, 2015.

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Teachers' Pension and Annuity Fund (Cont'd) - For the fiscal year ended June 30, 2017, the School District recognized \$1,399,251.00 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2016 measurement date.

Public Employees' Retirement System - At June 30, 2017, the School District reported a liability of \$1,964,917.00 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 as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2016 measurement date, the School District's proportion was .0066343930%, which was an increase of .0000728118% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the School District recognized pension expense of \$253,391.00, in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2016 measurement date.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 36,541.00	\$ -
Changes of Assumptions	407,026.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	74,924.00	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	232,588.00	-
School District Contributions Subsequent to the Measurement Date	49,792.00	-
	<u>\$ 800,871.00</u>	<u>\$ -</u>

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Public Employees' Retirement System (Cont'd) - \$49,792.00, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		
2018	\$	182,529
2019		182,529
2020		201,035
2021		147,342
2022		37,644
		<u>37,644</u>
	\$	<u>751,079.00</u>

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Note 8: PENSION PLANS (CONT'D)**Actuarial Assumptions**

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. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>TPAF</u>	<u>PERS</u>
Inflation	2.50%	3.08%
Salary Increases:		
2012-2021	Varies Based on Experience	
Through 2026		1.65% - 4.15% Based on Age
Thereafter	Varies Based on Experience	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%	7.65%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2012 - June 30, 2015	July 1, 2011 - June 30, 2014

For TPAF, 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.

For PERS, pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. 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).

For TPAF and PERS, 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 and PERS's target asset allocation as of June 30, 2016 are summarized in the tables on the following page.

Note 8: PENSION PLANS (CONT'D)Actuarial Assumptions (Cont'd)

<u>Asset Class</u>	<u>TPAF</u>		<u>Asset Class</u>	<u>PERS</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>		<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.39%	Cash	5.00%	0.87%
U.S. Government Bonds	1.50%	1.28%	U.S. Treasuries	1.50%	1.74%
U.S. Credit Bonds	13.00%	2.76%	Investment Grade Credit	8.00%	1.79%
U.S. Mortgages	2.00%	2.38%	Mortgages	2.00%	1.67%
U.S. Inflation-Indexed Bonds	1.50%	1.41%	High Yield Bonds	2.00%	4.56%
U.S. High Yield Bonds	2.00%	4.70%	Inflation-Indexed Bonds	1.50%	3.44%
U.S. Equity Market	26.00%	5.14%	Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	5.91%	Developed Foreign Equities	13.25%	6.83%
Emerging Markets Equity	6.50%	8.16%	Emerging Market Equities	6.50%	9.95%
Private Real Estate Property	5.25%	3.64%	Private Equity	9.00%	12.40%
Timber	1.00%	3.86%	Hedge Funds / Absolute Return	12.50%	4.68%
Farmland	1.00%	4.39%	Real Estate (Property)	2.00%	6.91%
Private Equity	9.00%	8.97%	Commodities	0.50%	5.45%
Commodities	0.50%	2.87%	Global Debt ex U.S.	5.00%	-0.25%
Hedge Funds - MultiStrategy	5.00%	3.70%	REIT	5.25%	5.63%
Hedge Funds - Equity Hedge	3.75%	4.72%			
Hedge Funds - Distressed	3.75%	3.49%			
	<u>100.00%</u>			<u>100.00%</u>	

Discount Rate - The discount rates used to measure the total pension liability at June 30, 2016 were 3.22% and 3.98% for TPAF and PERS, respectively. For TPAF and PERS, the respective single blended discount rates were 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 obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates for TPAF and PERS 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. 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 for TPAF and 2034 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 for TPAF and 2034 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Note 8: PENSION PLANS (CONT'D)**Sensitivity of School District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

Teachers' Pension and Annuity Fund (TPAF) - As previously mentioned, TPAF, has a special funding situation where the State pays 100% of the School District's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2016, the pension plans measurement date, attributable to the School District is \$0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the School District, using a discount rate of 3.22%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	TPAF		
	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the School District	22,239,895.00	18,622,892.00	15,669,142.00
	<u>\$ 22,239,895.00</u>	<u>\$ 18,622,892.00</u>	<u>\$ 15,669,142.00</u>

Public Employees' Retirement System (PERS) - The following presents the School District's proportionate share of the net pension liability at June 30, 2016, the plans measurement date, calculated using a discount rate of 3.98%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	PERS		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
School District's Proportionate Share of the Net Pension Liability	\$ 2,407,776.00	\$ 1,964,917.00	\$ 1,599,298.00

Pension Plan Fiduciary Net Position

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 respective fiduciary net position of the TPAF and PERS and additions to/deductions from TPAF and PERS's respective fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, 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. For additional information about TPAF and PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR), which can be found at www.nj.gov/treasury/pensions.

Note 9: SCHOOL EMPLOYEES HEALTH BENEFITS PROGRAM

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving postemployment medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retire 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 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 the SEHBP. That report may be obtained from the Treasury website at:

<http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

Note 10: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2017, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF, in the fund financial statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, non-contributory insurance, post-retirement medical costs, and long-term disability were \$245,951.00, \$8,911.00, \$212,862.00 and \$1,747.00 respectively.

Note 11: RISK MANAGEMENT

The School 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.

New Jersey Unemployment Compensation Insurance - The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School 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 School District is billed quarterly for amounts due to the State.

The following is a summary of the activity of the School District's private-purpose trust fund for the unemployment claims for the current and previous two fiscal years:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Miscellaneous</u> <u>Income</u>	<u>School</u> <u>District</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Interest</u> <u>Income</u>	<u>Claims</u> <u>Incurred</u>	<u>Ending</u> <u>Balance</u>
2017	\$ 4,689.88		\$ 5,850.95	\$ 40.49	\$ 1,941.51	\$ 103,397.79
2016			6,283.88	44.70	6,483.36	94,757.98
2015		\$ 10,000.00	6,159.16	79.60	28,568.32	94,912.76

Note 11: RISK MANAGEMENT (Cont'd)

Joint Insurance Pool - The School District is a member of the New Jersey School Boards Association Insurance Group. The Fund provides its members with the following coverage:

School Leaders Errors & Omissions
 Property - Blanket Building and Grounds
 Workers' Compensation and Employer's Liability
 Liability other than Motor Vehicles
 Property Damage other than Motor Vehicles
 Motor Vehicles

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention, or administrative accounts to assure the payment of the Fund's obligations.

A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The Group publishes its own financial report for the fiscal year ended June 30, 2017, which can be obtained from:

New Jersey Schools Insurance Group
 6000 Midlantic Drive, Suite 300 North
 Mount Laurel, New Jersey 08054

Note 12: DEFERRED COMPENSATION

The School District offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrators are as follows:

Lincoln Financial
 Midland

Note 13: COMPENSATED ABSENCES

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. At June 30, 2017, the liability for compensated absences reported on the government-wide statement of net position was \$50,076.21.

Note 14: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017 is as follows:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 157,727.77	
Special Revenue		\$ 119,780.52
Capital Projects		45,109.03
Trust & Agency	7,161.78	
	<u>\$ 164,889.55</u>	<u>\$ 164,889.55</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2018, the School District expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 15: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amount, if any, to be immaterial.

Litigation - The School District is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the School District, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 16: CONCENTRATIONS

The School District depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the School District is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Note 17: DEFICIT FUND BALANCES

The School District has a deficit fund balance of \$7,733.23 in the special revenue fund as of June 30, 2017 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Note 18: FUND BALANCES**RESTRICTED**

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District's fund balance are summarized as follows:

General Fund

For Tuition - In accordance with N.J.A.C. 6A:23A-3.1(f)(8), the School District has restricted fund balance in the amount of \$50,000.00 in a legal reserve for tuition adjustments. This restricted fund balance represents foreseeable future tuition adjustments up to a maximum of 10% of the estimated tuition cost of the respective contract year. As of June 30, 2017, \$50,000.00 has been restricted for the contract year 2016-2017.

For Excess Surplus - In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve general fund 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, as indicated on Exhibit B-1, is \$47,098.51, and the excess fund balance, as indicated on the budgetary comparison schedule, Exhibit C-1, is \$393,732.28. The difference between these numbers is due to the timing difference of recording the June state aid payments. Additionally, \$537,600.43 of excess fund balance generated during 2015-2016 has been restricted and designated for utilization in the 2017-2018 budget.

For Maintenance Reserve Account - As of June 30, 2017, the balance in the maintenance reserve account is \$50,000.00. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

Debt Service Fund

For Subsequent Year's Expenditures - The School District has \$1.48 of debt service fund balance at June 30, 2017.

ASSIGNED

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

General Fund

For Subsequent Year's Expenditures - The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2018 \$33,647.57 of general fund balance at June 30, 2017.

Other Purposes - As of June 30, 2017, the School District had \$5,880.47 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

Note 18: FUND BALANCES (CONT'D)**UNASSIGNED**

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

General Fund - As of June 30, 2017, \$310,559.00 of general fund balance was unassigned.

Special Revenue Fund - As of June 30, 2017, (\$7,733.23) of special revenue fund balance was unassigned.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 4,261,049.00		\$ 4,261,049.00	\$ 4,261,049.00	
Miscellaneous	5,000.00		5,000.00	54,225.90	\$ 49,225.90
Total - Local Sources	4,266,049.00	\$ -	4,266,049.00	4,315,274.90	49,225.90
State Sources:					
Equalization Aid	3,317,492.00		3,317,492.00	3,317,492.00	
Special Education Categorical Aid	259,513.00		259,513.00	259,513.00	
Categorical Security Aid	78,427.00		78,427.00	78,427.00	
Categorical Transportation Aid	29,924.00		29,924.00	29,924.00	
School Choice Aid	55,208.00		55,208.00	55,208.00	
PARCC Readiness	3,940.00		3,940.00	3,940.00	
Per Pupil Growth Aid	3,940.00		3,940.00	3,940.00	
Extraordinary Special Education Costs Aid				56,905.00	56,905.00
Professional Learning Community Aid	4,040.00		4,040.00	4,040.00	
Nonpublic Transportation Aid				3,654.00	3,654.00
On-behalf TPAF Pension Contributions:					
Normal Cost (non-budgeted)				245,951.00	245,951.00
Post Retirement Costs (non-budgeted)				212,359.00	212,359.00
Long-Term Disability Insurance Costs				1,757.00	1,757.00
Non-Contributory Group Insurance Costs (non-budgeted)				8,911.00	8,911.00
Reimbursed T.P.A.F. Social Security Contributions (non-budgeted)				201,547.58	201,547.58
Total - State Sources	3,752,484.00	-	3,752,484.00	4,483,568.58	731,084.58
Total Revenues	8,018,533.00	-	8,018,533.00	8,798,843.48	780,310.48

(Continued)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Preschool	\$ 66,521.00	\$ (14,298.00)	\$ 52,223.00	\$ 52,121.74	\$ 101.26
Kindergarten	186,305.00	27,080.00	213,385.00	212,457.95	927.05
Grades 1-5	849,149.00	(28,934.50)	820,214.50	818,098.94	2,115.56
Grades 6-8	370,541.00	15,496.00	386,037.00	383,699.18	2,337.82
Regular Programs - Home Instruction:					
Salaries of Teachers	5,000.00		5,000.00	2,759.17	2,240.83
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	40,241.00	(7,463.00)	32,778.00	32,094.82	683.18
Purchased Professional - Education Services	20,000.00	7,000.00	27,000.00	26,273.25	726.75
Other Purchase Services for Instruction	16,000.00	(14,080.00)	1,920.00	1,920.00	
General Supplies	118,040.79	6,965.84	125,006.63	124,515.08	491.55
Textbooks	30,000.00		30,000.00	29,994.52	5.48
Other Objects	5,174.20	(4,000.00)	1,174.20	1,068.71	105.49
<hr/>					
Total Regular Programs - Instruction	1,706,971.99	(12,233.66)	1,694,738.33	1,685,003.36	9,734.97
<hr/>					
Special Education - Instruction:					
Resource Room / Resource Center:					
Salaries of Teachers	232,985.00	(35,496.00)	197,489.00	196,888.33	600.67
Other Salaries for Instruction	116,640.00	(4,504.00)	112,136.00	102,807.32	9,328.68
General Supplies	6,000.00	(5,100.00)	900.00	581.99	318.01
Textbooks	800.00		800.00		800.00
<hr/>					
Total Resource Room / Resource Center	356,425.00	(45,100.00)	311,325.00	300,277.64	11,047.36
<hr/>					

(Continued)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONT'D):					
Current Expense (Cont'd):					
Home Instruction:					
Salaries of Teachers	\$ 5,920.00	\$ (4,200.00)	\$ 1,720.00	\$ -	\$ 1,720.00
Total Special Education - Instruction	362,345.00	(49,300.00)	313,045.00	300,277.64	12,767.36
School Sponsored Cocurricular Activities - Instruction:					
Salaries	8,945.00	9,159.00	18,104.00	18,103.60	0.40
Supplies & Materials	20,000.00		20,000.00	6,145.68	13,854.32
Total School Sponsored Cocurricular Activities - Instruction	28,945.00	9,159.00	38,104.00	24,249.28	13,854.72
Before/After School Program:					
Instruction:					
Salaries	25,000.00		25,000.00		25,000.00
Support Services:					
Purchased Professional - Technical Services		40,000.00	40,000.00	37,822.50	2,177.50
Total Before/After School Program	25,000.00	40,000.00	65,000.00	37,822.50	27,177.50
Summer School:					
Support Services:					
Salaries					
Purchased Professional - Technical Services	80,000.00	(60,000.00)	20,000.00	12,500.00	7,500.00
Total Summer School	80,000.00	(60,000.00)	20,000.00	12,500.00	7,500.00
Total Instruction	2,203,261.99	(72,374.66)	2,130,887.33	2,059,852.78	71,034.55

