

RAHWAY SCHOOL DISTRICT

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

Rahway, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Rahway School District

Rahway, New Jersey

For The Fiscal Year Ended June 30, 2017

Prepared by

Business Office

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Albert Di Giorgio
Business Administrator/Board Secretary
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adigiorgio@rahway.net

December 4, 2017
Honorable President and
Members of the Board of Education
City of Rahway Public Schools
County of Union, New Jersey

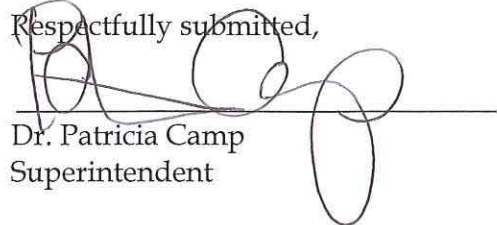
Dear Board Members:

The comprehensive annual financial report of the Rahway School District ("District") for the fiscal year ended June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Rahway Board of Education (Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operation of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart, a roster of principal officials, and a list of consultants and advisors. The financial section includes the district wide and fund financial statements and schedules, as well as the auditor's report and the Management's Discussion and Analysis. The statistical section includes selected financial statements and schedules as well as information generally presented on a multiyear basis.

The District is required to undergo an annual single audit in conformity with the provision of the Single Audit Act of 1984, the U.S. Office of Management and Budget ("OMB") and Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the State Treasury OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations, and findings and recommendations, are included in the single audit section of this report.

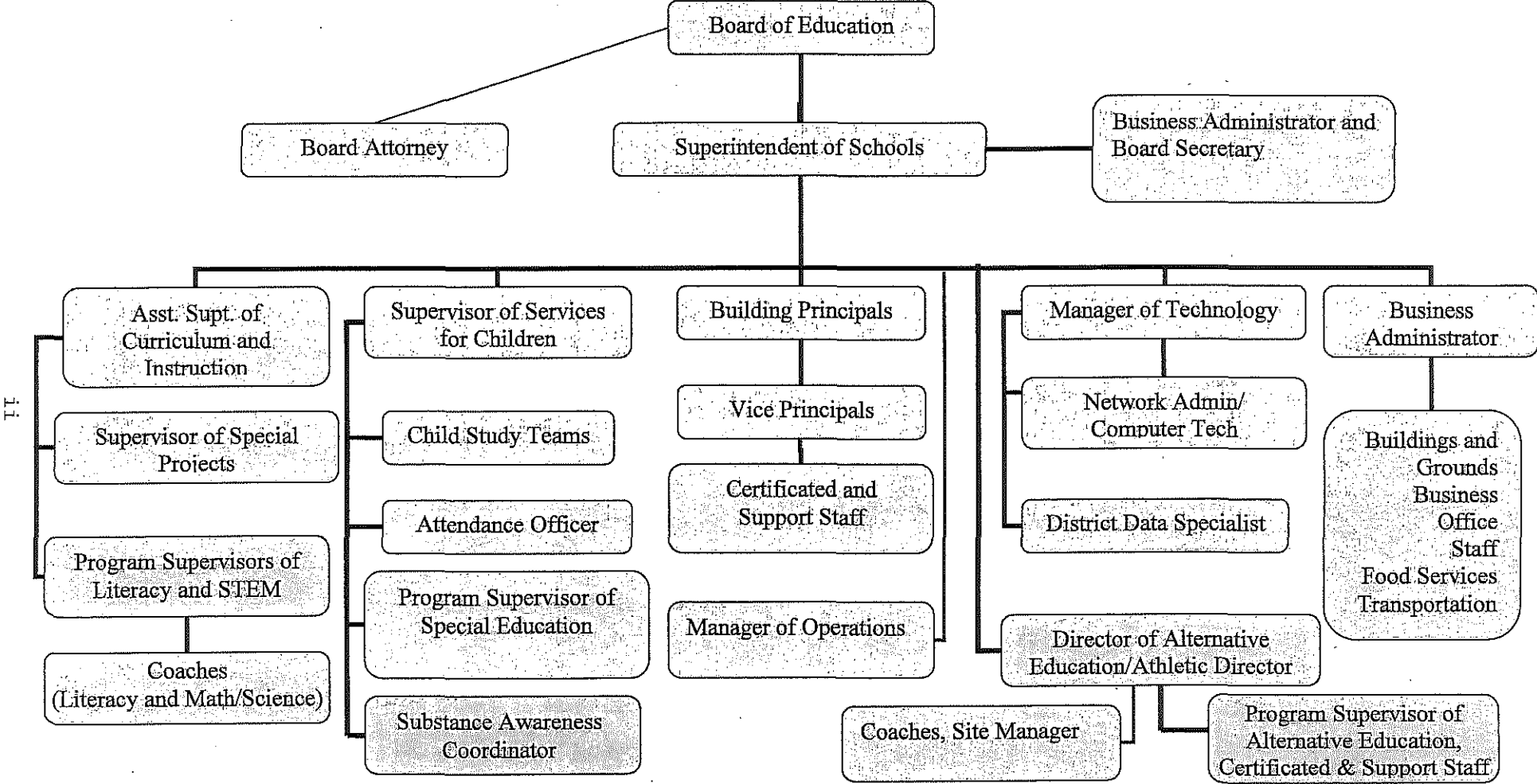
Respectfully submitted,


Dr. Patricia Camp
Superintendent


Albert Di Giorgio
Business Administrator

RAHWAY PUBLIC SCHOOLS
ORGANIZATIONAL CHART

File Code: 2120



**RAHWAY BOARD OF EDUCATION
RAHWAY, NEW JERSEY 07065**

ROSTER OF OFFICIALS

JUNE 30, 2017

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Lori Kennedy, President	2018
Ronald Dolce, Vice President	2018
Deborah Bridges	2017
John DaSilva	2019
Carlos Garay	2017
Brittany Hale	2019
Peter Kowal	2018
Darren Lesinski	2019
Ray Lopez	2017

Other Officials

Dr. Patricia Camp, Superintendent of Schools

Albert DiGiorgio, Business Administrator/Board Secretary

Mark A. Tabakin, Board Attorney (General Counsel)

Matthew J. Giacobbe, Attorney (Labor Relations/Personnel)

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA, PSA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Rahway School District
Rahway, 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 Rahway School District as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Rahway School District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information 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

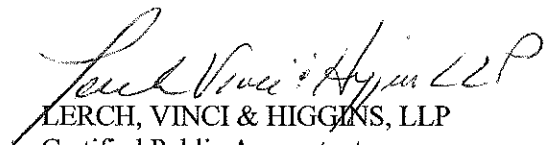
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rahway School District's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Rahway School District.

The combining fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements, 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, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

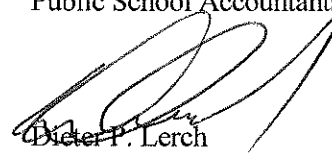
Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2017 on our consideration of the Rahway 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 the effectiveness of the Rahway School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Rahway School District's internal control over financial reporting and compliance.



Paul Vinci & Higgins LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Dieter P. Lerch

Public School Accountant
PSA Number CS000756

Fair Lawn, New Jersey
December 4, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

**RAHWAY SCHOOL DISTRICT
RAHWAY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The Management's Discussion and Analysis of the Rahway School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance. Certain comparative information between the current year (2016-2017) and the prior year (2015-2016) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2017 are as follows

- In total, net position decreased \$1,459,474. Net Position of Governmental Activities decreased \$1,537,702 which represents a 9% decrease from the prior year. This decrease is primarily due to an increase in the PERS net pension long term liability attributable to the District. Net Position of the Business-Type activity, which represents the food service program, increased \$78,228 or 14% from the prior year.
- General Revenues accounted for \$61,286,395 or 67% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$30,190,179 or 33% of total revenues of \$91,476,574.
- The School District had \$91,014,944 in expenses for governmental activities: only \$28,190,847 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$61,286,395 were adequate to provide for these programs.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Rahway School District as a financial whole, or as an entire reporting entity.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The District considers all of its governmental funds and its sole enterprise fund to be major funds. For the Rahway School District, the General Fund is the most significant fund.

**RAHWAY SCHOOL DISTRICT
RAHWAY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this report contains the large number of funds used by the School District to provide programs and activities, the view of the School district as a whole looks at all financial transactions-and ask the question, "How did we do financially during fiscal year 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the School District's net position and changes in such position. This change in net position is important because it tells the reader that, for the school district as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth and limits on reserves, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities-** All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation, and extracurricular activities.
- **Business-Type Activities -** This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business-type activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's funds. The School District uses many funds to account for a multitude of financial transactions. The School District's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund. Each of these funds is more fully described in the Notes to the Financial Statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how monies flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the statement of net position and the statement of activities and the governmental funds is reconciled in the financial statements.

**RAHWAY SCHOOL DISTRICT
RAHWAY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The School District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. The table below provides a summary of the District's net position as of June 30, 2017 and 2016. The table on the following page provides an analysis of the changes in net position from 2016 to 2017.

**Statement of Net Position
as of June 30, 2017 and 2016**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets						
Current and Other Assets	\$ 4,670,497	\$ 4,460,099	\$ 437,610	\$ 378,784	\$ 5,108,107	\$ 4,838,883
Capital Assets, Net	49,627,196	51,696,319	237,965	210,704	49,865,161	51,907,023
Total Assets	<u>54,297,693</u>	<u>56,156,418</u>	<u>675,575</u>	<u>589,488</u>	<u>54,973,268</u>	<u>56,745,906</u>
Deferred Outflows of Resources	<u>5,826,201</u>	<u>2,114,174</u>	<u>-</u>	<u>-</u>	<u>5,826,201</u>	<u>2,114,174</u>
Liabilities:						
Long-Term Liabilities	43,386,310	39,742,477			43,386,310	39,742,477
Other Liabilities	<u>1,120,959</u>	<u>1,081,634</u>	<u>52,740</u>	<u>40,562</u>	<u>1,173,699</u>	<u>1,122,196</u>
Total Liabilities	<u>44,507,269</u>	<u>40,824,111</u>	<u>52,740</u>	<u>40,562</u>	<u>44,560,009</u>	<u>40,864,673</u>
Deferred Inflows of Resources	<u>153,751</u>	<u>445,905</u>	<u>6,477</u>	<u>10,796</u>	<u>160,228</u>	<u>456,701</u>
Net Position:						
Net Investment in Capital Assets	29,781,907	30,063,065	237,965	210,704	30,019,872	30,273,769
Restricted for:						
Debt Service	8,289	7,288			8,289	7,288
Maintenance	716,400	616,300			716,400	616,300
Capital Projects	170,946	170,846			170,946	170,846
Unrestricted	<u>(15,214,668)</u>	<u>(13,856,923)</u>	<u>378,393</u>	<u>327,426</u>	<u>(14,836,275)</u>	<u>(13,529,497)</u>
Total Net Position	<u>\$ 15,462,874</u>	<u>\$ 17,000,576</u>	<u>\$ 616,358</u>	<u>\$ 538,130</u>	<u>\$ 16,079,232</u>	<u>\$ 17,538,706</u>

**RAHWAY SCHOOL DISTRICT
RAHWAY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues						
Charges for Services	\$ 350,879	\$ 331,789	\$ 692,435	\$ 641,764	\$ 1,043,314	\$ 973,553
Operating Grants and Contributions	27,806,766	21,803,690	1,306,897	1,263,236	29,113,663	23,066,926
Capital Grants and Contributions	33,202	54,915			33,202	54,915
General Revenues						
Property Taxes	43,164,767	42,342,410			43,164,767	42,342,410
Grants and Entitlements	17,867,942	17,822,000			17,867,942	17,822,000
Other	253,686	223,100	-	-	253,686	223,100
Total Revenues	<u>89,477,242</u>	<u>82,577,904</u>	<u>1,999,332</u>	<u>1,905,000</u>	<u>91,476,574</u>	<u>84,482,904</u>
Program Expenses						
Instruction						
Regular	33,754,182	30,435,067			33,754,182	30,435,067
Special Education	16,122,698	15,323,175			16,122,698	15,323,175
Other Instruction	7,273,051	6,366,627			7,273,051	6,366,627
School Sponsored Activities	1,710,069	1,509,226			1,710,069	1,509,226
Support Services						
Student and Instruction Related Services	11,554,534	10,378,087			11,554,534	10,378,087
School Administration Services	4,365,967	3,905,494			4,365,967	3,905,494
General & Central Administration Services	2,912,724	2,611,111			2,912,724	2,611,111
Plant Operations and Maintenance	6,951,651	6,118,554			6,951,651	6,118,554
Pupil Transportation	3,408,215	3,188,226			3,408,215	3,188,226
Interest on Long-Term Debt	879,093	964,640			879,093	964,640
Unallocated Depreciation	2,082,760	2,088,171			2,082,760	2,088,171
Food Service	-	-	1,921,104	1,847,465	1,921,104	1,847,465
Total Expenses	<u>91,014,944</u>	<u>82,888,378</u>	<u>1,921,104</u>	<u>1,847,465</u>	<u>92,936,048</u>	<u>84,735,843</u>
Change in Net Position	<u>\$ (1,537,702)</u>	<u>\$ (310,474)</u>	<u>\$ 78,228</u>	<u>\$ 57,535</u>	<u>\$ (1,459,474)</u>	<u>\$ (252,939)</u>

**RAHWAY SCHOOL DISTRICT
RAHWAY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2017 and 2016**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Program Expenses				
Instruction				
Regular	\$ 33,754,182	\$ 30,435,067	\$ 21,688,206	\$ 21,275,602
Special Education	16,122,698	15,323,175	8,671,565	8,910,807
Other Instruction	7,273,051	6,366,627	4,731,912	4,671,730
School Sponsored Activities	1,710,069	1,509,226	1,274,637	1,188,451
Support Services				
Student and Instruction Related Services	11,554,534	10,378,087	8,310,976	7,744,591
School Administrative Services	4,365,967	3,905,494	3,245,670	3,101,293
General and Central Administrative Services	2,912,724	2,611,111	2,411,824	2,238,595
Plant Operations and Maintenance	6,951,651	6,118,554	6,448,403	5,620,046
Pupil Transportation	3,408,215	3,188,226	3,150,448	2,970,585
Interest on Long-Term Debt	879,093	964,640	807,696	888,113
Unallocated Depreciation	2,082,760	2,088,171	2,082,760	2,088,171
Total Governmental Activities	<u>\$ 91,014,944</u>	<u>\$ 82,888,378</u>	<u>\$ 62,824,097</u>	<u>\$ 60,697,984</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Pupil Support expenses include the activities involved with assisting staff with the content and process of teaching to students, including curriculum, staff development and guidance.

General, central and school administration include expenses associated with administrative and financial supervision of the District.

Plant operations and maintenance involve keeping the school grounds, buildings, and equipment in good working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school activities.

Interest and other charges involve the transactions associated with the payment of interest and other related charges to servicing the debt of the School District.

**RAHWAY SCHOOL DISTRICT
RAHWAY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Governmental Activities (Continued)

Unallocated depreciation relates to capital assets which are shared by many departments of the District and therefore cannot easily be allocated to various functional areas.

The District's total revenues for governmental activities were \$89,477,242 for the year ended June 30, 2017. Property taxes made up 48% of revenues for governmental activities for the Rahway School District for fiscal year 2017. Federal, State, and local grants accounted for another 51% of revenue.

Business - Type Activities

Revenues for the District's business-type activities (food service program) were comprised of charges for services and federal and state reimbursements.

- Food Service revenues exceeded expenditures by \$78,228.
- Charges for services represent \$692,435 or 35% of revenue. This represents amounts paid by patrons for daily food service.
- Federal and state reimbursements for meals, including payments for free and reduced lunches, and donated commodities amounted to \$1,306,897 or 65% of revenue.

