

**MEDFORD LAKES SCHOOL DISTRICT**

Medford Lakes, New Jersey  
County of Burlington

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF THE**

**MEDFORD LAKES SCHOOL DISTRICT**

**MEDFORD LAKES, NEW JERSEY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Prepared by**

**Medford Lakes School District Business Office**



## OUTLINE OF CAFR

	<b>PAGE</b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	1
Organizational Chart	9
Roster of Officials	11
Consultants and Advisors	13
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	17
<b>REQUIRED SUPPLEMENTARY INFORMATION – PART I</b>	
Management's Discussion and Analysis	23
<b>BASIC FINANCIAL STATEMENTS</b>	
A. Government-wide Financial Statements:	
A-1 Statement of Net Position	33
A-2 Statement of Activities	34
B. Fund Financial Statements:	
B-1 Balance Sheet	41
B-2 Statement of Revenues, Expenditures & Changes in Fund Balances	42
B-3 Reconciliation of the Statement of Revenues, Expenditures & Changes in Fund Balances of Governmental Funds to the Statement of Activities	43
Proprietary Funds:	
B-4 Statement of Net Position	47
B-5 Statement of Revenues, Expenditures & Changes in Fund Net Position	48
B-6 Statement of Cash Flows	49
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	53
B-8 Statement of Changes in Fiduciary Net Position	54
Notes to Financial Statements	57
<b>REQUIRED SUPPLEMENTARY INFORMATION – PART II</b>	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund	93
C-1a Combining Schedule of Revenues, Expenditures & Changes in Fund Balance - Budget & Actual (if applicable)	N/A
C-1b Community Development Block Grant – Budget & Actual (if applicable)	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund	99
Notes to the Required Supplementary Information:	
C-3 Budget-to-GAAP Reconciliation	103

(continued)

**OUTLINE OF CAFR (continued):**

<b>REQUIRED SUPPLEMENTARY INFORMATION – PART III</b>		<b>PAGE</b>
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)		
L-1	Schedule of District’s Proportionate Share of the Net Pension Liability - PERS	109
L-2	Schedule of District Contributions – PERS	110
L-3	Schedule of District’s Proportionate Share of the Net Pension Liability - TPAF	111
Notes to the Required Supplementary Information - Part III		115
D. School Based Budget Schedules (if applicable):		
D-1	Combining Balance Sheet	N/A
D-2	Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual	N/A
D-3	Blended Resource Fund - Schedule of Blended Expenditures - Budget and Actual	N/A
E. Special Revenue Fund:		
E-1	Combining Schedule of Revenues & Expenditures Special Revenue Fund – Budgetary Basis	123
E-2	Preschool Education Aid Schedule(s) of Expenditures - Budgetary Basis	N/A
F. Capital Projects Fund:		
F-1	Summary Statement of Project Expenditures Fund Balance – Budgetary Basis	127
F-2	Schedule of Revenues, Expenditures Project Balance & Project Status – Project Status – Addition & Renovations to Neeta Elementary School	128
F-2a	Schedule of Revenues, Expenditures Project Balance & Project Status – Nokomis Elementary School HVAC Replacement	129
F-2b	Schedule of Revenues, Expenditures Project Balance & Project Status – Neeta Elementary School HVAC Repair & Replacement	130
G. Proprietary Funds:		
Enterprise Fund:		
G-1	Combining Schedule of Net Position	135
G-2	Combining Schedule of Revenues, Expenses & Changes in Fund Net Position	136
G-3	Combining Schedule of Cash Flows	137
Internal Service Fund –		
G-4	Combining Schedule of Net Position	N/A
G-5	Combining Schedule of Revenues, Expenses & Changes in Fund Net Position	N/A
G-6	Combining Schedule of Cash Flows	N/A

(continued)

**OUTLINE OF CAFR (continued):**

	<b>PAGE</b>
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	143
H-2 Combining Statement of Changes in Fiduciary Net Position	144
H-3 Student Activity Agency Fund Schedule of Receipts & Disbursements	145
H-4 Payroll Agency Fund Schedule of Receipts & Disbursements	145
H-4a Net Payroll Fund Schedule of Receipts & Disbursements	145
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	149
I-2 Schedule of Obligations Under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Statement	150

**STATISTICAL SECTION (unaudited)**

Financial Trends:	
J-1 Net Position by Component	155
J-2 Changes in Net Position	156
J-3 Fund Balances – Governmental Funds	159
J-4 Changes in Fund Balances – Governmental Funds	160
J-5 General Fund Other Local Revenue by Source	161
Revenue Capacity:	
J-6 Assessed Value & Estimated Actual Value of Taxable Property	165
J-7 Direct & Overlapping Property Tax Rates	166
J-8 Principal Property Taxpayers	167
J-9 Property Tax Levies & Collections	168
Debt Capacity:	
J-10 Ratios of Outstanding Debt by Type	171
J-11 Ratios of General Bonded Debt Outstanding	172
J-12 Direct & Overlapping Governmental Activities Debt	172
J-13 Legal Debt Margin Information	173
Demographic & Economic Information:	
J-14 Demographic & Economic Statistics	177
J-15 Principal Employers	177
Operating Information:	
J-16 Full-Time Equivalent District Employees by Function/Program	N/A
J-17 Operating Statistics	178
J-18 School Building Information	179
J-19 Schedule of Required Maintenance	180
J-20 Insurance Schedule	180

(continued)

**OUTLINE OF CAFR (continued):**

<b>SINGLE AUDIT SECTION</b>		<b>PAGE</b>
K-1	Report on Compliance and on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	183
K-2	Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey OMB Circular 15-08	185
K-3	Schedule of Expenditures of Federal Awards, Schedule A	189
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	190
K-5	Notes to Schedules of Awards and Financial Assistance	191
K-6	Schedule of Findings and Questioned Costs Section I	193
K-7	Schedule of Findings and Questioned Costs Section II & Section III	195
K-8	Summary Schedule of Prior Audit Findings	197

(concluded)



**INTRODUCTORY SECTION**

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**MEDFORD LAKES SCHOOL DISTRICT**  
Neeta and Nokomis Elementary Schools  
44 Neeta Trail  
Medford Lakes, NJ 08055  
609-654-5155 / Fax 609-417-0235  
<http://www.medford-lakes.k12.nj.us>

Mr. Anthony V. Dent, Superintendent

Mr. Michael F. Colling, Business Administrator  
Dr. Michael Lee, Director of Special Services

Mrs. Carole Ramage, Director of Curriculum/Principal  
Mr. Greg Witham, Supervisor of Buildings and Grounds

November 24, 2017

Honorable President and Members  
of the Board of Education  
Medford Lakes School District  
County of Burlington, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Medford Lakes School 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 Medford Lakes School District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the district as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the district's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in four sections as follows:



**MEDFORD LAKES SCHOOL DISTRICT**  
Neeta and Nokomis Elementary Schools  
44 Neeta Trail  
Medford Lakes, NJ 08055  
609-654-5155 / Fax 609-417-0235  
<http://www.medford-lakes.k12.nj.us>

Introductory Section:

Section contains a Letter of Transmittal, Roster of Officials, Consultants and Advisors, and an Organizational Chart.

Financial Section:

Section contains the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements, Required Supplementary Information (RSI) and Other Supplementary Information.

Statistical Section:

Section contains selected financial trends, revenue and debt capacity, demographic, economic and other operating information, generally presented on a multi-year basis.

Single Audit Section:

The School District is required to undergo an annual Single Audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and New Jersey OMB's 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 independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, if any, are included in the Single Audit Section of this report.

**REPORTING ENTITY AND ITS SERVICES**

The Medford Lakes School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standard Board (GASB) as established by NCGA Statement No. 3. All funds of the School District are included in this report. The School District has no component units.

The School District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular and vocational as well as special education for children with special needs. The School District's enrollment, as of October 13<sup>th</sup>, for the current and past nine fiscal years are detailed below.



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<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-2017	546	0.37%
2015-2016	544	0.18%
2014-2015	543	3.63%
2013-2014	524	-1.50%
2012-2013	532	-0.37%
2011-2012	534	-1.84%
2010-2011	544	-3.55%
2009-2010	564	2.17%
2008-2009	552	1.47%
2007-2008	544	0.93%

**ECONOMIC CONDITION AND OUTLOOK**

Medford Lakes is 1.2 square miles of rustic beauty in Burlington County, New Jersey. The town is part of the Pinelands Preservation area and there are 22 lakes within this small area and hundreds of lakefront and lake view properties. Of the 1,500 homes in Medford Lakes, over 150 are log cabins, giving Medford Lakes the highest concentration of log cabins in the world.

The Borough of Medford Lakes will continue to experience minimal development and no expansion is expected. Every buildable lot has been built on and there is little opportunity for commercial ratables. Those that are present are expected to remain. The Borough is experiencing moderate housing sales. The state and national economy are reflected in the employment base of the area.

The Borough is 99% residential. Commercial ratables are few and residential taxpayers carry the burden of paying for services. The Borough's tax rate is \$3.094 per \$100 of assessed property value (figures and statistics from 2017). The School District spending ratio shows that 81% of the revenue comes from local sources while only 19% of the revenue comes from state sources. The District's total revenue from state sources is not keeping pace with increasing costs to operate the District. State policies concerning school-funding levels continue to exert upward pressure on property taxes in the District. Over 60% of all state funding goes to approximately thirty school districts leaving most suburban school districts at "flat" funding levels at best. Currently various pieces of legislation along with Commissioner regulations are impeding local control and creating various funding hurdles while the state continues to promise to come up with a better funding equation to assist school districts. To date this has not occurred.



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## MAJOR INITIATIVES

**Educational:** The Medford Lakes School District provides a full range of educational services appropriate to grade levels PK through 8 and as outlined by the New Jersey Student Learning Standards. These include an integrated pre-school program for three and four year old handicapped children, a four-hour kindergarten program, computer assisted instruction the classroom as well as in the Library/Media Center, a Gifted and Talented program, special education programs for identified students, and a variety of extra-curricular clubs and activities. The goal of the Medford Lakes School District is to provide all children with a curriculum that includes a balance of enriching programs, skill development, intervention support systems, and exposure to 21<sup>st</sup> Century Technologies. The goal of the instructional model is to create an environment for students to enjoy the process of learning while acquiring the skills necessary for a lifetime of continuous learning and readiness for college/career.

The Medford Lakes curriculum is aligned with the New Jersey Student Learning Standards. At the Nokomis School, a PK through grade 2 facility, a strong emphasis is placed on literacy and mathematics. Students in grades K-2 are also provided instruction in art, Spanish, music, library, comprehensive physical education/health, and technology literacy. The Neeta School serves grades 3-8. Neeta students are exposed to a multifaceted well-balanced curriculum that prepares them for the requirements of NJASK (*New Jersey State Assessment of Skills and Knowledge*) and for PARCC (*Partnership for Assessment of Readiness for College and Career*). Students in grades 3-8 receive instruction in a variety of special subject areas, including art, Spanish, music, library, comprehensive physical education/health, and technology literacy. The district also provides for the "inclusion" of our special needs students in all our classrooms.

Students in grades K-5 are evaluated throughout the school year utilizing several benchmark assessments including the following: DRA2 (*Developmental Reading Assessment*), district writing prompts, various publisher developed mid-year and end-of-year assessments, MAP (Measures of Academic Progress), and NJDOE model benchmark assessments. Students in grades K-5 are assessed twice a year using the DRA2 to determine their individual reading ability. Results of these individual assessments are used by classroom teachers to place students in guided reading groups that focus on identified skills to improve individual reading performance. Students in grades 2 through 8 are administered an "on demand" writing prompt twice a year (fall and spring) using district developed writing prompts. A mid-year and end-of year math assessment is administered to all students in grades 3-8. Students in grades 1 and 2 are assessed at the end of the year using an end-of-year assessment in the content area of math. Students in grades 3-8 participate in state testing using the New Jersey Assessment of Skills and Knowledge. The results of these assessments are analyzed by classroom teachers and district personnel to determine the students' strengths and weaknesses as well as patterns within grade levels/classrooms. The data is utilized to make adjustments to curriculum/pacing, to plan professional development, and to set district instructional goals



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and objectives. Based on analyzed data Medford Lakes continues to fall within the category of a high performing school district and is proud of its students and staff.

### **INTERNAL ACCOUNTING CONTROLS**

Management of the School 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 and misuse and to ensure that adequate accounting data are completed to allow for the preparation of financial statement in conformity with general 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 delivered; and (2) the valuation of costs and benefits require 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 evaluations by the district management.

As part of the School 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.

### **BUDGETARY CONTROLS**

In addition to internal accounting controls, the School District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or included as re-appropriations of fund balance in the subsequent year.



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## **ACCOUNTING SYSTEM AND REPORTS**

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

## **FINANCIAL POLICIES**

The intent of the School Board is to ensure that the School District manages its budget and finance in a fiscally prudent and responsible way by establishing financial policies for the Budget, Fund Balance and the maintenance of adequate reserves. The government-wide 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 the liability is incurred. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues except for certain grant revenues, are recognized when susceptible to accrual that is when they become measurable and available. Property taxes, interest and certain General Fund revenues are the significant revenue sources considered susceptible to accrual.

## **OTHER INFORMATION**

### ***INDEPENDENT AUDIT***

State statutes require an annual audit by independent certified public accountants. The accounting firm of Holman Frenia Allison, P.C., Certified Public Accounts, was appointed by the Board of Education. In addition to meeting the requirements set forth in the State statutes, the audit was also designed to meet 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*, and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and combining statements and related major fund supporting statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit section of this report.

## **ACKNOWLEDGEMENTS**

We would like to express our appreciation to the members of the Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing

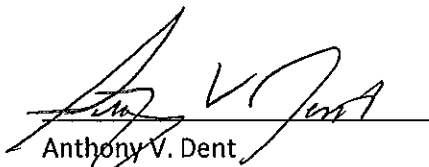




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their full support to the development and maintenance of our financial operation. The preparation of this report could not have accomplished without the efficient and dedicated services of our business office staff.

Respectfully submitted,



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Anthony V. Dent  
Superintendent



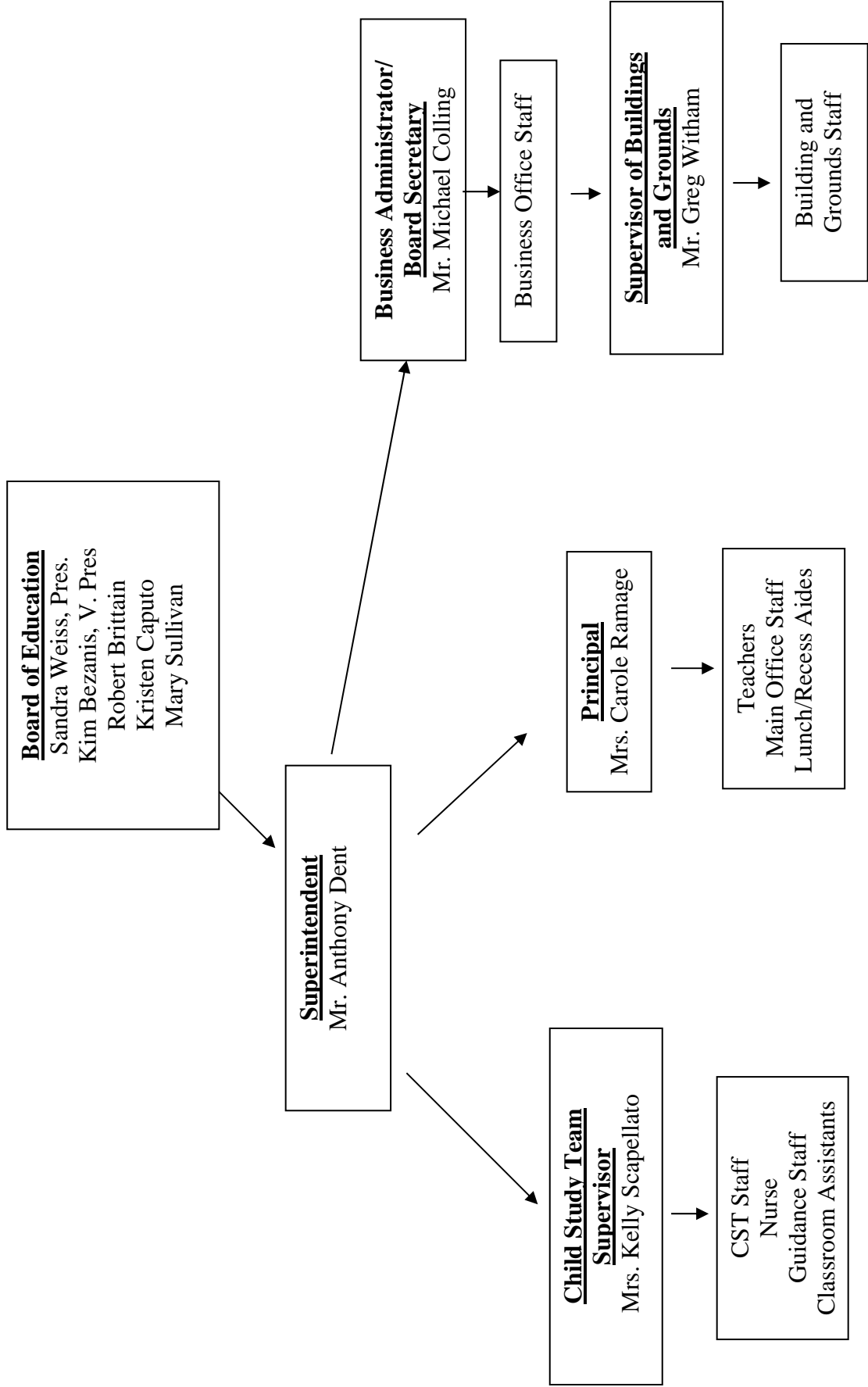
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Michael F. Colling  
School Business Administrator/Board Secretary

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# MEDFORD LAKES SCHOOLS

## Organizational Chart 2016-2017



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**MEDFORD LAKES SCHOOL DISTRICT**  
135 Mudjekeewis Trail  
Medford Lakes, New Jersey

**ROSTER OF OFFICIALS**

**JUNE 30, 2017**

<b>MEMBERS OF THE BOARD OF EDUCATION</b>	<b>TERM EXPIRES</b>
Sandra Weiss, President	2017
Kim Bezanis, Vice President	2018
Kristen Caputo	2019
Mary Sullivan	2018
Robert Brittain	2017

**OTHER OFFICIALS**

Mr. Anthony V. Dent, Superintendent

Michael F. Colling, Business Administrator/Board Secretary

Mary E. Bakey, Treasurer of School Monies

Frank P. Cavallo, Jr., Esq., Board Attorney

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**MEDFORD LAKES SCHOOL DISTRICT**  
Medford Lakes, New Jersey 08055

**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

Kevin P. Frenia  
Holman Frenia Allison, P. C.  
618 Stokes Road  
Medford, New Jersey 08055

**ATTORNEY**

Frank P. Cavallo, Jr., Esq.  
Parker McCay  
9000 Midlantic Drive, Suite 300  
Mount Laurel, New Jersey 08054

**OFFICIAL DEPOSITORY**

TD Bank  
1701 Route 70 East  
Cherry Hill, New Jersey 08034

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**FINANCIAL SECTION**

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HOLMAN | FRENIA  
ALLISON, P.C.