(Continued)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
Current Expense (Cont'd):					
Undistributed Expenditures - Instruction:					
Tuition to Other LEA's Within State - Regular	\$ 1,339,013.00	\$ (76,785.00)	\$ 1,262,228.00	\$ 1,249,138.94	\$ 13,089.06
Tuition to Other LEAs Within the State-Special	268,050.00	115,820.32	383,870.32	367,015.27	16,855.05
Tuition to County Vocational - Regular	12,552.00		12,552.00	12,552.00	
Tuition to County Vocational - Special	6,300.00		6,300.00		6,300.00
Tuition to CSSD and Regular Day Schools	230,900.00	(79,000.00)	151,900.00	111,418.14	40,481.86
Tuition to Private Schools for the Disabled - Within State	599,396.00	(71,400.00)	527,996.00	485,774.22	42,221.78
Tuition - State Facilities	4,500.00	30,965.00	35,465.00	35,465.00	
Tuition - Other	116,960.00		116,960.00	110,602.90	6,357.10
Total Undistributed Expenditures - Instruction	2,577,671.00	(80,399.68)	2,497,271.32	2,371,966.47	125,304.85
Undistributed Expenditures - Attendance and Social Work:					
Salaries	3,000.00	(3,000.00)	-	-	-
Undistributed Expenditures - Health Services:					
Salaries	75,591.00	(11,200.00)	64,391.00	64,345.58	45.42
Purchased Professional - Technical Services	20,000.00	2,800.00	22,800.00	22,709.10	90.90
Supplies and Materials	4,317.61	349.16	4,666.77	4,612.15	54.62
Other Objects	533.63	(415.00)	118.63	118.63	
Total Undistributed Expenditures - Health Services	100,442.24	(8,465.84)	91,976.40	91,785.46	190.94
Undistributed Expenditures - Other Support Services -					
Students - Speech, OT, PT & Related Services:					
Purchased Professional - Educational Services	87,000.00	3,400.00	90,400.00	90,326.40	73.60

(Continued)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONT'D):					
Current Expense (Cont'd):					
Undistributed Expenditures - Child Study Teams					
Salaries of Other Professional Staff	\$ 218,045.00	\$ 15,518.00	\$ 233,563.00	\$ 230,375.96	\$ 3,187.04
Salaries of Secretarial and Clerical Assistants	26,939.00	4,700.00	31,639.00	31,578.13	60.87
Purchased Professional- Educational Services	86,500.00	6,382.00	92,882.00	83,877.90	9,004.10
Purchased Professional - Technical Services	675.00		675.00		675.00
Travel	500.00		500.00		500.00
Supplies and Materials	6,208.74	(2,000.00)	4,208.74	3,983.74	225.00
	<u>338,867.74</u>	<u>24,600.00</u>	<u>363,467.74</u>	<u>349,815.73</u>	<u>13,652.01</u>
Total Undistributed Expenditures - Child Study Teams					
Undistributed Expenditures - Improvement of Instruction Services:					
Salaries of Supervisors of Instruction	43,613.00		43,613.00	41,337.89	2,275.11
Salaries of Other Professional Staff	83,134.00		83,134.00	81,142.54	1,991.46
Clerical Salaries	35,384.00	(9,500.00)	25,884.00	17,176.40	8,707.60
Other Salaries	53,612.00	(6,000.00)	47,612.00	44,215.45	3,396.55
Purchased Professional- Educational Services	4,000.00	1,800.00	5,800.00	5,756.94	43.06
Supplies and Materials	3,000.00	(313.74)	2,686.26	1,610.75	1,075.51
Misc. Instructional Expenses		313.74	313.74	313.74	
	<u>222,743.00</u>	<u>(13,700.00)</u>	<u>209,043.00</u>	<u>191,553.71</u>	<u>17,489.29</u>
Total Undistributed Expenditures - Improvement of Instruction Services					
Undistributed Expenditures - Educational Media Services / School Library:					
Salaries	65,493.00	12,000.00	77,493.00	76,924.47	568.53
Salaries of Technology Coordinators	80,389.00	(1,100.00)	79,289.00	73,657.90	5,631.10
Purchased Professional and Technical Services	25,000.00	(14,100.00)	10,900.00	6,892.80	4,007.20
Supplies and Materials	10,000.00	27,400.00	37,400.00	35,270.94	2,129.06
	<u>180,882.00</u>	<u>24,200.00</u>	<u>205,082.00</u>	<u>192,746.11</u>	<u>12,335.89</u>
Total Undistributed Expenditures - Educational Media Services / School Library					

(Continued)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONT'D):					
Current Expense (Cont'd):					
Undistributed Expenditures - Support Services - General Administration:					
Salaries	\$ 83,681.00	\$ 326.00	\$ 84,007.00	\$ 84,007.00	
Legal Services	7,500.00	9,199.50	16,699.50	16,691.01	\$ 8.49
Audit Fees	26,000.00	100.00	26,100.00	26,100.00	
Other Purchased Professional Services	5,000.00	(999.50)	4,000.50	4,000.50	
Purchase Professional - Technical Services	11,500.00	(1,626.00)	9,874.00	8,736.06	1,137.94
Communications/Telephone	20,500.00	17,100.00	37,600.00	37,147.89	452.11
BOE Other Purchased Services	1,000.00	(950.00)	50.00		50.00
Other Purchased Services	12,000.00		12,000.00	12,000.00	
General Supplies	7,500.00	(2,177.00)	5,323.00	4,725.68	597.32
BOE In-House Training and Meeting Supplies	1,273.00	(1,223.00)	50.00		50.00
Miscellaneous Expenditures	10,000.00	6,570.40	16,570.40	16,456.55	113.85
BOE Membership Dues and Fees	6,306.00	(820.40)	5,485.60	5,418.48	67.12
Total Undistributed Expenditures - Support Services - General Admin.	192,260.00	25,500.00	217,760.00	215,283.17	2,476.83
Undistributed Expenditures - Support Services - School Administration:					
Salaries of Principals/Assistant Principals	63,042.00	(487.52)	62,554.48	61,606.39	948.09
Salaries of Secretarial and Clerical Assistants	20,639.00	300.00	20,939.00	20,924.56	14.44
Purchase Professional - Technical Services	7,500.00	14,854.56	22,354.56	21,659.60	694.96
Travel	7,000.00	(5,437.04)	1,562.96	1,562.96	
Total Undistributed Expenditures - Support Services - School Admin.	98,181.00	9,230.00	107,411.00	105,753.51	1,657.49

(Continued)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
Current Expense (Cont'd):					
Undistributed Expenditures- Support Services- Central Services:					
Salaries	\$ 87,550.00	\$ 34,503.00	\$ 122,053.00	\$ 122,048.73	\$ 4.27
Purchase Professional Services	5,000.00	9,920.00	14,920.00	14,870.45	49.55
Miscellaneous Purchased Services	500.00	(300.00)	200.00	192.40	7.60
Supplies and Materials	5,000.00	(795.00)	4,205.00		4,205.00
Interest on Current Loans	35,000.00	(35,000.00)			
Miscellaneous Expenditures	2,016.00	97.00	2,113.00	2,112.57	0.43
Total Undistributed Expenditures- Support Services- Central Services	135,066.00	8,425.00	143,491.00	139,224.15	4,266.85
Undistributed Expenditures - Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance Services	80,000.00	8,000.00	88,000.00	87,920.22	79.78
Undistributed Expenditures - Custodial Services:					
Salaries	121,567.00	5,480.00	127,047.00	121,963.28	5,083.72
Cleaning, Repair, and Maintenance Service	85,000.00	22,400.00	107,400.00	107,178.80	221.20
Other Purchased Property Services	15,000.00	(200.00)	14,800.00	14,601.88	198.12
Insurance	30,000.00	(1,292.00)	28,708.00	28,707.97	0.03
Miscellaneous Purchased Services	250.00		250.00		250.00
General Supplies	46,728.66	30,525.00	77,253.66	68,138.68	9,114.98
Energy (Electricity)	151,500.00	(45,213.00)	106,287.00	105,267.51	1,019.49
Other Objects	1,000.00	1,511.00	2,511.00	2,510.00	1.00
Total Undistributed Expenditures - Custodial Services	451,045.66	13,211.00	464,256.66	448,368.12	15,888.54
Undistributed Expenditures - Care and Upkeep of Grounds					
Cleaning, Repair, and Maintenance Service	2,000.00		2,000.00	2,000.00	
Total Undistributed Expenditures - Care and Upkeep of Grounds	2,000.00	-	2,000.00	2,000.00	-

(Continued)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONT'D):					
Current Expense (Cont'd):					
Undistributed Expenditures - Security					
Salaries	\$ 39,611.00	\$ (2,400.00)	\$ 37,211.00	\$ 29,237.09	\$ 7,973.91
Other Objects	500.00	(11.00)	489.00		489.00
Total Undistributed Expenditures - Security	<u>40,111.00</u>	<u>(2,411.00)</u>	<u>37,700.00</u>	<u>29,237.09</u>	<u>8,462.91</u>
Total Undistributed Expenditures - Oper. & Maint. of Plant Services	<u>573,156.66</u>	<u>18,800.00</u>	<u>591,956.66</u>	<u>567,525.43</u>	<u>24,431.23</u>
Undistributed Expenditures - Student Transportation Services:					
Management Fee - ESC & CTSA Transportation Program	12,000.00	18,971.00	30,971.00	28,370.48	2,600.52
Contracted Services - Aid In Lieu of Payments - Nonpublic Students	19,081.00	3,946.00	23,027.00	22,984.00	43.00
Contracted Services - Aid In Lieu of Payments - Charter Students	10,608.00	13,800.00	24,408.00	23,199.16	1,208.84
Contracted Services - Aid In Lieu of Payments - Choice Students	13,260.00	(8,840.00)	4,420.00	4,420.00	
Contracted Services (Between Home and School) - Vendors	62,693.00	(1,400.00)	61,293.00	61,152.66	140.34
Contracted Services (Other than Between Home & School) - Vendors	9,000.00	(5,177.00)	3,823.00	3,822.50	0.50
Contracted Services - (Reg. Students) -ESCs & CTSA	5,000.00	6,000.00	11,000.00	10,210.91	789.09
Contracted Services - (Special Education Students) -ESCs & CTSA	220,421.00	306,876.00	527,297.00	516,850.65	10,446.35
Total Undistributed Expenditures - Student Transportation Services	<u>352,063.00</u>	<u>334,176.00</u>	<u>686,239.00</u>	<u>671,010.36</u>	<u>15,228.64</u>
Undistributed Expenditures - Unallocated Benefits - Employee Benefits:					
Social Security - PERS	66,170.00	(20,000.00)	46,170.00	40,188.37	5,981.63
Other Retirement Contributions - REG	71,794.00	(10,500.00)	61,294.00	59,981.83	1,312.17
Unemployment Compensation	10,000.00	(10,000.00)			
Workmen's Compensation	60,000.00	(17,900.00)	42,100.00	42,061.01	38.99
Health Benefits	965,338.00	(193,055.00)	772,283.00	675,648.22	96,634.78
Tuition Reimbursements	15,000.00	(8,000.00)	7,000.00	5,178.00	1,822.00
Total Undistributed Expenditures - Unallocated Benefits	<u>1,188,302.00</u>	<u>(259,455.00)</u>	<u>928,847.00</u>	<u>823,057.43</u>	<u>105,789.57</u>

(Continued)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONT'D):					
Current Expense (Cont'd):					
On-behalf TPAF Pension Contributions:					
Normal Cost (non-budgeted)				\$ 245,951.00	\$ (245,951.00)
Post Retirement Costs (non-budgeted)				212,359.00	(212,359.00)
Long-Term Disability Insurance Costs				1,757.00	(1,757.00)
Non-Contributory Group Insurance Costs (non-budgeted)				8,911.00	(8,911.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)				201,547.58	(201,547.58)
Total On-behalf Contributions	\$ -	\$ -	\$ -	670,525.58	(670,525.58)
Total Undistributed Expenditures	6,049,634.64	83,310.48	6,132,945.12	6,480,573.51	(347,628.39)
Total Current Expense	8,252,896.63	10,935.82	8,263,832.45	8,540,426.29	(276,593.84)
Capital Outlay:					
Equipment					
Undistributed Expenditures - Instructional	25,000.00	17,544.50	42,544.50	42,544.50	
Equipment - Operation & Maintenance	5,000.00	(5,000.00)			
Undistributed Expenditures - Non-Instructional Services	25,000.00	(10,660.00)	14,340.00	14,340.00	
Total Equipment	55,000.00	1,884.50	56,884.50	56,884.50	-
Assessment for Debt Service on SDA Funding	34,985.00	-	34,985.00	34,985.00	-
Total Capital Outlay	89,985.00	1,884.50	91,869.50	91,869.50	-
Transfer of Funds to Charter Schools	142,903.00	(12,820.32)	130,082.68	123,629.00	6,453.68
Total Expenditures	8,485,784.63	-	8,485,784.63	8,755,924.79	(270,140.16)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(467,251.63)	-	(467,251.63)	42,918.69	(510,170.32)