School District's Funds

Information about the School District's major funds follows this report. These funds are accounted for using the modified accrual basis of accounting. Governmental funds had total revenues of \$75,788,802 and expenditures of \$75,641,353.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal years ended June 30, 2017 and 2016:

**RAHWAY SCHOOL DISTRICT
RAHWAY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

School District's Funds (Continued)

**Summary of Governmental Fund Revenues
For the Fiscal Years Ended June 30, 2017 and 2016**

	<u>Fiscal</u> <u>Year Ended June 30,</u>		<u>Amount of</u>	<u>Percent</u>
	<u>2017</u>	<u>2016</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Change</u>
Revenues				
Local Sources				
Tax Levy	\$ 43,164,767	\$ 42,342,410	\$ 822,357	1.9%
Other	709,450	647,027	62,423	9.6%
State Sources	29,951,219	29,006,061	945,158	3.3%
Federal Sources	<u>1,963,366</u>	<u>1,965,221</u>	<u>(1,855)</u>	-0.1%
Total Revenues	<u>\$ 75,788,802</u>	<u>\$ 73,960,719</u>	<u>\$ 1,828,083</u>	2.5%

Total Governmental Fund revenues increased by \$1,828,083 or 2.5% from the prior year.

The following schedule presents a summary of governmental fund expenditures for the fiscal years ended June 30, 2017 and 2016:

**Summary of Governmental Fund Expenditures
For the Fiscal Years Ended June 30, 2017 and 2016**

	<u>Fiscal</u> <u>Year Ended June 30,</u>		<u>Amount of</u>	<u>Percent</u>
	<u>2017</u>	<u>2016</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Change</u>
Expenditures				
Instruction	\$ 47,537,052	\$ 46,808,362	\$ 728,690	1.6%
Support Services	25,147,435	24,161,971	985,464	4.1%
Capital Outlay	42,765	143,181	(100,416)	-70.1%
Debt Service	<u>2,914,101</u>	<u>3,146,432</u>	<u>(232,331)</u>	-7.4%
Total Expenditures	<u>\$ 75,641,353</u>	<u>\$ 74,259,946</u>	<u>\$ 1,381,407</u>	1.9%

The Governmental Fund expenditures increased by less than 2% from the previous year.

**RAHWAY SCHOOL DISTRICT
RAHWAY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

General Fund Budgeting Highlights

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. Over the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made to appropriate additional grants and to prevent over-expenditures in specific line item accounts.

Capital Assets

At the end of fiscal year 2017, the School District had \$49,627,196, net of accumulated depreciation, invested in Land, Construction in Progress, Buildings and Building Improvements, Land Improvements and Machinery and Equipment for Governmental Activities.

**Governmental Activities Capital Assets
At June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Land	\$ 1,546,445	\$ 1,546,445
Construction in Progress	189,756	307,367
Buildings and Building Improvements	71,051,123	70,898,966
Improvements Other than Buildings	1,422,755	1,422,755
Machinery and Equipment	<u>1,800,214</u>	<u>1,791,995</u>
	76,010,293	75,967,528
Less: Accumulated Depreciation	<u>(26,383,097)</u>	<u>(24,271,209)</u>
Capital Assets, Net	<u>\$ 49,627,196</u>	<u>\$ 51,696,319</u>

Overall, capital assets, net of depreciation decreased \$2,069,123 from fiscal year 2016 to fiscal year 2017.

Additional information on the School District's capital assets is included in the Notes to the Financial Statements.

**RAHWAY SCHOOL DISTRICT
RAHWAY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Debt Administration

At June 30, 2017, the School District had \$43,386,310 in long-term liabilities. Below is the breakdown of outstanding long-term liabilities.

**Long-Term Debt
Outstanding Long-Term Liabilities
as of June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Serial Bonds Payable	\$ 17,930,000	\$ 19,025,000
Obligations Under Lease Purchase Agreements	2,010,000	2,630,000
Capital Leases	326,185	642,386
Net Pension Liability	20,801,102	15,391,074
Compensated Absences	<u>2,319,023</u>	<u>2,054,017</u>
Total	<u>\$ 43,386,310</u>	<u>\$ 39,742,477</u>

At June 30, 2017, the School District's remaining legal debt margin (borrowing capacity) was \$82,253,911.

Additional information on the School District's debt is included in the Notes to the Financial Statements.

For the Future

Like most public schools in the State of New Jersey, the Rahway Public Schools' financial future is plagued with uncertainty due in part to the State Aid Funding Formula, which leaves Rahway underfunded.

Although the District has been able to exist within the State's 2% cap mandate, national inflation and cost of living increases do not allow purchasing power comparable to the prior year.

The District continues to have a large special education population, which places a significant financial burden as the District attempts to educate our children in the least restrictive environment. Additionally, the District ELL population continues to grow at a fast pace and this too places more of a significant burden on the budget. Rahway has also become a district which features a high level of student mobility and transiency. These students are needier.

Although the District has completed a recent building referendum, the age of our infrastructure still requires constant attention. Understanding that, the residents of Rahway continue to bear a significant financial burden. Future decisions are made balancing need and available resources. Every effort is made to provide the students of Rahway a solid, positive educational experience within the framework of a bearable burden to the citizens.

**RAHWAY SCHOOL DISTRICT
RAHWAY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the money it receives. Questions about this report or additional financial information needs should be directed to Albert DiGiorgio, Business Administrator, Rahway Board of Education, Rahway Middle School, Kline Place, Rahway, New Jersey 07065.

BASIC FINANCIAL STATEMENTS

**RAHWAY SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 364,448	\$ 322,837	\$ 687,285
Intergovernmental Receivables	4,305,579	93,428	4,399,007
Receivables, net	470	7,908	8,378
Inventory		13,437	13,437
Capital Assets Not Being Depreciated	1,736,201		1,736,201
Capital Assets, Being Depreciated, net	<u>47,890,995</u>	<u>237,965</u>	<u>48,128,960</u>
Total Assets	<u>54,297,693</u>	<u>675,575</u>	<u>54,973,268</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding of Debt	31,113		31,113
Deferred Amount on Net Pension Liability	<u>5,795,088</u>	<u>-</u>	<u>5,795,088</u>
Total Deferred Outflows of Resources	<u>5,826,201</u>	<u>-</u>	<u>5,826,201</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	653,103	46,603	699,706
Accrued Interest	293,175		293,175
Payable to Other Governments	158		158
Unearned Revenue	174,523	6,137	180,660
Noncurrent Liabilities			
Due Within One Year	2,379,728		2,379,728
Due Beyond One Year	<u>41,006,582</u>	<u>-</u>	<u>41,006,582</u>
Total Liabilities	<u>44,507,269</u>	<u>52,740</u>	<u>44,560,009</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue		6,477	6,477
Deferred Amount on Net Pension Liability	<u>153,751</u>	<u>-</u>	<u>153,751</u>
Total Deferred Inflows of Resources	<u>153,751</u>	<u>6,477</u>	<u>160,228</u>
NET POSITION			
Net Investment in Capital Assets	29,781,907	237,965	30,019,872
Restricted for:			
Debt Service	8,289		8,289
Maintenance	716,400		716,400
Capital Projects	170,946		170,946
Unrestricted	<u>(15,214,668)</u>	<u>378,393</u>	<u>(14,836,275)</u>
Total Net Position	<u>\$ 15,462,874</u>	<u>\$ 616,358</u>	<u>\$ 16,079,232</u>

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

**RAHWAY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 33,754,182	\$ 111,242	\$ 11,954,734	\$ (21,688,206)		\$ (21,688,206)	
Special Education	16,122,698	239,637	7,211,496	(8,671,565)		(8,671,565)	
Other Instruction	7,273,051		2,541,139	(4,731,912)		(4,731,912)	
School Sponsored Activities	1,710,069		435,432	(1,274,637)		(1,274,637)	
Support Services							
Student and Instruction Related Svcs.	11,554,534		3,243,558	(8,310,976)		(8,310,976)	
General Administration	1,311,815		243,864	(1,067,951)		(1,067,951)	
School Administration	4,365,967		1,120,297	(3,245,670)		(3,245,670)	
Central Services	1,600,909		257,036	(1,343,873)		(1,343,873)	
Plant Operations and Maintenance	6,951,651		470,046	(6,448,403)	\$ 33,202	(6,448,403)	
Pupil Transportation	3,408,215		257,767	(3,150,448)		(3,150,448)	
Interest on Long-Term Debt	879,093		71,397	(807,696)		(807,696)	
Unallocated Depreciation	2,082,760	-	-	(2,082,760)	-	(2,082,760)	
Total Governmental Activities	<u>91,014,944</u>	<u>350,879</u>	<u>27,806,766</u>	<u>33,202</u>	<u>(62,824,097)</u>	<u>-</u>	<u>(62,824,097)</u>
Business-Type Activities							
Food Service	1,921,104	692,435	1,306,897	-	-	\$ 78,228	78,228
Total business-type activities	<u>1,921,104</u>	<u>692,435</u>	<u>1,306,897</u>	<u>-</u>	<u>-</u>	<u>78,228</u>	<u>78,228</u>
Total Primary Government	<u>\$ 92,936,048</u>	<u>\$ 1,043,314</u>	<u>\$ 29,113,663</u>	<u>\$ 33,202</u>	<u>(62,824,097)</u>	<u>78,228</u>	<u>(62,745,869)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes				40,800,496		40,800,496	
Debt Service				2,364,271		2,364,271	
State Aid - Unrestricted				17,725,995		17,725,995	
State Aid Restricted for Debt Service				141,947		141,947	
Investment Earnings				7,184		7,184	
Miscellaneous Income				246,502		246,502	
Total General Revenues				<u>61,286,395</u>	<u>-</u>	<u>61,286,395</u>	
Change in Net Position				(1,537,702)	78,228	(1,459,474)	
Net Position, Beginning of Year				17,000,576	538,130	17,538,706	
Net Position, End of Year				<u>\$ 15,462,874</u>	<u>\$ 616,358</u>	<u>\$ 16,079,232</u>	

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

FUND FINANCIAL STATEMENTS

**RAHWAY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AS JUNE 30, 2017**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents			\$ 1,754,171		\$ 1,754,171
Due from Other Funds	\$ 5,268,049	\$ 16,801		\$ 1,003	5,285,853
Receivables From Other Governments	361,379	152,526	3,791,674	-	4,305,579
Total Assets	<u>\$ 5,629,428</u>	<u>\$ 169,327</u>	<u>\$ 5,545,845</u>	<u>\$ 1,003</u>	<u>\$ 11,345,603</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Cash Deficit	\$ 1,389,723				\$ 1,389,723
Accounts Payable	549,289	\$ 103,814			653,103
Due to Other Funds	16,801		\$ 5,268,582		5,285,383
Payable to State Government		158			158
Unearned Revenue	-	66,282	108,241	-	174,523
Total Liabilities	<u>1,955,813</u>	<u>170,254</u>	<u>5,376,823</u>	<u>-</u>	<u>7,502,890</u>
Fund Balances					
Restricted					
Capital Reserve	170,946				170,946
Maintenance Reserve	516,400				516,400
Maintenance Reserve, Designated for Subsequent Year's Expenditures	200,000				200,000
Debt Service			7,286	\$ 1,003	8,289
Capital Projects			161,736		161,736
Excess Surplus	1,293,134				1,293,134
Excess Surplus, Designated for Subsequent Year's Expenditures	975,737				975,737
Assigned					
Year End Encumbrances	88,858				88,858
Designated for Subsequent Year's Expenditures	1,531,274				1,531,274
ARRA/SEMI-Designated for Subsequent Year's Expenditures	13,407				13,407
Unassigned	(1,116,141)	(927)	-	-	(1,117,068)
Total Fund Balances	<u>3,673,615</u>	<u>(927)</u>	<u>169,022</u>	<u>1,003</u>	<u>3,842,713</u>
Total Liabilities and Fund Balances	<u>\$ 5,629,428</u>	<u>\$ 169,327</u>	<u>\$ 5,545,845</u>	<u>\$ 1,003</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$76,010,293 and the accumulated depreciation is \$26,383,097.	49,627,196
Accrued interest on long-term liabilities are not reported as liabilities in the fund.	(293,175)
Amounts resulting from the refunding of debt are reported as deferred outflows of resources on the statement of net position and amortized over the life of the debt.	31,113
Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.	5,641,337
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 2)	(43,386,310)
Net Position of Governmental Activities	<u>\$ 15,462,874</u>

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 40,800,496			\$ 2,364,271	\$ 43,164,767
Tuition	350,879				350,879
Interest Earned on Capital Reserve Fund	100				100
Interest Earned on Maintenance Reserve Fund	100				100
Interest Earned on Investments	4,740		\$ 2,244		6,984
Miscellaneous	246,502	\$ 104,885	-	-	351,387
Total - Local Sources	41,402,817	104,885	2,244	2,364,271	43,874,217
State Sources	28,994,993	709,680	33,202	213,344	29,951,219
Federal Sources	187,585	1,775,781	-	-	1,963,366
Total Revenues	70,585,395	2,590,346	35,446	2,577,615	75,788,802
EXPENDITURES					
Current					
Instruction					
Regular Instruction	25,487,893	1,207,535			26,695,428
Special Education Instruction	12,829,124	955,081			13,784,205
Other Instruction	5,580,190	48,779			5,628,969
School Sponsored Co-Curricular Activities	1,428,450				1,428,450
Support Services					
Student and Instruction Related Services	9,155,118	362,863			9,517,981
General Administration Services	1,132,094				1,132,094
School Administration Services	3,522,731				3,522,731
Business/Central Services	1,372,351				1,372,351
Plant Operations and Maintenance	6,205,047	625			6,205,672
Pupil Transportation	3,380,216	16,390			3,396,606
Debt Service					
Principal	316,201			1,715,000	2,031,201
Interest and Other Charges	20,284			862,616	882,900
Capital Outlay	8,219	-	34,546	-	42,765
Total Expenditures	70,437,918	2,591,273	34,546	2,577,616	75,641,353
Excess of Revenues Over Expenditures	147,477	(927)	900	(1)	147,449
OTHER FINANCING SOURCES (USES)					
Transfers In	2,244			1,002	3,246
Transfers Out	-	-	(3,246)	-	(3,246)
Total Other Financing Sources and Uses	2,244	-	(3,246)	1,002	-
Net Change in Fund Balances	149,721	(927)	(2,346)	1,001	147,449
Fund Balance, Beginning of Year	3,523,894	-	171,368	2	3,695,264
Fund Balance, End of Year	\$ 3,673,615	\$ (927)	\$ 169,022	\$ 1,003	\$ 3,842,713

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

**RAHWAY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 147,449

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are allocated over their estimated useful lives as annual depreciation expense. This is the amount by which capital outlays exceeds depreciation in the current period.

Capital Outlays	\$ 42,765	
Depreciation Expense	<u>(2,111,888)</u>	(2,069,123)

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal Repayments:		
Lease Purchase Principal	620,000	
Capital Lease Principal	316,201	
Bond Principal	<u>1,095,000</u>	2,031,201

Deferred amounts on refundings are reported in the governmental funds as expenditures in the year the bonds are issued. However, on the Statement of Activities, the costs are amortized over the life of the bonds. These costs are an addition in the reconciliation in the year issued and a deduction for the amortization in the reconciliation.