Certified Public Accountants & Consultants

680 Hooper Avenue, Bldg B, Suite 201, Toms River, NJ 08753 • Tel: 732.797.1333  
618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612  
912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800  
6 E. Park Street, P.O. Box 614, Bordentown, NJ 08505 • Tel: 609.298.8639  
194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010  
795 Canton Street, Troy, PA 16947 • Tel: 570.297.5090  
926 Main Street, Suite 103, Rome, PA 18837 • Tel: 570.297.5090

[www.hfacpas.com](http://www.hfacpas.com)

## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Education  
Medford Lakes School District  
County of Burlington  
Medford Lakes, 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 Medford Lakes School District, County of Burlington, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the, Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to 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 Medford Lakes School District, County of Burlington, State of New Jersey, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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, and the schedules related to accounting and reporting for pensions, 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 Medford Lakes 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 expenditures of state financial assistance, as required by New Jersey OMB's Circular 15-08, *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 the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 24, 2017 on our consideration of the 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 School District's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia  
Certified Public Accountant  
Public School Accountant, No. 1011

Medford, New Jersey  
November 24, 2017

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**REQUIRED SUPPLEMENTARY INFORMATION - PART I**

Management's Discussion and Analysis

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**MEDFORD LAKES SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**(Unaudited)**

As management of the Medford Lakes SchMDAool District, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components:

- 1) Government-Wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of net activities.

The *statement of net position* presents information about all of the School District's assets and liabilities. The difference between the assets plus deferred outflows or resources and liabilities plus deferred inflows of resources is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the School District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the government-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund. Business-type activities reflect the Food Service Fund.

**Fund Financial Statements**

*Fund financial statements* are designed to demonstrate compliance with financial-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the School District are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

*Governmental funds* account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide financial statements,

**MEDFORD LAKES SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**(Unaudited) (Continued)**

**Overview of the Basic Financial Statements (continued)**

**Fund Financial Statements (continued)**

the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financial requirements in the near term. Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The School District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The School District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

*Proprietary funds* are used to present the same functions as the business-type activities presented in the government-wide financial statements. The School District maintains one type of proprietary fund – the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the government-wide financial statements, only in more detail.

The School District's one enterprise fund (Food Service Fund) is listed individually and is considered to be a major fund.

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

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Financial Analysis of the School District as a Whole**

Table 1 provides a summary of the School Districts net position for the fiscal years 2017 compared to fiscal year 2016.

**MEDFORD LAKES SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**(Unaudited) (Continued)**

**Table 1**  
**Summary of Net Position**

	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Current & Other Assets	\$ 1,337,675	\$ 977,637	\$ 360,038	36.8%
Capital Assets, Net	5,043,430	5,241,013	(197,583)	-3.8%
Total Assets	<u>6,381,105</u>	<u>6,218,650</u>	<u>162,455</u>	<u>2.6%</u>
Deferred Outflow of Resources	<u>794,333</u>	<u>351,884</u>	<u>442,449</u>	<u>125.7%</u>
Current and other Liabilities	90,500	37,161	53,339	143.5%
Noncurrent Liabilities	<u>4,303,617</u>	<u>4,091,314</u>	<u>212,303</u>	<u>5.2%</u>
Total Liabilities	<u>4,394,117</u>	<u>4,128,475</u>	<u>265,642</u>	<u>6.4%</u>
Deferred Inflow of Resources	<u>-</u>	<u>23,879</u>	<u>(23,879)</u>	<u>-100.0%</u>
Net Position:				
Net Investment in Capital Assets	3,021,299	2,961,013	60,286	2.0%
Restricted	1,030,089	703,887	326,202	46.3%
Unrestricted (Deficit)	<u>(1,270,067)</u>	<u>(1,246,720)</u>	<u>(23,347)</u>	<u>1.9%</u>
Total Net Position	<u>\$ 2,781,321</u>	<u>\$ 2,418,180</u>	<u>\$ 363,141</u>	<u>15.0%</u>

Table 2 shows the changes in net position for fiscal year 2017 compared to fiscal year 2016.

**Table 2**  
**Summary of Changes in Net Position**

	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<b>Revenues:</b>				
Program Revenues:				
Charges for Services	\$ 264,261	\$ 131,853	\$ 132,408	100.4%
Operating Grants & Contributions	1,134,597	156,593	978,004	624.6%
General Revenues:				
Property Taxes	6,249,999	6,140,328	109,671	1.8%
Federal & State Aid	1,111,264	1,103,320	7,944	0.7%
Other General Revenues	<u>93,290</u>	<u>82,569</u>	<u>10,721</u>	<u>13.0%</u>
Total Revenues	<u>8,853,411</u>	<u>7,614,663</u>	<u>1,238,748</u>	<u>16.3%</u>
<b>Function/Program Expenditures:</b>				
Regular Instruction	2,566,490	2,466,529	99,961	4.1%
Special Education Instruction	1,073,386	1,056,285	17,101	1.6%
Other Instruction	67,889	81,257	(13,368)	-16.5%
Tuition	135,311	36,909	98,402	266.6%
Student & Instruction Related Services	787,037	754,764	32,273	4.3%
General Administrative	312,810	296,379	16,431	5.5%
School Administrative Services	119,561	148,276	(28,715)	-19.4%
Plant Operations & Maintenance	508,870	526,179	(17,309)	-3.3%
Pupil Transportation	126,135	98,052	28,083	28.6%
Unallocated Benefits	1,279,094	1,184,475	94,619	8.0%
On Behalf TPAF Pension and Social Security Contributions	957,219	-	957,219	100.0%
Special Schools	228,404	233,226	(4,822)	-2.1%
Interest & Other Charges	119,137	143,506	(24,369)	-17.0%
Unallocated Depreciation	195,526	213,827	(18,301)	-8.6%
Food Service	<u>13,401</u>	<u>16,754</u>	<u>(3,353)</u>	<u>-20.0%</u>
Total Expenditures	<u>8,490,270</u>	<u>7,256,418</u>	<u>1,233,852</u>	<u>17.0%</u>
Change In Net Position	363,141	358,245	4,896	1.4%
Net Position - Beginning	<u>2,418,180</u>	<u>2,059,935</u>	<u>358,245</u>	<u>17.4%</u>
Net Position - Ending	<u>\$ 2,781,321</u>	<u>\$ 2,418,180</u>	<u>\$ 363,141</u>	<u>15.0%</u>

**MEDFORD LAKES SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited) (Continued)**

**Governmental Activities**

During the fiscal year 2017, the net position of governmental activities increased by \$363,972 or 15.18%. The primary reason for the increase was an increase in the taxes levied for the 2016-2017 fiscal year and the state fiscal responsibility of three students.

The assets and deferred outflows of the primary government activities exceeded liabilities and deferred inflows by \$2,761,637, with an unrestricted deficit balance of \$1,279,462. The deficit in unrestricted net position is primarily due to accounting treatment for compensated absences payable, GASB 68 net pension liability, and the last two state aid payments. In addition, state statutes prohibit school districts from maintaining more than 2% of its adopted budget as unassigned fund balance.

The School District's governmental activities unrestricted net position had GASB 68 pension not been implemented would have been as follows:

**Table 3  
GASB 68 Effect on Unrestricted Net Position**

Unrestricted Net Position (With GASB 68)	\$	(1,279,462)
Add back: PERS Pension Liability		69,375
Less: Deferred Outflows related to pensions		(725,504)
Add back: Deferred Inflows related to pensions		<u>-</u>
Unrestricted Net Position (Without GASB 68)	\$	<u>(1,935,591)</u>

**Business-type Activities**

During the fiscal year 2017, the net position of business-type activities decreased by \$831 or -4.05%.

The assets and deferred outflows of the business-type activities exceeded liabilities and deferred inflows by \$19,684.

**General Fund Budgeting Highlights**

Final budgeted revenues was \$7,117,732, which was equal to the original budget. Excluding nonbudgeted revenues, the School District's actual revenues exceeded budgeted revenues by \$143,306.

Final budgeted appropriations was \$7,248,613, which was an increase of \$63,054 from the original budget. The increase is primarily due to prior year reserve for encumbrances, which increase the budget appropriations in the subsequent fiscal year's budget. Excluding nonbudgeted revenues, the School District's budget appropriations exceeded actual expenditures by \$502,387.

The School District's general fund balance – budgetary basis (Exhibit C-1) was \$1,426,338 at June 30, 2017, an increase of \$371,505 from the prior year.

**MEDFORD LAKES SCHOOL DISTRICT**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**(Unaudited) (Continued)**

**Governmental Funds**

At the end of the current fiscal year, the School District’s governmental funds reported a combined ending fund balance of \$1,323,363, an increase of \$372,056 from the prior year.

*General fund* - During the current fiscal year, the fund balance of the School District’s general fund increased by \$372,055 or 39.38% to \$1,316,749 at June 30, 2017, compared to an increase of \$300,993 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in fund balance of the general fund is as follows:

- The District made an effort to reduce expenses during the year.

*Special revenue fund* – There was no change in the fund balance for the special revenue fund.

*Capital projects fund* - There was no change in the fund balance for the capital projects fund.

*Debt service fund* - During the current fiscal year, the fund balance of the School District’s debt service fund increased by \$1 or 100% to \$0 at June 30, 2017, compared to a decrease of \$1 in fund balance in the prior fiscal year.

**Proprietary Funds**

*Food service fund* - During the current fiscal year, the net position of the School District’s food service fund decreased by \$831 or -4.05% to \$19,684 at June 30, 2017, compared to a decrease of \$2,327 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in net position of the food service fund is as follows:

- Increased cost of labor
- Increased cost of supplies with a consistent resale price

**Capital Assets**

The School District’s capital assets for its governmental and business-type activities as of June 30, 2017, totaled \$5,043,430 (net of accumulated depreciation). Capital assets includes land, land improvements, buildings and improvements and equipment. The School Districts “Net Investment in Capital Assets” component of net position represents capital assets, net of accumulated depreciation less any outstanding debt associated with the capital assets. There was a net decrease in the School District’s investment in capital assets for the current fiscal year in the amount of \$197,583. This decrease is primarily due to the current year depreciation of capital assets exceed the pay down of debt or current year construction. Table 4 shows fiscal 2017 balances compared to 2016.

**Table 4**  
**Summary of Capital Assets**

<u>Capital Asset (Net of Depreciation):</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
Building and Improvements	\$ 5,033,141	\$ 5,217,107	\$ (183,966)	-3.5%
Equipment	10,289	23,906	(13,617)	-57.0%
	<u>\$ 5,043,430</u>	<u>\$ 5,241,013</u>	<u>\$ (197,583)</u>	<u>-3.8%</u>

**MEDFORD LAKES SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**(Unaudited) (Continued)**

Depreciation expense for the year was \$195,526. Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 5) of this report.

**Debt Administration**

**Long-term debt** – At the end of the current fiscal year, the School District had total bonded debt outstanding of \$1,945,000, which is a decrease of \$335,000 from the prior year.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 7) of this report.

**Factors on the School District's Future**

The Medford Lakes School District is in excellent financial condition presently. The School District is proud of its community support and involvement in the educational program. A major concern is the lack of state and federal revenues, which has resulted in increased property taxes.

The School District's budget has for many years experienced support from the community's voters. While the current change in state law does not require the public to vote on the annual budget if it is maintained within the 2% property tax levy, the overwhelming support of parents, businesses, the Medford Lakes Education Foundation, the Medford Lakes Athletic Association and the Neeta Sports Association is noteworthy.

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

**Contacting the School Districts Financial Management**

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Michael Colling, School Business Administrator/Board Secretary, at the Medford Lakes School District, 44 Neeta Trail, Medford Lakes New Jersey 08055.

**BASIC FINANCIAL STATEMENTS**

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A. Government-Wide Financial Statements

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**MEDFORD LAKES SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
Cash & Cash Equivalents	\$ 966,799	\$ 83	\$ 966,882
Receivables, Net (Note 4)	97,030	755	97,785
Internal Balances	(8,557)	8,557	-
Restricted Assets:			
Restricted Cash & Cash Equivalents	273,008	-	273,008
Capital Assets, Net (Note 5)	5,033,141	10,289	5,043,430
<b>Total Assets</b>	<b>6,361,421</b>	<b>19,684</b>	<b>6,381,105</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Charge on Refunding of Debt	68,829	-	68,829
Deferred Outflows Related to Pensions (Note 8)	725,504	-	725,504
<b>Total Deferred Outflow of Resources</b>	<b>794,333</b>	<b>-</b>	<b>794,333</b>
<b>Total Assets and Deferred Outflow of Resources</b>	<b>7,155,754</b>	<b>19,684</b>	<b>7,175,438</b>
<b>LIABILITIES</b>			
Accrued Interest Payable	16,208	-	16,208
Due to Other Governments	69,375	-	69,375
Unearned Revenue	4,917	-	4,917
Noncurrent Liabilities (Note 7):			
Due Within One Year	385,199	-	385,199
Due Beyond One Year	3,918,418	-	3,918,418
<b>Total Liabilities</b>	<b>4,394,117</b>	<b>-</b>	<b>4,394,117</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,011,010	10,289	3,021,299
Restricted For:			
Capital Projects	6,615	-	6,615
Maintenance Reserve	136,509	-	136,509
Emergency Reserve	136,498	-	136,498
Excess Surplus	750,467	-	750,467
Unrestricted	(1,279,462)	9,395	(1,270,067)
<b>Total Net Position</b>	<b>\$ 2,761,637</b>	<b>\$ 19,684</b>	<b>\$ 2,781,321</b>

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

**MEDFORD LAKES SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Governmental Activities:</b>						
<b>Instruction:</b>						
Regular	\$ 2,566,490	\$ -	154,705	(2,411,785)	-	(2,411,785)
Special Education	1,073,386	256,035	-	(817,351)	-	(817,351)
Other Special Instruction	40,357	-	-	(40,357)	-	(40,357)
Other Instruction	27,532	-	-	(27,532)	-	(27,532)
Support Services & Undistributed Costs:						
Tuition	135,311	-	-	(135,311)	-	(135,311)
Health Services	138,104	-	-	(138,104)	-	(138,104)
Student & Instruction Related Services	583,452	-	18,329	(565,123)	-	(565,123)
Educational Media Services/School Library	65,481	-	-	(65,481)	-	(65,481)
School Administrative Services	119,561	-	-	(119,561)	-	(119,561)
General Administrative Services	312,810	-	-	(312,810)	-	(312,810)
Plant Operations & Maintenance	508,870	-	-	(508,870)	-	(508,870)
Pupil Transportation	126,135	-	-	(126,135)	-	(126,135)
Business & Other Support Services	228,404	-	-	(228,404)	-	(228,404)
Unallocated Benefits	1,279,094	-	-	(1,279,094)	-	(1,279,094)
On Behalf TPAF Pension and Social Security Contributions	957,219	-	957,219	-	-	-
Interest and Charges on Long-term Debt	115,510	-	-	(115,510)	-	(115,510)
Increase in Compensated Absences	3,627	-	-	(3,627)	-	(3,627)
Unallocated Depreciation	195,526	-	-	(195,526)	-	(195,526)
Total Governmental Activities	8,476,869	256,035	1,130,253	(7,090,581)	-	(7,090,581)
<b>Business-Type Activities:</b>						
Food Service	13,401	8,226	4,344	-	(831)	(831)
Total Business-Type Activities	13,401	8,226	4,344	-	(831)	(831)
<b>Total Primary Government</b>	<b>\$ 8,490,270</b>	<b>\$ 264,261</b>	<b>\$ 1,134,597</b>	<b>(7,090,581)</b>	<b>(831)</b>	<b>(7,091,412)</b>

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

**MEDFORD LAKES SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Taxes:						
Property Taxes, Levied for General Purposes, Net				5,800,999	-	5,800,999
Taxes Levied for Debt Service				449,000	-	449,000
Federal & State Aid Not Restricted				1,111,264	-	1,111,264
Miscellaneous Revenue				93,290	-	93,290
Total General Revenues, Special Items, Extraordinary Items & Transfers				7,454,553	-	7,454,553
Change In Net Position				363,972	(831)	363,141
Net Position - Beginning				2,397,665	20,515	2,418,180
Net Position - Ending				2,761,637	19,684	2,781,321

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## B. Fund Financial Statements

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## Governmental Funds

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**MEDFORD LAKES SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2017**

ASSETS	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
Cash & Cash Equivalents	\$ 1,105,783	\$ -	\$ 6,614	\$ 1,112,397
Due From Other Funds	27,236	139,519	-	166,755
Intergovernmental Accounts Receivable:				
Federal	-	10,996	-	10,996
State	27,641	-	-	27,641
Other	31,157	-	-	31,157
Restricted Cash & Cash Equivalents	273,008	-	-	273,008
<b>Total Assets</b>	<b>\$ 1,464,825</b>	<b>\$ 150,515</b>	<b>\$ 6,614</b>	<b>\$ 1,621,954</b>
<b>LIABILITIES &amp; FUND BALANCES</b>				
Liabilities:				
Cash Overdraft	\$ -	\$ 145,598	\$ -	\$ 145,598
Interfund Payable	148,076	-	-	148,076
Unearned Revenue	-	4,917	-	4,917
<b>Total Liabilities</b>	<b>148,076</b>	<b>150,515</b>	<b>-</b>	<b>298,591</b>
Fund Balances:				
Restricted for:				
Excess Surplus - Prior Year - Designated for Subsequent Year's Expenditures	397,878	-	-	397,878
Excess Surplus - Current Year	352,589	-	-	352,589
Capital Reserve Account	1	-	-	1
Emergency Reserve Account	136,498	-	-	136,498
Maintenance Reserve Account	136,509	-	-	136,509
Assigned to:				
Other Purposes	148,861	-	-	148,861
Capital Projects	-	-	6,614	6,614
Unassigned:				
General Fund	144,413	-	-	144,413
<b>Total Fund Balances</b>	<b>1,316,749</b>	<b>-</b>	<b>6,614</b>	<b>1,323,363</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 1,464,825</b>	<b>\$ 150,515</b>	<b>\$ 6,614</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$13,031,082, and the accumulated depreciation is \$7,997,941. (See Note 5)	\$ 5,033,141
Accrued interest payable is not recorded in the fund financial statements due to the fact that payable is not due in the current period.	(16,208)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	725,504
Accrued pension contributions for the June 30, 2017 plan year are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.	(69,375)
Deferred charge on refunding of debt net of bond premium is not recorded in the fund financials, but is recorded on the government-wide financial statements.	68,829
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 7)	(4,303,617)
Net position of Governmental Activities	<u>\$ 2,761,637</u>