(Continued)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (467,251.63)	\$ -	\$ (467,251.63)	\$ 42,918.69	\$ (510,170.32)
Fund Balances, July 1	939,304.71	-	939,304.71	1,338,501.06	(399,196.35)
Fund Balances, June 30	<u>\$ 472,053.08</u>	<u>\$ -</u>	<u>\$ 472,053.08</u>	<u>\$ 1,381,419.75</u>	<u>\$ (909,366.67)</u>
RECAPITULATION:					
Restricted Fund Balance:					
Maintenance Reserve				\$ 50,000.00	
Tuition Reserve				50,000.00	
Excess Surplus--Current Year				393,732.28	
Excess Surplus--Prior Year--Designated for Subsequent Year's Expenditures				537,600.43	
Assigned Fund Balance:					
Year-End Encumbrances				5,880.47	
Designated for Subsequent Year's Expenditures				33,647.57	
Unassigned Fund Balance				<u>310,559.00</u>	
				1,381,419.75	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not recognized on GAAP Basis				<u>(346,633.77)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,034,785.98</u>	

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule
 Special Revenue Fund
 For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
REVENUES:					
Local Sources:					
Revenue from Local Sources	\$ -	\$ 3,761.72	\$ 3,761.72	\$ 3,668.41	\$ (93.31)
State Sources:					
Preschool Education Aid	77,508.00	-	77,508.00	77,508.00	-
Federal Sources:					
No Child Left Behind					
Title I	147,414.00	76,800.00	224,214.00	223,610.00	(604.00)
Title IIA	17,104.00	16,173.00	33,277.00	27,091.00	(6,186.00)
I.D.E.A., Part B, Basic	79,584.00	28,425.00	108,009.00	101,586.00	(6,423.00)
I.D.E.A., Part B, Preschool Incentive		2,786.00	2,786.00	2,786.00	
Total - Federal Sources	244,102.00	124,184.00	368,286.00	355,073.00	(13,213.00)
Total Revenues	321,610.00	127,945.72	449,555.72	436,249.41	(13,306.31)

(Continued)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT

Required Supplementary Information
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 304,506.00	\$ (54,758.36)	\$ 249,747.64	\$ 249,733.43	\$ 14.21
Purchased Professional - Technical Services		1,212.00	1,212.00	350.00	862.00
Other Purchased Services (400-500 series)		2,786.00	2,786.00	2,786.00	
General Supplies		31,765.50	31,765.50	26,150.43	5,615.07
Total Instruction	304,506.00	(18,994.86)	285,511.14	279,019.86	6,491.28
Support Services:					
Salaries		68,246.64	68,246.64	68,245.69	0.95
Personal Services - Employee Benefits		64,668.53	64,668.53	64,175.21	493.32
Purchased Professional - Educational Services		7,500.00	7,500.00	7,496.75	3.25
Purchased Professional - Technical Services	17,104.00	(12,104.00)	5,000.00	2,928.50	2,071.50
Other Purchased Services (400-500 series)		5,000.00	5,000.00	1,584.00	3,416.00
Supplies and Materials		12,629.41	12,629.41	12,060.61	568.80
Other Objects		1,000.00	1,000.00	738.79	261.21
Total Support Services	17,104.00	146,940.58	164,044.58	157,229.55	6,815.03
Total Expenditures	321,610.00	127,945.72	449,555.72	436,249.41	13,306.31
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

BOROUGH OF LAWNSIDE SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

For the Fiscal Year Ended June 30, 2017

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

	General <u>Fund</u>	Special Revenue <u>Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 8,798,843.48	\$ 436,249.41
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		(9,848.13)
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes	351,559.00	
State aid payment is recognized as revenue for budgetary purposes, not recognized for GAAP statements until subsequent year	<u>(346,633.77)</u>	<u>(7,733.23)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 8,803,768.71</u>	<u>\$ 418,668.05</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 8,755,924.79	\$ 436,249.41
Encumbrances for goods or services ordered but not received are reported in the year the orders are placed for budgetary purposes, but in the year the goods or services are received for financial reporting purposes.		<u>(9,848.13)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 8,755,924.79</u>	<u>\$ 426,401.28</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART III**

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System (PERS)
 Last Four Plan Years

	Measurement Date Ending June 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.0066343930%	0.0065615812%	0.0062092304%	0.0044792190%
School District's Proportionate Share of the Net Pension Liability	\$ 1,964,917.00	\$ 1,472,943.00	\$ 1,162,538.00	\$ 856,068.00
School District's Covered Payroll (Plan Measurement Period)	\$ 499,984.00	\$ 497,772.00	\$ 462,824.00	\$ 282,660.00
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	393.00%	295.91%	251.18%	302.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of the School District's Contributions
 Public Employees' Retirement System (PERS)
 Last Four Fiscal Years

	<u>Fiscal Year Ended June 30,</u>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 49,792.00	\$ 58,939.00	\$ 56,412.00	\$ 51,188.00
Contributions in Relation to the Contractually Required Contribution	<u>(49,792.00)</u>	<u>(58,939.00)</u>	<u>(56,412.00)</u>	<u>(51,188.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll (Fiscal Year)	\$ 383,479.00	\$ 357,146.00	\$ 450,108.00	\$ 441,101.00
Contributions as a Percentage of School District's Covered Payroll	12.98%	16.50%	12.53%	11.60%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 Teachers' Pension and Annuity Fund (TPAF)
 Last Four Plan Years

	Measurement Date Ending June 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.00%	0.00%	0.00%	0.00%
State's Proportion of the Net Pension Liability Associated with the School District	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
School District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the School District	<u>18,622,892.00</u>	<u>13,767,801.00</u>	<u>10,373,450.00</u>	<u>9,638,949.00</u>
	<u>\$ 18,622,892.00</u>	<u>\$ 13,767,801.00</u>	<u>\$ 10,373,450.00</u>	<u>\$ 9,638,949.00</u>
School District's Covered Payroll (Plan Measurement Period)	\$ 2,683,480.00	\$ 2,573,492.00	\$ 2,557,340.00	\$ 2,016,388.00
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
State's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	693.98%	534.99%	405.63%	478.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.23%	28.71%	33.64%	33.76%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Required Supplementary Information
Schedule of School District's Contributions
Teachers' Pension and Annuity Fund (TPAF)
Last Ten Fiscal Years

This schedule is not applicable.

The School District is not required to make any contributions towards TPAF.

There is a special funding situation where the State of New Jersey pays 100% of the required contributions.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Notes to Required Supplementary Information - Part III
For the Fiscal Year Ended June 30, 2017

Teachers' Pension and Annuity Fund (TPAF)

Changes in Benefit Terms – None

Changes in Assumptions - For 2016, the discount rate changed to 3.22% and the long-term expected rate of return changed to 7.65%. Further, the demographic assumptions were revised to reflect those recommended on the basis of the July 1, 2012 - June 30, 2015 experience study. For 2015, the discount rate changed to 4.13%. For 2014, the discount rate was at 4.68%.

Public Employees' Retirement System (PERS)

Changes in Benefit Terms – None

Changes in Assumptions - For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

	<u>No Child Left Behind</u>		<u>I.D.E.A. Part B</u>		<u>Preschool</u>	<u>Local</u>	<u>Total</u>
	<u>Title I</u>	<u>Title IIA</u>	<u>Basic</u>	<u>Preschool Incentive</u>	<u>Education Aid</u>	<u>Grants</u>	
REVENUES:							
Federal Sources	\$ 223,610.00	\$ 27,091.00	\$ 101,586.00	\$ 2,786.00			\$ 355,073.00
State Sources					\$ 77,508.00		77,508.00
Local Sources						\$ 3,668.41	3,668.41
Total Revenues	223,610.00	27,091.00	101,586.00	2,786.00	77,508.00	3,668.41	436,249.41
EXPENDITURES:							
Instruction:							
Salaries of Teachers	168,274.79		3,950.64		77,508.00		249,733.43
Purchased Professional - Technical Services			350.00				350.00
Other Purchased Services (400-500 series)				2,786.00			2,786.00
General Supplies	2,708.82	13,877.39	5,895.81			3,668.41	26,150.43
Total Instruction	170,983.61	13,877.39	10,196.45	2,786.00	77,508.00	3,668.41	279,019.86
Support Services:							
Salaries	5,699.64		62,546.05				68,245.69
Personal Services - Employee Benefits	46,926.75		17,248.46				64,175.21
Purchased Professional - Educational Services			7,496.75				7,496.75
Purchased Professional - Technical Services		2,928.50					2,928.50
Other Purchased Services		1,584.00					1,584.00
Supplies and Materials		7,962.32	4,098.29				12,060.61
Other Objects		738.79					738.79
Total Support Services	52,626.39	13,213.61	91,389.55	-	-	-	157,229.55
Total Expenditures	223,610.00	27,091.00	101,586.00	2,786.00	77,508.00	3,668.41	436,249.41
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Special Revenue Fund
 Schedule of Preschool Education Aid
 Budgetary Basis
 For the Fiscal Year Ended June 30, 2017

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	<u>\$ 77,508.00</u>	<u>\$ 77,508.00</u>	<u>\$ -</u>
Total Expenditures	<u><u>\$ 77,508.00</u></u>	<u><u>\$ 77,508.00</u></u>	<u><u>\$ -</u></u>

Calculation of Budget and Carryover

Total Revised 2016-2017 Preschool Expansion Aid Allocation	\$ 77,508.00
Add: Actual Preschool Education Aid Carryover (June 30, 2016)	-
Add: Budgeted Transfer from the General Fund 2016-17	<u>-</u>
Total Preschool Education Aid Funds Available for 2016-2017 Budget	77,508.00
Less: 2016-17 Budgeted Preschool Education Aid (Including prior year budget carryover)	<u>77,508.00</u>
Available and Unbudgeted Preschool Education Aid as of June 30, 2017	-
Add: June 30, 2017 Unexpended Preschool Education Aid	<u>-</u>
2016-2017 Carryover - Preschool Education Aid/Preschool	<u><u>\$ -</u></u>
2016-2017 Preschool Education Aid Carryover Budgeted in 2017-2018	<u><u>\$ -</u></u>

PROPRIETARY FUNDS

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Enterprise Fund
Statement of Net Position
June 30, 2017

	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 62,969.89
Accounts Receivable:	
State	163.61
Federal	12,059.06
Inventories	<u>10,750.57</u>
Total Current Assets	<u>85,943.13</u>
Noncurrent Assets:	
Capital Assets	132,109.20
Less: Accumulated Depreciation	<u>(91,690.47)</u>
Total Noncurrent Assets	<u>40,418.73</u>
Total Assets	<u>126,361.86</u>
LIABILITIES:	
Current Liabilities:	
Unearned Revenue	<u>5,147.93</u>
NET POSITION:	
Net Investment in Capital Assets	40,418.73
Unrestricted	<u>80,795.20</u>
Total Net Position	<u><u>\$ 121,213.93</u></u>

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Enterprise Fund
 Statement of Revenues, Expenses and Changes in Fund Net Position
 For the Fiscal Year Ended June 30, 2017

	<u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 1,254.93
Daily Sales - Non-Reimbursable Programs	<u>23,074.40</u>
Total Operating Revenues	<u>24,329.33</u>
OPERATING EXPENSES:	
Cost of Sales - Reimbursable Programs	90,783.85
Cost of Sales - Non-reimbursable Programs	10,000.00
Salaries and Fringe Benefits	91,491.93
Repairs and Maintenance	7,738.06
Food Service Management Fee	13,287.78
General Supplies	8,403.73
Miscellaneous	3,938.26
Depreciation	<u>3,652.15</u>
Total Operating Expenses	<u>229,295.76</u>
Operating Loss	<u>(204,966.43)</u>
NONOPERATING REVENUES:	
State Sources:	
State School Lunch Program	2,685.82
Federal Sources:	
National School Lunch Program	136,097.74
National Breakfast Program	59,522.19
After-School Snack Program	4,602.72
Food Distribution Program	16,772.28
Interest Earned	<u>22.00</u>
Total Nonoperating Revenues	<u>219,702.75</u>
Change in Net Position	14,736.32
Net Position -- July 1	<u>106,477.61</u>
Net Position -- June 30	<u><u>\$ 121,213.93</u></u>

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Enterprise Fund
 Statement of Cash Flows
 For the Fiscal Year Ended June 30, 2017

	<u>Food Service</u>
CASH FLOWS USED IN OPERATING ACTIVITIES:	
Receipts from Customers	\$ 24,329.33
Payments to Employees	(91,491.93)
Payments to Vendors	<u>(136,214.76)</u>
Net Cash Used in Operating Activities	<u>(203,377.36)</u>
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES :	
Capital Acquisitions	<u>(7,899.00)</u>
CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES:	
State Sources	2,726.97
Federal Sources	<u>220,541.07</u>
Net Cash Provided by Non-Capital Financing Activities	<u>223,268.04</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:	
Interest Revenue	<u>22.00</u>
Net Increase in Cash and Cash Equivalents	12,013.68
Cash and Cash Equivalents -- July 1	<u>50,956.21</u>
Cash and Equivalents -- June 30	<u><u>\$ 62,969.89</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	\$ (204,966.43)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	3,652.15
Change in Assets and Liabilities:	
(Increase) Decrease in Inventories	<u>(2,063.08)</u>
Total Adjustments	<u>1,589.07</u>
Net Cash Used for Operating Activities	<u><u>\$ (203,377.36)</u></u>