Current Year Amortization:		
Deferred Amount on Refunding		(19,817)

In the statement of activities certain expenses are measured by the amounts earned or accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Decrease in Accrued Interest	23,624	
Increase in Pension Expenses	(1,386,030)	
Increase in Compensated Absences	<u>(265,006)</u>	(1,627,412)

Change in Net Position of Governmental Activities (Exhibit A-2) \$ (1,537,702)

**RAHWAY SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

	Business-Type Activities Enterprise Fund <u>Food Service</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 322,837
Accounts Receivable	
Intergovernmental	93,428
Accounts	7,908
Inventory	<u>13,437</u>
Total Current Assets	<u>437,610</u>
Capital Assets	
Furniture, Machinery and Equipment	570,547
Less: Accumulated Depreciation	<u>(332,582)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>237,965</u>
Total Assets	<u>675,575</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	46,603
Unearned Revenue	<u>6,137</u>
Total Current Liabilities	<u>52,740</u>
Total Liabilities	<u>52,740</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Commodities Revenue	<u>6,477</u>
Total Deferred Inflows of Resources	<u>6,477</u>
NET POSITION	
Investment in Capital Assets	237,965
Unrestricted	<u>378,393</u>
Total Net Position	<u>\$ 616,358</u>

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

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

	Business-Type Activities Enterprise Fund <u>Food Service</u>
OPERATING REVENUES	
Charges for Services	
Daily Sales - Reimbursable Programs	\$ 333,025
Daily Sales - Non-Reimbursable Programs	342,606
Other Sales	<u>16,804</u>
 Total Operating Revenues	 <u>692,435</u>
OPERATING EXPENSES	
Cost of Sales	
Reimbursable Programs	600,311
Non-Reimbursable Programs	140,845
USDA Commodities	147,171
Salaries and Wages	676,084
Employee Benefits	70,729
Management Fee	68,751
Other Purchased Technical Services	8,188
Other Purchased Services	2,715
Supplies and Materials	84,563
Repairs and Maintenance	29,013
Outside Services	8,009
Insurance	53,276
Laundry/Uniforms	8,998
Other Expenses	1,620
Depreciation	<u>20,831</u>
 Total Operating Expenses	 <u>1,921,104</u>
 Operating Loss	 <u>(1,228,669)</u>
NONOPERATING REVENUES	
State Sources	
State School Lunch Program	21,379
Federal Sources	
National School Lunch Program	
Cash Assistance	981,085
Non-Cash Assistance	147,171
National School Breakfast Program	<u>157,262</u>
 Total Nonoperating Revenues	 <u>1,306,897</u>
 Change in Net Position	 78,228
 Net Position, Beginning of Year	 <u>538,130</u>
 Net Position, End of Year	 <u>\$ 616,358</u>

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

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

	Business-Type Activities Enterprise Fund <u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 691,271
Payments for Employees Salaries and Benefits	(746,813)
Payments to Suppliers	<u>(991,727)</u>
Net Cash Used for Operating Activities	<u>(1,047,269)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Receipts from State and Federal Subsidies	<u>1,285,581</u>
Net Cash Provided By Non-Capital Financing Activities	<u>1,285,581</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	<u>(48,092)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(48,092)</u>
Net Increase in Cash and Cash Equivalents	190,220
Cash and Cash Equivalents—Beginning of Year	<u>132,617</u>
Cash and Cash Equivalents—End of Year	<u>\$ 322,837</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	<u>\$ (1,228,669)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	20,831
Food Distribution (USDA Commodities) National School Lunch Program	147,171
Changes in Assets, Liabilities and Deferred Inflows of Resources	
Increase in Accounts Receivable, Net	(1,164)
Decrease in Inventory	6,703
Decrease in Deferred Inflows of Resources	(4,319)
Decrease in Unearned Revenue	(644)
Increase in Accounts Payable	<u>12,822</u>
Total Adjustments	<u>181,400</u>
Net Cash Used For Operating Activities	<u>\$ (1,047,269)</u>
Non Cash Financing Activities	
Fair Value of Food Distribution Program	\$ 142,852

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

**RAHWAY SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2017**

	<u>Scholarship Trust Funds</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 136,679	\$ 322,260	\$ 1,773,516
Accounts Receivable		11,673	
Due from Other Funds	-	1,666	-
	<u>136,679</u>	<u>335,599</u>	<u>\$ 1,773,516</u>
LIABILITIES			
Intergovernmental Accounts Payable		4,080	
Payable to Student Groups			\$ 166,234
Due to Other Funds			2,136
Payroll Deductions and Withholdings			18,109
Reserve for Flex Spending Account			10,985
Summer Savings			1,557,959
Accrued Salaries and Wages	-	-	18,093
	<u>-</u>	<u>4,080</u>	<u>\$ 1,773,516</u>
NET POSITION			
Held In Trust For Unemployment Claims		331,519	
Reserved for Scholarships	136,679	-	
	<u>136,679</u>	<u>331,519</u>	
Total Net Position	<u>\$ 136,679</u>	<u>\$ 331,519</u>	

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

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

	<u>Scholarship Trust Funds</u>	<u>Unemployment Compensation Trust</u>
Additions:		
Contributions		
Employee		\$ 52,849
Other	\$ 10,019	-
Total Contributions	<u>10,019</u>	<u>52,849</u>
Investment Earnings		
Interest	<u>3,991</u>	<u>592</u>
Net Investment Earnings	<u>3,991</u>	<u>592</u>
Total Additions	<u>14,010</u>	<u>53,441</u>
Deductions:		
Unemployment Claims and Contributions		16,017
Scholarships Awarded	<u>21,982</u>	-
Total Deductions	<u>21,982</u>	<u>16,017</u>
Change in Net Position	(7,972)	37,424
Net Position, Beginning of Year	<u>144,651</u>	<u>294,095</u>
Net Position, End of Year	<u>\$ 136,679</u>	<u>\$ 331,519</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Rahway School District (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Rahway School District this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. New Accounting Standards

During fiscal year 2017, the District adopted the following GASB statements:

- GASB 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*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 77, *Tax Abatement Disclosures*. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB 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*.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 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 Pension*, 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

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

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental and enterprise funds to be major funds.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

Additionally, the government reports the following fund type:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, for private donations for scholarship awards, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which 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.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Inventories

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred inflows of resources.

**RAHWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at aquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings	40
Building Improvements	20-40
Heavy Equipment	10-15
Office Equipment and Furniture	10
Computer Equipment	5

5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial 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. The Board has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

5. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial 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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two types of items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years. The other item that qualifies for reporting in this category is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

6. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits. A long-term liability of accumulated sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

7. Pensions

In the district-wide financial statements, 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 retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. 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.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

8. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows or resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. *Net Position/Fund Balance*

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 3.)

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education.

Maintenance Reserve - Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of maintenance reserve fund balance appropriated in the adopted 2017/2018 District budget certified for taxes.

Debt Service – Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service Fund.

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2017 audited excess surplus that is required to be appropriated in the 2018/2019 original budget certified for taxes.

Excess Surplus – Designated for Subsequent Year's Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2016 audited excess surplus that was appropriated in the 2017/2018 original budget certified for taxes.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

9. Net Position/Fund Balance (Continued)

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2018/2019 District budget certified for taxes.

ARRA/SEMI – Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of the ARRA/SEMI revenue that is unexpended at June 30, 2017 that will be appropriated in the adopted 2017/2018 budget certified for taxes.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

2. Property Taxes

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual “in rem” tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

**RAHWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

3. *Tuition Revenues and Expenditures*

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2015-2016 and 2016-2017 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. *Proprietary Funds, Operating and Non-Operating Revenues and Expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the district-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position– governmental activities as reported in the district-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$43,386,310 difference are as follows:

Bonds Payable	\$ 17,930,000
Capital Leases Payable	326,185
Obligations Under Lease Purchase	2,010,000
Compensated Absences Payable	2,319,023
Net Pension Liability	<u>20,801,102</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 43,386,310</u>

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education (“the Department”), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On January 31, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2016/2017. Also, during 2016/2017 the Board increased the original general fund budget by \$503,930. The increase was funded by a withdrawal from maintenance reserve and the reappropriation of prior year general fund encumbrances. The Board also increased the original special revenue fund budget by \$523,019. The increase was funded by additional grant awards.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. 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 committed and/or 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 which are reappropriated and honored during the subsequent fiscal year.

**RAHWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Deficit Fund Equity

The District has an unassigned fund balance deficit of \$1,116,141 in the General Fund and \$927 in the Special Revenue Fund as of June 30, 2017 as reported in the fund financial statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record these delayed state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", requires that intergovernmental transactions (revenue, expenditure, asset, liability) should be recognized in symmetry (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State of New Jersey is recording certain 2015/2016 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these delayed state aid payments, the General and Special Revenue Fund deficits do not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund deficits in the future.

Pursuant to NJSA 18A:22-44.2, any negative unreserved, undesignated (i.e., unassigned) general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District deficits in the GAAP (fund) financial statements of \$1,116,141 in the General Fund and \$927 in the Special Revenue Fund are less than the delayed state aid payments.

C. Capital Reserve

A capital reserve account was established by the District. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the reserve 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 fiscal year ended June 30, 2017 is as follows:

Balance, July 1, 2016	\$ 170,846
Increased by:	
Interest Earnings	<u>100</u>
Balance, June 30, 2017	<u>\$ 170,946</u>

**RAHWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Maintenance Reserve

A maintenance reserve account was established by the District. The accumulation of funds will be used for required maintenance of school facilities expenditures in subsequent fiscal years. The maintenance reserve is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve 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. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve 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 fiscal year ended June 30, 2017 is as follows:

Balance, July 1, 2016		\$ 616,300
Increased by		
Interest Earnings	\$ 100	
Deposits Approved by Board Resolution	<u>500,000</u>	
		<u>500,100</u>
		1,116,400
Decreased by:		
Withdrawal Approved by Board Resolution		<u>400,000</u>
Balance, June 30, 2017		<u>\$ 716,400</u>

At June 30, 2017, \$200,000 of the maintenance reserve balance was designated and appropriated in the 2017/2018 original budget certified for taxes.

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2017 is \$2,268,871. Of this amount, \$975,737 was designated and appropriated in the 2017/2018 original budget certified for taxes and the remaining amount of \$1,293,134 will be appropriated in the 2018/2019 original budget certified for taxes.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2017, the book value of the Board's deposits were \$2,919,740 and bank and brokerage firm balances of the Board's deposits amounted to \$5,029,871. The Board's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ <u>5,029,871</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2017 the Board's bank balances were not exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2017, the Board had no outstanding investments.

Investment and interest earnings in the Capital Projects Fund are assigned to the General Fund in accordance with Board policy.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2017 for the district's individual major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Other Funds</u>	<u>Total</u>
Receivables:						
Accounts				\$ 7,908	\$ 11,673	\$ 19,581
Intergovernmental-						
Federal		\$ 152,526		91,762		244,288
State	\$ 138,740		\$ 3,791,674	1,666		3,932,080
Local	<u>222,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,639</u>
Gross Receivables	361,379	152,526	3,791,674	101,336	11,673	4,418,588
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 361,379</u>	<u>\$ 152,526</u>	<u>\$ 3,791,674</u>	<u>\$ 101,336</u>	<u>\$ 11,673</u>	<u>\$ 4,418,588</u>

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	<u>Total</u>
Special Revenue Fund	
Unencumbered Grant Draw Downs	\$ 58,120
Grant Draw Downs Reserved for Encumbrances	8,162
Capital Projects Fund	
Unrealized School Facilities Grants	<u>108,241</u>
 Total Unearned Revenue for Governmental Funds	 <u>\$ 174,523</u>

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

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

	Balance, June 30, 2016	Increases	Decreases	Balance, June 30, 2017
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,546,445			\$ 1,546,445
Construction in Progress	307,367	\$ 34,546	\$ (152,157)	189,756
Total Capital Assets, Not Being Depreciated	<u>1,853,812</u>	<u>34,546</u>	<u>(152,157)</u>	<u>1,736,201</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	70,898,966	152,157		71,051,123
Improvements other than Buildings	1,422,755			1,422,755
Machinery and Equipment	1,791,995	8,219	-	1,800,214
Total Capital Assets Being Depreciated	<u>74,113,716</u>	<u>160,376</u>	<u>-</u>	<u>74,274,092</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(22,519,023)	(1,995,360)		(24,514,383)
Improvements other than Buildings	(511,162)	(59,590)		(570,752)
Machinery and Equipment	(1,241,024)	(56,938)	-	(1,297,962)
Total Accumulated Depreciation	<u>(24,271,209)</u>	<u>(2,111,888)</u>	<u>-</u>	<u>(26,383,097)</u>
Total Capital Assets, Being Depreciated, Net	<u>49,842,507</u>	<u>(1,951,512)</u>	<u>-</u>	<u>47,890,995</u>
Governmental Activities Capital Assets, Net	<u>\$ 51,696,319</u>	<u>\$ (1,916,966)</u>	<u>\$ (152,157)</u>	<u>\$ 49,627,196</u>

**RAHWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continue)

	Balance, <u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2017</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 522,455	\$ 48,092	-	\$ 570,547
Total Capital Assets Being Depreciated	<u>522,455</u>	<u>48,092</u>	<u>-</u>	<u>570,547</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(311,751)	(20,831)	-	(332,582)
Total Accumulated Depreciation	<u>(311,751)</u>	<u>(20,831)</u>	<u>-</u>	<u>(332,582)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 210,704</u>	<u>\$ 27,261</u>	<u>\$ -</u>	<u>\$ 237,965</u>

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

Governmental Activities:	
Instruction	
Regular	\$ 6,603
Total Instruction	<u>6,603</u>
Support Services	
Support Services - Students	821
General Administration	6,558
School Administration	1,231
Transportation	4,294
Operations and Maintenance of Plant	9,621
Total Support Services	<u>22,525</u>
Unallocated	<u>2,082,760</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,111,888</u>
Business-Type Activities:	
Food Service Fund	\$ 20,831
Total Depreciation Expense-Business-Type Activities	<u>\$ 20,831</u>

**RAHWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 5,267,579 ^
General Fund	Payroll Agency Fund	470 ^
Unemployment Compensation Trust Fund	Payroll Agency Fund	1,666 ^
Special Revenue Fund	General Fund	16,801 ^
Debt Service Fund	Capital Projects Fund	<u>1,003 ^</u>
Total		<u>\$ 5,287,519</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

The District expects all interfund balances to be liquidated within one year other than the Capital Projects Fund amount due to General Fund. This interfund will be liquidated upon collection of the School Development Authority (SDA) grants receivable in the Capital Projects Fund.

Interfund transfers

	<u>Transfer In:</u>		
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<u>Transfer Out:</u>			
Capital Projects Fund	\$ 2,244	\$ 1,002	\$ 3,246
	<u>\$ 2,244</u>	<u>\$ 1,002</u>	<u>\$ 3,246</u>

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Capital Leases

The District is leasing computer equipment and supplies and various acquisitions and improvements totaling \$1,338,673 under capital leases. The leases are for terms of 4 to 5 years.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2018	\$ 336,485
Total minimum lease payments	336,485
Less: amount representing interest	<u>(10,300)</u>
Present value of minimum lease payments	<u>\$ 326,185</u>

Lease Purchase Agreements

The District has entered into lease purchase agreements and issued certificates of participation ("COPS") for additions and renovations to school facilities:

In January 2007, the District issued \$6,050,000 in School District Private Placement Refunding Certificates of Participation having an interest rate of 3.97%. These certificates were issued in order to advance refund \$5,485,000 of its \$9,130,000 original issue lease.

The maturity schedule of the remaining lease payments for principal and interest is as follows:

Governmental Activities:

<u>Fiscal Year Ending June 30,</u>	<u>Certificates of Participation</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2018	\$ 645,000	\$ 79,797	\$ 724,797
2019	670,000	54,191	724,191
2020	<u>695,000</u>	<u>27,592</u>	<u>722,592</u>
	<u>\$ 2,010,000</u>	<u>\$ 161,580</u>	<u>\$ 2,171,580</u>

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2017 are comprised of the following issues:

\$3,025,000, 2003 Taxable Refunding Bonds, due in annual installments of \$230,000 to \$255,000 through April 1, 2020, interest at 5.29% to 5.93%	\$ 730,000
\$22,800,000, 2010 School Bonds, due in annual installments of \$900,000 to \$1,450,000 through February 15, 2030, interest at 3.50% to 4.00%	<u>17,200,000</u>
	<u>\$17,930,000</u>

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

Fiscal Year Ending June 30,	Serial Bonds		Total
	Principal	Interest	
2018	\$ 1,130,000	\$ 715,942	\$ 1,845,942
2019	1,170,000	672,275	1,842,275
2020	1,205,000	625,372	1,830,372
2021	1,400,000	577,000	1,977,000
2022	1,425,000	521,000	1,946,000
2023-2027	7,250,000	1,740,000	8,990,000
2028-2030	<u>4,350,000</u>	<u>348,000</u>	<u>4,698,000</u>
	<u>\$ 17,930,000</u>	<u>\$ 5,199,589</u>	<u>\$ 23,129,589</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2017 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 100,183,911
Less: Net Debt Issued	<u>17,930,000</u>
Remaining Borrowing Power	<u>\$ 82,253,911</u>

**RAHWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increased</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities:					
Capital Leases Payable	\$ 642,386		\$ (316,201)	\$ 326,185	\$ 326,185
Obligations Under Lease Purchase	2,630,000		(620,000)	2,010,000	645,000
Bonds Payable	19,025,000		(1,095,000)	17,930,000	1,130,000
Net Pension Liability	15,391,074	\$ 6,033,971	(623,943)	20,801,102	
Compensated Absences Payable	<u>2,054,017</u>	<u>404,844</u>	<u>(139,838)</u>	<u>2,319,023</u>	<u>278,543</u>
Long-Term Liabilities	<u>\$ 39,742,477</u>	<u>\$ 6,438,815</u>	<u>\$ (2,794,982)</u>	<u>\$ 43,386,310</u>	<u>\$ 2,379,728</u>

For the governmental activities, the liabilities for compensated absences payable, capital leases payable and net pension liability are generally liquidated by the general fund.