**MEDFORD LAKES SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTALS
<b>Revenues:</b>					
Local Tax Levy	\$ 5,800,999	\$ -	\$ -	\$ 449,000	\$ 6,249,999
Tuition	256,035	-	-	-	256,035
Miscellaneous	45,326	47,964	-	-	93,290
State Sources	2,116,447	-	-	-	2,116,447
Federal Sources	-	125,070	-	-	125,070
	<hr/>				
Total Revenues	8,218,807	173,034	-	449,000	8,840,841
<hr/>					
<b>Expenditures:</b>					
<b>Current:</b>					
Regular Instruction	2,411,785	154,705	-	-	2,566,490
Special Education Instruction	1,073,386	-	-	-	1,073,386
Other Special Instruction	40,357	-	-	-	40,357
Other Instruction	27,532	-	-	-	27,532
<b>Support Services &amp; Undistributed Costs:</b>					
Tuition	135,311	-	-	-	135,311
Health Services\Attendance	138,104	-	-	-	138,104
Student & Instruction Related Services	565,123	18,329	-	-	583,452
Educational Media Services/ School Library	65,481	-	-	-	65,481
General Administrative Services	312,810	-	-	-	312,810
School Administrative Services	119,561	-	-	-	119,561
Plant Operations & Maintenance	508,870	-	-	-	508,870
Pupil Transportation	126,135	-	-	-	126,135
Business & Other Support Services	228,404	-	-	-	228,404
Unallocated Benefits	2,073,632	-	-	-	2,073,632
<b>Debt Service:</b>					
Principal	-	-	-	335,000	335,000
Interest	-	-	-	114,000	114,000
Capital Outlay	20,260	-	-	-	20,260
	<hr/>				
Total Expenditures	7,846,751	173,034	-	449,000	8,468,785
<hr/>					
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	372,056	-	-	-	372,056
<hr/>					
<b>Other Financing Sources/(Uses):</b>					
Transfers In	-	-	-	1	1
Transfers Out	(1)	-	-	-	(1)
	<hr/>				
Total Other Financing Sources & Uses	(1)	-	-	1	-
<hr/>					
Net Change in Fund Balances	372,055	-	-	1	372,056
Fund Balance - July 1	944,694	-	6,614	(1)	951,307
	<hr/>				
Fund Balance - June 30	\$ 1,316,749	\$ -	\$ 6,614	\$ -	\$ 1,323,363
	<hr/>				

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

**MEDFORD LAKES SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Total Net Change in Fund Balances - Governmental Funds (From B-2) \$ 372,056

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

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

Depreciation Expense (195,526)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 335,000

Loss on the early extinguishments of debt, and original issue premiums are recorded when incurred in the governmental funds but are deferred and recognized in the statement of activities over the life of the refunding:

Prior Year	\$	93,089	
Current Year		(77,131)	15,958

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities. (162,681)

Net difference in accrued interest on bonds and capital leases is not recorded in the fund financial statements. 2,792

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 Fund, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); When the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

Prior Year Compensated Absences		149,966	
Current Year Compensated Absences		(153,593)	(3,627)

Change in Net Position of Governmental Activities \$ 363,972

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## Proprietary Funds

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**MEDFORD LAKES SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2017**

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS
	FOOD SERVICE
Current Assets:	
Cash & Cash Equivalents	\$ 83
Accounts Receivable:	
Interfunds	8,557
Federal	755
Total Current Assets	9,395
Noncurrent Assets:	
Furniture, Machinery & Equipment	20,574
Accumulated Depreciation	(10,285)
Total Noncurrent Assets	10,289
Total Assets	\$ 19,684
NET POSITION	
Net Investment in Capital Assets	\$ 10,289
Unrestricted	9,395
Total Net Position	\$ 19,684

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

**MEDFORD LAKES SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS <hr/> FOOD SERVICE
Operating Revenues:	
Charges for Services:	
Daily Sales - Reimbursable Programs:	
Special Milk Program	\$ 8,226
	<hr/>
Total Operating Revenues	8,226
	<hr/>
Operating Expenses:	
Cost of Sales- Reimbursable	914
Cost of Sales- Non Reimbursable	6,706
Salaries	3,200
Miscellaneous	524
Depreciation	2,057
	<hr/>
Total Operating Expenses	13,401
	<hr/>
Operating Income/(Loss)	(5,175)
	<hr/>
Nonoperating Revenues/(Expenses):	
Federal Sources:	
Special Milk Program	4,344
	<hr/>
Total Nonoperating Revenues/(Expenses)	4,344
	<hr/>
Change in Net Position	(831)
Total Net Position - Beginning	20,515
	<hr/>
Total Net Position - Ending	\$ 19,684
	<hr/> <hr/>

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

**MEDFORD LAKES SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2017**

**BUSINESS-TYPE  
 ACTIVITIES -  
 ENTERPRISE FUNDS  
FOOD  
SERVICE**

Cash Flows From Operating Activities:	
Receipts from Customers	\$ 5,632
Payments to Suppliers	(11,344)
	<hr/>
Net Cash Provided/(Used) by Operating Activities	(5,712)
	<hr/>
Cash Flows From Noncapital Financing Activities:	
Federal Sources	4,413
	<hr/>
Net Cash Provided/(Used) by Noncapital Financing Activities	4,413
	<hr/>
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,299)
Balances - Beginning of Year	1,382
	<hr/>
Balances - End of Year	\$ 83
	<hr/> <hr/>

**Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:**

Operating Income/(Loss)	\$ (5,175)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:	
Depreciation & Net Amortization	2,057
(Increase)/Decrease in Interfund Receivable	(2,594)
	<hr/>
Total Adjustments	(537)
	<hr/>
Net Cash Provided/(Used) by Operating Activities	\$ (5,712)
	<hr/> <hr/>

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

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Fiduciary Fund

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**MEDFORD LAKES SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017**

ASSETS	PRIVATE PURPOSE				TOTALS
	SCHOLARSHIP	FLEXIBLE TRUST	NEW JERSEY UNEMPLOYMENT TRUST	AGENCY PAYROLL NET	
Cash & Cash Equivalents	\$ 8,438	\$ 4,912	\$ 29,430	\$ 7,534	\$ 155,626
Interfund Receivable	-	-	1,200	-	1,200
Total Assets	8,438	4,912	30,630	7,534	156,826
<b>LIABILITIES</b>					
Accrued Salaries & Wages	-	-	-	78,988	78,988
Interfund Payable	-	2,112	-	17,806	28,436
Due to Student Groups	-	-	-	7,534	7,534
Total Liabilities	-	2,112	-	96,794	114,958
<b>NET POSITION</b>					
Restricted for:					
Other Purposes	-	2,800	-	-	2,800
Scholarships	8,438	-	-	-	8,438
Unemployment Claims	-	-	30,630	-	30,630
Total Net Position	\$ 8,438	\$ 2,800	\$ 30,630	\$ -	\$ 41,868

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

**MEDFORD LAKES SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

ADDITIONS:	PRIVATE PURPOSE			TOTALS
	SCHOLARSHIP	FLEXIBLE SPENDING TRUST	UNEMPLOYMENT COMPENSATION TRUST FUND	
Local Sources:				
Interest on Investments	\$ 3	\$ -	\$ -	\$ 3
Contributions	-	5,695	-	5,695
Total Operating Revenue	3	5,695	-	5,698
Total Additions	3	5,695	-	5,698
DEDUCTIONS:				
Scholarships	200	-	-	200
Miscellaneous Expenditures	-	2,895	-	2,895
Total Deductions	200	2,895	-	3,095
Change in Net Position	(197)	2,800	-	2,603
Net Position - Beginning of the Year	8,635	-	30,630	39,265
Net Position - End of the Year	\$ 8,438	\$ 2,800	\$ 30,630	\$ 41,868

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



**MEDFORD LAKES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

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

**Basis of Presentation**

The financial statements of the Medford Lakes School District (hereafter referred to as the “School District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

**Reporting Entity**

The Medford Lakes School District is a Type II School District located in the County of Burlington, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of 5 members elected to three-year terms. These terms are staggered so that a maximum of 2 members’ terms expire each year. The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, vocational, as well as special education for handicapped youngsters. The operations of the District include two elementary schools located in Medford Lakes Borough. The Medford Lakes School District has an approximate enrollment at June 30, 2017 of 546 students.

The primary criterion for including activities within the School District’s reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- ◆ the organization is legally separate (can sue or be sued in their own name);
- ◆ the School District holds the corporate powers of the organization;
- ◆ the School District appoints a voting majority of the organization’s board
- ◆ the School District is able to impose its will on the organization;
- ◆ the organization has the potential to impose a financial benefit/burden on the School District
- ◆ there is a fiscal dependency by the organization on the School District.

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

**Component Units**

GASB Statement No.14. *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*. The School District had no component units as of for the year ended June 30, 2017.

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

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

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

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**A. Government-Wide Financial Statements**

The School District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the School District accompanied by a total column. Fiduciary activities of the School District are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the School District are reported in three categories: 1) charges for services, 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.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

**B. Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The School District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The School District's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due.

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

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

The primary revenue sources, which have been treated as susceptible to accrual by the School District, are property tax and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific purposes or projects are recognized in the period in which the expenditures are recorded. All other revenue items are considered to be measurable and available only when cash is received by the School District. Transfers between governmental funds are recorded when the related liability is incurred. These transfers do not represent revenues (expenditures) to the School District and are, therefore, reported as other financing sources (uses) in the governmental fund financial statements.

Since the fund level statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentations.

The School District funds outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The School District reports the following major governmental funds:

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

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, interest earnings and appropriated fund balance.

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

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

Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

**Special Revenue Fund** - The special revenue fund is used to account for the proceeds of specific revenue from state and federal government, other than major capital projects, debt service or proprietary funds, and local appropriations that are restricted or committed to expenditures for specified purposes.

**Capital Projects Fund** - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the acquisition of construction of major capital facilities, other than those financed by proprietary funds. The financial resources are derived from New Jersey School Development Authority grants, temporary notes, capital leases, or serial bonds that are specially authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

**Debt Service Fund** - The debt service fund is used to account for the accumulation of financial resources that are restricted, committed, or assigned to an expenditure for the payment of general long-term debt principal, interest and related costs of governmental funds.

**C. Proprietary Fund Financial Statements**

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The School District reports the following major proprietary funds:

**Food Service Fund** – The food service fund accounts for the financial transactions related to the food service operations of the School District.

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

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

**D. Fiduciary Fund Financial Statements**

Fiduciary fund financial statements include a Statement of Net Position. The School District's fiduciary funds include Agency and Private-Purpose Trust Funds. Private Purpose Trust and Agency Funds are used to account for and report assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, and other governments. Private Purpose Trust and Agency Funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

The School District reports the following fiduciary funds:

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

Unemployment Trust Fund – Revenues consist of employee payroll withholdings, interest income, and contributions through the annual budget process of the School District. Expenditures consist of unemployment reimbursement claims.

Scholarship Fund – Revenues consist of interest income and donations. Expenditures consist of scholarships provided to students.

**Agency Funds** - Agency funds (payroll, flexible spending and student activity funds) are assets held by a governmental entity either as trustee or as an agent for other parties and cannot be used to finance the governmental entities own operating programs.

**Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office. In accordance with P.L.2011 c.202, which became effective January 17, 2012, the School District eliminated the April annual voter referendum on budgets which met the statutory tax levy cap limitations and the board of education members are elected at the November general election. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2-2(f)1. 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:23-2-11.

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 payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis 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 accounts as presented in the general fund budgetary comparison schedules 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 Balance – 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 modified accrual basis with the exception of the revenue recognition policy for the last state aid payments.

**Encumbrances**

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

Open encumbrances in the special revenue fund for which the School District has received advances are reflected in the balance sheet as a reduction of the accounts receivables or as unearned revenue at fiscal year-end.

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

**Cash, Cash Equivalents and Investments**

Cash and Cash equivalents 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. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are considered cash equivalents and stated at cost.

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB). New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.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”).



**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

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

GUDPA was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

For purposes of the statement of cash flows, the School District considers all highly liquid investments (including restricted assets) with a maturity when purchased of twelve months or less and all local government investment pools to be cash equivalents

**Tuition Receivable/Payable**

Tuition rates were established by the receiving School District based on estimated costs. The charges are subject to adjustment when the actual costs are determined.

**Inventories**

Inventories are valued at cost, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

**Interfund Receivables/Payables**

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the School District and that are due within one year. As previously mentioned, these amounts are eliminated in the governmental and business-type columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as Internal Balances in the Statement of Net Position.

**Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair market value at the date of donation. All reported capital assets except land and construction in progress are depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The School District does not possess any infrastructure. The School District has established a threshold of \$2,000 for capitalization of depreciable assets.

Capital assets of the School District are depreciated or amortized using the straight-line method over the following estimated useful lives:

MEDFORD LAKES SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	10-20 Years	N/A
Buildings and Improvements	10-50 Years	N/A
Furniture and Equipment	5-20 Years	5-12 Years
Vehicles	5-10 Years	4-6 Years

**Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the 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 entire compensated absences liability is reported on the government-wide financial statements and proprietary fund financial statements. Compensated absences liability is not recorded in the governmental funds. Instead expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of resignations or retirements.

**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 measureable and the School District is eligible to realize the revenue.

**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, government 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.

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

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

**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 assumption that affect certain reported amounts reported in the financial statements and accompanying note disclosures. Actual results could differ from those estimates.

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

**Deferred Outflows and Deferred Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**Deferred Loss on Refunding Debt**

Deferred loss on refunding debt arising from the issuance of the refunding bonds is recorded as deferred outflows of resources. It is amortized in a systematic and rational manner over the shorter of the duration of the related debt or the new debt issues as a component of interest expense.

**Bond Premiums, Discounts and Issuance Costs**

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

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

**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 pension plan's fiduciary net position of the Public Employees' Retirement System (PERS) and Teacher's Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF'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.

**Fund Balance**

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances in the governmental funds financial statements are classified into the following five categories, as defined below:

- Non-spendable – This 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. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These 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) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the School District's policy to consider restricted funds to have been spent first.

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

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

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, it is the School District's policy to consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

**Net Position**

Net position, represents the difference between 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 acquisition, construction, or improvement of those assets.
- Restricted – This component of 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 – This component of net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

**Impact of Recently Issued Accounting Principles**

**Adopted Accounting Pronouncements**

The following GASB Statements became effective for the fiscal year ended June 30, 2017:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of this Statement had no impact on the School District's financial statements

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. The adoption of this Statement had no impact on the School District's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The adoption of this Statement had no impact on the School District's financial statements.

## MEDFORD LAKES SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

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

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this Statement had no impact on the School District's financial statements.

#### Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the School District's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the School District's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

MEDFORD LAKES SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)

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

Statement No. 84, *Fiduciary Activities*. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Management does not expect this Statement to have a material impact on the School District’s financial statements.

Statement No. 85, *Omnibus 2017*. This Statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. The guidance in Statement No. 85 is effective for periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the School District’s financial statements.

Statement No. 86, *Accounting for Certain Debt Extinguishment*. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement No. 86 is effective for reporting periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the School District’s financial statements.

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Management does not expect this Statement to have a material impact on the School District’s financial statements.

**Note 2. Deposits and Investments**

**Deposits**

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Board’s deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity fund or other funds that may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2017, the School District’s bank balance of \$1,415,990 was exposed to custodial credit risk as follows:

Insured under FDIC and GUDPA	\$ 1,305,972
Uninsured and Uncollateralized	<u>110,018</u>
	<u>\$ 1,415,990</u>

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 2. Deposits and Investments (continued)**

**Investments**

The School District had no investments at June 30, 2017.

Fair Value Measurement - The School District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. Investments are required to be categorized based on the fair value of inputs of Levels 1, 2 and 3. Under Level 1 inputs, investments are required to be categorized based on quoted market prices in active markets for identical investments. Level 2 inputs are based primarily on using observable measurement criteria, including quoted market prices of similar investments in active and inactive markets and other observable corroborated factors. Level 3 inputs are assets measured at fair value on a recurring basis using significant unobservable measurement criteria based on the best information available.

All of the School District's investments described above are classified in Level 1 and are valued using prices quoted in active markets for those securities. The School District does not hold any investments that are measured using Level 2 and Level 3 inputs

Custodial credit risk - This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The School District does not have custodial credit risk policies for investments.

Interest rate risk - This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk - Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

Concentration of Credit Risk - The School District places no limit in the amount the School District may invest in any one issuer

**Note 3. Reserve Accounts**

**Capital Reserve**

A capital reserve account was established by the School District by inclusion of \$1 on September 25, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the School District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a School District may increase the balance in the capital reserve by appropriating funds in the annual general fund



**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 3. Reserve Accounts (continued)**

budget certified for taxes or by transfer by board resolution at year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A School District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant *N.J.S.A.19:60-2*. Pursuant to *N.J.A.C.6:23A-14.1(g)*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Ending Balance, June 30, 2017 & 2016	\$ <u>1</u>
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The June 30, 2017 LRFP balance of local support costs of uncompleted capital projects at June 30, 2017 is \$1,250,605. The withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the School District's Long Rang Facilities Plan.

**Maintenance Reserve**

The School District established a maintenance reserve account for the accumulation of funds for use as required maintenance of a facility in subsequent fiscal years.

Funds placed in the maintenance reserve account are restricted to maintenance projects in the School District's approved Maintenance Plan (M-1). A School District may increase the balance in the maintenance reserve account by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year-end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. The balance in the account cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

The activity of the maintenance reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Ending Balance, June 30, 2017 & 2016	\$ <u>136,509</u>
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**Emergency Reserve**

An emergency reserve account was established for the accumulation of funds for use as emergency expenditures in subsequent fiscal years. The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The emergency reserve account is used to accumulate funds in accordance with *N.J.S.A. 18A:7F-41c(1)* to finance unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonably unforeseeable and shall not include additional costs caused by poor planning. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1 percent of the general fund budget not to exceed \$1 million. Deposits may be made to the emergency reserve account by board resolution at year end of any unanticipated revenue or unexpended line item appropriation or both. The department has defined year end for the purpose of depositing surplus into reserve accounts as an amount approved by the district board of education between June 1 and June 30. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of 4 percent.