FIDUCIARY FUNDS

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 June 30, 2017

	Private-Purpose Trust Funds	Agency Funds		
	Unemployment Compensation Trust	Student Activity	Payroll	Total
ASSETS:				
Cash and Cash Equivalents	\$ 89,823.72	\$ 28,819.37	\$ 2,000.00	\$ 120,643.09
Due from State	4,689.88			4,689.88
Due from General	9,161.78			9,161.78
	103,675.38	\$ 28,819.37	\$ 2,000.00	134,494.75
Total Assets	103,675.38	\$ 28,819.37	\$ 2,000.00	134,494.75
LIABILITIES:				
Payable to General Accounts Payable	277.59		\$ 2,000.00	2,000.00
Payable to Student Groups		\$ 28,819.37		28,819.37
	277.59	\$ 28,819.37	\$ 2,000.00	31,096.96
Total Liabilities	277.59	\$ 28,819.37	\$ 2,000.00	31,096.96
NET POSITION:				
Held in Trust for Unemployment Claims and Other Purposes	103,397.79			103,397.79
Total Net Position	\$ 103,397.79			\$ 103,397.79

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For the Fiscal Year Ended June 30, 2017

	Private-Purpose Trust Funds Unemployment Compensation Trust
ADDITIONS:	
Contributions:	
Plan Members	\$ 5,850.95
Refund of Prior Year Expenses	4,689.88
Interest Earnings	<u>40.49</u>
Total Additions	10,581.32
DEDUCTIONS:	
Unemployment Claims	<u>1,941.51</u>
Change in Net Position	8,639.81
Net Position -- July 1	<u>94,757.98</u>
Net Position -- June 30	<u><u>\$ 103,397.79</u></u>

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Fiduciary Funds
 Student Activity Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Elementary/Middle School	\$ 20,741.65	\$ 46,710.61	\$ 38,632.89	\$ 28,819.37
Due to Special Revenue Fund	225.05		225.05	
	<hr/>			
Total Student Activity	<u>\$ 20,966.70</u>	<u>\$ 46,710.61</u>	<u>\$ 38,857.94</u>	<u>\$ 28,819.37</u>

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Fiduciary Funds
 Payroll Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 15,621.92	\$ 3,367,018.87	\$ 3,380,640.79	\$ 2,000.00
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 968.34	\$ 1,520,945.39	\$ 1,521,913.73	
Due to Other Funds	14,653.58		12,653.58	\$ 2,000.00
Net Payroll		1,846,073.48	1,846,073.48	
Total Liabilities	\$ 15,621.92	\$ 3,367,018.87	\$ 3,380,640.79	\$ 2,000.00

LONG-TERM DEBT

BOROUGH OF LAWNSIDE SCHOOL DISTRICT

Schedule of Serial Bonds

For the Fiscal Year Ended June 30, 2017

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance June 30, 2016</u>	<u>Paid</u>	<u>Balance June 30, 2017</u>
			<u>Date</u>	<u>Amount</u>				
School Bonds	9/1/10	\$ 2,900,000.00	9/1/2017	\$ 150,000.00	3.000%			
			9/1/2018	175,000.00	3.000%			
			9/1/2019	200,000.00	3.000%			
			9/1/2020	225,000.00	3.000%			
			9/1/2021	225,000.00	3.125%			
			9/1/2022	225,000.00	3.500%			
			9/1/2023	225,000.00	4.000%			
			9/1/2024	225,000.00	4.000%			
			9/1/2025	225,000.00	4.000%			
			9/1/2026	250,000.00	4.000%			
			9/1/2027	250,000.00	4.000%			
						\$ 2,500,000.00	\$ 125,000.00	\$ 2,375,000.00

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Debt Service Fund
 For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 211,282.00	\$ 211,282.00	\$ -
EXPENDITURES:			
Regular Debt Service:			
Interest	86,282.00	86,281.26	0.74
Redemption of Principal	125,000.00	125,000.00	
Total Regular Debt Service	211,282.00	211,281.26	0.74
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	0.74	(0.74)
Fund Balance, July 1	-	0.74	(0.74)
Fund Balance, June 30	\$ -	\$ 1.48	\$ (1.48)

STATISTICAL SECTION

FINANCIAL TRENDS INFORMATION

Financial trends information is intended to assist the user in understanding and assessing how the School District's financial position has changed over time. Please refer to the following exhibits for a historical view of the School District's financial performance.

BOROUGH OF LAWNESIDE SCHOOL DISTRICT
 Net Position/Assets by Component
 Last Ten Fiscal Years (Accrual Basis of Accounting)
Unaudited

	Fiscal Year Ended June 30,									
	2017*	2016*	2015*	2014*	2013	2012	2011	2010	2009	2008
Governmental Activities:										
Net Investment in Capital Assets	\$ 3,819,437	\$ 3,917,503	\$ 4,030,987	\$ 4,052,929	\$ 4,156,548	\$ 3,816,322	\$ 2,775,935	\$ 846,126	\$ 869,079	\$ 1,840,177
Restricted	684,700	649,175	655,956	1,038,041	2,057,260	1,187,657	1,146,667	293,617	170,715	122,958
Unrestricted (Deficit)	(949,696)	(759,385)	(676,510)	(1,006,136)	(88,126)	(140,837)	(128,893)	(218,335)	(273,992)	(57,882)
Total Governmental Activities										
Net Position/Assets	<u>\$ 3,554,441</u>	<u>\$ 3,807,293</u>	<u>\$ 4,010,433</u>	<u>\$ 4,084,834</u>	<u>\$ 6,125,681</u>	<u>\$ 4,863,142</u>	<u>\$ 3,793,709</u>	<u>\$ 921,408</u>	<u>\$ 765,802</u>	<u>\$ 1,905,253</u>
Business-type Activities:										
Net Investment in Capital Assets	\$ 40,419	\$ 36,172	\$ 39,103	\$ 13,321	\$ 6,065	\$ 4,705	\$ 5,094			
Unrestricted	80,795	70,306	43,986	70,098	56,757	53,680	38,445	\$ 46,596	\$ 45,302	\$ 58,412
Total Business-type Activities										
Net Position/Assets	<u>\$ 121,214</u>	<u>\$ 106,478</u>	<u>\$ 83,089</u>	<u>\$ 83,419</u>	<u>\$ 62,822</u>	<u>\$ 58,385</u>	<u>\$ 43,539</u>	<u>\$ 46,596</u>	<u>\$ 45,302</u>	<u>\$ 58,412</u>
District-wide:										
Net Investment in Capital Assets	\$ 3,859,855	\$ 3,953,675	\$ 4,070,090	\$ 4,066,250	\$ 4,162,613	\$ 3,821,027	\$ 2,781,029	\$ 846,126	\$ 869,079	\$ 1,840,177
Restricted	684,700	649,175	655,956	1,038,041	2,057,260	1,187,657	1,146,667	293,617	170,715	122,958
Unrestricted (Deficit)	(868,901)	(689,080)	(632,524)	(936,038)	(31,370)	(87,157)	(90,448)	(171,739)	(228,690)	530
Total District-wide Net Position/Assets	<u>\$ 3,675,655</u>	<u>\$ 3,913,770</u>	<u>\$ 4,093,521</u>	<u>\$ 4,168,253</u>	<u>\$ 6,188,503</u>	<u>\$ 4,921,527</u>	<u>\$ 3,837,248</u>	<u>\$ 968,004</u>	<u>\$ 811,104</u>	<u>\$ 1,963,665</u>

* Amounts for the years 2014 through 2017 include the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

Source: District Records (Exhibit A-1)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Changes in Net Position/Assets
 Last Ten Fiscal Years (Accrual Basis of Accounting)
Unaudited

	Fiscal Year Ended June 30,									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 1,990,019	\$ 1,876,142	\$ 2,999,836	\$ 2,448,072	\$ 2,292,487	\$ 1,668,159	\$ 1,955,182	\$ 1,958,524	\$ 1,864,626	\$ 1,793,477
Special Education	300,278	461,294	475,758	458,116	380,176	743,259	318,229	311,853	300,738	323,072
Other Special Education					2,676					
Other Instruction	74,572	130,997	141,566	110,120	45,617	4,192	2,676	2,675	78,974	64,475
Support Services:										
Tuition	2,371,966	2,605,891	2,754,187	2,301,852	2,742,239	3,646,023	4,362,830	4,404,640	4,084,093	3,700,849
Student and Instruction Related Services	916,227	1,021,566	1,036,070	857,512	857,733	859,430	783,890	638,517	709,007	812,810
School Administrative Services	444,301	425,534	508,579	521,672	378,651	83,395	99,702	84,895	81,874	86,496
Other Administrative Services	141,601	156,035	148,025	179,428	212,707	382,266	395,272	383,363	398,117	362,514
Plant Operations and Maintenance	567,525	590,951	620,841	608,867	495,458	421,106	436,250	445,561	431,737	450,243
Pupil Transportation	671,010	404,629	305,509	248,506	325,743	321,026	306,217	314,887	394,268	426,420
Unallocated Benefits	2,896,602	1,777,258	55,292	441,335	554,887	343,226	289,624	337,095	305,158	433,394
Items Less Than \$2,000 Charged to Capital Outlay	85,031	88,781	34,985	234,569	20,819					
Interest on Long-term Debt	34,985	34,985	88,847	98,172	98,209	108,511	18,285	10,200	12,487	14,701
Transfer to Charter Schools	123,629	173,701	192,806	239,658	182,572	66,757	92,300			
Unallocated Depreciation	213,212	218,702	218,233	215,891	67,181	59,621	45,250	46,624	46,624	42,570
Total Governmental Activities Expenses	<u>10,830,959</u>	<u>9,966,466</u>	<u>9,580,533</u>	<u>8,963,770</u>	<u>8,657,158</u>	<u>8,706,971</u>	<u>9,105,707</u>	<u>8,938,834</u>	<u>8,707,703</u>	<u>8,511,021</u>
Business-type Activities:										
Food Service	229,296	187,106	170,504	169,232	170,785	161,408	161,569	165,292	167,624	155,464
Total Business-type Activities Expense	<u>229,296</u>	<u>187,106</u>	<u>170,504</u>	<u>169,232</u>	<u>170,785</u>	<u>161,408</u>	<u>161,569</u>	<u>165,292</u>	<u>167,624</u>	<u>155,464</u>
Total District Expenses	<u>\$ 11,060,255</u>	<u>\$ 10,153,572</u>	<u>\$ 9,751,037</u>	<u>\$ 9,133,002</u>	<u>\$ 8,827,943</u>	<u>\$ 8,868,379</u>	<u>\$ 9,267,276</u>	<u>\$ 9,104,126</u>	<u>\$ 8,875,327</u>	<u>\$ 8,666,485</u>

(Continued)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Changes in Net Position/Assets
 Last Ten Fiscal Years (Accrual Basis of Accounting)
Unaudited

	Fiscal Year Ended June 30,									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Program Revenues:										
Governmental Activities:										
Operating Grants and Contributions	\$ 2,233,583	\$ 1,599,136	\$ 1,476,765	\$ 1,055,269	\$ 1,103,633	\$ 1,059,028	\$ 1,002,970	\$ 920,269	\$ 754,507	\$ 1,206,911
Total Governmental Activities Program Revenues	<u>2,233,583</u>	<u>1,599,136</u>	<u>1,476,765</u>	<u>1,055,269</u>	<u>1,103,633</u>	<u>1,059,028</u>	<u>1,002,970</u>	<u>920,269</u>	<u>754,507</u>	<u>1,206,911</u>
Business-type activities:										
Charges for services										
Food Service	24,329	37,770	35,933	49,561	42,673	38,465	38,666	42,793	49,782	42,704
Operating Grants and Contributions	219,681	172,710	134,222	140,246	136,303	137,657	119,705	118,177	104,245	97,507
Total Business-type Activities Program Revenues	<u>244,010</u>	<u>210,480</u>	<u>170,155</u>	<u>189,807</u>	<u>178,976</u>	<u>176,122</u>	<u>158,371</u>	<u>160,970</u>	<u>154,027</u>	<u>140,211</u>
Total District Program Revenues	<u>\$ 2,477,593</u>	<u>\$ 1,809,616</u>	<u>\$ 1,646,920</u>	<u>\$ 1,245,076</u>	<u>\$ 1,282,608</u>	<u>\$ 1,235,150</u>	<u>\$ 1,161,341</u>	<u>\$ 1,081,239</u>	<u>\$ 908,534</u>	<u>\$ 1,347,122</u>
Net (Expense)/Revenue:										
Governmental Activities	\$ (8,597,377)	\$ (8,367,330)	\$ (8,103,768)	\$ (7,908,501)	\$ (7,553,525)	\$ (7,647,943)	\$ (8,102,737)	\$ (8,018,565)	\$ (7,953,196)	\$ (7,304,110)
Business-type Activities	14,714	23,374	(349)	20,575	8,191	14,714	(3,198)	(4,322)	(13,597)	(15,253)
Total District-wide Net Expense	<u>\$ (8,582,662)</u>	<u>\$ (8,343,956)</u>	<u>\$ (8,104,117)</u>	<u>\$ (7,887,926)</u>	<u>\$ (7,545,335)</u>	<u>\$ (7,633,229)</u>	<u>\$ (8,105,935)</u>	<u>\$ (8,022,887)</u>	<u>\$ (7,966,793)</u>	<u>\$ (7,319,363)</u>

(Continued)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Changes in Net Position/Assets
 Last Ten Fiscal Years (Accrual Basis of Accounting)
Unaudited