NOTE 5 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the New Jersey School Boards Association Insurance Group (NJSBAIG). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

The relationship between the Board and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the fund, to report claims on a timely basis, cooperate with the management of the fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the fund. Members have a contractual obligation to fund any deficit of the fund attributable to a membership year during which they were a member.

NJSBAIG provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the insurance fund is on file with the School's Business Administrator.

**RAHWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's fiduciary trust fund for the current and previous two years:

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>District</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2017	None	\$ 52,849	\$ 16,017	\$ 331,519
2016	None	55,130	44,891	294,095
2015	None	54,198	39,398	283,307

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2017, The District has not estimated its arbitrage earnings due to the IRS, if any.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. PERS is a cost sharing multi-employer defined benefit pension plan.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. TPAF is a cost sharing plan with special funding situations.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 28 percent with an unfunded actuarial accrued liability of \$108.6 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 22.33 percent and \$79.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 40.14 percent and \$29.6 billion, respectively.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2015 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.65 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for the PERS and varying percentages based on experience for TPAF.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS, 7.06% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2017 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2017, 2016 and 2015 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF, respectively, for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2017	\$ 623,943	\$ 3,062,394	\$ 43,545
2016	589,460	2,269,005	37,283
2015	562,984	1,525,054	35,436

In addition for fiscal year 2016/2017 the District contributed \$3,724 for PERS and the State contributed \$5,851 for TPAF for Long Term Disability Insurance Premium (LTDI).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$2,110,221 during the fiscal year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

**RAHWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS)

At June 30, 2017, the District reported in the statement of net position (accrual basis) a liability of \$20,801,102 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2016, the District's proportionate share was 0.07023 percent, which was an increase of 0.00167 percent from its proportionate share measured as of June 30, 2015 of 0.06856 percent.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$2,009,973 for PERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 386,837	
Changes of Assumptions	4,308,877	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	793,165	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>306,209</u>	<u>\$ 153,751</u>
Total	<u>\$ 5,795,088</u>	<u>\$ 153,751</u>

At June 30, 2017, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year	
Ending <u>June 30,</u>	<u>Total</u>
2018	\$ 1,259,761
2019	1,259,761
2020	1,450,256
2021	1,249,960
2022	421,599
Thereafter	<u>-</u>
	<u>\$ 5,641,337</u>

**RAHWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The District's 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:

	<u>PERS</u>
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%
Mortality Rate Table	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

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.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
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 US 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 US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.98%

**RAHWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2034
Municipal Bond Rate *	From July 1, 2034 and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 3.98%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 25,489,323</u>	<u>\$ 20,801,102</u>	<u>\$ 16,930,569</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2016. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**RAHWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$16,750,834 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2017 the State's proportionate share of the net pension liability attributable to the District is \$222,939,941. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2016. At June 30, 2016, the state's share of the net pension liability attributable to the District was 0.28339 percent, which was an increase of 0.00131 percent from its proportionate share measured as of June 30, 2015 of 0.28208 percent.

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.

	<u>TPAF</u>
Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases 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.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' 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>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.22%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2029
Municipal Bond Rate *	From July 1, 2029 and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 3.22%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.22 percent) or 1-percentage-point higher (4.22 percent) than the current rate:

	1% Decrease <u>(2.22%)</u>	Current Discount Rate <u>(3.22%)</u>	1% Increase <u>(4.22%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 266,240,111</u>	<u>\$ 222,939,941</u>	<u>\$ 187,579,764</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2016. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2016 was not provided by the pension system.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 584 state and local participating employers and contributing entities for Fiscal Year 2015.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides paid coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides paid coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for state paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the State had a \$84.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.9 billion for state active and retired members and \$41.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2015, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. 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 and 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 (ABP) 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 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>.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2017, 2016 and 2015 were \$2,551,671, \$2,701,759 and \$2,421,023, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

F. Tax Abatements

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential school tax revenue 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 the Rahway School District, the District's share of abated taxes resulting from the municipality having entered into a tax abatement agreement is indeterminate.

**RAHWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 6 SUBSEQUENT EVENT

On October 12, 2017, the District issued \$14,270,000 in refunding school bonds. These bonds were purchased by Roosevelt & Cross, Inc. at interest rates of 2.00% to 5.00%, maturing through February 15, 2030. The proceeds of the Bonds will be used to refund, on an advanced basis, all of the Board's outstanding school bonds, series 2010A, maturing on February 15 in the years 2020 through 2030, in the amount of \$15,375,000.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

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

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
REVENUES					
Local Sources					
Property Taxes	\$ 40,800,496		\$ 40,800,496	40,800,496	
Tuition from Other LEA's within the State				111,242	\$ 111,242
Tuition - Other				239,637	239,637
Interest Earned in Capital Reserve Fund	100		100	100	
Interest Earned in Maintenance Reserve Fund	100		100	100	
Unrestricted Miscellaneous Revenues	165,529	-	165,529	251,242	85,713
Total Local Sources	40,966,225	-	40,966,225	41,402,817	436,592
State Sources					
Special Education Aid	2,263,445		2,263,445	2,263,445	
Equalization Aid	17,565,441		17,565,441	17,565,441	
Security Aid	473,055		473,055	473,055	
Transportation Aid	209,420		209,420	209,420	
Under Adequacy Aid	86,609		86,609	86,609	
PARCC Readiness Aid	36,460		36,460	36,460	
Per Pupil Growth Aid	36,460		36,460	36,460	
Professional Learning Community Aid	36,910		36,910	36,910	
Extraordinary Aid	350,345		350,345	604,445	254,100
Nonpublic Transportation Aid				34,991	34,991
On Behalf TPAF Contributions (Non-Budgeted)					
Pension				2,955,316	2,955,316
NCGI Premium				107,078	107,078
Post-Retirement Medical				2,551,671	2,551,671
Long Term Disability Insurance				5,851	5,851
Reimbursed Social Security	-	-	-	2,110,221	2,110,221
Total State Sources	21,058,145	-	21,058,145	29,077,373	8,019,228
Federal Sources					
ARRA - SEMI Cost Settlement				13,407	13,407
Medicaid Reimbursements	114,917	-	114,917	174,178	59,261
Total Federal Sources	114,917	-	114,917	187,585	72,668
Total Revenues	62,139,287	-	62,139,287	70,667,775	8,528,488
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	892,553		892,553	887,564	4,989
Grades 1-5	5,825,480	\$ 44,323	5,869,803	5,858,101	11,702
Grades 6-8	3,467,662	103,350	3,571,012	3,562,936	8,076
Grades 9-12	5,219,441	(80,000)	5,139,441	5,098,046	41,395
Regular Programs - Home Instruction					
Salaries of Teachers	30,000	17,400	47,400	41,276	6,124
Purchased Professional-Educational Services	45,126	(18,500)	26,626	13,059	13,567
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	401,238	1,100	402,338	402,331	7
Other Purchased Services	355,371	(5,725)	349,646	320,092	29,554
General Supplies	691,200	6,343	697,543	590,270	107,273
Textbooks	282,600	(13,287)	269,313	253,330	15,983
Other Objects	98,992	16,301	115,293	102,165	13,128
Total Regular Programs	17,309,663	71,305	17,380,968	17,129,170	251,798

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

EXHIBIT C-1

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Instruction - Special Education					
Learning /Language Disabilities					
Salaries of Teachers	\$ 240,208	\$ (1,200)	\$ 239,008	\$ 238,970	\$ 38
Other Salaries for Instruction	58,101	21,841	79,942	79,442	500
General Supplies	6,460	364	6,824	6,736	88
Total Learning /Language Disabilities	<u>304,769</u>	<u>21,005</u>	<u>325,774</u>	<u>325,148</u>	<u>626</u>
Behavioral Disabilities					
Salaries of Teachers	522,521	(116,000)	406,521	402,070	4,451
Other Salaries for Instruction	108,729	(25,000)	83,729	76,886	6,843
General Supplies	6,859	293	7,152	6,756	396
Total Behavioral Disabilities	<u>638,109</u>	<u>(140,707)</u>	<u>497,402</u>	<u>485,712</u>	<u>11,690</u>
Multiple Disabilities					
Salaries of Teachers	300,533	6,258	306,791	302,715	4,076
Other Salaries for Instruction	190,174	(27,174)	163,000	156,897	6,103
General Supplies	3,174		3,174	3,169	5
Other Objects	313	10	323	322	1
Total Multiple Disabilities	<u>494,194</u>	<u>(20,906)</u>	<u>473,288</u>	<u>463,103</u>	<u>10,185</u>
Resource Room/Resource Center					
Salaries of Teachers	3,324,111	(33,760)	3,290,351	3,284,309	6,042
Other Salaries for Instruction	474,848	1,407	476,255	455,887	20,368
General Supplies	20,000	(3,408)	16,592	16,386	206
Textbooks	3,550	-	3,550	183	3,367
Total Resource Room/Resource Center	<u>3,822,509</u>	<u>(35,761)</u>	<u>3,786,748</u>	<u>3,756,765</u>	<u>29,983</u>
Autism					
Salaries of Teachers	74,862	(6,300)	68,562	68,477	85
Other Salaries for Instruction	48,149	4,031	52,180	51,723	457
General Supplies	1,000	-	1,000	996	4
Total Autism	<u>124,011</u>	<u>(2,269)</u>	<u>121,742</u>	<u>121,196</u>	<u>546</u>
Preschool Disabilities - Part - Time					
Salaries of Teachers	191,991	(13,460)	178,531	177,969	562
Other Salaries for Instruction	74,934	4,276	79,210	74,588	4,622
General Supplies	3,300	25	3,325	3,316	9
Total Preschool Disabilities - Part - Time	<u>270,225</u>	<u>(9,159)</u>	<u>261,066</u>	<u>255,873</u>	<u>5,193</u>
Preschool Disabilities - Full - Time					
Salaries of Teachers	136,491	7,513	144,004	144,004	
Other Salaries for Instruction	74,040	3,757	77,797	73,272	4,525
Total Preschool Disabilities - Full - Time	<u>210,531</u>	<u>11,270</u>	<u>221,801</u>	<u>217,276</u>	<u>4,525</u>

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

EXHIBIT C-1

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Home Instruction					
Salaries of Teachers	\$ 80,000	\$ (8,848)	\$ 71,152	39,333	\$ 31,819
Purchased Professional-Educational Services	20,000	-	20,000	9,983	10,017
Total Home Instruction	<u>100,000</u>	<u>(8,848)</u>	<u>91,152</u>	<u>49,316</u>	<u>41,836</u>
Total Special Education	<u>5,964,348</u>	<u>(185,375)</u>	<u>5,778,973</u>	<u>5,674,389</u>	<u>104,584</u>
Basic Skills/Remedial					
Salaries of Teachers	1,276,971	34,361	1,311,332	1,311,331	1
General Supplies	3,500	800	4,300	1,634	2,666
Total Basic Skills/Remedial	<u>1,280,471</u>	<u>35,161</u>	<u>1,315,632</u>	<u>1,312,965</u>	<u>2,667</u>
Bilingual Education					
Salaries of Teachers	827,488	32,509	859,997	859,997	
Other Salaries for Instruction	116,320	25,213	141,533	128,345	13,188
General Supplies	23,750	497	24,247	5,181	19,066
Textbooks	4,000	277	4,277	2,979	1,298
Total Bilingual Education	<u>971,558</u>	<u>58,496</u>	<u>1,030,054</u>	<u>996,502</u>	<u>33,552</u>
School Sponsored Co/Extra Curricular Activities					
Salaries	243,936	(14,359)	229,577	224,922	4,655
Purchased Services	85,450	18,960	104,410	84,057	20,353
Supplies and Materials	56,000	2,000	58,000	45,079	12,921
Other Objects	13,555	15,307	28,862	28,098	764
Transfers to Cover Deficit (Agency Funds)	28,000	-	28,000	22,902	5,098
Total School Sponsored Co/Extra Curricular Activities	<u>426,941</u>	<u>21,908</u>	<u>448,849</u>	<u>405,058</u>	<u>43,791</u>
School Sponsored Athletics - Instruction					
Salaries	411,031		411,031	400,909	10,122
Purchased Services	110,883	(29,284)	81,599	81,598	1
Supplies and Materials	161,400	23,998	185,398	185,130	268
Other Objects	27,500	12,150	39,650	39,649	1
Total School Sponsored Athletics - Instruction	<u>710,814</u>	<u>6,864</u>	<u>717,678</u>	<u>707,286</u>	<u>10,392</u>
Before/After School Programs - Instruction					
Salaries of Teacher Tutors	88,506	-	88,506	53,504	35,002
Total Before/After School Programs - Instruction	<u>88,506</u>	<u>-</u>	<u>88,506</u>	<u>53,504</u>	<u>35,002</u>
Summer School - Instruction					
Salaries of Teachers	25,512	(3,786)	21,726	20,559	1,167
General Supplies	3,450	(399)	3,051	2,485	566
Total Summer School - Support Services	<u>28,962</u>	<u>(4,185)</u>	<u>24,777</u>	<u>23,044</u>	<u>1,733</u>

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

EXHIBIT C-1

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Instructional Alternative Ed Program - Instruction					
Salaries of Teachers	700,608	63,454	764,062	764,061	1
General Supplies	7,000	7,000	14,000	13,929	71
Textbooks	5,000	(5,000)	-	-	-
Total Instructional Alternative Ed Program - Instruction	712,608	65,454	778,062	777,990	72
Instructional Alternative Ed Program - Support Svcs.					
Salaries	377,564	783	378,347	378,347	
Purchased Services	2,784		2,784	2,784	
Supplies and Materials	2,500		2,500	2,154	346
Other Objects	2,500	-	2,500	-	2,500
Total Instructional Alternative Ed Program-Support Svcs.	385,348	783	386,131	383,285	2,846
Total Alternative Education Programs	1,097,956	66,237	1,164,193	1,161,275	2,918
Other Alternative Ed Programs - Instruction					
Salaries of Teachers	127,077	-	127,077	127,041	36
Total Other Alternative Ed Programs - Instruction	127,077	-	127,077	127,041	36
Other Alternative Ed Programs - Support Services					
Salaries	74,967	(2,000)	72,967	67,345	5,622
Total Other Alternative Ed Programs - Support Services	74,967	(2,000)	72,967	67,345	5,622
Total Other Alternative Ed Programs	202,044	(2,000)	200,044	194,386	5,658
Total - Instruction	28,081,263	68,411	28,149,674	27,657,579	492,095
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within State-Regular	17,219	6,187	23,406	22,808	598
Tuition to Other LEAs Within State-Special	1,345,633	199,917	1,545,550	1,529,770	15,780
Tuition to County Voc. School- Regular	719,500	(40,077)	679,423	675,200	4,223
Tuition to County Voc. School- Special	174,000		174,000	107,200	66,800
Tuition to Private School for Disabled W/I	3,399,916	(554,698)	2,845,218	2,737,028	108,190
Tuition - State Facilities	57,597		57,597	57,597	
Tuition - Other	64,830	(40,399)	24,431	-	24,431
Total Undistributed Expenditures - Instruction	5,778,695	(429,070)	5,349,625	5,129,603	220,022
Attendance and Social Work					
Salaries	343,648	3,523	347,171	345,356	1,815
Other Purchased Services	500	(500)	-	-	-
Supplies and Materials	2,480	(2,480)	-	-	-
Total Attendance and Social Work	346,628	543	347,171	345,356	1,815