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 3. Reserve Accounts (continued)**

The activity of the emergency reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Ending Balance, June 30, 2017 & 2016 \$ 136,498

**Note 4. Accounts Receivable**

Accounts receivable at June 30, 2017 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state and federal programs, the current fiscal year guarantee of federal funds and the budgetary control of New Jersey governmental entities. Accounts receivable in the School District's governmental and business-type activities as of June 30, 2017, consisted of the following:

<u>Description</u>	<u>Governmental Funds</u>			<u>Proprietary Funds</u>	
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Activities</u>	<u>Food Service Fund</u>	<u>Total Business-Type Activities</u>
Federal Awards	\$ -	\$ 10,996	\$ 10,996	\$ 755	\$ 755
State Awards	58,798	-	58,798	-	-
Other	27,236	-	27,236	-	-
<b>Total</b>	<u>\$ 86,034</u>	<u>\$ 10,996</u>	<u>\$ 97,030</u>	<u>\$ 755</u>	<u>\$ 755</u>

**Note 5. Capital Assets**

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	Balance June 30, <u>2017</u>
<b>Governmental Activities:</b>				
Capital Assets being depreciated:				
Buildings and Improvements	\$ 12,824,264	\$ -	\$ -	\$ 12,824,264
Equipment	206,818	-	-	206,818
Total Capital Assets being depreciated	<u>13,031,082</u>	<u>-</u>	<u>-</u>	<u>13,031,082</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(7,607,157)	(183,966)	-	(7,791,123)
Equipment	(195,258)	(11,560)	-	(206,818)
Total Accumulated Depreciation	<u>(7,802,415)</u>	<u>(195,526)</u>	<u>-</u>	<u>(7,997,941)</u>
Total Capital Assets being depreciated, net	<u>5,228,667</u>	<u>(195,526)</u>	<u>-</u>	<u>5,033,141</u>
Total Governmental Activities Capital Assets, net	<u>\$ 5,228,667</u>	<u>\$ (195,526)</u>	<u>\$ -</u>	<u>\$ 5,033,141</u>

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 5. Capital Assets (continued):**

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	Balance June 30, <u>2017</u>
<b>Business-Type Activities:</b>				
Equipment	\$ 20,574	\$ -	\$ -	\$ 20,574
	<u>20,574</u>	<u>-</u>	<u>-</u>	<u>20,574</u>
Less: Accumulated Depreciation:				
Equipment	(8,228)	(2,057)	-	(10,285)
	<u>(8,228)</u>	<u>(2,057)</u>	<u>-</u>	<u>(10,285)</u>
Total Business-Type Activities Capital Assets, net	<u>\$ 12,346</u>	<u>\$ (2,057)</u>	<u>\$ -</u>	<u>\$ 10,289</u>

Depreciation expense was not allocated among the various functions/programs of the School District.

**Note 6. Interfund Receivables, Payables and Transfers**

Individual fund receivables/payables balances at June 30, 2017 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 27,236	\$ 148,076
Special Revenue Fund	139,519	-
Food Service Fund	8,557	-
Payroll Fund	-	28,436
Unemployment Fund	<u>1,200</u>	<u>-</u>
	<u>\$ 176,512</u>	<u>\$ 176,512</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

A summary of interfund transfers is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 70	\$ 135,125
Special Revenue Fund	132,531	-
Food Service Fund	2,594	-
Payroll Fund	<u>-</u>	<u>70</u>
	<u>\$ 135,195</u>	<u>\$ 135,195</u>

The purpose of the interfund transfers were for short term borrowing.

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 7. Long-Term Obligations**

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Balance Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 2,280,000	\$ -	\$ 335,000	\$ 1,945,000	\$ 355,000
Unamortized Bond Premiums	176,160	-	30,199	145,961	30,199
Compensated Absences	149,966	3,627	-	153,593	-
Net Pension Liability	1,485,188	573,876	-	2,059,064	-
	<u>\$ 4,091,314</u>	<u>\$ 577,503</u>	<u>\$ 365,199</u>	<u>\$ 4,303,618</u>	<u>\$ 385,199</u>

For governmental activities, the bonds payable are liquidated from the School District's debt service fund. Compensated absences, and net pension liability are liquidated by the general fund.

**Bonds Payable**

On May 1, 2010, the School District issued \$3,845,000 of Refunding Bonds to refund the callable portion of the outstanding 2002 Bond Issue. The Refunding Bonds generated \$219,916 in gross debt service savings and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$184,770, or a net annual present value savings of 4.66%. The Refunding Bonds were issued at interest rates varying from .85% to 3.70% and mature on May 1, 2022.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 355,000	\$ 97,250	\$ 452,250
2019	370,000	79,500	449,500
2020	385,000	61,000	446,000
2021	405,000	41,750	446,750
2022	430,000	21,500	451,500
	<u>\$ 1,945,000</u>	<u>\$ 301,000</u>	<u>\$ 2,246,000</u>

**Bonds Authorized but not Issued**

As of June 30, 2017, the School District had no bonds authorized but not issued.

MEDFORD LAKES SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)

Note 8. Pension Plans

A. Public Employees' Retirement System (PERS)

**Plan Description** - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. 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 PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
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 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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.

**Contributions** - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the 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.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 8. Pension Plans (continued)**

payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources** - At June 30, 2017, the School District reported a liability of \$2,059,064 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The School District's proportion of the net pension liability was based on the School District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The School District's proportion measured as of June 30, 2016, was .0069522%, which was an increase of .00033% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized full accrual pension expense of \$224,444 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ 38,292	\$ -
Changes of Assumptions	426,528	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	78,514	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	112,795	-
School District contributions subsequent to measurement date	69,375	-
	\$ 725,504	\$ -

\$69,375 reported as deferred outflows of resources resulting from school district contributions subsequent to the measurement date is estimated based on unadjusted 2016-2017 total salaries for PERS employees multiplied by an employer pension contribution rate of 13.37%. The payable is due on April 1, 2018 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**MEDFORD LAKES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017 (continued)**

**Note 8. Pension Plans (continued)**

<b>Year Ending June 30,</b>		
2018	\$	148,548
2019		148,548
2020		165,989
2021		139,179
2022		53,865
	<b>\$</b>	<b>656,129</b>

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:

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
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	-

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 8. Pension Plans (continued)**

each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for the 2016, 2015, and 2014 amounts, respectively.

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

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the 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 scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

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 PERS's target asset allocation as of June 30, 2016 are summarized in the following table:



**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 8. Pension Plans (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment grade credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

**Discount Rate** - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on 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 municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the School District's proportionate share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the School District's proportionate share of the net pension liability as of June 30, 2016, calculated using the 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-percentage point lower or 1-percentage point higher than the current rate:

	<u>At 1% Decrease (2.98%)</u>	<u>At Current Discount Rate (3.98%)</u>	<u>At 1% Increase (4.98%)</u>
School District's Proportionate Share of the Net Pension Liability	\$ 2,523,142	\$ 2,059,064	\$ 1,675,927

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 8. Pension Plans (continued)**

**Additional Information** - The following is a summary of the collective balances of the local group at June 30, 2017 and 2016:

	<u>6/30/2017</u>	<u>6/30/2016</u>	
Collective Deferred Outflows of Resources	\$ 7,815,204,785	\$ 2,946,265,815	
Collective Deferred Inflows of Resources	\$ -	\$ 360,920,604	
Collective Net Pension Liability	\$ 29,617,131,759	\$ 22,447,996,119	
School District's portion	0.00695%	0.00662%	

**B. Teachers' Pension and Annuity Fund (TPAF)**

**Plan Description** - The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which 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. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

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:

<u>Tier</u>	<u>Definition</u>
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 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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

**MEDFORD LAKES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017 (continued)**

**Note 8. Pension Plans (continued)**

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.

**Contributions** - The contribution policy for TPAF 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 7.2% in State fiscal year 2017. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the 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.

As mentioned previously, the employer contributions for local participating employers are legally required to be funded by the State in accordance with *N.J.S.A 18:66-33*. Therefore, the School District is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the School District does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers.

**Pension Liability and Pension Expense** - The State's proportionate share of the TPAF net pension liability, attributable to the School District as of June 30, 2016 was \$26,517,402. The School District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The State's proportionate share of the net pension liability associated with the District was based on projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2016, the State proportionate share of the TPAF net pension liability attributable to the School District was .00337086%, which was an increase of .004352% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the State of New Jersey recognized a pension expense in the amount of \$1,992,414 for the State's proportionate share of the TPAF pension expense attributable to the School District. This pension expense was based on the pension plans June 30, 2016 measurement date.

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

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 8. Pension Plans (continued)**

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

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

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

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

**Discount Rate** - The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. The single blended discount rate was based on 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 municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 8. Pension Plans (continued)**

that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the School District’s proportionate share of the Net Pension Liability to Changes in the Discount Rate** – As previously mentioned, TPAF has a special funding situation where the State pays 100% of the School District’s annual required contribution. The following represents the State’s proportionate share of the net pension liability, attributable to the School District calculated using the discount rate of 3.22% as well as what the State’s proportionate share of the net pension liability, attributable to the School District’s would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<b>At 1% Decrease (<u>2.22%</u>)</b>	<b>At Current Discount Rate (<u>3.22%</u>)</b>	<b>At 1% Increase (<u>4.22%</u>)</b>
State of New Jersey's Proportionate Share of Net Pension Liability associated with the School District	<u>\$ 31,667,704</u>	<u>\$ 26,517,402</u>	<u>\$ 22,311,516</u>
	<u>\$ 31,667,704</u>	<u>\$ 26,517,402</u>	<u>\$ 22,311,516</u>

**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 fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF’s fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**C. Defined Contribution Plan (DCRP)**

**Plan Description** - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of N.J.S.A. 43:15C-1 et seq. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage

Individuals eligible for membership in the DCRP include:

- State or local officials who are elected or appointed on or after July 1, 2007;
- Employees enrolled in the Public Employees’ Retirement System (PERS) or Teachers’ Pension and Annuity Fund (TPAF) on or after July 1, 2007, who earn salary in excess of established “maximum compensation” limits;

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 8. Pension Plans (continued)**

- Employees enrolled in the Police and Firemen’s Retirement System (PFRS) or State Police Retirement System (SPRS) after May 21, 2010, who earn salary in excess of established “maximum compensation” limits;
- Employees otherwise eligible to enroll in the PERS or TPAF on or after November 2, 2008, who do not earn the minimum annual salary for PERS or TPAF Tier 3 enrollment but who earn salary of at least \$5,000 annually. The minimum salary in 2017 is \$8,300 and is subject to adjustment in future years.
- Employees otherwise eligible to enroll in the PERS or TPAF after May 21, 2010, who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 or Tier 5 enrollment but who earn salary of at least \$5,000 annually. The minimum number is 35 hours per week for State employees, or 32 hours per week for local government or local education employees

**Contributions** - The contribution policy is set by N.J.S.A. 43:15C-3 and requires active members and contribution employers. When enrolled in the DCRP, members are required to contribute 5.5% of their base salary to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP investments with the Division of Pension and Benefits. Member contributions are matched by a 3% contribution from the School District.

For the year ended June 30, 2017, employee contributions totaled \$13,324, and the School District recognized an expense for payments made to the Defined Contribution Retirement program in the amount of \$9,605.

**Note 9. State Post-Retirement Medical Benefits**

P.L. 1987, c. 384 and 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 post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement 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 benefits 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 employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

The 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

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 9. State Post-Retirement Medical Benefits**

statements and required supplementary information for 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 Fringe Benefits and Salaries**

As previously mentioned, the School District receives on-behalf payments from the State of New Jersey for normal costs and post-retirement medical costs related to the Teachers’ Pension and Annuity Fund (TPAF) pension plan. The School District is not legally responsible for these contributions. The on-behalf payments are recorded as revenues and expenditures in the government-wide and general fund financial statements. For the fiscal year ended June 30, 2017, the on-behalf payments for normal costs, post-retirement medical costs, and long-term disability were \$376,871, \$314,019 and \$546, 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 School District contributions, reimbursements to the State for benefits paid and the ending balance of the School District’s trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>School District Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earnings</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$ -	\$ -	\$ -	\$ -	\$ 30,630
2015-2016	-	-	-	-	30,630
2014-2015	-	-	-	-	30,630

**Property and Liability Insurance** – The School District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**Joint Insurance Pool** – The School District also participates in the Burlington Fund and, public entity risk pool. The Pool provides its members with the following coverage:

Property – Blanket Building & Grounds	General & Automobile Liability
Environmental Impairment Liability	Workers’ Compensation
School Board Legal Liability	Excess Liability
Employers Liability	Comprehensive Crime Coverage

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 12. Contingencies**

**State and Federal Grantor Agencies** - The School District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

**Litigation** – The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the School Districts’ attorney that resolution of these matters will not have a material adverse effect on the financial condition of the School District.

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

**Note 13. Deferred Compensation**

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

Lincoln Investment Planning  
MetLife Company  
AXA Equitable

**Note 14. 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 amount of vacation and sick leave in accordance with the School District's personnel policies. Upon termination, employees are paid for accrued vacation. The School District 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 the unused sick leave in accordance with School Districts’ agreements with the various employee unions.

The liability for vested compensated absences of the governmental fund types is recorded in the Statement of Net Position. At June 30, 2017, the liability for compensated absences reported on the government-wide Statement of Net Position was \$153,593.



## MEDFORD LAKES SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

#### **Note 15. Tax Abatements**

As defined by the Governmental Accounting Standards Board (GASB) Statement No. 77, a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

#### **Note 16. Calculation of Excess Surplus**

The designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A.18A:7F-7. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year-end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2017 was \$352,589.

#### **Note 17. Fund Balances**

**General Fund** – Of the \$1,316,749 General Fund fund balance at June 30, 2017, \$1 has been restricted for the Capital Reserve Account; \$136,509 has been restricted for the Maintenance Reserve Account; \$136,498 has been restricted for the Emergency Reserve Account; \$352,589 has been restricted for current year excess surplus; \$397,878 is restricted for prior year excess surplus – designated for subsequent year's expenditures; \$148,861 has been assigned to other purposes and \$144,413 has been unassigned.

**Capital Projects Fund** – Of the \$6,614 Capital Projects Fund fund balance at June 30, 2017, \$6,614 is restricted for future capital projects approved by the School District.

#### **Note 18. Deficit in Net Position**

**Unrestricted Net Position** – The School District governmental activities had a deficit in unrestricted net position in the amount of \$1,279,462 at June 30, 2017. The primary causes of this deficit is the School District not recognizing the receivable for the last two state aid payments and the recording of the net pension liability for the Public Employee's Retirement System (PERS) as of June 30, 2017. This deficit in unrestricted net position for governmental activities does not indicate that the School District is facing financial difficulties.

**MEDFORD LAKES SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 19. Subsequent Events**

On September 26, 2017 the residents of Medford Lakes passed a vote on a \$2,900,000 bond referendum to fund critical renovations to the Neeta and Nokomis Schools. The projects are expected to begin in the Spring of 2018.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

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### C. Budgetary Comparison Schedules

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**MEDFORD LAKES SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBER	JUNE 30, 2017			ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
<b>Revenues:</b>						
<b>Local Sources:</b>						
Local Tax Levy	10-1210	\$ 5,800,999	\$ -	\$ 5,800,999	\$ 5,800,999	\$ -
Tuition from Individuals	10-1310	18,000	-	18,000	24,840	6,840
Tuition from Other LEAs Within the State	10-1320	22,759	-	22,759	66,921	44,162
Tuition from Other Sources	10-1340	-	-	-	164,274	164,274
Miscellaneous	10-1XXX	109,003	-	109,003	45,326	(63,677)
<b>Total Local Sources</b>		<b>\$5,950,761</b>	<b>-</b>	<b>5,950,761</b>	<b>6,102,360</b>	<b>151,599</b>
<b>State Sources:</b>						
Special Education Categorical Aid	10-3132	317,108	-	317,108	317,108	-
Equalization Aid	10-3176	792,714	-	792,714	792,714	-
Security Aid	10-3177	9,036	-	9,036	9,036	-
Under Adequacy Aid	10-3100	2,090	-	2,090	2,090	-
Transportation Aid	10-3121	8,189	-	8,189	8,189	-
Extraordinary Aid	10-3131	22,154	-	22,154	9,859	(12,295)
PARCC Readiness Aid	10-3181	5,170	-	5,170	5,170	-
Per Pupil Growth Aid	10-3182	5,170	-	5,170	5,170	-
Professional Learning Community Aid	10-3183	5,340	-	5,340	5,340	-
Nonpublic Transportation Aid	10-3XXX	-	-	-	4,002	4,002
<b>Nonbudgeted:</b>						
On-Behalf TPAF Pension Contributions		-	-	-	376,871	376,871
On-Behalf TPAF Post-Retirement Medical Contributions		-	-	-	314,019	314,019
On-Behalf TPAF Long-Term Disability Insurance		-	-	-	546	546
Reimbursed TPAF Social Security Contributions		-	-	-	265,783	265,783
<b>Total State Sources</b>		<b>1,166,971</b>	<b>-</b>	<b>1,166,971</b>	<b>2,115,897</b>	<b>948,926</b>
<b>Total Revenues</b>		<b>7,117,732</b>	<b>-</b>	<b>7,117,732</b>	<b>8,218,257</b>	<b>1,100,525</b>
<b>Expenditures:</b>						
<b>Current Expense:</b>						
<b>Instruction - Regular Programs:</b>						
<b>Salaries of Teachers:</b>						
Preschool/Kindergarten	11-110-100-101	186,511	(4,141)	182,370	182,370	-
Grades 1 - 5	11-120-100-101	1,319,094	(48,383)	1,270,711	1,267,925	2,786
Grades 6 - 8	11-130-100-101	729,924	(29,993)	699,931	676,670	23,261
<b>Home Instruction:</b>						
Salaries of Teachers	11-150-100-101	1,500	2,211	3,711	3,510	201
Purchased Professional - Educational Services	11-150-100-320	1,500	2,150	3,650	3,650	-
<b>Regular Programs - Undistributed Instruction:</b>						
Other Salaries for Instruction	11-190-100-106	7,750	(2,342)	5,408	5,408	-
Purchased Professional - Educational Services	11-190-100-320	1,200	105,898	107,098	83,624	23,474
Purchased Technical Services	11-190-100-340	50,000	7,000	57,000	50,635	6,365
Other Purchased Services	11-190-100-500	26,799	-	26,799	26,413	386
General Supplies	11-190-100-610	36,697	34,257	70,954	55,962	14,992
Textbooks	11-190-100-640	54,993	539	55,532	55,381	151
Other Objects	11-190-100-890	6,200	3,845	10,045	237	9,808
<b>Total Regular Programs - Instruction</b>		<b>2,422,168</b>	<b>71,041</b>	<b>2,493,209</b>	<b>2,411,785</b>	<b>81,424</b>