	Fiscal Year Ended June 30,									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Revenues and Other Changes in Net Position/Assets:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 4,261,049	\$ 4,177,499	\$ 4,063,082	\$ 3,983,413	\$ 4,040,589	\$ 4,000,589	\$ 4,594,696	\$ 4,417,977	\$ 4,120,078	\$ 4,026,627
Taxes Levied for Debt Service	211,282	215,032	215,005	185,478	188,731	225,956	19,642	39,258	45,642	40,135
Federal and State Aid Not Restricted	3,817,968	3,740,025	3,727,754	2,507,432	4,599,359	3,677,849	3,451,836	3,774,430	3,570,652	3,069,229
State Aid Restricted for Capital Projects						595,823	2,899,050			
Investment Earnings									60	958
Miscellaneous Income	54,226	31,635	23,526	52,079	38,375	218,697	9,814	22,877	26,518	2,106
Cancellation of Prior Year Accounts Receivable						(1,538)		(41,575)		
Transfers										(30,000)
Total Governmental Activities	8,344,525	8,164,190	8,029,367	6,728,402	8,867,054	8,717,376	10,975,038	8,212,967	7,762,950	7,109,055
Business-type Activities:										
Investment Earnings	22	15	19	22	147	132	141	133	487	1,307
Loss on Disposal of Capital Asset					(3,900)					
Transfers										30,000
Total Business-type Activities	22	15	19	22	(3,753)	132	141	133	487	31,307
Total District-wide	\$ 8,344,547	\$ 8,164,205	\$ 8,029,386	\$ 6,728,424	\$ 8,863,300	\$ 8,717,508	\$ 10,975,179	\$ 8,213,100	\$ 7,763,437	\$ 7,140,362
Change in Net Position/Assets:										
Governmental Activities	\$ (252,851)	\$ (203,140)	\$ (74,402)	\$ (1,180,099)	\$ 1,313,528	\$ 1,069,433	\$ 2,872,301	\$ 194,402	\$ (190,246)	\$ (195,055)
Business-type Activities	14,736	23,389	(330)	20,597	4,437	14,846	(3,057)	(4,189)	(13,110)	16,054
Total District	\$ (238,115)	\$ (179,751)	\$ (74,732)	\$ (1,159,502)	\$ 1,317,965	\$ 1,084,279	\$ 2,869,244	\$ 190,213	\$ (203,356)	\$ (179,001)

* Amounts for 2015 and 2017 include the expense associated with the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

Source: District Records (Exhibit A-2)

BOROUGH OF LAWN SIDE SCHOOL DISTRICT
Fund Balances, Governmental Funds
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)
Unaudited

	Fiscal Year Ended June 30,									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund:										
Restricted:										
Other Reserves	\$ 100,000	\$ 50,000	\$ 250,000	\$ 250,000				\$ 18,642	\$ 18,642	\$ 18,582
Excess Surplus	47,099	186,041	76,683	328,938	\$ 459,011	\$ 344,949	\$ 126,435			
Designated for Subsequent Year's Expenditures	537,600	413,133	329,272	459,011	344,949					
Assigned:										
Designated for Subsequent Year's Expenditures	33,648	25,837	29,986	22,011		227,559		241,696	136,394	85,394
Other Purposes	5,880	28,282	12,570	55,762	157,468	3,635	27,344	27,344	9,744	18,980
Unassigned (Deficit)	302,826	283,649	276,172	(50,029)	(71,368)	(76,606)	(41,804)	(135,188)	(187,285)	52,979
Total General Fund	<u>\$ 1,027,053</u>	<u>\$ 986,942</u>	<u>\$ 974,683</u>	<u>\$ 1,065,693</u>	<u>\$ 890,060</u>	<u>\$ 499,537</u>	<u>\$ 111,975</u>	<u>\$ 152,494</u>	<u>\$ (22,505)</u>	<u>\$ 175,935</u>
All Other Governmental Funds:										
Unreserved, Reported in:										
Special Revenue Fund							\$ 6,427	\$ (3,706)	\$ (3,586)	\$ (22,280)
Capital Projects Fund						\$ 605,321	996,529			
Debt Service Fund						6,193	2,417	5,935	5,935	2
Restricted:										
Capital Projects Fund					\$ 1,249,523					
Debt Service Fund	\$ 1	\$ 1		\$ 92	3,777					
Total All Other Governmental Funds	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 92</u>	<u>\$ 1,253,300</u>	<u>\$ 611,514</u>	<u>\$ 1,005,373</u>	<u>\$ 2,229</u>	<u>\$ 2,349</u>	<u>\$ (22,278)</u>

Source: District Records (Exhibit B-1)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Changes in Fund Balances, Governmental Funds
 Last Ten Fiscal Years (Modified Accrual Basis of Accounting)
Unaudited

	Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Tax Levy	\$ 4,472,331	\$ 4,392,531	\$ 4,278,087	\$ 4,168,891	\$ 4,229,320	\$ 4,226,545	\$ 4,614,338	\$ 4,457,235	\$ 4,165,720	\$ 4,066,762
Miscellaneous	57,894	37,446	36,452	52,078	38,375	218,697	9,814	22,877	26,578	3,064
State Sources	4,558,269	4,388,827	4,250,711	2,973,999	5,093,288	4,549,424	6,682,148	3,537,837	3,994,192	3,974,555
Federal Sources	345,225	293,413	500,460	588,702	609,704	783,276	671,708	1,156,862	330,967	301,585
Total Revenue	9,433,719	9,112,216	9,065,710	7,783,670	9,970,686	9,777,942	11,978,008	9,174,811	8,517,457	8,345,966
Expenditures:										
Instruction										
Regular Instruction	1,957,955	1,830,121	2,706,512	2,421,727	2,266,582	1,650,109	1,954,545	1,959,348	1,820,976	1,767,624
Special Education Instruction	300,278	440,903	422,955	458,116	382,852	743,259	318,229	311,853	300,738	323,072
Other Instruction	74,572	130,997	141,566	110,120	45,617	4,192	2,676	2,675	78,974	64,475
Support Services:										
Tuition	2,371,966	2,605,891	2,616,286	2,301,852	2,742,239	3,643,431	4,362,830	4,284,342	4,064,815	3,690,616
Student and Instruction Related Services	916,227	980,784	1,000,597	857,512	857,733	859,430	783,890	638,517	709,007	812,810
School Administrative Services	444,301	424,073	503,815	521,672	373,886	83,395	99,702	84,895	81,874	86,496
Other Administrative Services	139,224	151,522	234,533	174,663	212,707	378,061	395,147	383,238	397,992	355,462
Plant Operations and Maintenance	567,525	570,559	620,841	608,866	495,458	421,106	436,250	445,561	431,737	450,243
Pupil Transportation	671,010	404,629	305,509	248,506	325,743	321,026	306,217	314,887	394,268	426,420
Unallocated Benefits	1,557,758	1,105,756	55,292	442,541	492,274	343,226	289,624	337,095	305,158	433,394
Transfer to Charter Schools	123,629	173,701	192,806	239,658	182,572	66,757	92,300	120,298	19,278	10,233
Capital Outlay	22,894	31,004	106,018	256,938	339,655	1,001,566	4,811,651		9,935	9,840
Debt Service:										
Assessment for Debt Service on SDA Funding	34,985	34,985	34,985							
Principal	125,000	125,000	125,000	121,014	119,241	117,552	65,984	64,492	63,106	61,743
Interest and Other Charges	86,281	90,031	90,097	97,725	101,816	138,644	8,823	11,156	13,412	15,596
Total Expenditures	9,393,607	9,099,957	9,156,812	8,860,910	8,938,377	9,771,754	13,927,868	8,958,357	8,691,270	8,508,024
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,111	12,259	(91,102)	(1,077,240)	1,032,309	6,188	(1,949,860)	216,454	(173,813)	(162,058)
Other Financing Sources (Uses):										
Sale of Bonds							2,900,000			
Accounts Receivable/Payable Canceled								(41,575)		
Transfers In/Out										(30,000)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	2,900,000	(41,575)	-	(30,000)
Net Change in Fund Balances	\$ 40,111	\$ 12,259	\$ (91,102)	\$ (1,077,240)	\$ 1,032,309	\$ 6,188	\$ 950,140	\$ 174,879	\$ (173,813)	\$ (192,058)
Debt Service as a Percentage of Noncapital Expenditures	2.25%	2.37%	2.38%	2.54%	2.57%	2.92%	0.82%	0.84%	0.88%	0.91%

Source: District Records (Exhibit B-2)

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years (Modified Accrual Basis of Accounting)
Unaudited

	Fiscal Year Ended June 30,									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Refunds of Prior Year Expenses	\$ 53,210	\$ 26,235	\$ 16,244	\$ 15,904	\$ 16,455	\$ 159,102	\$ 5,165	\$ 17,807	\$ 19,917	\$ 3,194
Interest on Investments	1,016	784	1,055	879	2,372	1,937	4,566	3,100	6,161	15,818
Energy Savings						57,573				
Rentals								300		
Write Off Receivable									(15,990)	
Miscellaneous		4,615	6,228	35,295	19,548	85	83	1,670	500	42
	<u>\$ 54,226</u>	<u>\$ 31,635</u>	<u>\$ 23,526</u>	<u>\$ 52,078</u>	<u>\$ 38,375</u>	<u>\$ 218,697</u>	<u>\$ 9,814</u>	<u>\$ 22,877</u>	<u>\$ 10,588</u>	<u>\$ 19,054</u>

Source: District Records

REVENUE CAPACITY INFORMATION

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the School District's ability to generate revenues. Please refer to the following exhibits for a historical view of these factors and how they relate to the School District's ability to generate revenues.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
Unaudited

Year Ended Dec. 31	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	Total Assessed Value	Public Utilities (1)	Net Valuation Taxable	Tax-Exempt Property	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate (2)
2017	\$ 3,678,200	\$ 134,324,900	\$ 55,074,900	\$ 15,736,100	\$ 4,803,300	\$ 213,617,400	\$ 338,426	\$ 213,955,826	\$ 21,472,300	\$ 213,955,826	\$ 2.115
2016	3,813,500	134,198,900	55,014,500	15,736,100	4,803,300	213,566,300	353,222	213,919,522	21,235,000	213,919,522	2.072
2015	3,857,400	134,389,500	55,513,500	15,811,100	4,621,800	214,193,300	334,869	214,528,169	21,198,800	214,528,169	2.021
2014	3,814,600	134,641,300	55,861,800	15,811,100	4,621,800	214,750,600	329,408	215,080,008	21,198,800	215,080,008	1.964
2013	4,467,700	134,936,000	56,385,400	15,916,400	4,621,800	216,327,300	341,014	216,668,314	20,363,400	216,668,314	1.938
2012 (A)	3,046,500	100,607,600	39,976,300	11,728,600	3,241,600	158,600,600	249,741	158,850,341	15,483,500	218,008,204	1.940
2011	3,007,500	101,005,400	39,976,300	11,728,600	3,241,600	158,959,400	249,741	159,209,141	15,391,700	159,209,141	2.784
2010	3,021,400	103,162,500	40,379,500	11,878,600	3,241,600	161,683,600	343,074	162,026,674	15,264,400	162,026,674	2.850
2009	3,035,500	103,367,000	40,437,900	11,953,200	3,241,600	162,035,200	264,831	162,300,031	14,928,700	162,300,031	2.597
2008	2,924,000	102,282,000	39,830,200	12,203,200	3,241,600	160,481,000	247,432	160,728,432	14,928,700	160,728,433	2.561

(A) Reassessment

(1) Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

(2) Tax rates are per \$100

Source: Camden County Board of Taxation

BOROUGH OF LAWNSIDE SCHOOL DISTRICT

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(Rate per \$100 of Assessed Value)

Unaudited

Year Ended <u>Dec. 31</u>	<u>District Direct Rate</u>			<u>Overlapping Rates</u>		Total Direct and Overlapping <u>Tax Rate</u>
	<u>Basic Rate</u>	General Obligation Debt <u>Service (2)</u>	Total Direct School <u>Tax Rate</u>	Borough of <u>Lawnside</u>	Camden <u>County</u>	
2017	\$ 2.016	\$ 0.099	\$ 2.115	\$ 0.946	\$ 0.955	\$ 4.016
2016	1.971	0.101	2.072	0.947	0.900	3.919
2015	1.921	0.100	2.021	0.947	0.938	3.907
2014	1.877	0.087	1.964	0.944	0.934	3.842
2013	1.858	0.080	1.938	0.954	0.913	3.805
2012	1.800	0.140	1.940	0.964	0.912	3.816
2011	2.644	0.140	2.784	1.367	1.185	5.336
2010	2.830	0.020	2.850	1.187	1.060	5.097
2009	2.577	0.020	2.597	0.929	0.996	4.522
2008	2.521	0.040	2.561	0.918	0.985	4.464

Source: Municipal Tax Collector

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Principal Property Tax Payers
 Current Year and Ten Years Ago
Unaudited

<u>Taxpayer</u>	<u>2017</u>			<u>Taxpayer</u>	<u>2008</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
Edison Corp & BT-Newyo LLC Tax Dept.	\$ 14,605,200	1	6.83%	Information Not Available			
Golden Fountain Realty Inc	4,820,700	2	2.25%				
Storage Portfolio Bravo II LLC	2,931,700	3	1.37%				
Lawnside Two Assoc, LP	1,400,000	4	0.65%				
Patidae International, Inc	890,200	5	0.42%				
Susquehanna - Lawnside NJ	691,900	6	0.32%				
Best Management, Inc	690,700	7	0.32%				
16 WHP, LLC	415,800	8	0.19%				
Alliance Bank	299,000	9	0.14%				
RDC Cherry Hill Venture 1 Inc	103,600	10	0.05%				
Total	\$26,848,800		12.55%		\$ -		

Source: District CAFR & Municipal Tax Assessor

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Property Tax Levies and Collections
 Last Ten Fiscal Years
Unaudited