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

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Health Services					
Salaries	\$ 506,186	\$ (11,200)	\$ 494,986	483,215	\$ 11,771
Purchased Professional and Technical Services	58,137	34,200	92,337	84,408	7,929
Other Purchased Services	7,199		7,199	6,948	251
Supplies and Materials	28,325	(6,228)	22,097	9,611	12,486
Other Objects	792	-	792	510	282
Total Health Services	600,639	16,772	617,411	584,692	32,719
Speech, OT, PT & Related Services					
Salaries	413,971		413,971	400,565	13,406
Purchased Professional - Educational Services	470,169	122,761	592,930	584,183	8,747
Supplies and Materials	1,900	1,125	3,025	2,645	380
Total Speech, OT, PT & Related Services	886,040	123,886	1,009,926	987,393	22,533
Other Support Services - Students - Extra Svc					
Salaries	322,346	(340)	322,006	302,602	19,404
Purchased Professional - Educational Services	553,435	195,875	749,310	687,898	61,412
Other Objects	1,600	340	1,940	1,600	340
Total Other Support Services - Students - Extra Svc.	877,381	195,875	1,073,256	992,100	81,156
Guidance					
Salaries of Other Professional Staff	582,412	3,458	585,870	585,870	
Salaries of Secretarial and Clerical Assistants	117,117	29	117,146	117,084	62
Other Salaries	62,236	62	62,298	62,297	1
Purchased Professional - Educational Services	34,839		34,839	34,839	
Other Purchased Professional and Technical Services	8,000		8,000	5,500	2,500
Supplies and Materials	54,282	(3,555)	50,727	12,238	38,489
Other Objects	1,000	(62)	938	930	8
Total Undistributed Expenditures - Guidance	859,886	(68)	859,818	818,758	41,060
Child Study Teams					
Salaries of Other Professional Staff	1,351,759	(13,118)	1,338,641	1,275,594	63,047
Salaries of Secretarial and Clerical Assistants	99,602	2,390	101,992	101,991	1
Unused Vacation Payment to Terminated/Retired		3,490	3,490	3,490	
Purchased Professional - Educational Services	110,472		110,472	76,842	33,630
Miscellaneous Purchased Services	14,784	125	14,909	11,618	3,291
Supplies and Materials	30,900	11,515	42,415	34,040	8,375
Total Undistributed Expenditures - Child Study Teams	1,607,517	4,402	1,611,919	1,503,575	108,344
Improvement of Instruction Services					
Salaries of Supervisors of Instruction	764,844	9,026	773,870	773,869	1
Salaries of Other Professional Staff	67,686	9,338	77,024	66,119	10,905
Salaries of Secretarial and Clerical Assistants	190,188		190,188	185,013	5,175
Other Purchased Services	15,104		15,104	6,823	8,281
Supplies and Materials	21,500	(519)	20,981	15,867	5,114
Other Objects	8,750	-	8,750	1,502	7,248
Total Improvement of Instruction Services/ Other Support Services-Instructional Staff	1,068,072	17,845	1,085,917	1,049,193	36,724

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

EXHIBIT C-1

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Educational Media Services/School Library					
Salaries	\$ 386,079	\$ 4,274	\$ 390,353	390,353	
Supplies and Materials	56,150	497	56,647	51,482	5,165
Total Educational Media Services/School Library	442,229	4,771	447,000	441,835	5,165
Instructional Staff Training Serv.					
Purchased Professional-Educational Services	18,000	(5,930)	12,070	9,152	2,918
Other Purchased Services	27,500	(200)	27,300	18,427	8,873
Other Objects	7,000	719	7,719	7,561	158
Total Instructional Staff Training Serv.	52,500	(5,411)	47,089	35,140	11,949
Support Services General Administration					
Salaries	350,917		350,917	350,498	419
Legal Services	100,000		100,000	67,767	32,233
Audit Fees	37,700		37,700	37,700	
Other Purchased Professional Services	19,400		19,400	15,653	3,747
Purchased Technical Services	18,940		18,940	12,462	6,478
Rentals/Leases		4,260	4,260	4,260	
Communications/Telephone	164,792		164,792	78,844	85,948
Travel - Supt		3,000	3,000	454	2,546
BOE Other Purchased Services	7,100	(2,500)	4,600	1,530	3,070
Miscellaneous Purchased Services	298,502	15,315	313,817	313,437	380
General Supplies	6,000		6,000	663	5,337
BOE In-House Training/Meeting Supplies	1,700	1,000	2,700	1,732	968
Miscellaneous Expenditures	11,000		11,000	9,226	1,774
BOE Member Dues & Fees	27,000	(1,000)	26,000	25,457	543
Total Support Services General Administration	1,043,051	20,075	1,063,126	919,683	143,443
Support Services School Administration					
Salaries of Principals/Asst. Principals/Program Dir.	1,606,841	3,326	1,610,167	1,610,167	
Salaries of Secretarial and Clerical Assistants	584,360	(3,187)	581,173	581,173	
Unused Vacation Pay HS		6,908	6,908	6,907	1
Other Purchased Services	153,280	20,130	173,410	160,469	12,941
Supplies and Materials	52,000	4,495	56,495	48,183	8,312
Other Objects	37,950	(1,420)	36,530	36,271	259
Total Support Services School Administration	2,434,431	30,252	2,464,683	2,443,170	21,513
Central Services					
Salaries	379,314		379,314	369,427	9,887
Purchased Technical Services	152,000		152,000	151,136	864
Miscellaneous Purchased Services	48,960	1,090	50,050	40,656	9,394
Supplies and Materials	22,000	677	22,677	5,159	17,518
Miscellaneous Expenditures	22,000	(1,090)	20,910	6,015	14,895
Total Central Services	624,274	677	624,951	572,393	52,558
Admin. Info. Technology					
Salaries	389,286	650	389,936	388,934	1,002
Lease		36,113	36,113	36,113	
Supplies and Materials	2,500	(800)	1,700	1,420	280
Other Objects	2,000	800	2,800	2,195	605
Total Admin. Info. Technology	393,786	36,763	430,549	428,662	1,887

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

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Required Maintenance for School Facilities					
Salaries	\$ 326,072	\$ 57,937	\$ 384,009	376,298	\$ 7,711
Cleaning, Repair and Maintenance Services	203,000	233,331	436,331	422,165	14,166
General Supplies	71,500	117,560	189,060	181,597	7,463
Other Objects	3,000	-	3,000	550	2,450
Total Required Maint. for School Facilities	603,572	408,828	1,012,400	980,610	31,790
Custodial Services					
Salaries	1,712,778	123,620	1,836,398	1,813,239	23,159
Unused Vacation Payment to Terminated/Retired		5,380	5,380	5,379	1
Purchased Professional and Technical Services	15,000		15,000	5,300	9,700
Cleaning, Repair and Maintenance Services	220,835	5,340	226,175	210,703	15,472
Rental of Land & Bldg. Other Than Lease					
Purchase Agreement	120,054	(3,383)	116,671	104,912	11,759
Other Purchased Property Services	103,245	11,500	114,745	107,662	7,083
Insurance	142,111	(24,730)	117,381	109,079	8,302
General Supplies	196,000	(2,045)	193,955	189,104	4,851
Energy (Natural Gas)	609,000	(272,088)	336,912	270,716	66,196
Energy (Electricity)	430,000	62,350	492,350	492,142	208
Total Custodial Services	3,549,023	(94,056)	3,454,967	3,308,236	146,731
Care & Upkeep of Grounds					
Cleaning, Repair and Maintenance Services	50,000	39,000	89,000	73,607	15,393
General Supplies	50,000	(4,000)	46,000	34,968	11,032
Total Care & Upkeep of Grounds	100,000	35,000	135,000	108,575	26,425
Security					
Salaries	536,380	11,313	547,693	501,881	45,812
Purchased Professional and Technical Services	18,000		18,000	2,394	15,606
Cleaning, Repair and Maintenance Services	1,800	(1,513)	287		287
Supplies and Materials	-	1,751	1,751	1,750	1
Total Security	556,180	11,551	567,731	506,025	61,706
Total Undist. Expend.-Oper & Main of Plant Serv.	4,808,775	361,323	5,170,098	4,903,446	266,652
Student Transportation Services					
Salaries for Non-Instructional Aides	6,000		6,000	6,000	
Salaries for Pupil Transportation (Between Home and School) - Special Ed.	30,680		30,680	19,059	11,621
Salaries for Pupil Transportation (Other Than Between Home and School)	12,000		12,000	4,798	7,202
Cleaning, Repair and Maintenance Services	15,000		15,000	845	14,155
Rental Payments - School Buses	2,000		2,000	1,642	358
Lease Purchase Payments - School Buses	17,000		17,000	17,000	
Contracted Services - Aid in Lieu of Payments - Nonpublic Schools	137,020	(12,025)	124,995	114,399	10,596
Contracted Services - Aid in Lieu of Payments - Charter Schools	7,072	1,971	9,043	9,027	16
Contracted Services - Aid in Lieu of Payments - Choice Schools	1,768		1,768		1,768
Contracted Services (Between Home and School) - Vendors	570,774	(30,034)	540,740	497,502	43,238
Contracted Services (Other than Between Home and School) - Vendors	168,420	(6,815)	161,605	145,699	15,906
Contracted Services - (Spec. Ed. Students) - Vendors	553,172	21,963	575,135	569,763	5,372
Contracted Services (Regular Students) -					
Contracted Services - (Spec. Ed Students) Joint Agreement		18,125	18,125	18,125	-
ECSs & CTSAAs	139,948	70,000	209,948	204,232	5,716
Contracted Services (Spd. Ed. Students) -					
ECSs & CTSAAs	1,682,488	98,000	1,780,488	1,750,202	30,286
Misc. Purchased Services- Transportation	10,000		10,000	4,250	5,750
General Supplies	12,000		12,000	2,984	9,016
Other Objects	8,000	-	8,000	250	7,750
Total Student Transportation Services	3,373,342	161,185	3,534,527	3,365,777	168,750

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

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Unallocated Benefits - Employee Benefits					
Social Security Contribution	\$ 656,179	\$ 41,000	\$ 697,179	679,756	\$ 17,423
Other Retirement Contributions - PERS	714,207	(32,000)	682,207	671,212	10,995
Workmen's Compensation	334,969		334,969	334,218	751
Health Benefits	9,024,424	(237,998)	8,786,426	7,947,238	839,188
Tuition Reimbursement	132,000	47,334	179,334	161,335	17,999
Other Employee Benefits	403,801	57,000	460,801	456,642	4,159
Unused Sick Payment to Terminated/Retired Staff	141,489	-	141,489	139,838	1,651
Total Unallocated Benefits - Employee Benefits	11,407,069	(124,664)	11,282,405	10,390,239	892,166
On Behalf TPAF Contributions (Non-Budgeted)					
Pension				2,955,316	(2,955,316)
NCGI Premium				107,078	(107,078)
Post-Retirement Medical				2,551,671	(2,551,671)
Long Term Disability Insurance				5,851	(5,851)
Reimbursed Social Security	-	-	-	2,110,221	(2,110,221)
Total On-Behalf TPAF Contributions	-	-	-	7,730,137	(7,730,137)
Total Undistributed Expenditures	36,604,315	415,156	37,019,471	42,641,152	(5,621,681)
Interest Earned on Maintenance Reserve	100	-	100	-	100
Total Current Expenditures	64,685,678	483,567	65,169,245	70,298,731	(5,129,486)
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures:					
Instruction		4,000	4,000		4,000
School Administration		2,042	2,042	2,036	6
Central Services		2,800	2,800	2,800	
Multiple Disabled		2,388	2,388	2,387	1
Athletics		5,750	5,750	5,750	
Custodial Services	-	3,383	3,383	3,383	-
Total Equipment	-	20,363	20,363	16,356	4,007
Facilities Acquisition and Construction Serv.					
Assessment for Debt Service on SDA Funding	38,595	-	38,595	38,595	-
Total Facilities Acquisition and Constr. Services	38,595	-	38,595	38,595	-
Interest Deposit to Capital Reserve	100	-	100	-	100
Total Capital Outlay	38,695	20,363	59,058	54,951	4,107
Transfer Funds to Charter School	104,322	-	104,322	84,236	20,086
Total Expenditures	64,828,695	503,930	65,332,625	70,437,918	(5,105,293)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,689,408)	(503,930)	(3,193,338)	229,857	3,423,195

RAHWAY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
Other Financing Sources (Uses)					
Operating Transfers In	-	-	-	2,244	\$ 2,244
Total Other Financing Sources (Uses)	-	-	-	2,244	2,244
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing (Uses)	\$ (2,689,408)	\$ (503,930)	\$ (3,193,338)	232,101	3,425,439
Fund Balances, Beginning of Year	6,100,902	-	6,100,902	6,100,902	-
Fund Balances, End of Year	\$ 3,411,494	\$ (503,930)	\$ 2,907,564	6,333,003	\$ 3,425,439

Recapitulation of Fund Balance:

Restricted	
Capital Reserve	170,946
Maintenance Reserve	516,400
Maintenance Reserve, Designated for Subsequent Year's Expenditures	200,000
Excess Surplus, Designated for Subsequent Year's Expenditures	975,737
Excess Surplus	1,293,134
Assigned	
Year End Encumbrances	88,858
Designated for Subsequent Year's Expenditures	1,531,274
ARRA/SEMI-Designated for Subsequent Year's Expenditures	13,407
Unassigned	1,543,247
	6,333,003
Reconciliation to Governmental Funds Statements (GAAP):	
Less: State Aid Not Recognized on GAAP Basis (June 30, 2017)	(2,659,388)
Fund Balance Per Governmental Funds (GAAP)	3,673,615

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

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES					
Local Sources		\$ 148,506	\$ 148,506	\$ 104,885	\$ (43,621)
State Sources	\$ 715,072	(4,307)	710,765	710,607	(158)
Federal Sources	1,460,534	378,820	1,839,354	1,775,409	(63,945)
Total Revenues	<u>2,175,606</u>	<u>523,019</u>	<u>2,698,625</u>	<u>2,590,901</u>	<u>(107,724)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	759,574	10,796	770,370	768,513	1,857
Other Salaries for Instruction	222,584	74,203	296,787	296,696	91
Purchased Professional-Educational Services		47,116	47,116	43,918	3,198
Other Purchased Services		10	10		10
Tuition	862,000	66,394	928,394	928,076	318
General Supplies	2,000	72,002	74,002	48,675	25,327
Textbooks	2,055	24,273	26,328	18,000	8,328
Total Instruction	<u>1,848,213</u>	<u>294,794</u>	<u>2,143,007</u>	<u>2,103,878</u>	<u>39,129</u>
Support Services					
Salaries of Supervisors of Instruction	81,707	5,487	87,194	87,194	
Salaries of Other Professional Staff	31,574	33,955	65,529	54,425	11,104
Salaries of Secretarial and Clerical Asst.	29,466	3,109	32,575	32,575	
Personal Services - Employee Benefits	44,006	72,339	116,345	115,465	880
Purchased Prof./Educ. Svcs.	140,640	13,339	153,979	135,546	18,433
Contracted Services - Transportation		17,354	17,354	16,390	964
Other Purchased Services		27,707	27,707	14,190	13,517
Supplies and Materials		41,994	41,994	26,464	15,530
Other Objects	-	12,941	12,941	4,774	8,167
Total Support Services	<u>327,393</u>	<u>228,225</u>	<u>555,618</u>	<u>487,023</u>	<u>68,595</u>
Total Expenditures	<u>2,175,606</u>	<u>523,019</u>	<u>2,698,625</u>	<u>2,590,901</u>	<u>107,724</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation to Governmental Funds Statements (GAAP):					
Less: State Aid Not Recognized on GAAP Basis (June 30, 2017)				<u>\$ (927)</u>	
Fund Balance (Deficit) Per Governmental Funds (GAAP)				<u>\$ (927)</u>	

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**RAHWAY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	General Fund		Special Revenue Fund
Sources/Inflows of Resources			
Actual amounts (budgetary basis) revenue from the budgetary comparison schedule	(C-1) \$ 70,667,775	(C-2)	\$ 2,590,901
Difference - Budget to GAAP			
Encumbrances for good and services ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the goods and services are received for financial reporting purposes.			
Prior Year Encumbrances			8,534
Current Year Encumbrances			(8,162)
State Aid payments recognized for GAAP Purposes not recognized for Budgetary statements. (June 30, 2017)	(2,659,388)		(927)
State Aid payments recognized for budgetary purposes not recognized for GAAP statements. (June 30, 2016)	<u>2,577,008</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>70,585,395</u>	(B-2)	\$ <u>2,590,346</u>
Uses/Outflows of Resources			
Actual amounts (budgetary basis) total expenditures from the budgetary comparison schedule	(C-1) \$ 70,437,918	(C-2)	\$ 2,590,901
Encumbrances for good and services ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the goods and services are received for financial reporting purposes.			
Prior Year Encumbrances			\$ 8,534
Current Year Encumbrances	<u>-</u>		<u>(8,162)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>70,437,918</u>	(B-2)	\$ <u>2,591,273</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**RAHWAY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Public Employees Retirement System

Last Four Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.07023%	0.06856%	0.06829%	0.06979%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 20,801,102	\$ 15,391,074	\$ 12,786,008	\$ 13,339,666
District's Covered-Employee Payroll	\$ 4,988,875	\$ 4,776,139	\$ 5,999,031	\$ 4,920,450
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	416.95%	322.25%	213.13%	271.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.92%	52.08%	48.72%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**RAHWAY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS**

Public Employees Retirement System

Last Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 623,943	\$ 589,460	\$ 562,984	\$ 522,017
Contributions in Relation to the Contractually Required Contribution	<u>623,943</u>	<u>589,460</u>	<u>562,984</u>	<u>522,017</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 4,988,875	\$ 5,999,031	\$ 5,999,031	\$ 4,920,450
Contributions as a Percentage of Covered-Employee Payroll	12.51%	9.83%	9.38%	10.61%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**RAHWAY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Teachers Pension and Annuity Fund

Last Four Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0	\$0
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 222,939,941</u>	<u>\$ 178,289,678</u>	<u>\$ 146,406,723</u>	<u>\$ 135,393,508</u>
Total	<u>\$ 222,939,941</u>	<u>\$ 178,289,678</u>	<u>\$ 146,406,723</u>	<u>\$ 135,393,508</u>
District's Covered-Employee Payroll	\$ 28,564,832	\$ 28,147,406	\$ 32,555,698	\$ 29,449,382
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	28.74%	33.64%	33.76%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**RAHWAY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 5.