**MEDFORD LAKES SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBER	JUNE 30, 2017			ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
<b>Special Education Instruction</b>						
Multiple Disabilities:						
Salaries of Teachers	11-212-100-101	116,644	56,366	173,010	160,124	12,886
Other Salaries for Instruction	11-212-100-106	70,025	11,679	81,704	80,099	1,605
Purchased Prof.-Ed. Services	11-212-100-320	4,000	(61)	3,939	3,019	920
General Supplies	11-212-100-610	1,110	(35)	1,075	1,075	-
Textbooks	11-212-100-640	1,100	(738)	362	362	-
Other Objects	11-212-100-800	1,830	(29)	1,801	1,556	245
<b>Total Multiple Disabilities</b>		<b>194,709</b>	<b>67,182</b>	<b>261,891</b>	<b>246,235</b>	<b>15,656</b>
Resource Room/Resource Center:						
Salaries of Teachers	11-213-100-101	660,376	(40,766)	619,610	580,000	39,610
Other Salaries for Instruction	11-213-100-106	132,537	(6,642)	125,895	123,371	2,524
Purchased Prof. Ed. Services	11-213-100-320	800	(800)	-	-	-
Purchased Technical Services	11-213-100-340	3,250	(562)	2,688	2,688	-
General Supplies	11-213-100-610	1,850	(580)	1,270	1,270	-
Textbooks	11-213-100-640	2,700	(533)	2,167	2,167	-
<b>Total Resource Room/Resource Center</b>		<b>801,513</b>	<b>(49,883)</b>	<b>751,630</b>	<b>709,496</b>	<b>42,134</b>
Preschool Disabilities - Part Time:						
Salaries of Teachers	11-215-100-101	90,211	(2,456)	87,755	87,013	742
Other Salaries for Instruction	11-215-100-106	23,257	7,344	30,601	29,623	978
General Supplies	11-215-100-610	910	-	910	909	1
Other Objects	11-215-100-800	250	(105)	145	110	35
<b>Total Preschool Disabilities - Part Time</b>		<b>114,628</b>	<b>4,783</b>	<b>119,411</b>	<b>117,655</b>	<b>1,756</b>
<b>Total Special Education</b>		<b>1,110,850</b>	<b>22,082</b>	<b>1,132,932</b>	<b>1,073,386</b>	<b>59,546</b>
Basic Skills/Remedial:						
Salaries of Teachers	11-230-100-101	45,220	(4,500)	40,720	40,357	363
General Supplies	11-230-100-610	270	488	758	-	758
Other Objects	11-230-100-800	7,000	(7,000)	-	-	-
<b>Total Basic Skills/Remedial</b>		<b>52,490</b>	<b>(11,012)</b>	<b>41,478</b>	<b>40,357</b>	<b>1,121</b>
School Sponsored Cocurricular Activities - Instruction:						
Salaries	11-401-100-100	37,500	(4,690)	32,810	26,010	6,800
Supplies and Materials	11-401-100-600	1,000	1,245	2,245	652	1,593
Other Objects	11-401-100-800	1,000	-	1,000	870	130
<b>Total School Sponsored Cocurricular Activities</b>		<b>39,500</b>	<b>(3,445)</b>	<b>36,055</b>	<b>27,532</b>	<b>8,523</b>
<b>Total Instruction</b>		<b>3,625,008</b>	<b>78,666</b>	<b>3,703,674</b>	<b>3,553,060</b>	<b>150,614</b>
Undistributed Expenditures:						
Instruction:						
Tuition to Other LEA's Regular - Within State	11-000-100-561	-	90,000	90,000	85,038	4,962
Tuition to Other LEA's Special - Within State	11-000-100-562	5,725	60,121	65,846	50,273	15,573
<b>Total Undistributed Expenditures - Instruction</b>		<b>5,725</b>	<b>150,121</b>	<b>155,846</b>	<b>135,311</b>	<b>20,535</b>
Attendance & Social Work:						
Purchased Professional - Technical Services	11-000-211-300	13,020	-	13,020	13,020	-
Supplies and Materials	11-000-211-600	1,000	(1,000)	-	-	-
<b>Total Attendance &amp; Social Work</b>		<b>14,020</b>	<b>(1,000)</b>	<b>13,020</b>	<b>13,020</b>	<b>-</b>



**MEDFORD LAKES SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBER	JUNE 30, 2017			ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
Health Services:						
Salaries	11-000-213-100	115,945	5,228	121,173	120,104	1,069
Purchased Professional & Technical Services	11-000-213-300	4,150	-	4,150	4,126	24
Other Purchased Services	11-000-213-500	50	-	50	-	50
Supplies and Materials	11-000-213-600	-	3,614	3,614	854	2,760
<b>Total Health Services</b>		<b>120,145</b>	<b>8,842</b>	<b>128,987</b>	<b>125,084</b>	<b>3,903</b>
Other Support Services - Students - Related Services:						
Salaries	11-000-216-100	83,237	257	83,494	83,487	7
Purchased Professional - Educational Services	11-000-216-320	103,000	56,869	159,869	159,869	-
Supplies and Materials	11-000-216-600	1,375	(8)	1,367	1,367	-
<b>Total Other Support Services - Students - Related Services</b>		<b>187,612</b>	<b>57,118</b>	<b>244,730</b>	<b>244,723</b>	<b>7</b>
Other Support Services - Students - Regular:						
Salaries of Other Professional Staff	11-000-218-104	67,571	(2,991)	64,580	64,580	-
Other Purchased Professional - Technical Services	11-000-218-390	-	800	800	800	-
Supplies and Materials	11-000-218-600	400	-	400	163	237
<b>Total Other Support Services - Students - Regular</b>		<b>67,971</b>	<b>(2,191)</b>	<b>65,780</b>	<b>65,543</b>	<b>237</b>
Other Support Services - Students - Special Services:						
Salaries of Other Professional Staff	11-000-219-104	162,225	(41,039)	121,186	112,714	8,472
Salaries of Secretarial & Clerical Assistants	11-000-219-105	44,192	(829)	43,363	43,363	-
Purchased Professional & Educational Services	11-000-219-320	5,400	1,026	6,426	5,627	799
Other Purchased Services (400-500 series)	11-000-219-500	750	(750)	-	-	-
Miscellaneous Purchased Services	11-000-219-592	3,277	149	3,426	3,426	-
Supplies and Materials	11-000-219-600	600	(241)	359	359	-
Other Objects	11-000-219-800	580	-	580	578	2
<b>Total Other Support Services - Students - Special Services</b>		<b>217,024</b>	<b>(41,684)</b>	<b>175,340</b>	<b>166,067</b>	<b>9,273</b>
Improvement of Instruction Services/Other Support Services - Instructional Staff:						
Salaries-Supervisors of Instruction	11-000-221-102	70,008	-	70,008	66,266	3,742
Purchased Prof. Ed. Services	11-000-221-320	7,242	-	7,242	7,242	-
Other Purchased Services	11-000-221-500	250	(242)	8	8	-
Supplies and Materials	11-000-221-600	1,200	(178)	1,022	1,020	2
Other Objects	11-000-221-800	13,875	1,534	15,409	14,254	1,155
<b>Total Improvement of Instruction Services/Other Support Services - Instructional Staff</b>		<b>92,575</b>	<b>1,114</b>	<b>93,689</b>	<b>88,790</b>	<b>4,899</b>
Educational Media Services/School Library:						
Salaries	11-000-222-100	57,563	(982)	56,581	56,581	-
Supplies and Materials	11-000-222-600	6,350	2,918	9,268	8,900	368
<b>Total Educational Media Services/School Library</b>		<b>63,913</b>	<b>1,936</b>	<b>65,849</b>	<b>65,481</b>	<b>368</b>

**MEDFORD LAKES SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBER	JUNE 30, 2017				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
<b>Support Services General Administration:</b>						
Salaries	11-000-230-100	179,912	13,853	193,765	188,385	5,380
Legal Services	11-000-230-331	25,000	6,129	31,129	22,396	8,733
Audit Fees	11-000-230-332	17,000	(1,362)	15,638	15,638	-
Architectural/Engineering Services	11-000-230-334	2,000	13,139	15,139	11,250	3,889
Other Purchased						
Professional Services	11-000-230-339	8,000	(4,000)	4,000	3,729	271
Purchased Technical Services	11-000-230-340	4,070	(1,431)	2,639	1,000	1,639
Communications/Telephone	11-000-230-530	45,180	(10,344)	34,836	30,682	4,154
BOE Other Purchased Services	11-000-230-585	1,200	50	1,250	1,250	-
Other Purchased Services	11-000-230-590	12,000	(827)	11,173	11,063	110
Supplies and Materials	11-000-230-610	2,000	-	2,000	1,808	192
BOE In-house Training &						
Meeting Supplies	11-000-230-630	30	-	30	-	30
Judgements Against the District	11-000-230-820	1,000	10,467	11,467	11,467	-
Miscellaneous Expenditures	11-000-230-890	8,400	3,222	11,622	10,190	1,432
BOE Membership Dues	11-000-230-895	3,952	-	3,952	3,952	-
<b>Total Support Services General Administration</b>		<b>309,744</b>	<b>28,896</b>	<b>338,640</b>	<b>312,810</b>	<b>25,830</b>
<b>Support Services School Administration:</b>						
Salaries of Principals &						
Assistant Principals	11-000-240-103	46,672	5,916	52,588	51,210	1,378
Salaries of Secretarial &						
Clerical Assistants	11-000-240-105	57,043	140	57,183	55,314	1,869
Supplies and Materials	11-000-240-600	-	6,893	6,893	6,376	517
Other Objects	11-000-240-800	4,880	1,781	6,661	6,661	-
<b>Total Support Services School Administration</b>		<b>108,595</b>	<b>14,730</b>	<b>123,325</b>	<b>119,561</b>	<b>3,764</b>
<b>Regular Maintenance School Facilities:</b>						
Cleaning, Repair &						
Maintenance Services	11-000-261-420	45,980	(252)	45,728	43,566	2,162
General Supplies	11-000-261-610	13,500	-	13,500	13,004	496
<b>Total Regular Maintenance School Facilities</b>		<b>59,480</b>	<b>(252)</b>	<b>59,228</b>	<b>56,570</b>	<b>2,658</b>
<b>Custodial Services:</b>						
Salaries	11-000-262-100	225,032	9,988	235,020	229,819	5,201
Salaries of Non-Instructional Aides	11-000-262-107	36,486	(646)	35,840	25,662	10,178
Purchased Professional &						
Technical Services	11-000-262-300	2,100	(310)	1,790	1,387	403
Cleaning, Repair &						
Maintenance Services	11-000-262-420	6,020	-	6,020	6,020	-
Other Purchased Property Services	11-000-262-490	2,250	(58)	2,192	2,192	-
Insurance	11-000-262-520	30,339	-	30,339	30,338	1
Travel	11-000-262-580	-	550	550	527	23
Miscellaneous Purchased Services	11-000-262-590	1,250	(290)	960	840	120
General Supplies	11-000-262-610	24,000	(311)	23,689	22,487	1,202
Energy (Natural Gas)	11-000-262-621	77,705	(38,654)	39,051	30,524	8,527
Energy (Electricity)	11-000-262-622	133,710	(43,962)	89,748	86,978	2,770
Energy (Gasoline)	11-000-262-626	750	-	750	284	466
Other Objects	11-000-262-800	450	550	1,000	847	153
<b>Total Custodial Services</b>		<b>540,092</b>	<b>(73,143)</b>	<b>466,949</b>	<b>437,905</b>	<b>29,044</b>
<b>Care &amp; Upkeep of Grounds:</b>						
Cleaning, Repair &						
Maintenance Services	11-000-263-420	3,000	639	3,639	2,973	666
General Supplies	11-000-263-610	2,200	(1,428)	772	772	-
<b>Total Care &amp; Upkeep of Grounds</b>		<b>5,200</b>	<b>(789)</b>	<b>4,411</b>	<b>3,745</b>	<b>666</b>

**MEDFORD LAKES SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBER	JUNE 30, 2017			ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
<b>Security:</b>						
Cleaning, Repair & Maintenance Services	11-000-266-420	9,000	-	9,000	8,650	350
General Supplies	11-000-266-610	2,000	-	2,000	2,000	-
<b>Total Security</b>		<b>11,000</b>	<b>-</b>	<b>11,000</b>	<b>10,650</b>	<b>350</b>
<b>Student Transportation Services:</b>						
Contracted Services (Other Than Between Home & School)	11-000-270-512	2,000	4,280	6,280	5,068	1,212
Contracted Services (Between Home & School)	11-000-270-513	15,500	(5,000)	10,500	10,500	-
Contracted Services - Joint Agreements	11-000-270-515	14,000	(9,815)	4,185	3,296	889
Management Fee-ESC & CTS Transportation Program	11-000-270-350	600	-	600	354	246
Contracted Services - ESC & CTS: Regular Students	11-000-270-517	36,000	-	36,000	35,278	722
Special Education Students	11-000-270-518	49,000	17,779	66,779	64,567	2,212
Contracted Services - Aid in Lieu of Payments	11-000-270-503	9,000	(603)	8,397	7,072	1,325
<b>Total Student Transportation Services</b>		<b>126,100</b>	<b>6,641</b>	<b>132,741</b>	<b>126,135</b>	<b>6,606</b>
<b>Business &amp; Other Support Services:</b>						
Salaries	11-000-251-100	198,155	125	198,280	195,492	2,788
Purchased Professional Services	11-000-251-330	1,100	(31)	1,069	1,069	-
Purchased Technical Services	11-000-251-340	17,899	2,781	20,680	19,017	1,663
Miscellaneous Purchased Services	11-000-251-592	4,777	513	5,290	4,776	514
Supplies and Materials	11-000-251-600	6,000	(587)	5,413	5,413	-
Miscellaneous Expenditures	11-000-251-890	2,000	841	2,841	2,637	204
<b>Total Business &amp; Other Support Services</b>		<b>229,931</b>	<b>3,642</b>	<b>233,573</b>	<b>228,404</b>	<b>5,169</b>
<b>Administration Information Technology:</b>						
Salaries	11-000-252-100	1,600	(1,600)	-	-	-
<b>Total Administration Information Technology</b>		<b>1,600</b>	<b>(1,600)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Unallocated Benefits Employee Benefits:</b>						
Social Security Contributions - Other	11-000-291-220	91,838	-	91,838	77,020	14,818
PERS Contributions	11-000-291-241	60,000	10,974	70,974	61,993	8,981
Other Retirement Contributions	11-000-291-249	13,625	-	13,625	9,605	4,020
Unemployment Compensation	11-000-291-250	41,750	-	41,750	11,766	29,984
Other Employee Benefits	11-000-291-290	16,000	(13,621)	2,379	2,379	-
Workmen's Compensation	11-000-291-260	40,843	-	40,843	40,843	-
Health Benefits	11-000-291-270	1,109,708	(171,574)	938,134	912,229	25,905
Tuition Reimbursements	11-000-291-280	3,300	6,228	9,528	578	8,950
<b>Total Unallocated Benefits - Employee Benefits</b>		<b>1,377,064</b>	<b>(167,993)</b>	<b>1,209,071</b>	<b>1,116,413</b>	<b>92,658</b>
<b>Nonbudgeted:</b>						
On-Behalf TPAF Pension Contributions		-	-	-	376,871	(376,871)
On-Behalf TPAF Post-Retirement Medical Contributions		-	-	-	314,019	(314,019)
On-Behalf TPAF Long-Term Disability Insurance		-	-	-	546	(546)
Reimbursed TPAF Social Security Contributions		-	-	-	265,783	(265,783)
<b>Total Undistributed Expenditures</b>		<b>3,537,791</b>	<b>(15,612)</b>	<b>3,522,179</b>	<b>4,273,431</b>	<b>(751,252)</b>
<b>Total Expenditures - Current Expense</b>		<b>7,162,799</b>	<b>63,054</b>	<b>7,225,853</b>	<b>7,826,491</b>	<b>(600,638)</b>

**MEDFORD LAKES SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBER	JUNE 30, 2017			ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
Capital Outlay:						
Undistributed Expenditures:						
Instruction	12-000-100-730	2,500	-	2,500	-	2,500
Total Equipment		2,500	-	2,500	-	2,500
Facilities Acquisition & Construction Services:						
Assessment for Debt Service on SDA Funding	12-000-400-931	20,260	-	20,260	20,260	-
Total Facilities Acquisition & Construction Services		20,260	-	20,260	20,260	-
Total Capital Outlay		22,760	-	22,760	20,260	2,500
Total Expenditures		7,185,559	63,054	7,248,613	7,846,751	(598,138)
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures		(67,827)	(63,054)	(130,881)	371,506	502,387
Other Financing Sources/(Uses):						
Transfer to Other Funds		-	-	-	(1)	(1)
Total Other Financing Sources/(Uses)		-	-	-	(1)	(1)
Excess/(Deficiency) of Revenues & Other Financing Sources/(Uses) Over/(Under) Expenditures & Other Financing Uses		(67,827)	(63,054)	(130,881)	371,505	502,386
Fund Balances, July 1		1,054,833	-	1,054,833	1,054,833	-
Fund Balances, June 30		\$ 987,006	\$ (63,054)	\$ 923,952	\$ 1,426,338	\$ 502,386

**RECAPITULATION OF BUDGET TRANSFERS**

Prior Year Encumbrances	\$ 63,054
Total	<u>\$ 63,054</u>

**RECAPITULATION OF FUND BALANCE:**

<b>Restricted Fund Balance:</b>		
Excess Surplus	\$ 352,589	
Capital Reserve	1	
Maintenance Reserve	136,509	
Emergency Reserve	136,498	
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	397,878	
<b>Assigned Fund Balance:</b>		
Year-End Encumbrances	148,861	
<b>Unassigned Fund Balance</b>	<u>254,002</u>	
Subtotal	1,426,338	
Reconciliation to Governmental Fund Schedules (GAAP):		
Last Two State Aid Payments Not Recognized on GAAP Basis	<u>(109,589)</u>	
Fund Balance Per Governmental Funds (GAAP)	<u>\$ 1,316,749</u>	

**MEDFORD LAKES SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	JUNE 30, 2017				VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
<b>REVENUES:</b>					
Federal Sources	\$ 102,275	\$ 30,373	\$ 132,648	\$ 132,648	\$ -
Local Sources	9,500	38,464	47,964	47,964	-
<b>Total Revenues</b>	<b>111,775</b>	<b>68,837</b>	<b>180,612</b>	<b>180,612</b>	<b>-</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Tuition	83,946	30,373	114,319	114,319	-
General Supplies	9,500	38,464	47,964	47,964	-
<b>Total Instruction</b>	<b>93,446</b>	<b>68,837</b>	<b>162,283</b>	<b>162,283</b>	<b>-</b>
<b>Support Services:</b>					
Purchased Professional-Educational Services	18,329	-	18,329	18,329	-
<b>Total Support Services</b>	<b>18,329</b>	<b>-</b>	<b>18,329</b>	<b>18,329</b>	<b>-</b>
<b>Total Expenditures</b>	<b>111,775</b>	<b>68,837</b>	<b>180,612</b>	<b>180,612</b>	<b>-</b>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures & Other Financing Sources/(Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART II**

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**MEDFORD LAKES SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

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

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$ 8,218,257	\$ 180,612
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		(7,578)
State aid revenue adjustment due to last state aid payment not being recognized in accordance with GASB No. 33		
Prior Year	110,139	-
Current Year	(109,589)	-
	\$ 8,218,807	\$ 173,034
Total Revenues as Reported on the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. (B-2)	\$ 8,218,807	\$ 173,034
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 7,846,751	\$ 180,612
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	-	(7,578)
	\$ 7,846,751	\$ 173,034
Total Expenditures as Reported on the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	\$ 7,846,751	\$ 173,034

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**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

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L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)

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**MEDFORD LAKES SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.00695%	0.00662%	0.00625%	0.00613%
District's proportionate share of the net pension liability (asset)	\$ 2,059,064	\$ 1,485,189	\$ 1,170,782	\$ 1,171,557
District's covered-employee payroll	\$ 459,925	\$ 502,133	\$ 467,756	\$ 414,398
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	447.70%	295.78%	250.30%	282.71%
Plan fiduciary net position as a percentage of the total pension liability	40.14%	47.93%	52.08%	48.72%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.\*\*

**MEDFORD LAKES SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

	<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
Contractually required contribution	\$ 61,763	\$	56,881	\$	51,551	\$	46,188
Contributions in relation to the contractually required contribution	<u>61,763</u>		<u>56,881</u>		<u>51,551</u>		<u>46,188</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>
District's covered-employee payroll	\$ 459,925	\$	502,133	\$	467,756	\$	414,398
Contributions as a percentage of covered- employee payroll	13.43%		11.33%		11.02%		11.15%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.\*\*



**MEDFORD LAKES SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' PENSION AND ANNUITY FUND  
LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.03371%	0.02936%	0.03118%	0.03376%
State's proportionate share of the net pension liability (asset) associated with the District	\$ 26,517,402	\$ 18,554,680	\$ 16,665,311	\$ 17,062,151
District's covered-employee payroll	\$ 3,596,456	\$ 3,457,755	\$ 3,428,497	\$ 3,244,142
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled governments should present information for those years for which information is available.\*\*

**MEDFORD LAKES SCHOOL DISTRICT  
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS  
TEACHERS' PENSION AND ANNUITY FUND (TPAF)  
LAST TEN FISCAL YEARS**

This schedule is not applicable. There is a special funding situation where the State of New Jersey pays 100% of the required contributions associated with the School District.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III**

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**MEDFORD LAKES 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** - The discount rate changed from 4.13% as of June 30, 2015, to 3.22% as of June 30, 2016.