<u>Fiscal Year Ended June 30.</u>	School District Taxes Levied for the <u>Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2017	\$ 4,472,331	\$ 4,432,431	99.11%	\$ 39,900.00
2016	4,392,531	4,592,167	104.54%	
2015	4,278,087	4,078,451	95.33%	199,636.00
2014	4,168,891	3,969,255	95.21%	199,636.00
2013	4,229,320	4,229,324	100.00%	
2012	4,226,545	3,636,900	86.05%	589,645.00
2011	4,614,338	5,004,338	108.45%	
2010	4,457,235	4,457,235	100.00%	
2009	4,165,720	4,165,720	100.00%	
2008	4,066,762	4,066,762	100.00%	

(1) 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: District Records

Debt Capacity Information

Debt capacity information is intended to assist users in understanding and assessing the School District's debt burden and its ability to issue additional debt. Please refer to the following exhibits for a historical view of the School District's outstanding debt and its debt capacity.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
Unaudited

Fiscal Year Ended <u>June 30,</u>	Governmental Activities			Business-Type <u>Activities</u>		<u>Total District</u>	Percentage of Personal Income (2)	Outstanding Debt Per <u>Capital (3)</u>
	<u>General Obligation Bonds (1)</u>	<u>Loans</u>	<u>Capital Leases</u>	<u>Bond Authorized but not Issued</u>	<u>Capital Leases</u>			
2017	\$ 2,375,000					\$ 2,375,000	Unavailable	Unavailable
2016	2,500,000					2,500,000	Unavailable	\$ 856
2015	2,625,000	\$ 500,000				3,125,000	2.23%	1,071
2014	2,750,000	500,000				3,250,000	2.38%	1,114
2013	2,871,014	3,100,000				5,971,014	4.52%	2,038
2012	2,990,255	2,600,000				5,590,255	4.25%	1,903
2011	3,107,807	2,600,000				5,707,807	4.39%	1,939
2010	273,790			\$ 2,900,000		3,173,790	2.56%	1,076
2009	338,282					338,282	0.28%	119
2008	401,389					401,389	0.35%	141

Sources:

- (1) District Records
- (2) Personal income has been estimated based upon the municipal population and per capita personal income presented.
- (3) Per capita personal income by municipality-estimated based upon the 2010 Census published by the US Bureau of Economic Analysis

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years
Unaudited

Fiscal Year Ended <u>June 30,</u>	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Net Assessed Valuation <u>Taxable (2)</u>	<u>Per Capita (3)</u>
	General Obligation Bonds/Loans	<u>Deductions</u>			
2017	\$ 2,375,000		\$ 2,375,000	1.23%	Unavailable
2016	2,500,000		2,500,000	1.30%	\$ 856
2015	3,125,000		3,125,000	1.62%	1,071
2014	3,250,000		3,250,000	1.68%	1,114
2013	5,971,014		5,971,014	3.04%	2,038
2012	5,590,255		5,590,255	1.88%	1,903
2011	5,707,807		5,707,807	1.95%	1,939
2010	3,173,790		3,173,790	1.96%	1,076
2009	338,282		338,282	0.21%	119
2008	401,389		401,389	0.25%	141

Sources:

- (1) District Records
- (2) Net Assessed Valuation provided by Abstract of Ratables, County Board of Taxation
- (3) Per Capita calculation based upon population information provided by the NJ Dept of Labor and Workforce Development

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Direct and Overlapping Governmental Activities Debt
 As of December 31, 2016
Unaudited

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Statutory Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to Lawnside Borough</u>
Municipal Debt: (1)				
Lawnside Borough School District	\$ 2,375,000	\$ 2,375,000		
Lawnside Borough Water & Sewer Utility	685,000	685,000		
Lawnside Borough	<u>1,385,897</u>		<u>\$ 1,385,897</u>	<u>\$ 1,385,897</u>
	<u>4,445,897</u>	<u>3,060,000</u>	<u>1,385,897</u>	<u>1,385,897</u>
Overlapping Debt Apportioned to the Municipality:				
County of Camden: (2)				
General:				
Bonds	38,850,000	9,347,201 (3)	29,502,799	179,967
Loan Agreement	310,969,957		310,969,957	1,896,917
Bonds Issued by Other Public Bodies Guaranteed by the County	<u>288,955,187</u>	<u>288,955,187 (4)</u>		
	<u>638,775,144</u>	<u>298,302,388</u>	<u>340,472,756</u>	<u>2,076,884</u>
	<u>\$ 643,221,041</u>	<u>\$ 301,362,388</u>	<u>\$ 341,858,653</u>	<u>\$ 3,462,781</u>

Sources:

- (1) 2016 Annual Debt Statement
 - (2) County's 2016 Audit Report
 - (3) Includes Reserve for Payment of Bonds, Other Accounts Receivable and General Obligation Pension Refunding Bonds.
 - (4) Such debt is allocated as a proportion of the Borough's share of the total 2016 Equalized Value, which is 0.610%.
- The source for this computation was the 2016 Table of Equalized Valuations, which is supplied by the New Jersey Division of Taxation.

BOROUGH OF LAWNESIDE SCHOOL DISTRICT
 Legal Debt Margin Information
 Last Ten Fiscal Years
Unaudited

Legal Debt Margin Calculation for Fiscal Year 2017

Equalized valuation basis (1)	
	2014 \$ 228,628,340
	2015 216,509,957
	2016 <u>227,585,571</u>
	<u>\$ 672,723,868</u>
Average equalized valuation of taxable property	<u>\$ 224,241,289</u>
Debt limit (3% of average equalization value) (2)	\$ 6,727,239
Total Net Debt Applicable to Limit	<u>2,375,000</u>
Legal Debt Margin	<u>\$ 4,352,239</u>

	Fiscal Year Ended June 30,									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt limit	\$ 6,727,239	\$ 6,836,732	\$ 7,049,967	\$ 7,327,131	\$ 7,620,438	\$ 7,858,950	\$ 7,856,642	\$ 7,556,640	\$ 6,910,137	\$ 6,224,887
Total net debt applicable to limit (3)	<u>2,375,000</u>	<u>2,500,000</u>	<u>3,125,000</u>	<u>3,250,000</u>	<u>5,971,014</u>	<u>5,971,014</u>	<u>5,590,255</u>	<u>3,173,790</u>	<u>338,282</u>	<u>401,389</u>
Legal debt margin	<u>\$ 4,352,239</u>	<u>\$ 4,336,732</u>	<u>\$ 3,924,967</u>	<u>\$ 4,077,131</u>	<u>\$ 1,649,424</u>	<u>\$ 1,887,936</u>	<u>\$ 2,266,387</u>	<u>\$ 4,382,850</u>	<u>\$ 6,571,855</u>	<u>\$ 5,823,498</u>
Total net debt applicable to the limit as a percentage of debt limit	35.30%	36.57%	44.33%	44.36%	78.36%	75.98%	71.15%	42.00%	4.90%	6.45%

Sources:

- (1) Equalized valuation bases were provided by the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.
- (2) Limit set by NJSA 18A:24-19 for a K through 8 district.
- (3) District Records

Demographic and Economic Information

Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within which the School District operates and (2) to provide information that facilitates comparisons of financial statement information over time and among school districts. Please refer to the following exhibits for a historical view of the demographic and economic statistics and factors prevalent in the location in which the School District operates.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Demographic and Economic Statistics
 Last Ten Fiscal Years
Unaudited

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
2016	2920	Unavailable	Unavailable	7.9%
2015	2919	\$ 140,357,196	\$ 48,084	10.1%
2014	2918	136,813,348	46,886	11.0%
2013	2930	132,075,610	45,077	11.8%
2012	2938	131,451,996	44,742	15.1%
2011	2944	129,874,560	44,115	15.0%
2010	2949	123,837,357	41,993	15.2%
2009	2838	118,177,158	41,641	14.5%
2008	2841	117,540,693	41,373	9.4%
2007	2842	113,697,052	40,006	7.2%

Source:

- (1) Population information provided by the NJ Dept of Labor and Workforce Development
- (2) Personal income has been estimated based upon the municipal population and per capita personal income presented
- (3) Per capita personal income by municipality-estimated based upon the 2010 Census published by the US Bureau of Economic Analysis
- (4) Unemployment data provided by the NJ Dept of Labor and Workforce Development

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Principal Non-Governmental Employers
 Current Year and Ten Years Ago
Unaudited

<u>Employer</u>	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Municipal Employment</u>
Information is not available		1			1	
		2			2	
		3			3	
		4			4	
		5			5	
		6			6	
		7			7	
		8			8	
		9			9	
		10			10	
	-			-		

Source: Individual Employers

Operating Information

Operating information is intended to provide contextual information about the School District's operations and resources to assist readers in using financial statement information to understand and assess the School District's economic condition. Please refer to the following exhibits for a historical view of the factors and statistics pertinent to the School District's operations.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Full-time Equivalent District Employees by Function/Program
 Last Ten Fiscal Years
Unaudited

<u>Function/Program</u>	Fiscal Year Ended June 30,									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Instruction										
Regular	24.0	24.4	23.3	24.6	24.4	22.0	23.0	24.5	24.5	25.5
Special Education	13.2	13.2	12.0	10.0	10.0	8.0	7.0	6.0	5.0	5.0
Support Services:										
Tuition	-	-	-	-	-	-	-	-	-	-
Student & Instruction Related Services	10.6	10.4	9.2	8.4	7.6	5.5	5.0	7.0	10.5	10.5
School Administrative Services	2.0	2.0	2.0	2.0	2.0	2.0	2.5	2.5	2.5	2.5
Business Administrative Services	2.0	1.0	1.0	1.0	1.0	2.0	1.5	1.5	1.5	1.5
Plant Operations and Maintenance	4.6	4.6	5.0	4.5	3.5	2.5	2.0	3.0	3.0	3.0
Food Service	-	-	-	-	-	-	-	-	-	-
Total	56.4	55.6	52.5	50.5	48.5	42.0	41.0	44.5	47.0	48.0

Source: District Records

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Operating Statistics
 Last Ten Fiscal Years
Unaudited

Fiscal Year Ended <u>June 30.</u>	<u>Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil/Teacher Ratio Elementary</u>	<u>Average Daily Enrollment (ADE)</u>	<u>Average Daily Attendance (ADA)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2017	318	\$ 9,159,432	\$ 28,803	3.13%	37 (a)	1:12	317.0	279.0	0.00%	88.01%
2016	317	8,853,922	27,930	-9.59%	37 (a)	1:12	317.0	277.0	8.19%	87.38%
2015	286	8,835,697	30,894	5.00%	35 (a)	1:8	293.0	266.0	6.12%	90.78%
2014	285	8,385,233	29,422	6.41%	29 (a)	1:10	276.1	258.4	4.11%	93.59%
2013	281	8,377,666	27,649	-10.04%	29 (a)	1:11	265.2	252.0	1.65%	95.02%
2012	277	8,513,992	30,736	-9.91%	25 (a)	1:11	260.9	246.7	-0.65%	94.56%
2011	265	9,041,410	34,119	-3.21%	24 (a)	1:11	262.6	247.7	4.17%	94.33%
2010	252	8,882,709	35,249	22.07%	26	1:10	252.1	236.1	-11.85%	93.65%
2009	298	8,604,817	28,875	4.03%	27	1:11	286.0	273.8	-2.79%	95.73%
2008	303	8,410,612	27,758	5.30%	31	1:10	294.2	280.2	-3.52%	95.24%

(a) Teaching staff includes only Full-time equivalents of instructional, certificated staff.

Sources: District Records

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 School Building Information
 Last Ten Fiscal Years
Unaudited

	Fiscal Year Ended June 30,									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>District Building</u>										
<u>Elementary</u>										
Lawnside Elementary (1974)										
Square Feet	60,110	60,110	60,110	60,110	60,110	60,110	57,266	57,266	57,266	57,266
Capacity (students)	436	436	436	436	436	496	436	436	436	436
Enrollment	318	317	286	285	281	277	265	252	298	303
Number of Schools at June 30, 2017										
Elementary = 1										
Middle School = 0										
Senior High School = 0										
Other = 0										

Source: District Records

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Schedule of Required Maintenance
 Last Ten Fiscal Years
Unaudited

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

		Fiscal Year Ended June 30,									
School Facilities	School #	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Lawnside Elementary School	2560	<u>\$ 87,920</u>	<u>\$ 62,254</u>	<u>\$ 77,000</u>	<u>\$ 64,737</u>	<u>\$ 55,817</u>	<u>\$ 39,640</u>	<u>\$ 43,996</u>	<u>\$ 42,233</u>	<u>\$ 38,749</u>	<u>\$ 40,875</u>
Total School Facilities		<u><u>\$ 87,920</u></u>	<u><u>\$ 62,254</u></u>	<u><u>\$ 77,000</u></u>	<u><u>\$ 64,737</u></u>	<u><u>\$ 55,817</u></u>	<u><u>\$ 39,640</u></u>	<u><u>\$ 43,996</u></u>	<u><u>\$ 42,233</u></u>	<u><u>\$ 38,749</u></u>	<u><u>\$ 40,875</u></u>

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

BOROUGH OF LAWNSIDE SCHOOL DISTRICT

Insurance Schedule

As of June 30, 2017

Unaudited

		<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSBAIG:			
Real & Personal Property	(1) \$	450,000,000	\$ 1,000
Extra Expense - Blanket	(1)	50,000,000	1,000
Valuable Papers Blanket	(1)	10,000,000	1,000
Demolition & Increased Cost of Construction	(1)	25,000,000	N/A
Pollutant Cleanup and Removal	(1)	250,000	N/A
Accounts Receivable	(1)	250,000	N/A
Flood Zones	(2)	75,000,000	10,000
Special Flood Hazard	(2)	25,000,000	500,000
Earthquake	(2)	50,000,000	N/A
Terrorism	(2)	1,000,000	N/A
Electronic Data Processing	(1)	300,000	1,000
Equipment Breakdown		100,000,000	1,000
Faithful Performance		250,000	1,000
Forgery & Alteration		25,000	500
Money & Securities		25,000	500
Computer Fraud		25,000	500
Money Orders/Counterfeit		10,000	500
Bodily Injury & Property Damage		6,000,000	N/A
Products & Completed Operations	(2)	6,000,000	N/A
Sexual Abuse	(2)	6,000,000	N/A
Personal & Advertising Injury	(2)	6,000,000	N/A
Employee Benefits Liability	(2)	6,000,000	1,000
Premises Medical Payments	(3)	10,000	N/A
Automobile Liability	(3)	6,000,000	N/A
Workers' Compensation	(4)	2,000,000	
Errors & Omissions		6,000,000	5,000
Bonds:			
Board Secretary		90,000	500
Treasurer		200,000	1,000

(1) Limit each occurrence, No annual aggregate

(2) Limit each occurrence, annual aggregated

(3) Per claim / annual aggregate

(4) Each accident

SINGLE AUDIT SECTION

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE STATE OF NEW JERSEY CIRCULAR 15-08-OMB**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Lawnside School District
Lawnside, New Jersey

Report on Compliance for Each Major State Program

We have audited the Borough of Lawnside School District's, in the County of Camden, State of New Jersey, compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major state programs for the fiscal year ended June 30, 2017. The School District's major state programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and the State of New Jersey Circular 15-08-OMB 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 Borough of Lawnside School District's, in the County of Camden, State of New Jersey, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with New Jersey Circular 15-08-OMB, and which are described in the accompanying *Schedule of Findings and Questioned Costs* and *Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* as findings no. 2017-003, 2017-004, and 2017-005. Our opinion on each major state program is not modified with respect to these matters.