SPECIAL REVENUE FUND

RAHWAY SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Exhibit E-1a Totals	IDEA		Merck	Title I	Title II-A	Title III	Title III Immigrant	Grand Total
		Basic 2016-17	Preschool 2016-17	STEM Workshop					
REVENUES									
Intergovernmental									
State	\$ 710.607								\$ 710.607
Federal		\$ 977.775	\$ 28.076		\$ 576.679	\$ 100.022	\$ 76.398	\$ 16.459	1,775.409
Local	86.395	-	-	\$ 18.490	-	-	-	-	104,885
Total Revenues	\$ 797.002	\$ 977.775	\$ 28.076	\$ 18.490	\$ 576.679	\$ 100.022	\$ 76.398	\$ 16.459	\$ 2,590.901
EXPENDITURES									
Instruction									
Salaries of Teachers	\$ 384.533				\$ 374.446		\$ 9.534		\$ 768.513
Other Salaries for Instruction	172.566				53.361		55,715	\$ 15.054	296.696
Purchased Prof. and Educational Services	27.561				16.357				43,918
Tuition		\$ 900,000	\$ 28.076						928,076
General Supplies	4,384	25,569			15,677		2,792	253	48,675
Textbooks	-	-		\$ 18,000	-		-	-	18,000
Total Instruction	589.044	925.569	28.076	18.000	459.841	-	68.041	15,307	2,103.878
Support Services									
Salaries of Supervisors of Instruction	87.194								87,194
Salaries of Other Prof. Staff	27.173				3,780	\$ 23,472			54,425
Salaries of Sec. & Clerical Asst.	32,575								32,575
Personal Svcs-Employee Benefits	5,400				102,126	1,795	4,992	1,152	115,465
Purchased Prof. Educ. Services	26,000	41,900				67,646			135,546
Contracted Services- Transp.		4,000		390	9,600		2,400		16,390
Other Purchased Services		4,784			1,332	7,109	965		14,190
Supplies and Materials	24,942	1,522							26,464
Other Objects	4,674	-		100	-	-	-	-	4,774
Total Support Services	207,958	52,206	-	490	116,838	100,022	8,357	1,152	487,023
Total Expenditures	\$ 797.002	\$ 977.775	\$ 28.076	\$ 18.490	\$ 576.679	\$ 100.022	\$ 76.398	\$ 16.459	\$ 2,590.901

RAHWAY SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Preschool Education Aid	NJ Non-Public Aid				NJEA Grant	Amistad Training	RSI Reach	Other Local/ Private Grants	Totals Carried Forward
		Textbook	Nursing	Technology	Security					
REVENUES										
Intergovernmental										
State	\$ 707,941	\$ 605	\$ 1,170	\$ 266	\$ 625					\$ 710,607
Local Sources	-	-	-	-	-	12,000	27,307	26,125	20,963	86,395
Total Revenues	\$ 707,941	\$ 605	\$ 1,170	\$ 266	\$ 625	\$ 12,000	\$ 27,307	\$ 26,125	\$ 20,963	\$ 797,002
EXPENDITURES										
Instruction										
Salaries of Teachers	\$ 384,533									\$ 384,533
Other Salaries for Instruction	169,066							3,500		172,566
Purchased Prof. and Educational Services			1,170	266				26,125		27,561
General Supplies	2,000	605	-	-	625	-	-	-	1,154	4,384
Total Instruction	555,599	605	1,170	266	625	-	-	26,125	4,654	589,044
Support Services										
Salaries of Supervisors of Instruction	87,194									87,194
Salaries of Other Prof. Staff	27,173									27,173
Salaries of Sec. & Clerical Asst.	32,575									32,575
Personal Svcs-Employee Benefits	5,400									5,400
Purchased Prof. Educ. Services							13,000		13,000	26,000
Supplies and Materials						12,000	12,894		48	24,942
Other Objects	-	-	-	-	-	-	1,413	-	3,261	4,674
Total Support Services	152,342	-	-	-	-	12,000	27,307	-	16,309	207,958
Total Expenditures	\$ 707,941	\$ 605	\$ 1,170	\$ 266	\$ 625	\$ 12,000	\$ 27,307	\$ 26,125	\$ 20,963	\$ 797,002

**RAHWAY SCHOOL DISTRICT
SPECIAL REVENUE FUND
STATEMENT OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

District-Wide Totals

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
Instruction					
Salaries of Teachers	\$ 381,944	\$ 2,589	\$ 384,533	\$ 384,533	
Other Salaries for Instruction	170,145	(1,079)	169,066	169,066	
General Supplies	2,000	-	2,000	2,000	-
Total Instruction	<u>554,089</u>	<u>1,510</u>	<u>555,599</u>	<u>555,599</u>	<u>-</u>
Support Services					
Salaries of Supervisors of Instruction	81,707	5,487	87,194	87,194	
Salaries of Other Professional Staff	31,574	(4,401)	27,173	27,173	
Salaries of Secretarial and Clerical Asst.	29,466	3,109	32,575	32,575	
Personal Services - Employee Benefits	11,105	(5,705)	5,400	5,400	-
	-				
Total Support Services	<u>153,852</u>	<u>(1,510)</u>	<u>152,342</u>	<u>152,342</u>	<u>-</u>
Total Expenditures	<u>\$ 707,941</u>	<u>\$ -</u>	<u>\$ 707,941</u>	<u>\$ 707,941</u>	<u>\$ -</u>

Calculation of Budget & Carryover

Total Revised 2016-17 Preschool Education Aid Allocation	\$ 707,941
Actual Preschool Education Aid Carryover (June 30, 2016)	69,867
Cancelled Prior Year Accounts Payable	-
Total Preschool Education Aid Funds Available for 2016-17 Budget	<u>777,808</u>
Less: 2016-17 Budgeted Preschool Education Aid (Including Prior year budgeted carryover)	<u>707,941</u>
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2017	69,867
Add: June 30, 2017 Unexpended Preschool Education Aid	-
2016-17 Carryover- Preschool Education Aid	<u>\$ 69,867</u>
2016-17 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2017-18	<u>\$ 69,867</u>

CAPITAL PROJECTS FUND

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

	Original <u>Appropriations</u>	Prior Year <u>Transfers</u>	<u>Expenditures to Date</u>		<u>Cancellations</u>	<u>Balance June 30, 2017</u>
			<u>Prior Years</u>	<u>Current Year</u>		
2009 Referendum						
High School Room Renovations	\$ 11,465,395	\$ 974,673	12,424,557			\$ 15,511
High School Electrical Service and Distribution Upgrades	299,026	450	298,268		\$ 1,208	
High School Roof Replacement	1,253,680	-	1,253,680			
High School Window, HVAC and Electrical Upgrades	1,294,684	(45,673)	1,249,011			
Middle School Room Renovations	2,621,177	405,659	2,984,855			41,981
Middle School Boilers, Fire Alarms and Electrical Panels	4,806,199	21,029	4,796,868			30,360
Franklin School Fire Alarm System Replacement	203,323	62,161	265,484			
Cleveland School Additions and Renovations	8,707,838	(508,776)	8,133,935			65,127
Cleveland School Electrical Service Upgrades	206,541	(1)	206,239		301	
Cleveland School Fire Alarm System Replacement	130,208	62,183	192,391			
Madison School Fire Alarm System Replacement and Installation of Secure Entry Vestibule	256,044	(1)	256,043			
Roosevelt School Fire Alarm System and Security Doors	196,995	88,035	285,030			
High School Photovoltaic Panels	1,385,387	(565,646)	819,741			
Middle School Photovoltaic Panels	1,272,873	(494,093)	778,780			
High School New Emergency Generator	244,000		117,612	\$ 34,546		91,842
Cleveland School Boiler Replacement	263,000	-	168,280	-	-	94,720
	<u>\$ 34,606,370</u>	<u>\$ -</u>	<u>\$ 34,230,774</u>	<u>\$ 34,546</u>	<u>\$ 1,509</u>	<u>\$ 339,541</u>
			Unexpended Project Authorizations			\$ 339,541
			Add: Excess Proceeds - Restricted for Debt Service			7,286
			Less: Unearned Revenue - SDA Grants			(108,241)
			Unfunded Local Share			(69,564)
			Fund Balance (GAAP Basis)			<u>\$ 169,022</u>

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

Revenues and Other Financing Sources

Local Sources

Interest on Investments	\$ <u>2,244</u>
-------------------------	-----------------

Total Revenues and Other Financing Sources	<u>2,244</u>
--	--------------

Expenditures and Other Financing Uses

Construction Services	34,546
-----------------------	--------

Bad Debt Expense	
------------------	--

Cancelled SDA Grant Receivable	507
--------------------------------	-----

Operating Transfers Out	
-------------------------	--

General Fund	2,244
--------------	-------

Debt Service Fund	<u>1,002</u>
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Total Expenditures and Other Financing Uses	<u>38,299</u>
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Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(36,055)
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Fund Balance- Beginning of Year	<u>313,318</u>
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Fund Balance- Ending of Year	\$ <u><u>277,263</u></u>
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Recapitulation:

Restricted for Debt Service	\$ 7,286
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Restricted for Capital Projects	
---------------------------------	--

Available for Capital Project Expenditures	<u>269,977</u>
--	----------------

	277,263
--	---------

Reconciliation to Governmental Funds Statements (GAAP):

Unearned Revenue - SDA Grants	<u>(108,241)</u>
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Fund Balance, GAAP Basis	\$ <u><u>169,022</u></u>
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**RAHWAY SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
HIGH SCHOOL ROOM RENOVATIONS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 4,304,169		\$ 4,304,169	\$ 4,304,169
Bond Proceeds	8,135,899	\$ -	8,135,899	8,135,899
	<u>12,440,068</u>	<u>-</u>	<u>12,440,068</u>	<u>12,440,068</u>
Total Revenues and Other Financing Sources				
Expenditures and Other Financing Uses				
Purchased Professional Services	917,783		917,783	917,783
Supplies and Materials	161,468		161,468	161,468
Construction Services	11,345,306	-	11,345,306	11,360,817
	<u>12,424,557</u>	<u>-</u>	<u>12,424,557</u>	<u>12,440,068</u>
Total Expenditures and Other Financing Uses				
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 15,511</u>	<u>\$ -</u>	<u>\$ 15,511</u>	<u>\$ -</u>

Additional project information:

Project Number	4290-050-09-1013
Grant Date	7/23/2009
Bond Authorization Date	12/15/2009
Bonds Authorized	\$ 8,068,322
Bonds Issued	\$ 8,068,322
Original Authorized Cost	\$ 11,465,395
Additional Authorized Cost	\$ 974,673
Revised Authorized Cost	\$ 12,440,068

Percentage Increase(Decrease) Over Original

Authorized Cost	8.5%
Percentage Completion	99.88%
Original Target Completion Date	6/2012
Revised Target Completion Date	6/2015

**RAHWAY SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
HIGH SCHOOL ELECTRICAL SERVICE AND DISTRIBUTION
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 142,815		\$ 142,815	\$ 142,815
Bond Proceeds	156,661	-	156,661	156,661
	<u>299,476</u>	<u>-</u>	<u>299,476</u>	<u>299,476</u>
Expenditures and Other Financing Uses				
Purchased Professional Services	48,468		48,468	48,468
Construction Services	249,800		249,800	249,800
Cancelled	-	\$ 1,208	1,208	1,208
	<u>298,268</u>	<u>1,208</u>	<u>299,476</u>	<u>299,476</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 1,208</u>	<u>\$ (1,208)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional project information:

Project Number	4290-050-09-2001
Grant Date	5/21/2009
Bond Authorization Date	12/15/2009
Bonds Authorized	\$ 156,661
Bonds Issued	\$ 156,661
Original Authorized Cost	\$ 299,026
Additional Authorized Cost	\$ 450
Revised Authorized Cost	\$ 299,476

Percentage Increase(Decrease) Over Original

Authorized Cost	0.2%
Percentage Completion	100.00%
Original Target Completion Date	6/2012
Revised Target Completion Date	6/2014

**RAHWAY SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
HIGH SCHOOL WINDOW, HVAC AND ELECTRICAL UPGRADES
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 618,341		\$ 618,341	\$ 618,341
Bond Proceeds	<u>630,670</u>	<u>-</u>	<u>630,670</u>	<u>630,670</u>
Total Revenues and Other Financing Sources	<u>1,249,011</u>	<u>-</u>	<u>1,249,011</u>	<u>1,249,011</u>
Expenditures and Other Financing Uses				
Purchased Professional Services	105,205		105,205	105,205
Construction Services	<u>1,143,806</u>	<u>-</u>	<u>1,143,806</u>	<u>1,143,806</u>
Total Expenditures and Other Financing Uses	<u>1,249,011</u>	<u>-</u>	<u>1,249,011</u>	<u>1,249,011</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Additional project information:				
Project Number	4290-050-09-2003			
Grant Date	5/21/2009			
Bond Authorization Date	12/15/2009			
Bonds Authorized	\$ 630,670			
Bonds Issued	\$ 630,670			
Original Authorized Cost	\$ 1,294,684			
Additional Authorized Cost	\$ (45,673)			
Revised Authorized Cost	\$ 1,249,011			
Percentage Increase(Decrease) Over Original				
Authorized Cost	-3.5%			
Percentage Completion	100.00%			
Original Target Completion Date	6/2012			
Revised Target Completion Date	7/2013			

**RAHWAY SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
MIDDLE SCHOOL ROOM RENOVATIONS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 1,251,875		\$ 1,251,875	\$ 1,251,875
Bond Proceeds	1,774,961	\$ -	1,774,961	1,774,961
	<u>3,026,836</u>	<u>-</u>	<u>3,026,836</u>	<u>3,026,836</u>
Expenditures and Other Financing Uses				
Purchased Professional Services	459,222		459,222	459,222
Supplies and Materials	52,447		52,447	52,447
Construction Services	2,473,186	-	2,473,186	2,515,167
	<u>2,984,855</u>	<u>-</u>	<u>2,984,855</u>	<u>3,026,836</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 41,981</u>	<u>\$ -</u>	<u>\$ 41,981</u>	<u>\$ -</u>
Additional project information:				
Project Number	4250-060-09-2015			
Grant Date	7/7/2009			
Bond Authorization Date	12/15/2009			
Bonds Authorized	\$ 1,842,538			
Bonds Issued	\$ 1,842,538			
Original Authorized Cost	\$ 2,621,177			
Additional Authorized Cost	\$ 405,659			
Revised Authorized Cost	\$ 3,026,836			
Percentage Increase(Decrease) Over Original Authorized Cost	15.5%			
Percentage Completion	98.61%			
Original Target Completion Date	6/2012			
Revised Target Completion Date	7/2013			