**Public Employees' Retirement System (PERS)**

**Changes in Benefit Terms** - None.

**Changes in Assumptions** - The discount rate changed from 4.90 % as of June 30, 2015, to 3.98% as of June 30, 2016.

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**OTHER SUPPLEMENTARY INFORMATION**

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D. School Based Budget Schedules

Not Applicable

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E. Special Revenue Fund

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**MEDFORD LAKES SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES  
AND EXPENDITURES - BUDGETARY BASIS  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	NO CHILD LEFT BEHIND TITLE IIA	MEDFORD LAKES EDUCATION FOUNDATION	I.D.E.A. PART B BASIC	I.D.E.A. PART B PRESCHOOL INCENTIVE	TOTALS
Revenues:					
Federal Sources	\$ 12,770	\$ -	\$ 114,319	\$ 5,559	\$ 132,648
Local Sources	-	47,964	-	-	47,964
<b>Total Revenues</b>	<b>\$ 12,770</b>	<b>\$ 47,964</b>	<b>\$ 114,319</b>	<b>\$ 5,559</b>	<b>\$ 180,612</b>
Expenditures:					
Instruction:					
Tuition	-	-	114,319	-	114,319
General Supplies	-	47,964	-	-	47,964
<b>Total Instruction</b>	<b>-</b>	<b>47,964</b>	<b>114,319</b>	<b>-</b>	<b>162,283</b>
Support Services:					
Purchased Professional Services	12,770	-	-	5,559	18,329
<b>Total Support Services</b>	<b>12,770</b>	<b>-</b>	<b>-</b>	<b>5,559</b>	<b>18,329</b>
<b>Total Expenditures</b>	<b>\$ 12,770</b>	<b>\$ 47,964</b>	<b>\$ 114,319</b>	<b>\$ 5,559</b>	<b>\$ 180,612</b>

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F. Capital Projects Fund

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**MEDFORD LAKES SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

PROJECT TITLE/ISSUE	ORIGINAL DATE	APPROPRIATIONS	EXPENDITURES TO DATE		UNEXPENDED BALANCE JUNE 30, 2017
			PRIOR YEARS	CURRENT YEAR	
Nokomis Elementary HVAC Replacements	2/3/2011	\$18,750	\$ 17,648	\$ -	\$1,102
Neeta Elementary HVAC Repair and Replacement	2/3/2011	31,250	25,738	-	5,512
Total			\$ 43,386	\$ -	\$ 6,614

**MEDFORD LAKES SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE-BUDGETARY BASIS  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

Fund Balance - Beginning	\$ <u>6,614</u>
Fund Balance - Ending	\$ <u><u>6,614</u></u>

**MEDFORD LAKES SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND  
PROJECT STATUS - BUDGETARY BASIS  
NOKOMIS ELEMENTARY SCHOOL HVAC REPLACEMENT  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
State Sources - SCC Grant	\$ 7,500	\$ -	\$ 7,500	\$ 7,500
Transfers In	11,250	-	11,250	11,250
<b>Total Revenues</b>	<b>18,750</b>	<b>-</b>	<b>18,750</b>	<b>18,750</b>
Expenditures & Other Financing Uses:				
Purchased Professional & Technical Services	2,566	-	2,566	2,566
Construction Services	14,412	-	14,412	14,412
Cancellation of SDA Grant	670	-	670	670
<b>Total Expenditures</b>	<b>17,648</b>	<b>-</b>	<b>17,648</b>	<b>17,648</b>
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	\$ 1,102	\$ -	\$ 1,102	\$ 1,102

**ADDITIONAL PROJECT INFORMATION**

Project Number	3070-050-10-1002
Grant Date	2/3/2011
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 18,750
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 18,750
Percentage Increase Over Original Authorized Cost	
Percentage Completion	94%
Original Target Completion Date	N/A
Revised Target Completion Date	N/A

**MEDFORD LAKES SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND  
PROJECT STATUS - BUDGETARY BASIS  
NEETA ELEMENTARY SCHOOL HVAC REPAIR AND REPLACEMENT  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
State Sources - SCC Grant	\$ 12,500	\$ -	\$ 12,500	\$ 12,500
Transfers In	18,750	-	18,750	18,750
<b>Total Revenues</b>	<b>31,250</b>	<b>-</b>	<b>31,250</b>	<b>31,250</b>
Expenditures & Other Financing Uses:				
Purchased Professional & Technical Services	3,638	-	3,638	3,638
Construction Services	22,100	-	22,100	22,100
<b>Total Expenditures</b>	<b>25,738</b>	<b>-</b>	<b>25,738</b>	<b>25,738</b>
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	<b>\$ 5,512</b>	<b>\$ -</b>	<b>\$ 5,512</b>	<b>\$ 5,512</b>

**ADDITIONAL PROJECT INFORMATION**

Project Number	3070-040-10-2001
Grant Date	2/3/2011
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 31,250
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 31,250
Percentage Increase Over Original Authorized Cost	
Percentage Completion	N/A
Original Target Completion Date	6/30/2011
Revised Target Completion Date	N/A

## G. Proprietary Funds

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## Enterprise Funds

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**MEDFORD LAKES SCHOOL DISTRICT  
ENTERPRISE FUND  
SCHEDULE OF NET POSITION  
JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS <hr/> FOOD SERVICE
<b>ASSETS</b>	
Current Assets:	
Cash & Cash Equivalents	\$ 83
Accounts Receivable:	
Interfunds	8,557
Federal	755
	<hr/>
Total Current Assets	9,395
	<hr/>
Noncurrent Assets:	
Furniture, Machinery & Equipment	20,574
Accumulated Depreciation	(10,285)
	<hr/>
Total Noncurrent Assets	10,289
	<hr/>
Total Assets	19,684
	<hr/> <hr/>
<b>NET POSITION</b>	
Investments in Capital Assets -	
Net of Related Debt	\$ 10,289
Unrestricted	9,395
	<hr/>
Total Net Position	\$ 19,684
	<hr/> <hr/>

**MEDFORD LAKES SCHOOL DISTRICT  
ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
AS OF JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES - <u>ENTERPRISE FUNDS</u> FOOD SERVICE
Operating Revenues:	
Charges for Services:	
Daily Sales - Reimbursable Programs:	
Special Milk Program	\$ 8,226
Total Operating Revenues	<u>8,226</u>
Operating Expenses:	
Cost of Sales- Reimbursable	914
Cost of Sales- Non Reimbursable	6,706
Salaries	3,200
Miscellaneous	524
Depreciation	2,057
Total Operating Expenses	<u>13,401</u>
Operating Income/(Loss)	<u>(5,175)</u>
Nonoperating Revenues/(Expenses):	
Federal Sources:	
Special Milk Program	<u>4,344</u>
Total Nonoperating Revenues/(Expenses)	<u>4,344</u>
Change in Net Position	(831)
Total Net Position - Beginning	<u>20,515</u>
Total Net Position - Ending	<u>\$ 19,684</u>

**MEDFORD LAKES SCHOOL DISTRICT  
ENTERPRISE FUND  
SCHEDULE OF CASH FLOWS  
AS OF JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS
	FOOD SERVICE
Cash Flows From Operating Activities:	
Receipts from Customers	\$ 5,632
Payments to Suppliers	(11,344)
	(5,712)
Net Cash Provided/(Used) by Operating Activities	
Cash Flows From Noncapital Financing Activities:	
Federal Sources	4,413
	4,413
Net Cash Provided/(Used) by Noncapital Financing Activities	
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,299)
Balances - Beginning of Year	1,382
	83
Balances - End of Year	\$ 83

**Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:**

Operating Income/(Loss)	\$ (5,175)
Adjustments to Reconcile Operating Income/(Loss) to	
Net Cash Provided/(Used) by Operating Activities:	
Depreciation & Net Amortization	2,057
(Increase)/Decrease in Interfund Receivable	(2,594)
	(537)
Total Adjustments	
Net Cash Provided/(Used) by Operating Activities	\$ (5,712)

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Internal Service Fund

Not Applicable

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## H. Fiduciary Fund

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**MEDFORD LAKES SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2017**

ASSETS	PRIVATE PURPOSE		NEW JERSEY		AGENCY FUNDS		TOTALS
	SCHOLARSHIP	TRUST	SPENDING TRUST	UNEMPLOYMENT TRUST	STUDENT ACTIVITY	PAYROLL AGENCY	
Cash & Cash Equivalents	\$ 8,438	\$ 4,912	\$ 29,430	\$ 1,200	\$ 7,534	\$ 96,794	\$ 155,626
Interfund Receivable	-	-	-	-	-	-	1,200
Total Assets	8,438	4,912	30,630	30,630	7,534	96,794	156,826
<b>LIABILITIES</b>							
Payroll Deductions & Withholdings	-	-	-	-	-	78,988	78,988
Interfund Payable	-	2,112	-	-	-	17,806	28,436
Due to Student Groups	-	-	-	-	7,534	-	7,534
Total Liabilities	-	2,112	-	-	7,534	96,794	114,958
<b>NET POSITION</b>							
Restricted for:							
Scholarships	8,438	-	-	-	-	-	8,438
Unemployment Claims	-	-	30,630	-	-	-	30,630
Other Purposes	-	2,800	-	-	-	-	2,800
Total Net Position	\$ 8,438	\$ 2,800	\$ 30,630	\$ 30,630	\$ -	\$ -	\$ 41,868

**MEDFORD LAKES SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	PRIVATE PURPOSE			TOTALS
	SCHOLARSHIP	FLEXIBLE SPENDING TRUST	UNEMPLOYMENT COMPENSATION TRUST FUND	
Additions:				
Local Sources:				
Interest on Investments	\$ 3	\$ -	\$ -	\$ 3
Contributions	-	5,695	-	5,695
Total Additions	3	5,695	-	5,698
Deductions:				
Scholarship Payments	200	-	-	200
Miscellaneous Expenditures	-	2,895	-	2,895
Total Deductions	200	2,895	-	3,095
Change in Net Position	(197)	2,800	-	2,603
Net Position, July 1	8,635	-	30,630	39,265
Net Position, June 30	\$ 8,438	\$ 2,800	\$ 30,630	\$ 41,868

**MEDFORD LAKES SCHOOL DISTRICT  
FIDUCIARY FUND  
SCHEDULE OF STUDENT ACTIVITY RECEIPTS AND DISBURSEMENT  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	BALANCE JUNE 30, 2016	CASH RECEIPTS	DISBURSEMENTS	BALANCE JUNE 30, 2017
Elementary School	\$ 4,448	\$ 10,282	\$ 7,196	\$ 7,534
Total	<u>\$ 4,448</u>	<u>\$ 10,282</u>	<u>\$ 7,196</u>	<u>\$ 7,534</u>

**FIDUCIARY FUND  
SCHEDULE OF CHANGES IN PAYROLL AGENCY ASSETS AND LIABILITIES  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	BALANCE JUNE 30, 2016	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2017
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 86,429	\$ 2,338,149	\$ 2,327,784	\$ 96,794
Total Assets	<u>\$ 86,429</u>	<u>\$ 2,338,149</u>	<u>\$ 2,327,784</u>	<u>\$ 96,794</u>
<b>LIABILITIES:</b>				
Payroll Deductions & Withholdings	\$ 68,623	\$ 2,338,149	\$ 2,327,784	\$ 78,988
Interfund Payable - Unemployment	1,200	-	-	1,200
Interfund Payable - General Fund	16,606	-	-	16,606
Total Liabilities	<u>\$ 86,429</u>	<u>\$ 2,338,149</u>	<u>\$ 2,327,784</u>	<u>\$ 96,794</u>

**FIDUCIARY FUND  
SCHEDULE OF CHANGES IN NET PAYROLL ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	BALANCE JUNE 30, 2016	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2017
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 8,448	\$ 2,782,307	\$ 2,782,237	\$ 8,518
Total Assets	<u>\$ 8,448</u>	<u>\$ 2,782,307</u>	<u>\$ 2,782,237</u>	<u>\$ 8,518</u>
<b>LIABILITIES</b>				
Interfund Payable	\$ 8,448	\$ 70	\$ -	\$ 8,518
Net Payroll	-	2,782,237	2,782,237	-
Total Liabilities	<u>\$ 8,448</u>	<u>\$ 2,782,307</u>	<u>\$ 2,782,237</u>	<u>\$ 8,518</u>

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## I. Long-Term Debt

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**MEDFORD LAKES SCHOOL DISTRICT  
LONG-TERM DEBT ACCOUNT GROUP  
SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITIES		INTEREST RATE	BALANCE JUNE 30, 2016	RETIRED	BALANCE JUNE 30, 2017
			DATE	AMOUNT				
2010 School Refunding Bonds	5/3/2010	\$3,845,000	5/15/18	\$ 355,000	5.00%	\$ 2,280,000	\$ 335,000	\$ 1,945,000
			5/15/19	370,000	5.00%			
			5/15/20	385,000	5.00%			
			5/15/21	405,000	5.00%			
			5/15/22	430,000	5.00%			
Total						\$ 2,280,000	\$ 335,000	\$ 1,945,000

**MEDFORD LAKES SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	JUNE 30, 2017				VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Revenues:					
Local Sources:					
Local Tax Levy	\$ 449,000	\$ -	\$ 449,000	\$ 449,000	\$ -
Total Revenues	449,000	-	449,000	449,000	-
Expenditures:					
Regular Debt Service:					
Interest	114,000	-	114,000	114,000	-
Redemption of Principal	335,000	-	335,000	335,000	-
Total Expenditures	449,000	-	449,000	449,000	-
Other Financing Sources/(Uses):					
Operating Transfer In	-	-	-	1	1
Total Other Financing Sources/(Uses)	-	-	-	1	1
Excess/(Deficiency) of Revenues & Other Financing Sources Over/ (Under) Expenditures	-	-	-	1	1
Fund Balance, July 1	(1)	-	(1)	(1)	-
Fund Balance, June 30	\$ (1)	\$ -	\$ (1)	\$ -	\$ 1



**STATISTICAL SECTION (Unaudited)**

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FINANCIAL TRENDS/INFORMATION SCHEDULES

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**MEDFORD LAKES SCHOOL DISTRICT**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
*(Accrual Basis of Accounting)*

	FISCAL YEAR ENDING JUNE 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Governmental Activities:</b>										
Invested in Capital Assets, Net of Related Debt	\$ 3,011,010	\$ 2,948,667	\$ 2,832,494	\$ 2,693,831	\$ 2,595,129	\$ 2,446,188	\$ 2,365,645	\$ 2,121,969	\$ 1,907,011	\$ 1,826,095
Restricted	1,030,089	703,887	349,140	495,647	501,203	424,832	205,358	152,989	303,204	254,474
Unrestricted	(1,279,462)	(1,254,889)	(1,144,541)	(108,845)	(18,549)	392,488	379,618	164,818	104,460	280,582
<b>Total Governmental Activities</b>										
Net Position	\$ 2,761,637	\$ 2,397,665	\$ 2,037,093	\$ 3,080,633	\$ 3,077,783	\$ 3,263,508	\$ 2,950,621	\$ 2,439,776	\$ 2,314,675	\$ 2,361,151
<b>Business-Type Activities:</b>										
Invested in Capital Assets, Net of Related Debt	\$ 10,289	\$ 12,346	\$ 14,403	\$ 16,460	\$ 20,574	\$ 20,574	\$ -	\$ -	\$ -	\$ -
Unrestricted	9,395	8,169	8,439	1,975	27,553	27,553	63,895	54,557	46,785	34,990
<b>Total Business-Type Activities</b>										
Net Position	\$ 19,684	\$ 20,515	\$ 22,842	\$ 18,435	\$ 48,127	\$ 48,127	\$ 63,895	\$ 54,557	\$ 46,785	\$ 34,990
<b>Government-Wide:</b>										
Net Investment in Capital Assets	\$ 3,021,299	\$ 2,961,013	\$ 2,846,897	\$ 2,710,291	\$ 2,615,703	\$ 2,446,188	\$ 2,365,645	\$ 2,121,969	\$ 1,907,011	\$ 1,826,095
Restricted	1,030,089	703,887	349,140	495,647	501,203	424,832	205,358	152,989	303,204	254,474
Unrestricted	(1,270,067)	(1,246,720)	(1,136,102)	(106,870)	9,004	420,041	443,513	219,375	151,245	315,572
<b>Total Government Net Position</b>										
	\$ 2,781,321	\$ 2,418,180	\$ 3,099,068	\$ 3,099,068	\$ 3,125,910	\$ 3,291,061	\$ 3,014,516	\$ 2,494,333	\$ 2,361,460	\$ 2,396,141