The School District's response to the noncompliance findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Borough of Lawnside School District, in the County of Camden, State of New Jersey, 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 School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State of New Jersey Circular 15-08-OMB, 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 School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We consider the deficiencies in internal control over compliance, as described in the accompanying *Schedule of Findings and Questioned Costs* and *Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, as findings no. 2017-003, 2017-004, and 2017-005 to be significant deficiencies.

The School District's response to the internal control over compliance findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Kirk N. Applegate

Kirk N. Applegate
Certified Public Accountant
Public School Accountant No. 20CS00223300

Voorhees, New Jersey
November 20, 2017

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards - Schedule A
 For the Fiscal Year Ended June 30, 2017

<u>Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal FAIN Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program or Award Amount</u>	<u>Local Match</u>	<u>Grant Period</u> <u>From</u> <u>To</u>	
Special Revenue Fund:							
U.S. Department of Education:							
Passed-through State Department of Education:							
I.A.S.A. (N.C.L.B.)							
Title I	84.010	S010A160030	IASA540016	\$ 200,285.00	N/A	7-1-15	6-30-16
Title I	84.010	S010A160030	IASA540017	224,214.00	N/A	7-1-16	6-30-17
Total Title I							
Title II - Part A	84.367	S367A160029	IASA540017	33,277.00	N/A	7-1-16	6-30-17
I.D.E.A. Part B:							
Basic	84.027	H027A160100	IDEA540016	118,877.00	N/A	7-1-15	6-30-16
Basic	84.027	H027A160100	IDEA540017	108,009.00	N/A	7-1-16	6-30-17
Pre-School	84.173	H173A160114	IDEA540017	2,786.00	N/A	7-1-16	6-30-17
Total I.D.E.A. Part B Special Education Cluster							
Total Special Revenue Fund							
Enterprise Fund:							
U.S. Department of Agriculture:							
Passed-through State Department of Education:							
Child Nutrition Cluster:							
Non-Cash Assistance (Food Distribution):							
National School Lunch Program	10.555	171NJ304N1099	N/A	15,833.99	N/A	7-1-15	6-30-16
National School Lunch Program	10.555	171NJ304N1099	N/A	18,675.95	N/A	7-1-16	6-30-17
Cash Assistance:							
School Breakfast Program	10.553	171NJ304N1099	N/A	20,049.23	N/A	7-1-15	6-30-16
School Breakfast Program	10.553	171NJ304N1099	N/A	59,522.22	N/A	7-1-16	6-30-17
After School Snacks	10.555	171NJ304N1099	N/A	3,014.76	N/A	7-1-15	6-30-16
After School Snacks	10.555	171NJ304N1099	N/A	4,602.72	N/A	7-1-16	6-30-17
National School Lunch Program	10.555	171NJ304N1099	N/A	102,741.62	N/A	7-1-15	6-30-16
National School Lunch Program	10.555	171NJ304N1099	N/A	136,097.74	N/A	7-1-16	6-30-17
Total Child Nutrition Cluster							
Total Enterprise Fund							
Total Federal Financial Assistance							

The accompanying Notes to Financial Statements and Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

These funds were not audited in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), since the total of all grant award expenditures was less than \$750,000.00.

Balance June 30, 2016		Budgetary Expenditures							Balance June 30, 2017		
Unearned Revenue (Accounts Receivable)	Due to Grantor	Cash Received	Adjustments	Repayment of Prior Years' Balances	Pass-Through Funds	Direct Funds	Total Budgetary Expenditures	Passed Through to Subrecipients	Accounts Receivable	Unearned Revenue	Due to Grantor
\$ 20,341.00	\$ 22,975.00	\$ 52,315.00		\$ 22,975.00	\$ 20,341.00		\$ 20,341.00		\$ (150,954.00)		
					203,269.00		203,269.00				
20,341.00	22,975.00	52,315.00	\$ -	22,975.00	223,610.00	\$ -	223,610.00	\$ -	(150,954.00)	\$ -	\$ -
-	-	13,831.00	-	-	27,091.00	-	27,091.00	-	(13,260.00)	-	-
(2,157.00)		8,213.00			6,056.00		6,056.00				
		61,380.00			95,530.00		95,530.00		(34,150.00)		
		2,786.00			2,786.00		2,786.00				
(2,157.00)	-	72,379.00	-	-	104,372.00	-	104,372.00	-	(34,150.00)	-	-
18,184.00	22,975.00	138,525.00	-	22,975.00	355,073.00	-	355,073.00	-	(198,364.00)	-	-
3,244.26		18,675.95			3,244.26		3,244.26			5,147.93	
					13,528.02		13,528.02				
(2,995.04)		2,995.04									
(251.16)		55,844.64			59,522.22		59,522.22		(3,677.58)		
		251.16									
(10,455.33)		4,262.16			4,602.72		4,602.72		(340.56)		
		10,455.33									
		128,056.82			136,097.74		136,097.74		(8,040.92)		
(10,457.27)	-	220,541.10	-	-	216,994.96	-	216,994.96	-	(12,059.06)	5,147.93	-
(10,457.27)	-	220,541.10	-	-	216,994.96	-	216,994.96	-	(12,059.06)	5,147.93	-
\$ 7,726.73	\$ 22,975.00	\$ 359,066.10	\$ -	\$ 22,975.00	\$ 572,067.96	\$ -	\$ 572,067.96	\$ -	\$ (210,423.06)	\$ 5,147.93	\$ -

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Schedule of Expenditures of State Financial Assistance - Schedule B
 For the Fiscal Year Ended June 30, 2017

<u>State Grantor/ Program Title</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Matching</u>	<u>Grant Period</u>		<u>Balance June 30, 2016</u>	
				<u>From</u>	<u>To</u>	<u>Unearned Revenue/ (Accounts Receivable)</u>	<u>Due to Grantor</u>
General Fund:							
State Department of Education:							
Equalization Aid	16-495-034-5120-078	\$ 3,312,813.00	N/A	7-1-15	6-30-16	\$ (308,588.03)	
Equalization Aid	17-495-034-5120-078	3,317,492.00	N/A	7-1-16	6-30-17		
Special Education Categorical Aid	16-495-034-5120-078	256,857.00	N/A	7-1-15	6-30-16	(23,926.19)	
Special Education Categorical Aid	17-495-034-5120-089	259,513.00	N/A	7-1-16	6-30-17		
Security Aid	16-495-034-5120-089	75,958.00	N/A	7-1-15	6-30-16	(7,075.48)	
Security Aid	17-495-034-5120-084	78,427.00	N/A	7-1-16	6-30-17		
PARCC Readiness Aid	16-495-034-5120-084	3,940.00	N/A	7-1-15	6-30-16	(367.01)	
PARCC Readiness Aid	17-495-034-5120-097	3,940.00	N/A	7-1-16	6-30-17		
Per Pupil Growth Aid	16-495-034-5120-097	3,940.00	N/A	7-1-15	6-30-16	(367.01)	
Per Pupil Growth Aid	17-495-034-5120-098	3,940.00	N/A	7-1-16	6-30-17		
Prof Learning Comm Aid	17-495-034-5120-101	4,040.00	N/A	7-1-16	6-30-17		
School Choice Aid	16-495-034-5120-098	41,406.00	N/A	7-1-15	6-30-16	(3,856.96)	
School Choice Aid	17-495-034-5120-068	55,208.00	N/A	7-1-16	6-30-17		
Total State Aid - Public Cluster						(344,180.68)	\$ -
Transportation Aid	16-495-034-5120-014	26,571.00	N/A	7-1-15	6-30-16	(2,475.08)	
Transportation Aid	17-495-034-5120-014	29,924.00	N/A	7-1-16	6-30-17		
Additional NP School Transportation Aid	16-495-034-5120-014	4,176.00	N/A	7-1-15	6-30-16	(4,176.00)	
Additional NP School Transportation Aid	17-495-034-5120-014	3,654.00	N/A	7-1-16	6-30-17		
Total Transportation Aid:						(6,651.08)	-
Extraordinary Aid	16-100-034-5120-473	29,473.00	N/A	7-1-15	6-30-16	(29,473.00)	
Extraordinary Aid	17-100-034-5120-473	56,905.00	N/A	7-1-16	6-30-17		
Total Extraordinary Aid:						(29,473.00)	-
T.P.A.F. Social Security Aid	16-495-034-5095-002	184,058.17	N/A	7-1-15	6-30-16	(9,065.75)	
T.P.A.F. Social Security Aid	17-495-034-5095-002	201,547.58	N/A	7-1-16	6-30-17		
Total T.P.A.F. Social Security Aid:						(9,065.75)	-
Total General Fund						(389,370.51)	-
Special Revenue Fund:							
State Department of Education:							
Preschool Education Aid	16-495-034-5120-086	49,519.00	N/A	7-1-15	6-30-16	(4,903.24)	
Preschool Education Aid	17-495-034-5120-086	77,508.00	N/A	7-1-16	6-30-17		
Total Preschool Education Aid:						(4,903.24)	-
Capital Projects Fund:							
NJ Economic Development Authority:							
EDA Educational Facilities Construction & Financing Act - Section 115 HVAC & Various Renovations	2560-060-09-1001	4,416,796.00	2,900,000.00	7-1-10	Open	(45,109.03)	-
Enterprise Fund:							
State School Lunch Aid	16-100-010-3350-023	2,419.24	N/A	7-1-15	6-30-16	(204.76)	
State School Lunch Aid	17-100-010-3350-023	2,685.82	N/A	7-1-16	6-30-17		
Total School Lunch Aid:						(204.76)	-
Total State Financial Assistance						(439,587.54)	-
State Financial Assistance not subject to Calculation for Major Program Determination for State Single Audit:							
General Fund (Non-Cash Assistance):							
New Jersey Department of the Treasury:							
On-behalf T.P.A.F. Pension Contributions							
Normal Cost	17-495-034-5094-002	245,951.00	N/A	7-1-16	6-30-17		
Non-contributory Insurance	17-495-034-5094-045	8,911.00	N/A	7-1-16	6-30-17		
Long-Term Disability Insurance	17-495-034-5094-004	1,757.00	N/A	7-1-16	6-30-17		
Post Retirement Medical	17-495-034-5094-001	212,359.00	N/A	7-1-16	6-30-17		
Total General Fund (Non-Cash Assistance)						-	-
Total State Financial Assistance						\$ (439,587.54)	\$ -

The accompanying Notes to Financial Statements and Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