**RAHWAY SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
MIDDLE SCHOOL BOILERS, FIRE ALARMS AND ELECTRICAL PANELS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 2,295,442		\$ 2,295,442	\$ 2,295,442
Bond Proceeds	<u>2,531,786</u>	<u>-</u>	<u>2,531,786</u>	<u>2,531,786</u>
Total Revenues and Other Financing Sources	<u>4,827,228</u>	<u>-</u>	<u>4,827,228</u>	<u>4,827,228</u>
Expenditures and Other Financing Uses				
Purchased Professional Services	377,344		377,344	377,344
Construction Services	<u>4,419,524</u>	<u>-</u>	<u>4,419,524</u>	<u>4,449,884</u>
Total Expenditures and Other Financing Uses	<u>4,796,868</u>	<u>-</u>	<u>4,796,868</u>	<u>4,827,228</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 30,360</u>	<u>\$ -</u>	<u>\$ 30,360</u>	<u>\$ -</u>

Additional project information:

Project Number	4250-060-09-2004
Grant Date	5/21/2009
Bond Authorization Date	12/15/2009
Bonds Authorized	\$ 2,531,786
Bonds Issued	\$ 2,531,786
Original Authorized Cost	\$ 4,806,199
Additional Authorized Cost	\$ 21,029
Revised Authorized Cost	\$ 4,827,228

Percentage Increase(Decrease) Over Original

Authorized Cost	0.4%
Percentage Completion	99.37%
Original Target Completion Date	6/2012
Revised Target Completion Date	7/2013

**RAHWAY SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
CLEVELAND SCHOOL ADDITIONS AND RENOVATIONS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 1,620,946		\$ 1,620,946	\$ 1,620,946
Bond Proceeds	<u>6,578,116</u>	<u>-</u>	<u>6,578,116</u>	<u>6,578,116</u>
Total Revenues and Other Financing Sources	<u>8,199,062</u>	<u>-</u>	<u>8,199,062</u>	<u>8,199,062</u>
Expenditures and Other Financing Uses				
Purchased Professional Services	1,199,520		1,199,520	1,199,520
Supplies and Materials	115,640		115,640	115,640
Construction Services	<u>6,813,775</u>	<u>\$ 5,000</u>	<u>6,818,775</u>	<u>6,883,902</u>
Total Expenditures and Other Financing Uses	<u>8,128,935</u>	<u>5,000</u>	<u>8,133,935</u>	<u>8,199,062</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 70,127</u>	<u>\$ (5,000)</u>	<u>\$ 65,127</u>	<u>\$ -</u>

Additional project information:

Project Number	4290-090-09-1014
Grant Date	7/23/2009
Bond Authorization Date	12/15/2009
Bonds Authorized	\$ 6,578,116
Bonds Issued	\$ 6,578,116
Original Authorized Cost	\$ 8,707,838
Additional Authorized Cost	\$ (508,776)
Revised Authorized Cost	\$ 8,199,062

Percentage Increase(Decrease) Over Original

Authorized Cost	-5.8%
Percentage Completion	99.21%
Original Target Completion Date	6/2012
Revised Target Completion Date	7/2013

**RAHWAY SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
CLEVELAND SCHOOL ELECTRICAL SERVICE UPGRADES
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 98,644		\$ 98,644	\$ 98,644
Bond Proceeds	107,896	-	107,896	107,896
	<u>206,540</u>	<u>-</u>	<u>206,540</u>	<u>206,540</u>
Expenditures and Other Financing Uses				
Purchased Professional Services	51,239		51,239	51,239
Construction Services	155,000		155,000	155,000
Cancelled	-	301	301	301
	<u>206,239</u>	<u>301</u>	<u>206,540</u>	<u>206,540</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 301</u>	<u>\$ (301)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional project information:

Project Number	4290-090-09-1006
Grant Date	5/29/2009
Bond Authorization Date	12/15/2009
Bonds Authorized	\$ 107,896
Bonds Issued	\$ 107,896
Original Authorized Cost	\$ 206,541
Additional Authorized Cost	\$ (1)
Revised Authorized Cost	\$ 206,540

Percentage Increase(Decrease) Over Original Authorized Cost	0.0%
Percentage Completion	100.00%
Original Target Completion Date	6/2012
Revised Target Completion Date	6/2013

**RAHWAY SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
HIGH SCHOOL NEW EMERGENCY GENERATOR
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 111,877		\$ 111,877	\$ 111,877
Transfer from Capital Reserve	132,123	-	132,123	132,123
	<u>244,000</u>	<u>-</u>	<u>244,000</u>	<u>244,000</u>
Expenditures and Other Financing Uses				
Purchased Professional Services				24,000
Construction Services	117,612	\$ 34,546	152,158	220,000
	<u>117,612</u>	<u>34,546</u>	<u>152,158</u>	<u>244,000</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 126,388</u>	<u>\$ (34,546)</u>	<u>\$ 91,842</u>	<u>\$ -</u>
Additional project information:				
Project Number	4290-050-14-1002			
Grant Date	12/11/2014			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 244,000			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 244,000			
Percentage Increase(Decrease) Over Original				
Authorized Cost	0.0%			
Percentage Completion	62.36%			
Original Target Completion Date	6/2016			
Revised Target Completion Date	6/2017			

**RAHWAY SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
CLEVELAND SCHOOL BOILER REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 120,589		\$ 120,589	\$ 120,589
Transfer from Capital Reserve	142,411	-	142,411	142,411
	<u>263,000</u>	<u>-</u>	<u>263,000</u>	<u>263,000</u>
Expenditures and Other Financing Uses				
Purchased Professional Services	8,380		8,380	20,000
Construction Services	159,900	-	159,900	243,000
	<u>168,280</u>	<u>-</u>	<u>168,280</u>	<u>263,000</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 94,720</u>	<u>\$ -</u>	<u>\$ 94,720</u>	<u>\$ -</u>
Additional project information:				
Project Number	4290-050-14-1002			
Grant Date	12/11/2014			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 263,000			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 263,000			
Percentage Increase(Decrease) Over Original				
Authorized Cost	0.0%			
Percentage Completion	63.98%			
Original Target Completion Date	6/2016			
Revised Target Completion Date	6/2017			

ENTERPRISE FUND

**RAHWAY SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**RAHWAY SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2017**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 166,234	\$ 1,607,282	\$ 1,773,516
Total Assets	<u>\$ 166,234</u>	<u>\$ 1,607,282</u>	<u>\$ 1,773,516</u>
LIABILITIES			
Due to Student Groups	\$ 166,234		\$ 166,234
Accrued Salaries & Wages		\$ 18,093	18,093
Summer Savings		1,557,959	1,557,959
Payroll Deductions and Withholdings		18,109	18,109
Reserve for Flex Spending Account		10,985	10,985
Due to Other Funds	<u>-</u>	<u>2,136</u>	<u>2,136</u>
Total Liabilities	<u>\$ 166,234</u>	<u>\$ 1,607,282</u>	<u>\$ 1,773,516</u>

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

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

**RAHWAY SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>School</u>	<u>Balance, July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2017</u>
ELEMENTARY SCHOOLS				
Madison	\$ 2,084	\$ 13,125	\$ 14,006	\$ 1,203
Grover Cleveland	6,733	7,166	7,820	6,079
Roosevelt School	14,060	50,618	51,675	13,003
Franklin	14,357	35,416	32,723	17,050
Total Elementary Schools	<u>37,234</u>	<u>106,325</u>	<u>106,224</u>	<u>37,335</u>
Rahway Middle School	<u>15,987</u>	<u>63,731</u>	<u>67,331</u>	<u>12,387</u>
Rahway High School	93,691	291,214	267,627	117,278
Athletics	<u>(2,048)</u>	<u>69,518</u>	<u>68,236</u>	<u>(766)</u>
Total High School	<u>91,643</u>	<u>360,732</u>	<u>335,863</u>	<u>116,512</u>
Total All Schools	<u>\$ 144,864</u>	<u>\$ 530,788</u>	<u>\$ 509,418</u>	<u>\$ 166,234</u>

**RAHWAY SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Balance, July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2017</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,554,853	\$ 45,670,743	\$ 45,618,314	\$ 1,607,282
Due from Other Funds	-	-	-	-
Total Assets	<u>\$ 1,554,853</u>	<u>\$ 45,670,743</u>	<u>\$ 45,618,314</u>	<u>\$ 1,607,282</u>
<u>Liabilities</u>				
Payroll Deductions and Withholdings	\$ 14,027	\$ 21,923,071	\$ 21,918,989	\$ 18,109
Accrued Salaries and Wages	13,913	22,079,867	22,075,687	18,093
Summer Savings	1,513,275	1,557,959	1,513,275	1,557,959
Reserve for Flex Spending Account	11,798	45,082	45,895	10,985
Due to Other Funds	<u>1,840</u>	<u>64,764</u>	<u>64,468</u>	<u>2,136</u>
Total Liabilities	<u>\$ 1,554,853</u>	<u>\$ 45,670,743</u>	<u>\$ 45,618,314</u>	<u>\$ 1,607,282</u>

LONG-TERM DEBT

RAHWAY SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Description</u>	<u>Amount of Original issue</u>	<u>Annual Maturities</u>	<u>Interest</u>	<u>Balance,</u>		<u>Balance,</u>
		<u>Date</u>	<u>Rate</u>	<u>July 1, 2016</u>	<u>Retired</u>	<u>June 30, 2017</u>
Private Placement Refunding of Certificates of Participation	\$ 6,050,000	02/15/18	\$ 645,000	3.97%		
		02/15/19	670,000	3.97%		
		02/15/20	695,000	3.97%	<u>\$ 2,630,000</u>	<u>\$ 2,010,000</u>
			Paid by Budget Appropriation		<u>\$ 620,000</u>	

**RAHWAY SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Description</u>	<u>Amount of Original issue</u>	<u>Annual Amount</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2016</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2017</u>
Various Acquisitions and Improvements	440,000	Various	3.165%	\$ 193,266		95,128	98,138
Computer Equipment	898,673	Various	3.150%	<u>449,120</u>	<u>\$ -</u>	<u>221,073</u>	<u>228,047</u>
				<u>\$ 642,386</u>	<u>\$ -</u>	<u>\$ 316,201</u>	<u>\$ 326,185</u>

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

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,364,271		\$ 2,364,271	\$ 2,364,271	
State Sources:					
Debt Service Aid	213,344	-	213,344	213,344	-
Total Revenues	<u>2,577,615</u>	<u>-</u>	<u>2,577,615</u>	<u>2,577,615</u>	<u>-</u>
EXPENDITURES:					
Regular Debt Service:					
Principal Payments - Lease Purchases	620,000		620,000	620,000	
Interest - Lease Purchases	104,411		104,411	104,411	
Interest - Early Retirement Bonds	53,455		53,455	53,455	
Interest on Bonds	704,750		704,750	704,750	
Redemption of Principal	1,095,000	-	1,095,000	1,095,000	-
Total Regular Debt Service	<u>2,577,616</u>	<u>-</u>	<u>2,577,616</u>	<u>2,577,616</u>	<u>-</u>
Total Expenditures	<u>2,577,616</u>	<u>-</u>	<u>2,577,616</u>	<u>2,577,616</u>	<u>-</u>
Excess of Revenues Over Expenditures	(1)	-	(1)	(1)	-
Other Financing Sources Operating Transfers In	-	-	-	1,002	-
Excess to Fund Balance	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>1,001</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>2</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1,003</u>	<u>\$ -</u>
Recapitulation of Fund Balance:					
Restricted for Debt Service					
Designated for Subsequent Year's Expenditures				\$ 1	
Available for Future Debt Service Obligations				<u>1,002</u>	
				<u>\$ 1,003</u>	

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. J-16 to J-20

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

RAHWAY SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net Investment in Capital Assets	\$ 13,867,473	\$ 14,626,746	\$ 15,584,645	\$ 18,787,587	\$ 25,431,951	\$ 27,654,109	\$ 28,376,683	\$ 30,207,183	\$ 30,063,065	\$ 29,781,907
Restricted	139,670	307,072	69,671	69,771	527,681	669,972	943,686	997,352	794,434	895,635
Unrestricted	(1,273,987)	(697,136)	(2,034,622)	1,127,184	1,190,788	28,717	(13,844,069)	(13,893,485)	(13,856,923)	(15,214,668)
Total Governmental Activities Net Position	\$ 12,733,156	\$ 14,236,682	\$ 13,619,694	\$ 19,984,542	\$ 27,150,420	\$ 28,352,798	\$ 15,476,300	\$ 17,311,050	\$ 17,000,576	\$ 15,462,874
Business-Type Activities										
Net Investment in Capital Assets	\$ 171,299	\$ 235,137	\$ 265,576	\$ 265,472	\$ 256,225	\$ 264,677	\$ 233,410	\$ 218,345	\$ 210,704	\$ 237,965
Unrestricted	330,784	205,565	154,235	184,596	231,009	195,444	228,535	262,250	327,426	378,393
Total Business-Type Activities Net Position	\$ 502,083	\$ 440,702	\$ 419,811	\$ 450,068	\$ 487,234	\$ 460,121	\$ 461,945	\$ 480,595	\$ 538,130	\$ 616,358
District-Wide										
Net Investment in Capital Assets	\$ 14,038,772	\$ 14,861,883	\$ 15,850,221	\$ 19,053,059	\$ 25,688,176	\$ 27,918,786	\$ 28,610,093	\$ 30,425,528	\$ 30,273,769	\$ 30,019,872
Restricted	139,670	307,072	69,671	69,771	527,681	669,972	943,686	997,352	794,434	895,635
Unrestricted	(943,203)	(491,571)	(1,880,387)	1,311,780	1,421,797	224,161	(13,615,534)	(13,631,235)	(13,529,497)	(14,836,275)
Total District Net Position	\$ 13,235,239	\$ 14,677,384	\$ 14,039,505	\$ 20,434,610	\$ 27,637,654	\$ 28,812,919	\$ 15,938,245	\$ 17,791,645	\$ 17,538,706	\$ 16,079,232

Source: District financial statements

Note 1 - Net position at June 30, 2011 is restated to reflect the implementation of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65, "Items Previously Reported in Assets and Liabilities".

Note 2 - Net Position at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions".