**MEDFORD LAKES SCHOOL DISTRICT  
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)  
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses:</b>										
<b>Instruction:</b>										
Regular	\$ 2,566,490	\$ 2,466,529	\$ 2,426,155	\$ 2,472,409	\$ 2,610,192	\$ 2,273,605	\$ 2,353,857	\$ 2,350,951	\$ 2,262,824	\$ 2,224,695
Special Education	1,073,386	1,056,285	1,027,398	969,466	904,275	794,094	708,664	797,433	713,836	887,080
Other Special Instruction	40,357	42,059	61,071	61,686	62,145	62,779	39,669	38,298	35,676	31,617
Other Instruction	27,552	39,198	23,495	35,530	25,593	20,808	30,883	84,443	72,739	78,221
<b>Support Services &amp; Undistributed Costs:</b>										
Tuition	135,311	36,909	28,118	111,940	64,603	118,623	85,908	73,359	206,721	80,025
Health Services	138,104	133,716	132,430	166,750	191,526	204,382	171,790	152,271	143,930	113,930
Student & Instruction Related Services	583,452	559,820	615,758	549,536	499,905	497,854	479,334	536,484	434,037	410,376
Educational Media Services/School										
Library	65,481	61,214	57,061	62,935	65,708	54,677	61,713	76,173	116,546	106,136
Instructional Staff Training	-	14	1,800	-	970	1,622	5,246	5,989	7,214	6,188
School Administrative Services	119,561	148,276	121,955	121,815	151,809	132,878	137,301	124,163	153,274	142,429
General Administrative Services	312,810	296,379	281,374	271,259	280,362	271,407	269,289	299,899	256,071	255,528
Plant Operations & Maintenance	508,870	526,179	542,687	504,561	535,064	505,545	467,828	575,798	563,337	552,838
Pupil Transportation	126,135	98,052	100,099	111,304	142,710	128,679	133,478	133,992	232,972	124,023
Business & Other Support Services	228,404	233,226	217,384	190,845	198,871	183,895	199,505	195,859	183,650	174,506
Administration Information Technology										
Unallocated Benefits	1,279,094	1,184,475	2,606,821	1,703,231	1,802,941	1,602,622	1,492,439	1,441,070	1,295,937	1,586,964
On Behalf TPAF Pension and Social Security Contribution	957,219	-	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	115,510	125,863	137,378	135,963	158,489	183,095	169,390	206,923	219,538	245,136
Change in Compensated Absences	3,627	17,643	(7,292)	25,598	4,540	5,838	9,444	(20,360)	21,124	(976)
Adjustment to Fixed Assets	-	-	-	-	-	-	(111,391)	-	-	-
Unallocated Depreciation	195,526	213,827	213,827	211,298	211,298	209,457	209,457	243,195	238,101	231,189
<b>Total Governmental Activities Expenses</b>	<b>8,476,869</b>	<b>7,239,664</b>	<b>8,587,519</b>	<b>7,706,126</b>	<b>7,911,001</b>	<b>7,254,044</b>	<b>6,915,988</b>	<b>7,320,308</b>	<b>7,161,727</b>	<b>7,254,705</b>

**MEDFORD LAKES SCHOOL DISTRICT  
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)  
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Business-Type Activities:										
Food Service	13,401	16,754	12,425	21,371	9,783	10,154	9,324	10,144	8,875	8,576
Total Business-Type Activities Expense	13,401	16,754	12,425	21,371	9,783	10,154	9,324	10,144	8,875	8,576
Total District Expenses	\$ 8,490,270	\$ 7,256,418	\$ 8,599,944	\$ 7,727,497	\$ 7,920,784	\$ 7,264,198	\$ 6,925,312	\$ 7,330,452	\$ 7,170,602	\$ 7,265,281
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Operating Grants & Contributions	\$ 1,386,288	\$ 151,731	\$ 1,564,292	\$ 136,491	\$ 180,255	\$ 159,272	\$ 223,503	\$ 167,709	\$ 124,056	\$ 126,327
Total Governmental Activities Program Revenues	1,386,288	151,731	1,564,292	136,491	180,255	159,272	223,503	167,709	124,056	126,327
Business-Type Activities:										
Charges for Services:										
Food Service	8,226	9,565	10,682	11,522	11,881	13,205	11,208	11,240	12,248	9,652
Operating Grants & Contributions	4,344	4,862	6,150	5,654	5,292	6,355	7,155	6,400	8,304	6,553
Total Business Type Activities Program Revenues	12,570	14,427	16,832	17,176	17,173	19,560	18,363	17,640	20,552	16,205
Total District Program Revenues	\$ 1,398,858	\$ 166,158	\$ 1,581,124	\$ 153,667	\$ 197,428	\$ 178,832	\$ 241,866	\$ 185,349	\$ 144,608	\$ 142,532
Net (Expense)/Revenue:										
Governmental Activities	\$ (7,090,581)	\$ (7,087,933)	\$ (7,023,227)	\$ (7,569,635)	\$ (7,730,746)	\$ (7,094,772)	\$ (6,692,485)	\$ (7,152,599)	\$ (7,037,671)	\$ (7,128,378)
Business-Type Activities	(831)	(2,327)	4,407	(4,195)	7,390	9,406	9,039	7,496	11,677	7,629
Total Government-Wide Net Expense	\$ (7,091,412)	\$ (7,090,260)	\$ (7,018,820)	\$ (7,573,830)	\$ (7,723,356)	\$ (7,085,366)	\$ (6,683,446)	\$ (7,145,103)	\$ (7,025,994)	\$ (7,120,749)

**MEDFORD LAKES SCHOOL DISTRICT  
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)  
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Revenues & Other Changes in Net Position:										
Governmental Activities:										
Taxes:										
Property Taxes, Levied for General Purposes, Net	\$ 5,800,999	\$ 5,687,254	\$ 5,492,856	\$ 5,284,086	\$ 5,171,005	\$ 5,120,136	\$ 5,070,796	\$ 4,949,681	\$ 4,759,309	\$ 4,602,225
Taxes Levied for Debt Service	449,000	453,074	455,075	454,374	427,796	452,457	472,430	462,880	470,973	300,474
Federal & State Aid Not Restricted	1,111,264	1,103,320	1,117,312	1,722,464	1,782,505	1,644,821	1,428,593	1,609,848	1,561,499	1,794,462
Miscellaneous Revenue	93,290	82,569	86,001	98,403	163,715	165,595	231,511	255,291	199,414	199,073
Tuition Received	-	122,288	-	-	-	-	-	-	-	16,275
Cancellation of Grants	-	-	-	-	-	(670)	-	-	-	-
Cancellation of Prior Year's Accounts Payable	-	-	-	32,635	-	-	-	-	-	-
Transfer In	-	-	-	33,154	-	-	-	-	-	-
Total Governmental Activities	7,454,553	7,448,505	7,151,244	7,625,116	7,545,021	7,382,339	7,203,330	7,277,700	6,991,195	6,912,509
Business-Type Activities:										
Investment Earnings	-	-	-	134	133	146	299	276	118	433
Transfer Out	-	-	-	(33,154)	-	-	-	-	-	-
Total Business-Type Activities	-	-	-	(33,020)	133	146	299	276	118	433
Total District-Wide	\$ 7,454,553	\$ 7,448,505	\$ 7,151,244	\$ 7,592,096	\$ 7,545,154	\$ 7,382,485	\$ 7,203,629	\$ 7,277,976	\$ 6,991,313	\$ 6,912,942
Change in Net Position:										
Governmental Activities	\$ 363,972	\$ 360,572	\$ 128,017	\$ 55,481	\$ (185,725)	\$ 287,567	\$ 510,845	\$ 125,101	\$ (46,476)	\$ (215,869)
Business-Type Activities	(831)	(2,327)	4,407	(37,215)	7,523	9,552	9,338	7,772	11,795	8,062
Total District	\$ 363,141	\$ 358,245	\$ 132,424	\$ 18,266	\$ (178,202)	\$ 297,119	\$ 520,183	\$ 132,873	\$ (34,681)	\$ (207,807)



**MEDFORD LAKES SCHOOL DISTRICT  
FUND BALANCES AND GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Fund:</b>										
Restricted	\$ 1,023,475	\$ 722,888	\$ 369,653	\$ 518,160	\$ 536,427	\$ 432,535	\$ 306,392	\$ 196,477	\$ 352,728	\$ 275,501
Assigned	148,861	78,879	132,671	7,157	32,282	412,222	292,664	227,402	-	-
Unassigned	144,413	142,927	141,377	142,004	144,906	181,462	180,913	131,673	188,998	374,013
<b>Total General Fund</b>	<b>\$ 1,316,749</b>	<b>\$ 944,694</b>	<b>\$ 643,701</b>	<b>\$ 667,321</b>	<b>\$ 713,615</b>	<b>\$ 1,026,219</b>	<b>\$ 779,969</b>	<b>\$ 555,552</b>	<b>\$ 541,726</b>	<b>\$ 649,514</b>
<b>All Other Governmental Funds:</b>										
Assigned, Reported in:										
Capital Projects Fund	6,614	6,614	6,614	6,614	6,614	6,614	7,284	-	-	-
Debt Service Fund	-	(1)	-	-	1	28,062	28,061	85	6,678	6,595
<b>Total All Other Governmental Funds</b>	<b>\$ 6,614</b>	<b>\$ 6,613</b>	<b>\$ 6,614</b>	<b>\$ 6,614</b>	<b>\$ 6,615</b>	<b>\$ 34,676</b>	<b>\$ 35,345</b>	<b>\$ 85</b>	<b>\$ 6,678</b>	<b>\$ 6,595</b>

**MEDFORD LAKES SCHOOL DISTRICT  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues</b>										
Tax Levy	\$ 6,249,999	\$ 6,140,328	\$ 5,947,931	\$ 5,738,460	\$ 5,598,801	\$ 5,572,593	\$ 5,543,226	\$ 5,412,561	\$ 5,230,282	\$ 4,902,699
Tuition Charges	256,035	122,288	-	-	-	-	-	-	-	16,275
Miscellaneous	93,290	82,569	86,001	98,403	163,715	165,595	231,511	255,291	199,414	199,073
State Sources	2,116,447	1,981,479	1,811,781	1,731,937	1,827,684	1,609,132	1,432,020	1,469,194	1,577,014	1,794,462
Federal Sources	125,070	136,617	131,786	127,018	135,076	194,961	220,076	308,363	108,541	126,327
<b>Total Revenue</b>	<b>8,840,841</b>	<b>8,463,281</b>	<b>7,977,499</b>	<b>7,695,818</b>	<b>7,725,276</b>	<b>7,542,281</b>	<b>7,426,833</b>	<b>7,445,409</b>	<b>7,115,251</b>	<b>7,038,836</b>
<b>Expenditures</b>										
Current Expense:										
Instruction	3,707,765	3,604,071	3,538,119	3,539,091	3,602,205	3,151,286	3,133,073	3,271,125	3,085,075	3,221,613
Undistributed Expenditures	4,291,760	4,078,233	3,953,406	3,794,176	3,934,469	3,682,257	3,502,074	3,606,030	3,597,889	3,557,743
Capital Outlay	20,260	26,910	54,519	20,260	73,410	35,351	83,450	91,548	69,017	38,525
Debt Service	449,000	453,075	455,075	454,374	455,857	452,456	448,559	469,473	470,975	472,015
<b>Total Expenditures</b>	<b>8,468,785</b>	<b>8,162,289</b>	<b>8,001,119</b>	<b>7,807,901</b>	<b>8,065,941</b>	<b>7,321,350</b>	<b>7,167,156</b>	<b>7,438,176</b>	<b>7,222,956</b>	<b>7,289,896</b>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	372,056	300,992	(23,620)	(112,083)	(340,665)	220,931	259,677	7,233	(107,705)	(251,060)
Other Financing Sources/(Uses):										
Cancellation of SDA Grant	-	-	-	-	-	(670)	-	-	-	-
Cancellation of Prior Year Accounts Payable	-	-	-	32,635	-	-	-	-	-	-
Transfers in	1	-	-	33,154	-	25,320	30,000	-	-	171,542
Transfers Out	(1)	-	-	-	-	-	(30,000)	-	-	(171,542)
<b>Total Other Financing Sources/(Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,789</b>	<b>-</b>	<b>24,650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>\$ 372,056</b>	<b>\$ 300,992</b>	<b>\$ (23,620)</b>	<b>\$ (46,294)</b>	<b>\$ (340,665)</b>	<b>\$ 245,581</b>	<b>\$ 259,677</b>	<b>\$ 7,233</b>	<b>\$ (107,705)</b>	<b>\$ (251,060)</b>
Debt Service as a Percentage of Noncapital Expenditures	5.31%	5.57%	5.73%	5.83%	5.70%	6.21%	6.33%	6.39%	6.58%	6.51%

Source: District records

**MEDFORD LAKES SCHOOL DISTRICT**  
**GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE**  
**LAST TEN FISCAL YEARS**  
*(Modified Accrual Basis of Accounting)*

FISCAL YEAR ENDED JUNE 30,	CLASSROOM RENTAL	INTEREST ON INVESTMENTS	TUITION	MISCELLANEOUS	TOTAL
2017	\$ -	\$ -	\$ 256,035	\$ 45,326	\$ 301,361
2016	-	-	122,288	47,837	170,125
2015	-	-	30,645	28,818	59,463
2014	-	-	22,675	66,255	88,930
2013	-	-	47,175	71,361	118,536
2012	-	14,591	71,889	56,524	143,004
2011	142,885	12,508	-	58,330	213,723
2010	142,885	12,508	-	62,187	217,580
2009	138,398	10,759	-	31,548	180,705
2008	125,817	35,230	-	7,709	168,756

Source: District records

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REVENUE CAPACITY INFORMATION

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**MEDFORD LAKES SCHOOL DISTRICT  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,  
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	VACANT LAND	RESIDENTIAL	COMMERCIAL	TOTAL ASSESSED VALUE	PUBLIC UTILITIES	NET VALUATION TAXABLE	TOTAL DIRECT SCHOOL TAX RATE	ESTIMATED ACTUAL (COUNTY EQUALIZED) VALUE
2017	\$ 1,154,500	\$ 439,717,700	\$ 8,473,400	\$ 449,345,600	\$ 330,890	\$ 449,676,490	2.047	\$ 453,972,602
2016	872,900	440,105,200	8,473,400	449,451,500	335,593	449,787,093	1.992	450,141,350
2015	954,800	440,338,200	8,473,400	449,766,400	336,134	450,102,534	1.970	456,460,836
2014	1,078,100	441,031,300	8,473,400	450,582,800	407,702	450,990,502	1.885	450,990,502
2013	1,159,500	442,688,300	8,473,400	452,321,200	389,070	452,710,270	1.830	477,484,641
2012	1,159,500	443,517,100	8,574,200	453,250,800	415,050	453,665,850	1.789	480,451,451
2011	1,028,500	446,100,800	8,574,200	455,703,500	577,611	456,281,111	1.757	491,581,256
2010	476,000	228,453,100	4,363,400	233,292,500	277,038	233,569,538	3.302	493,962,463
2009	521,000	227,566,900	4,390,300	232,478,200	220,690	232,698,890	3.276	483,086,999
2008	745,500	226,717,600	4,390,300	231,853,400	222,020	232,075,420	3.196	449,349,454

Source: Burlington County Abstract of Ratables

**MEDFORD LAKES SCHOOL DISTRICT**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN FISCAL YEARS**  
*(Rate per \$100 of Assessed Value)*

FISCAL YEAR ENDED JUNE 30,	SCHOOL DISTRICT DIRECT RATE			OVERLAPPING RATES		
	LOCAL SCHOOL	REGIONAL SCHOOL	TOTAL DIRECT	BOROUGH OF		TOTAL DIRECT AND OVERLAPPING TAX RATE
				MEDFORD LAKES	BURLINGTON COUNTY	
2017	1.416	0.631	2.047	0.636	0.411	3.094
2016	1.390	0.602	1.992	0.617	0.408	3.017
2015	1.365	0.605	1.970	0.649	0.379	2.998
2014	1.272	0.613	1.885	0.601	0.391	2.877
2013	1.237	0.593	1.830	0.587	0.326	2.743
2012	1.228	0.561	1.789	0.587	0.327	2.703
2011	1.215	0.542	1.757	0.590	0.334	2.681
2010	2.317	0.985	3.302	1.153	0.656	5.111
2009	2.247	1.029	3.276	1.141	0.808	5.225
2008	2.113	1.083	3.196	1.099	0.815	5.110

Source: Burlington County Abstract of Ratables



**MEDFORD LAKES SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS,  
CURRENT YEAR AND TEN YEARS AGO**

TAXPAYER	2016		
	TAXABLE ASSESSED VALUE	RANK (OPTIONAL)	% OF TOTAL DISTRICT NET ASSESSED VALUE
Medford Lakes Country Club	\$ 3,008,000	1	0.67%
Taxpayer #1	1,722,800	2	0.38%
Taxpayer #2	831,400	3	0.19%
Taxpayer #3	756,900	4	0.17%
Taxpayer #4	742,900	5	0.17%
Taxpayer #5	734,100	6	0.16%
Taxpayer #6	703,400	7	0.16%
Taxpayer #7	700,000	8	0.16%
Taxpayer #8	689,700	9	0.15%
Taxpayer #9	682,500	10	0.15%
Total	<u>\$ 10,571,700</u>		<u>2.35%</u>

TAXPAYER	2007		
	TAXABLE ASSESSED VALUE	RANK (OPTIONAL)	% OF TOTAL DISTRICT NET ASSESSED VALUE
Medford Lakes Country Club	\$ 1,436,400	1	0.62%
Taxpayer #1	400,000	2	0.17%
Taxpayer #2	360,000	3	0.16%
Taxpayer #3	334,500	4	0.14%
Taxpayer #4	308,700	5	0.13%
Taxpayer #5	300,200	6	0.13%
Taxpayer #6	287,800	7	0.12%
Taxpayer #7	279,900	8	0.12%
Taxpayer #8	278,800	9	0.12%
Taxpayer #9	273,400	10	0.12%
Total	<u>\$ 4,259,700</u>		<u>1.83%</u>

**Source:** Municipal Tax Assessor

**MEDFORD LAKES SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY	
		AMOUNT	PERCENTAGE OF LEVY
2017	\$ 6,249,999	\$ 6,249,999	100.00%
2016	6,140,328	6,140,328	100.00%
2015	5,947,931	5,947,931	100.00%
2014	5,738,460	5,738,460	100.00%
2013	5,598,801	5,598,801	100.00%
2012	5,572,593	5,572,593	100.00%
2011	5,543,226	5,543,226	100.00%
2010	5,412,561	5,230,282	100.00%
2009	5,230,282	4,902,699	100.00%
2008	4,902,699	4,931,552	100.00%

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

DEBT CAPACITY INFORMATION

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**MEDFORD LAKES SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	<u>GOVERNMENTAL ACTIVITIES</u>			TOTAL DISTRICT	PER CAPITA
	GENERAL OBLIGATION BONDS	CAPITAL LEASES			
2017	\$ 1,945,000	\$ -	\$	1,945,000	469.58
2016	2,280,000	-		2,280,000	554.74
2015	2,610,000	-		2,610,000	632.11
2014	2,930,000	-		2,930,000	706.53
2013	2,935,000	-		2,935,000	708.94
2012	3,545,000	-		3,545,000	855.66
2011	3,835,000	-		3,835,000	933.09
2010	4,120,000	-		4,120,000	1,000.24
2009	4,500,000	-		4,500,000	1,095.16
2008	4,750,000	-		4,750,000	1,146.79

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

**MEDFORD LAKES SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	GENERAL BONDED DEBT OUTSTANDING			PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
	GENERAL OBLIGATION BONDS	DEDUCTIONS	NET GENERAL BONDED DEBT OUTSTANDING		
2017	\$ 1,945,000	\$ -	\$ 1,945,000	0.43%	469.58
2016	2,280,000	-	2,280,000	0.51%	554.74
2015	2,610,000	-	2,930,000	0.65%	632.11
2014	2,930,000	-	2,935,000	0.65%	706.53
2013	2,935,000	-	3,545,000	0.78%	708.94
2012	3,545,000	-	3,835,000	0.85%	855.66
2011	3,835,000	-	4,120,000	0.90%	933.09
2010	4,120,000	-	4,500,000	1.93%	1,000.24
2009	4,500,000	-	4,750,000	2.04%	1,095.16
2008	4,750,000	-	4,990,000	2.15%	1,146.79

**RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2017**

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE	SHARE OF OVERLAPPING DEBT
Debt Repaid With Property Taxes:			
Borough of Medford Lakes	\$ 11,542,984	100.000%	\$ 11,542,984
Lenape Regional School District	55,940,000	2.560%	1,432,064
Burlington County	338,286,327	0.987%	<u>3,338,886</u>
Subtotal, Overlapping Debt			16,313,934
Medford Lakes School District			<u>1,945,000</u>
Total Direct & Overlapping Debt			<u><u>\$ 18,258,934</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Burlington County Board of Taxation.