Cash Received	Adjustments	Total Budgetary Expenditures	Passed Through to Subrecipients	Balance June 30, 2017			Memo	
				Accounts Receivable	Unearned Revenue	Due to Grantor	Budgetary Receivable June 30, 2017	Cumulative Total Expenditures
\$ 308,588.03								
3,011,040.39		\$ 3,317,492.00		\$ (306,451.61)			\$ (306,451.61)	\$ 3,317,492.00
23,926.19								
235,540.62		259,513.00		(23,972.38)			(23,972.38)	259,513.00
7,075.48								
71,182.35		78,427.00		(7,244.65)			(7,244.65)	78,427.00
367.01								
3,576.04		3,940.00		(363.96)			(363.96)	3,940.00
367.01								
3,576.04		3,940.00		(363.96)			(363.96)	3,940.00
3,666.81		4,040.00		(373.19)			(373.19)	4,040.00
3,856.96								
50,108.19		55,208.00		(5,099.81)			(5,099.81)	55,208.00
3,722,871.12	\$ -	3,722,560.00	\$ -	(343,869.56)	\$ -	\$ -	(343,869.56)	3,722,560.00
2,475.08								
27,159.79		29,924.00		(2,764.21)			(2,764.21)	29,924.00
4,176.00								
		3,654.00		(3,654.00)				3,654.00
33,810.87	-	33,578.00	-	(6,418.21)	-	-	(2,764.21)	33,578.00
29,473.00								
		56,905.00		(56,905.00)				56,905.00
29,473.00	-	56,905.00	-	(56,905.00)	-	-	-	56,905.00
9,065.75								
192,347.08		201,547.58		(9,200.50)				201,547.58
201,412.83	-	201,547.58	-	(9,200.50)	-	-	-	201,547.58
3,987,567.82	-	4,014,590.58	-	(416,393.27)	-	-	(346,633.77)	4,014,590.58
4,903.24								
69,774.77		77,508.00		(7,733.23)			(7,733.23)	77,508.00
74,678.01	-	77,508.00	-	(7,733.23)	-	-	(7,733.23)	77,508.00
-	-	-	-	(45,109.03)	-	-	-	6,067,273.22
204.76								
2,522.21		2,685.82		(163.61)				2,685.82
2,726.97	-	2,685.82	-	(163.61)	-	-	-	2,685.82
4,064,972.80	-	4,094,784.40	-	(469,399.14)	-	-	(354,367.00)	10,162,057.62
245,951.00		245,951.00						245,951.00
8,911.00		8,911.00						8,911.00
1,757.00		1,757.00						1,757.00
212,359.00		212,359.00						212,359.00
468,978.00	-	468,978.00	-	-	-	-	-	468,978.00
\$ 4,533,950.80	\$ -	\$ 4,563,762.40	\$ -	\$ (469,399.14)	\$ -	\$ -	\$ (354,367.00)	\$ 10,631,035.62

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2017

Note 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance (“the schedules”) include federal and state award activity of the Borough of Lawnside School District (hereafter referred to as the “School District”). The School District is defined in note 1 to the School District’s basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal and state awards received directly from federal and state agencies, as well as federal and state financial assistance passed through other government agencies, are included on the schedules. Because these schedules present only a selected portion of the operations of the School District, it is not intended to and does not present the financial position and changes in operations of the School District.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedules are presented using the budgetary basis of accounting, with the following exception: programs recorded in the capital projects fund are presented using the modified accrual basis of accounting and programs recorded in the enterprise fund are presented using the accrual basis of accounting. These bases of accounting are described in note 1 to the School District’s basic financial statements. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund, special revenue fund and capital projects 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 audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, payments are not recognized until the subsequent budget year due to the State deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the 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 one or more June state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2. The capital projects fund is presented in the accompanying schedules on the modified accrual basis of accounting.

**Notes to the Schedules of Expenditures of
Federal Awards and State Financial Assistance (Cont'd)**

Note 3: RELATIONSHIP TO FINANCIAL STATEMENTS (CONT'D)

The net adjustment to reconcile revenues from the budgetary basis to the GAAP basis is \$4,925.23 for the general fund and (\$17,581.36) for the special revenue fund. The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is (\$9,848.13) for the special revenue fund. See exhibit C-3, notes 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.

Awards and financial assistance expenditures are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General		\$ 4,483,568.58	\$ 4,483,568.58
Special Revenue	\$ 355,073.00	77,508.00	432,581.00
Food Service	216,994.96	2,685.82	219,680.78
	<u>\$ 572,067.96</u>	<u>\$ 4,563,762.40</u>	<u>\$ 5,135,830.36</u>

Note 4: RELATIONSHIP TO STATE FINANCIAL REPORTS

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

Note 5: REIMBURSED AND ON-BEHALF PAYMENTS

During the fiscal year ended June 30, 2017, the School District was the recipient of federal and state assistance that represented either a reimbursement to the School District or payments made on-behalf of the School District. Revenues and expenditures reported under the federal food distribution program represent the current year value received and the current year distribution, respectively, of American-grown United States Department of Agriculture foods utilized in the School District's food service program. TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year. Lastly, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs, non-contributory insurance, post-retirement medical costs, and long-term disability insurance related to TPAF members.

Note 6: MAJOR PROGRAMS

Major programs are identified in the *Summary of Auditor's Results* section of the *Schedule of Findings and Questioned Costs*.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

N/A - Not Required

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major programs

Any audit findings disclosed that are required to be reported in accordance with Section 516 of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Dollar threshold used to determine Type A programs \$

Auditee qualified as low-risk auditee? yes no

(Continued)

**BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017**

Section 1- Summary of Auditor's Results

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified? _____ x yes _____ none reported

Type of auditor's report issued on compliance for major programs _____ Unmodified _____

Any audit findings disclosed that are required to be reported in accordance with New Jersey Circular 15-08-OMB? _____ x yes _____ no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
	State Aid Public Cluster:
_____	_____
495-034-5120-078	Equalization Aid
_____	_____
495-034-5120-089	Special Education Categorical 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
_____	_____
495-034-5120-068	School Choice Aid
_____	_____

Dollar threshold used to determine Type A programs _____ \$750,000.00 _____

Auditee qualified as low-risk auditee? _____ yes no

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

Finding No. 2017-001

Criteria or Specific Requirement

Strong internal controls require that a school district pay all employees in accordance with their approved contract.

Condition

The School District incorrectly calculated retroactive contract pay to employees for the 2016-17 school year.

Context

During our analysis of the District's payroll records, we noted an error in the calculation of retroactive contract pay amounts.

Effect

As a result of the errors, the District overpaid employees by \$12,945.03.

Cause

This error was the result of breakdown of internal controls over the District's payroll calculations.

Recommendation

The School District should ensure that all employees receive correct payment in accordance with their approved contract.

View of Responsible Officials and Planned Corrective Action

The District will be deducting the over-payment from the employees' during the 2017-2018 school year.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section 2- Schedule of Financial Statement Findings (Cont'd)

Finding No. 2017-002

Criteria or Specific Requirement

Per the School District Audit Program, school districts are required to have an accurate list of purchase orders for which the goods have been received or the services have been rendered at June 30 but that have not been paid and an accurate list of purchase orders, which will be honored in the subsequent year.

Condition

During our audit, we noted that there was a break down in the internal controls related to the District's encumbrance and payable accounting system that resulted in twelve purchase orders being classified as accounts payable when they should have been recorded as encumbrances.

Context

During our testing of thirty-four vouchers for recorded and unrecorded liabilities, we found twelve purchase orders classified as accounts payable when they should have been encumbrances.

Effect

Not properly monitoring controls over encumbrances and payables could result in over-expenditures or incorrect reporting of financial statements.

Cause

These errors were a result of a breakdown in the internal controls related to the District's encumbrance and payable accounting system.

Recommendation

The School District should review their internal controls over encumbrances and payables to ensure that all purchases are correctly reported as accounts payable or encumbrances.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2017

Section 3- Schedule of State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by State of New Jersey Circular 15-08-OMB.

Finding No. 2017-003

Information on the State Program

State Aid - Public Cluster:

Equalization Aid (GMIS Number: 495-034-5120-078)

Special Education Categorical Aid (GMIS Number: 495-034-5120-089)

Security Aid (GMIS Number: 495-034-5120-084)

PARCC Readiness Aid (GMIS Number: 495-034-5120-097)

Per Pupil Growth Aid (GMIS Number: 495-034-5120-098)

Professional Learning Community Aid (GMIS Number: 495-034-5120-101)

School Choice Aid (GMIS Number: 495-034-5120-068)

Criteria or Specific Requirement

N.J.S.A. 18A:16-17 requires that a School District withhold from employees, a contribution to offset the cost of their health benefits. Additionally, the School District should make additional withholding to be in conformity with the negotiated union contract.

Condition

The School District failed to calculate the correct amount of health insurance contributions in accordance with N.J.S.A. 18A:16-17. We also noted that the School District was not withholding the correct amount of dental insurance contributions in accordance with the negotiated union contract.

Questioned Costs

Not Applicable

Context

We noted the incorrect calculation of deductions during our testing of five employees' health insurance deductions. Additionally, we noted that on several instances, the District paid more than the maximum board contribution, per the union contract.

Effect

Noncompliance with statutory requirements and agreed-upon contracts.

Cause

These errors were a result of a breakdown in the internal controls related to the calculation of health insurance deductions in accordance with statutory requirements and agreed-upon contracts.

Recommendation

The School District should ensure compliance with N.J.S.A. 18A:16-17 and the negotiated union contract by withholding the proper amounts from employee's pay.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2017

Section 3- Schedule of State Financial Assistance Findings and Questioned Costs (Cont'd)

Finding No. 2017-004

Information on the State Program

State Aid - Public Cluster:

- Equalization Aid (GMIS Number: 495-034-5120-078)*
- Special Education Categorical Aid (GMIS Number: 495-034-5120-089)*
- Security Aid (GMIS Number: 495-034-5120-084)*
- PARCC Readiness Aid (GMIS Number: 495-034-5120-097)*
- Per Pupil Growth Aid (GMIS Number: 495-034-5120-098)*
- Professional Learning Community Aid (GMIS Number: 495-034-5120-101)*
- School Choice Aid (GMIS Number: 495-034-5120-068)*

Criteria or Specific Requirement

Per the School District Audit Program, school districts are required to report an accurate count of low income students, based on the direct certification list provided by the State or a survey provided by the family of the student, on the School District's Application for State School Aid (ASSA) report.

Condition

The School District did not correctly report all classified low-income students on the A.S.S.A. report.

Questioned Costs

Not Applicable

Context

We noted the following errors during our analysis of low-income students reported on the ASSA report:

- One hundred twenty seven students were incorrectly reported as low-income on the ASSA report.
- One student was listed as Directly Certified but could not be verified to the list provided by the State.
- One student was incorrectly classified as free based on the survey provided.

Effect

Noncompliance with statutory requirements.

Cause

These errors were a result of a breakdown in the internal controls related to the reporting of low income students on the ASSA report.

Recommendation

The School District should ensure that all low-income students, reported on the School District's Application for State School Aid (ASSA) report, are correctly classified.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2017

Section 3- Schedule of State Financial Assistance Findings and Questioned Costs (Cont'd)

Finding No. 2017-005

Information on the State Program

State Aid - Public Cluster:

Equalization Aid (GMIS Number: 495-034-5120-078)
Special Education Categorical Aid (GMIS Number: 495-034-5120-089)
Security Aid (GMIS Number: 495-034-5120-084)
PARCC Readiness Aid (GMIS Number: 495-034-5120-097)
Per Pupil Growth Aid (GMIS Number: 495-034-5120-098)
Professional Learning Community Aid (GMIS Number: 495-034-5120-101)
School Choice Aid (GMIS Number: 495-034-5120-068)

Criteria or Specific Requirement

N.J.S.A. 18A:22-8.1 requires Commissioner approval (or executive county superintendent as Commissioner's designee) for line-item transfers from any general fund appropriation account that on a cumulative basis exceed 10 percent of the amount of the account included in the budget certified for taxes.

Condition

The School District did not receive county superintendent approval for transfers that exceeded 10% from one appropriation account included on the budget certified for taxes, as required by N.J.S.A. 18A:22-8.1.

Questioned Costs

Not Applicable

Context

We noted that transfers from the appropriation account Personal Services – Employee Benefits exceeded 10% and county superintendent approval was not obtained.

Effect

As a result of this error, the School District did not comply with N.J.S.A. 18A:22-8.1.

Cause

This error was a result of a breakdown in the internal controls related to budget transfers.

Recommendation

The School District should ensure that county superintendent approval is received for all transfers from appropriation accounts included in the budget certified for taxes that exceed 10%, as required by N.J.S.A. 18A:22-8.1.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
 Summary Schedule of Prior Year Audit Findings
 and Questioned Costs as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, and State of New Jersey Circular 15-08-OMB.

FINANCIAL STATEMENT FINDINGS

Finding No. 2016-001

Condition

The School District did not reconcile their bank accounts in a timely manner pursuant to N.J.S.A. 18A:17-9.

Current Status

The condition has been corrected.

Finding No. 2016-002

Condition

The School District did not request the proper amounts for reimbursement from the State for the employer's share of Social Security contributions related to contracted TPAF member salaries, pursuant to N.J.S.A. 18A:66-66.

Current Status

The condition has been corrected.

Finding No. 2016-003

Condition

The School District incorrectly reported the amount of federal expenditures under the Title I and IDEA Basic programs pursuant to 48 CFR section 52.216- 7(b).

Current Status

The condition has been corrected.

STATE FINANCIAL ASSISTANCE PROGRAMS

Finding No. 2016-004

Program

State Aid - Public Cluster:

Equalization Aid (GMIS Number: 495-034-5120-078)

Special Education Categorical Aid (GMIS Number: 495-034-5120-089)

Security Aid (GMIS Number: 495-034-5120-084)

PARCC Readiness Aid (GMIS Number: 495-034-5120-097)

Per Pupil Growth Aid (GMIS Number: 495-034-5120-098)

School Choice Aid (GMIS Number: 495-034-5120-068)

Condition

The School District did not submit Expense Substantiation Reports for the travel expenditures tested.

Current Status

The condition has been corrected.

BOROUGH OF LAWNSIDE SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management (Cont'd)

Finding No. 2016-005

Program

State Aid - Public Cluster:

Equalization Aid (GMIS Number: 495-034-5120-078)

Special Education Categorical Aid (GMIS Number: 495-034-5120-089)

Security Aid (GMIS Number: 495-034-5120-084)

PARCC Readiness Aid (GMIS Number: 495-034-5120-097)

Per Pupil Growth Aid (GMIS Number: 495-034-5120-098)

School Choice Aid (GMIS Number: 495-034-5120-068)

Condition

The School District did not appoint a treasurer or board designee during the 2015-2016 fiscal year.

Current Status

The condition has been corrected.