**MEDFORD LAKES SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt Limit	\$ 13,594,186	\$ 13,821,526	\$ 14,097,429	\$ 14,264,835	\$ 14,727,640	\$ 14,633,447	\$ 14,223,672	\$ 13,435,095	\$ 12,270,181	\$ 10,954,333
Total Net Debt Applicable to Limit	1,945,000	2,290,000	2,930,000	3,240,000	3,835,000	4,120,000	4,500,000	4,750,000	4,990,000	5,338,000
Legal Debt Margin	\$ 11,649,186	\$ 11,531,526	\$ 11,167,429	\$ 11,024,835	\$ 10,892,640	\$ 10,513,447	\$ 9,723,672	\$ 8,685,095	\$ 7,280,181	\$ 5,616,333
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	14.31%	16.57%	20.78%	22.71%	26.04%	28.15%	31.64%	35.36%	40.67%	48.73%

**Legal Debt Margin Calculation for Fiscal Year 2016**

Equalized Valuation Basis	
2016	\$ 453,533,300
2015	449,901,370
2014	455,983,894
	<u>\$ 1,359,418,564</u>
Average Equalized Valuation of Taxable Property	<u>\$ 453,139,521</u>
Debt Limit (3 % of Average Equalization Value)	\$ 13,594,186
Net Bonded School Debt	<u>1,945,000</u>
Legal Debt Margin	<u>\$ 11,649,186</u>

**Source:** Equalized valuation bases were obtained from the Annual Report of the State of Exhibit Jersey, Department of Treasury, Division of Taxation

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DEMOGRAPHIC AND ECONOMIC STATISTICS & OPERATING INFORMATION

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**MEDFORD LAKES SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

YEAR	POPULATION	BURLINGTON COUNTY PER CAPITA INCOME	UNEMPLOYMENT RATE
2016	4,142	N/A	6.3%
2015	4,110	53,747	5.2%
2014	4,129	53,785	6.3%
2013	4,147	51,638	4.2%
2012	4,140	51,149	4.4%
2011	4,143	49,471	4.1%
2010	4,110	47,586	2.3%
2009	4,119	47,384	2.2%
2008	4,109	47,758	3.9%
2007	4,142	46,295	1.7%

**MEDFORD LAKES BOROUGH SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND TEN YEARS AGO**

	<u>2016</u>	<u>2007</u>
	EMPLOYEES	EMPLOYEES
Medford Lakes Board of Education	<u>102</u>	<u>109</u>
Total	<u><u>102</u></u>	<u><u>109</u></u>

The Borough has no other employers with more than 25 Full Time Employees

**FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

INFORMATION NOT CURRENTLY AVAILABLE

**MEDFORD LAKES SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS**

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO	AVERAGE DAILY ENROLLMENT (ADE) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
2017	546	\$7,204,097	13,194	3.90%	43	13/1	540.5	513.7	-0.52%	94.08%
2016	544	6,971,746	12,699	-2.81%	43	13/1	543.3	517.8	1.97%	94.32%
2015	543	6,971,746	12,699	-2.81%	43	13/1	543.3	517.8	1.97%	94.32%
2014	524	6,831,093	13,137	0.54%	43	13/1	524.4	501.5	-1.58%	96.44%
2013	532	6,977,204	13,066	13.73%	43	13/1	532.8	506.4	-0.30%	94.83%
2012	534	6,134,741	11,488	4.50%	43	13/1	534.4	511.8	-1.33%	95.84%
2011	544	5,980,616	10,994	-1.54%	44	13/1	543.8	518.7	-2.94%	95.35%
2010	564	6,297,450	11,166	-0.08%	43	13/1	558.3	534.4	0.19%	94.75%
2009	552	6,168,396	11,175	3.42%	43	13/1	559.1	533.4	4.61%	96.63%
2008	544	5,878,118	10,805	-11.74%	45	12/1	534.2	509.9	0.20%	93.73%

**Sources:** District records

**Note:** Enrollment based on annual October district count.

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

**MEDFORD LAKES SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>DISTRICT BUILDINGS</b>										
Elementary Schools:										
Neeba School:										
Square Feet	65,573	65,573	65,573	65,573	65,573	65,573	65,573	65,573	65,573	65,573
Capacity (Students)	489	489	489	489	489	489	489	489	489	489
Enrollment	373	380	372	334	355	344	358	356	351	348
Nokomis School:										
Square Feet	20,030	20,030	20,030	20,030	20,030	20,030	20,030	20,030	20,030	20,030
Capacity (Students)	160	160	160	160	160	160	160	160	160	160
Enrollment	167	169	177	186	179	190	189	208	201	190

Number of Schools at June 30, 2017:

Elementary = 1

Middle-School = 1

**Source:** District Facilities Office

**MEDFORD LAKES SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE  
LAST TEN FISCAL YEARS**

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

	*	NEETA SCHOOL	NOKOMIS SCHOOL	TOTAL
2017	\$	33,379	\$ 23,191	\$ 56,570
2016		33,346	13,272	46,618
2015		24,094	19,368	43,462
2014		23,837	10,479	34,316
2013		18,921	14,240	33,161
2012		23,124	9,685	32,809
2011		21,780	11,925	33,705
2010		27,532	17,210	44,742
2009		24,316	12,777	37,093
2008		42,972	14,315	57,287

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

Source: District records

**INSURANCE SCHEDULE  
JUNE 30, 2017**

<b>School Package Policy - Burlington County Insurance Pool - Joint Insurance Fund - BCIPJIF:</b>	COVERAGE	DEDUCTIBLE
<b>Specialty National Insurance Co.:</b>		
Property - Blanket Building and Contents	\$ 175,000,000	\$ 500
Crime	500,000	500
General & Automobile Liability	20,000,000	-
Worker's Compensation	Statutory	-
Educator's Legal Liability	20,000,000	-
<b>Travelers Insurance Company:</b>		
Boiler & Machinery	125,000,000	1,000
<b>AIG Insurance Company:</b>		
Pollution Legal Liability	3,000,000	25,000

Source: District records.

**SINGLE AUDIT SECTION**

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EXHIBIT K-1

**INDEPENDENT AUDITOR'S 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**

Honorable President and Members  
of the Board of Education  
Medford Lakes School District  
County of Burlington  
Medford Lakes, 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 audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Medford Lakes School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Medford Lakes School District's basic financial statements, and have issued our report thereon dated November 24, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Medford Lakes 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 Medford Lakes School District's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Medford Lakes 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District'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 Office of School 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,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia  
Certified Public Accountant  
Public School Accountant, No. 1011

Medford, New Jersey  
November 24, 2017



HOLMAN | FRENIA  
ALLISON, P.C.

*Certified Public Accountants & Consultants*

680 Hooper Avenue, Bldg B, Suite 201, Toms River, NJ 08753 • Tel: 732.797.1333  
618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612  
912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800  
6 E. Park Street, P.O. Box 614, Bordentown, NJ 08505 • Tel: 609.298.8639  
194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010  
795 Canton Street, Troy, PA 16947 • Tel: 570.297.5090  
926 Main Street, Suite 103, Rome, PA 18837 • Tel: 570.297.5090

[www.hfacpas.com](http://www.hfacpas.com)

EXHIBIT K-2

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY NEW JERSEY OMB  
CIRCULAR 15-08**

Honorable President and Members  
of the Board of Education  
Medford Lakes School District  
County of Burlington  
Medford Lakes, New Jersey

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

We have audited the Medford Lakes School District's compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major state programs for the fiscal year ended June 30, 2017. The Medford Lakes 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 Medford Lakes 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; New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*; and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards and New Jersey OMB's Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

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

Management of the Medford Lakes School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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 New Jersey OMB's Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia  
Certified Public Accountant  
Public School Accountant, No. 1011

Medford, New Jersey  
November 24, 2017

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**MEDFORD LAKES SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/PASS - THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CDFA NUMBER	FEDERAL FAIN NUMBER	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2016	CASH RECEIVED	BUDGETARY EXPENDITURES	SUB RECIPIENT EXPENDITURES	(ACCOUNTS RECEIVABLE) JUNE 30, 2017	DUE TO GRANTOR 2017
<b>U.S. Department of Agriculture</b>											
Passed Through New Jersey Department of Agriculture											
Child Nutrition Cluster:											
Special Milk Program	10.556	171N1304N1099	100-010-3350-026	\$ 4,344	7/1/16-6/30/17	\$ -	\$ 3,589	\$ (4,344)	\$ -	\$ (755)	\$ -
Special Milk Program	10.556	1616N1304N1099	100-010-3350-026	4,862	7/1/15-6/30/16	(824)	824	-	-	-	-
Total Child Nutrition Cluster						(824)	4,413	(4,344)	-	(755)	-
<b>Total U.S. Department of Agriculture</b>						(824)	4,413	(4,344)	-	(755)	-
<b>U.S. Department of Education</b>											
Passed Through New Jersey Department of Education:											
Title II Part A											
Title II Part A	84.281A	S367A160029	100-034-5063-290	12,770	7/1/16-6/30/17	-	9,250	(12,770)	-	(3,520)	-
Title II Part A	84.281A	S367A150029	100-034-5063-290	13,250	7/1/15-6/30/16	(12,077)	12,077	-	-	-	-
Subtotal						(12,077)	21,327	(12,770)	-	(3,520)	-
Special Education Cluster:											
I.D.E.A. Part B, Basic Regular	84.027	H027A160100	100-034-5065-016	114,319	7/1/16-6/30/17	-	99,265	(114,319)	-	(15,054)	-
I.D.E.A. Part B, Basic Regular	84.027	H027A150100	100-034-5065-016	117,619	7/1/15-6/30/16	(117,619)	117,619	-	-	-	-
Subtotal						(117,619)	216,884	(114,319)	-	(15,054)	-
I.D.E.A. Preschool											
I.D.E.A. Preschool	84.173	H173A160114	100-034-5065-020	5,559	7/1/16-6/30/17	-	5,559	(5,559)	-	-	-
I.D.E.A. Preschool	84.173	H173A150114	100-034-5065-020	5,498	7/1/15-6/30/16	(2,835)	2,835	-	-	-	-
Subtotal						(2,835)	8,394	(5,559)	-	-	-
Total Special Education Cluster						(120,454)	225,278	(119,878)	-	(15,054)	-
<b>Total U.S. Department of Education</b>						(132,531)	246,605	(132,648)	-	(18,574)	-
<b>Total Expenditures of Federal Awards</b>						\$ (133,355)	\$ 251,018	\$ (136,992)	\$ -	\$ (19,329)	\$ -

**MEDFORD LAKES SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

STATE GRANTOR/ PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2016	CASH RECEIVED	BUDGETARY EXPENDITURES	SUBRECIPIENT EXPENDITURES	MEMO		
								JUNE 30, 2017 (ACCOUNTS RECEIVABLE)	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
<b>STATE DEPARTMENT OF EDUCATION:</b>										
<b>General Fund:</b>										
Equalization Aid	495-034-5120-078	\$ 792,714	7/1/16-6/30/17	\$ -	\$ 792,714	\$ (792,714)	\$ -	\$ -	\$ (75,884)	\$ 792,714
Special Education Categorical Aid	495-034-5120-089	317,108	7/1/16-6/30/17	-	317,108	(317,108)	-	-	(30,356)	317,108
Security Aid	495-034-5120-084	9,036	7/1/16-6/30/17	-	9,036	(9,036)	-	-	(865)	9,036
Under Adequacy Aid	495-034-5120-096	2,090	7/1/16-6/30/17	-	2,090	(2,090)	-	-	(200)	2,090
Per Pupil Growth Aid	495-034-5120-097	5,170	7/1/16-6/30/17	-	5,170	(5,170)	-	-	(495)	5,170
PARCC Readiness	495-034-5120-098	5,170	7/1/16-6/30/17	-	5,170	(5,170)	-	-	(495)	5,170
Professional Learning Community Aid	495-034-5120-101	5,340	7/1/16-6/30/17	-	5,340	(5,340)	-	-	(511)	5,340
Transportation Aid	495-034-5120-014	8,189	7/1/16-6/30/17	-	8,189	(8,189)	-	-	(783)	8,189
Nonpublic Transportation Aid- Current Year	100-034-5120-014	4,002	7/1/16-6/30/17	-	-	(4,002)	-	(4,002)	-	4,002
Nonpublic Transportation Aid- Prior Year	100-034-5120-014	3,066	7/1/15-6/30/16	(3,066)	3,066	-	-	-	-	-
Extraordinary Aid- Current Year	495-034-5120-044	9,859	7/1/16-6/30/17	-	-	(9,859)	-	(9,859)	-	9,859
Extraordinary Aid- Prior Year	495-034-5120-044	3,811	7/1/15-6/30/16	(3,811)	3,811	-	-	-	-	-
Reimbursed TPAF Social Security Contribution- Current Year	495-034-5095-003	265,783	7/1/16-6/30/17	-	252,003	(265,783)	-	(13,780)	-	265,783
Reimbursed TPAF Social Security Contribution- Prior Year	495-034-5095-003	252,183	7/1/15-6/30/16	(12,690)	12,690	-	-	-	-	-
Noncash Assistance:										
On-Behalf TPAF Pension										
Contributions	100-034-5095-002	376,871	7/1/16-6/30/17	-	376,871	(376,871)	-	-	-	376,871
On-Behalf TPAF Post-Retirement Medical	100-034-5095-001	314,019	7/1/16-6/30/17	-	314,019	(314,019)	-	-	-	314,019
On-Behalf TPAF Long Term Disability Insurance Contribution	100-034-5095-004	546	7/1/16-6/30/17	-	546	(546)	-	-	-	546
Total General Fund				(19,567)	2,107,823	(2,115,897)	-	(27,641)	(109,589)	2,115,897
Total State Financial Assistance				\$ (19,567)	\$ 2,107,823	(2,115,897)	\$ -	(27,641)	(109,589)	2,115,897
State Financial Assistance Programs not subject to Calculation for Major Program Determination:										
On Behalf TPAF Pension Contributions (Non-Budgeted)	100-034-5095-002	376,871	7/1/16-6/30/17			\$ 376,871				
On Behalf TPAF Post-Retirement Medical (Non-Budgeted)	100-034-5095-001	314,019	7/1/16-6/30/17			314,019				
On-Behalf TPAF Long Term Disability Insurance Contribution	100-034-5095-004	546	7/1/16-6/30/17			546				
<b>Total State Financial Assistance subject to Calculation for Major Program Determination</b>						<u>\$ (1,424,461)</u>				

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



**MEDFORD LAKES 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 present the activity of all federal awards and state financial assistance programs of the Medford Lakes School District. The School District is defined in Note 1 of the 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 New Jersey OMB's Circular 15-08, *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 awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**Note 2. Summary of Significant Accounting Policies**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the following exception: programs recorded in the enterprise fund are presented using the accrual basis of accounting and programs recorded in the capital projects fund are presented using the modified accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule 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* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The School District did not elect the 10-percent de minimis indirect cost rate as discussed in 2 CFR 200.414.

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the School District for the year ended June 30, 2017. 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 year ended June 30, 2017.

**Note 3. Relationship to Basic Financial Statements**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or 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.

**MEDFORD LAKES SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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 grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more state aid June payments in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$550 for the general fund and (\$7,578) for the special revenue fund. See Exhibit C-3 Note A of the basic financial statements, 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 reported in the School District's basic financial statements on a GAAP basis are presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 2,116,447	\$ 2,116,447
Special Revenue Fund	125,070	-	125,070
Food Service Fund	4,344	-	4,344
	<hr/>	<hr/>	<hr/>
Total Awards & Financial Assistance	<u>\$ 129,414</u>	<u>\$ 2,116,447</u>	<u>\$ 2,245,861</u>

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

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

**Note 5. Federal and State Loans Outstanding**

The Medford Lakes School District had no loan balances outstanding at June 30, 2017.

**MEDFORD LAKES SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	<u>Unmodified</u>	
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ yes	<u>X</u> no
2) Significant deficiency(ies) identified?	_____ yes	<u>X</u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u>X</u> no

**Federal Awards**

**SECTION IS N/A - NOT REQUIRED**

Internal control over major programs:

1) Material weakness(es) identified?	_____ yes	_____ no
2) 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 2 CFR 200 section .516(a) of 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

**MEDFORD LAKES SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**State Financial Assistance**

Dollar threshold used to determine Type A programs \$750,000

Auditee qualified as low-risk auditee?  x  yes       no

Internal control over major programs:

    1) Material weakness(es) identified?       yes  X  no

    2) Significant deficiency(ies) identified?       yes  X  no

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 OMB's Circular 15-08?       yes  X  no

Identification of major programs:

**State Grant/Project Number(s)**

**Name of State Program**

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>495-034-5120-078</u>	<u>State Aid Public:</u>
<u>495-034-5120-084</u>	<u>Equalization Aid</u>
<u>495-034-5120-096</u>	<u>Security Aid</u>
<u>495-034-5120-089</u>	<u>Under Adequacy Aid</u>
<u>495-034-5120-097</u>	<u>Special Education Categorical Aid</u>
<u>495-034-5120-098</u>	<u>Per Pupil Growth Aid</u>
<u>495-034-5120-101</u>	<u>PARCC Readiness Aid</u>
	<u>Professional Learning Community Aid</u>

**MEDFORD LAKES SCHOOL DISTRICT  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statement Findings**

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

None.

**MEDFORD LAKES SCHOOL DISTRICT  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Section III – Federal Awards & State Financial Assistance Findings & Questioned Costs**

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

**FEDERAL AWARDS**

N/A – Federal single audit not required

**STATE FINANCIAL ASSISTANCE**

None.

**MEDFORD LAKES SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Financial Statement Findings

None.

**MEDFORD LAKES SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Awards

N/A – No Federal Single Audit in prior year.

State Financial Assistance

No Prior Year Findings.