**RAHWAY SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)**

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 23,813,147	\$ 22,173,733	\$ 22,220,613	\$ 23,568,789	\$ 23,888,111	\$ 25,821,649	\$ 25,260,411	\$ 29,461,782	\$ 30,435,067	\$ 33,754,182
Special Education	10,170,914	10,359,294	11,222,777	11,451,321	11,636,310	12,535,921	12,586,875	13,953,279	15,323,175	16,122,698
Other Instruction	1,756,645	2,962,843	5,441,177	4,061,426	4,108,964	4,692,567	4,860,384	5,910,360	6,366,627	7,273,051
School Sponsored Activities And Athletics	1,018,971	1,085,334	1,098,023	1,049,424	1,074,072	1,177,594	1,249,951	1,864,893	1,509,226	1,710,069
Support Services:										
Student & Instruction Related Services	7,146,995	7,288,681	8,122,908	7,473,003	8,018,218	8,833,846	8,897,984	10,061,008	10,378,087	11,554,534
School Administrative Services	3,234,838	3,033,637	2,906,966	2,537,009	2,996,306	3,166,528	3,186,233	3,744,723	3,905,494	4,365,967
General and Business Administration	2,506,359	2,271,089	2,584,292	2,117,293	2,689,673	2,244,216	2,322,957	2,410,863	2,611,111	2,912,724
Plant Operations And Maintenance	4,418,458	5,054,411	5,440,585	4,573,440	5,466,038	5,464,098	6,218,664	5,421,145	6,118,554	6,951,651
Pupil Transportation	2,680,514	2,696,878	2,752,725	2,640,741	2,790,171	2,840,044	2,850,016	2,979,789	3,188,226	3,408,215
Interest On Long-Term Debt	672,559	462,604	718,404	1,205,961	1,172,265	1,115,673	1,011,585	1,010,774	964,640	879,093
Unallocated Depreciation	775,298	823,193	851,731	849,664	849,755	841,318	854,153	829,339	2,088,171	2,082,760
Total Governmental Activities Expenses	58,194,698	58,211,697	63,360,201	61,528,071	64,689,883	68,733,454	69,299,213	77,647,955	82,888,378	91,014,944
Business-Type Activities:										
Food Service	1,480,550	1,605,559	1,691,139	1,611,194	1,662,163	1,789,373	1,797,792	1,824,015	1,847,465	1,921,104
Total Business-Type Activities Expense	1,480,550	1,605,559	1,691,139	1,611,194	1,662,163	1,789,373	1,797,792	1,824,015	1,847,465	1,921,104
Total District Expenses	\$ 59,675,248	\$ 59,817,256	\$ 65,051,340	\$ 63,139,265	\$ 66,352,046	\$ 70,522,827	\$ 71,097,005	\$ 79,471,970	\$ 84,735,843	\$ 92,936,048
Program Revenues										
Governmental Activities:										
Charges For Services:										
Instruction (Tuition)	\$ 27,300	\$ 11,902	\$ 31,577				\$ 134,282	\$ 236,132	\$ 331,789	\$ 350,879
Operating Grants And Contributions	15,058,395	10,359,049	14,345,346	\$ 10,301,085	\$ 11,163,717	\$ 11,965,006	11,361,400	18,852,052	21,803,690	27,806,766
Capital Grants And Contributions	-	-	795,923	2,735,332	6,074,067	1,695,651	68,040	762,087	54,915	33,202
Total Governmental Activities Program Revenues	15,085,695	10,370,951	15,172,846	13,036,417	17,237,784	13,660,657	11,563,722	19,850,271	22,190,394	28,190,847
Business-Type Activities:										
Charges For Services										
Food Service	\$ 674,515	\$ 671,312	\$ 680,700	\$ 638,708	\$ 633,039	\$ 600,301	\$ 619,787	\$ 607,632	\$ 641,764	\$ 692,435
Operating Grants And Contributions	830,060	872,866	989,548	1,002,743	1,066,290	1,161,959	1,179,829	1,235,033	1,263,236	1,306,897
Total Business Type Activities Program Revenues	1,504,575	1,544,178	1,670,248	1,641,451	1,699,329	1,762,260	1,799,616	1,842,665	1,905,000	1,999,332
Total District Program Revenues	\$ 16,590,270	\$ 11,915,129	\$ 16,843,094	\$ 14,677,868	\$ 18,937,113	\$ 15,422,917	\$ 13,363,338	\$ 21,692,936	\$ 24,095,394	\$ 30,190,179

**RAHWAY SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)**

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue										
Governmental Activities	\$ (43,109,003)	\$ (47,840,746)	\$ (48,187,355)	\$ (48,491,654)	\$ (47,452,099)	\$ (55,072,797)	\$ (57,735,491)	\$ (57,797,684)	\$ (60,697,984)	\$ (62,824,097)
Business-Type Activities	24,025	(61,381)	(20,891)	30,257	37,166	(27,113)	1,824	18,650	57,535	78,228
Total District-Wide Net Expense	\$ (43,084,978)	\$ (47,902,127)	\$ (48,208,246)	\$ (48,461,397)	\$ (47,414,933)	\$ (55,099,910)	\$ (57,733,667)	\$ (57,779,034)	\$ (60,640,449)	\$ (62,745,869)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 32,455,760	\$ 32,606,723	\$ 33,729,835	\$ 35,456,665	\$ 35,085,956	\$ 36,104,262	\$ 37,911,982	\$ 39,216,163	\$ 40,000,486	\$ 40,800,496
Taxes Levied For Debt Service	344,141	1,078,853	747,449	2,378,143	2,308,913	2,353,966	2,360,104	2,359,901	2,341,924	2,364,271
Federal and State Aid - Unrestricted	10,428,288	15,063,039	12,898,546	16,111,871	16,909,704	17,518,403	17,601,370	17,637,507	17,685,449	17,725,995
State Aid Restricted for Debt Service						122,822	128,002	131,346	136,551	141,947
Investment Earnings	96,349	27,758	33,797	34,303	16,241	540	5,203	5,864	4,958	7,184
Miscellaneous Income	97,850	114,968	160,740	875,520	297,163	243,920	191,998	281,653	218,142	246,502
Total Governmental Activities	43,422,388	48,891,341	47,570,367	54,856,502	54,617,977	56,343,913	58,198,659	59,632,434	60,387,510	61,286,395
Business-Type Activities:										
Investment Earnings	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	-	-	-	-	-	-	-	-	-	-
Total District-Wide	\$ 43,422,388	\$ 48,891,341	\$ 47,570,367	\$ 54,856,502	\$ 54,617,977	\$ 56,343,913	\$ 58,198,659	\$ 59,632,434	\$ 60,387,510	\$ 61,286,395
Change in Net Position										
Governmental Activities	\$ 313,385	\$ 1,050,595	\$ (616,988)	\$ 6,364,848	\$ 7,165,878	\$ 1,271,116	\$ 463,168	\$ 1,834,750	\$ (310,474)	\$ (1,537,702)
Business-Type Activities	24,025	(61,381)	(20,891)	30,257	37,166	(27,113)	1,824	18,650	57,535	78,228
Total District	\$ 337,410	\$ 989,214	\$ (637,879)	\$ 6,395,105	\$ 7,203,044	\$ 1,244,003	\$ 464,992	\$ 1,853,400	\$ (252,939)	\$ (1,459,474)

Source: District financial statements

**RAHWAY SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 895,754	\$ 2,624,468	\$ 1,756,243							
Unreserved	166,685	(1,015,267)	(1,327,256)							
Restricted				\$ 3,066,124	\$ 4,860,253	\$ 3,711,368	\$ 3,123,665	\$ 3,266,531	\$ 3,242,254	\$ 3,156,217
Assigned				885,307	435,446	953,457	1,182,358	1,561,419	1,313,967	1,633,539
Unassigned	-	-	-	(680,663)	(771,180)	(809,765)	(780,017)	(1,083,300)	(1,032,327)	(1,116,141)
Total General Fund	\$ 1,062,439	\$ 1,609,201	\$ 428,987	\$ 3,270,768	\$ 4,524,519	\$ 3,855,060	\$ 3,526,006	\$ 3,744,650	\$ 3,523,894	\$ 3,673,615
All Other Governmental Funds										
Reserved			\$ 4,385,266							
Unreserved	\$ 37,379	\$ 20,958	17,271,103							
Restricted				\$ 16,289,550	\$ 3,742,499	\$ 313,986	\$ 235,327	\$ 258,772	\$ 171,370	\$ 170,025
Unassigned	-	-	-	(11,674)	-	-	-	(8,931)	-	(927)
Total All Other Governmental Funds	\$ 37,379	\$ 20,958	\$ 21,656,369	\$ 16,277,876	\$ 3,742,499	\$ 313,986	\$ 235,327	\$ 249,841	\$ 171,370	\$ 169,098

Beginning with Fiscal Year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

Sources: District financial statements

RAHWAY SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax Levy	\$ 32,799,901	\$ 33,685,576	\$ 34,477,284	\$ 37,834,808	\$ 37,394,869	\$ 38,458,228	\$ 40,272,086	\$ 41,576,064	\$ 42,342,410	\$ 43,164,767
Tuition Charges	27,300	11,902	51,577				134,282	236,132	331,789	350,879
Interest Earnings	96,349	27,758	33,797	34,303	16,241	29,196	5,203	5,864	4,958	7,184
Miscellaneous	297,223	361,508	447,744	1,092,664	345,290	277,833	229,026	1,015,179	310,280	351,387
State Sources	23,172,535	23,181,601	21,829,815	26,172,540	31,083,778	29,116,805	27,194,310	28,279,334	29,006,061	29,951,219
Federal Sources	2,115,150	1,993,947	5,922,996	2,758,604	3,015,583	2,122,508	1,921,288	2,017,130	1,965,221	1,963,366
Total Revenue	58,508,458	59,262,292	62,743,213	67,892,919	71,855,761	70,004,570	69,756,195	73,129,703	73,960,719	75,788,802
Expenditures										
Instruction										
Regular Instruction	23,831,741	22,221,922	22,276,160	23,671,516	23,811,083	25,806,138	25,153,720	26,325,219	26,086,026	26,695,428
Special Education Instruction	10,170,914	10,378,893	11,244,734	11,487,367	11,613,104	12,534,009	12,553,276	13,025,789	13,957,864	13,784,205
Other Instruction	2,775,616	4,053,077	6,548,041	5,125,244	5,169,059	5,868,806	6,110,335	6,529,226	6,764,472	7,057,419
Support Services:										
Student and Inst. Related Services	7,157,681	7,340,328	8,126,287	7,540,559	7,921,412	8,832,689	8,887,441	9,409,499	9,142,151	9,517,981
General Administration	1,370,625	1,358,133	1,365,768	979,602	1,002,539	1,081,696	1,078,082	1,097,749	1,185,225	1,132,094
School Administrative Services	3,235,136	3,051,170	2,846,306	2,660,848	2,929,842	3,151,345	3,177,700	3,384,777	3,387,118	3,522,731
Central Services	1,037,010	934,707	1,184,678	1,186,161	1,174,567	1,240,417	1,187,603	1,263,954	1,308,361	1,372,351
Plant Operations And Maintenance	4,399,827	5,041,200	5,274,866	4,775,164	5,315,600	5,542,099	6,144,933	5,426,941	5,958,799	6,205,672
Pupil Transportation	2,679,536	2,694,158	2,750,005	2,640,741	2,790,171	2,840,044	2,845,722	2,974,809	3,180,317	3,396,606
Capital Outlay	69,543			8,142,237	18,658,345	5,131,879	609,538	1,213,129	143,181	42,765
Debt Service:										
Principal	1,442,644	1,135,223	793,853	1,569,789	1,604,500	1,656,000	1,824,339	2,141,601	2,184,163	2,031,201
Refunding Escrow	-	427,692	379,158	-	-	-	-	-	-	-
Interest and Other Charges	644,195	95,448	2,298,160	1,176,615	1,147,165	1,096,236	1,031,219	1,002,525	962,269	882,900
Total Expenditures	58,814,468	58,731,951	65,088,016	70,955,843	83,137,387	74,781,358	70,603,908	73,795,218	74,259,946	75,641,353
Excess (Deficiency) of Revenues Over (Under) Expenditures	(306,010)	530,341	(2,344,803)	(3,062,924)	(11,281,626)	(4,776,788)	(847,713)	(665,515)	(299,227)	147,449
Other Financing Sources (Uses)										
Capital Leases (Non-Budgeted)				526,212		678,816	440,000	898,673		
Cancellation of State Grant Receivable	(375)									
Proceeds from Bond Sale			22,800,000							
Proceeds From Refunding Lease										
Payment to Refunding Escrow Agent										
Transfers In	165,970	118,714	118,714	19,040	5,176	440	1,549	505,872	1,126	3,246
Transfers Out	(165,970)	(118,714)	(118,714)	(19,040)	(5,176)	(440)	(1,549)	(505,872)	(1,126)	(3,246)
Total Other Financing Sources (Uses)	(375)	-	22,800,000	526,212	-	678,816	440,000	898,673	-	-
Net Change in Fund Balances	\$ (306,385)	\$ 530,341	\$ 20,455,197	\$ (2,536,712)	\$ (11,281,626)	\$ (4,097,972)	\$ (407,713)	\$ 233,158	\$ (299,227)	\$ 147,449
Debt Service as a Percentage of Noncapital Expenditures	3.55%	2.82%	5.33%	4.37%	4.27%	3.95%	4.08%	4.33%	4.25%	3.85%

* Noncapital expenditures are total expenditures less capital outlay.

Source: District financial statements

**RAHWAY SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Interest Earned	Tuition	Refunds	Athletic Admissions	BPU Solar Rebates	E-Rate Reimbursement	Miscellaneous	Total
2008	\$ 91,724	\$ 27,300	\$ 43,575	\$ 11,091			\$ 43,559	\$ 217,249
2009	27,757	11,902	36,571				78,397	154,627
2010	15,271	31,577					160,740	207,588
2011	15,263		12,273	10,373	\$ 730,154		122,720	890,783
2012	11,065		43,157	13,967	112,738	\$ 89,736	37,565	308,228
2013	28,656		76,649	8,854		6,240	123,621	244,020
2014	5,203	134,282	53,130	11,416		23,619	102,284	329,934
2015	4,521	236,132	12,270	10,525	43,730	72,520	142,608	522,306
2016	3,632	331,789	28,725	11,636	36,600	51,066	90,315	553,763
2017	4,940	350,879	37,885	14,634	72,900	4,317	116,766	602,321

Source: District financial statements

RAHWAY SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
(Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2008	\$ 12,511,400	\$ 958,307,700			\$ 129,044,100	\$ 373,443,800	\$ 44,390,100	\$ 1,517,697,100	\$ 3,695,255	\$ 1,521,392,355	\$ 3,721,605,565	\$ 2.190
2009	11,789,600	987,647,900			130,122,400	372,609,900	44,586,400	1,546,756,200	3,606,215	1,550,362,415	3,828,138,891	2.200
2010	11,200,000	987,262,900			129,440,800	373,484,500	44,586,400	1,545,974,600	3,577,916	1,549,552,516	3,673,356,914	2.334
2011	10,625,300	987,397,100			128,833,700	309,425,900	50,009,000	1,486,291,000	3,576,279	1,489,867,279	3,322,684,380	2.525
2012	10,294,500	985,103,000			128,012,600	289,782,400	49,617,000	1,462,809,500	3,594,184	1,466,403,684	3,168,507,632	2.587
2013	9,763,100	972,363,760			128,005,200	289,642,900	52,046,200	1,451,821,160	3,378,404	1,455,199,564	2,851,343,672	2.706
2014	11,552,100	969,683,500			125,353,600	288,210,100	51,914,900	1,446,714,200	3,097,847	1,449,812,047	2,719,883,294	2.823
2015	11,693,800	965,379,100			128,395,100	288,458,100	51,824,500	1,445,750,600	3,442,157	1,449,192,757	2,525,811,497	2.896
2016	9,648,500	967,400,100			132,439,900	272,162,800	72,261,000	1,453,912,300	3,542,314	1,457,454,614	2,529,176,515	2.935
2017	9,758,100	966,655,600			130,209,200	272,104,200	72,236,600	1,450,963,700	57	1,450,963,757	2,543,223,255	3.003

Source: County Abstract of Ratables

^a Tax rates are per \$100

**RAHWAY SCHOOL DISTRICT
PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUATION
LAST TEN YEARS
(Unaudited)**

<u>Calendar Year</u>	<u>Total</u>	<u>Local School District</u>	<u>Municipality</u>	<u>County</u>
2008	4.760	2.190	1.760	0.810
2009	4.899	2.199	1.838	0.862
2010	5.128	2.334	1.885	0.909
2011	5.765	2.525	2.291	0.949
2012	5.840	2.590	2.280	0.970
2013	6.047	2.706	2.367	0.974
2014	6.204	2.823	2.399	0.982
2015	6.317	2.896	2.490	0.931
2016	6.389	2.935	2.519	0.935
2017	6.528	3.003	2.581	0.944

Source: Tax Duplicate, City of Rahway

**RAHWAY SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

2017		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Merck & Co.	\$ 214,019,400	14.75%
Park Square TIC LLC	19,003,500	1.31%
80 E Milton Avenue LLC	10,265,400	0.71%
Park Terrace at Rahway, LLC	6,684,500	0.46%
Alard Realty Assoc, LLC	5,477,900	0.38%
3101-15 Ave LLC	5,362,000	0.37%
Family Hospitality LLC	5,307,000	0.37%
Rahway Industrial Sites Inc.	4,252,700	0.29%
Woodbridge Avenel LLC	4,025,300	0.28%
Ninette Group LP	3,659,600	0.25%
	\$ 278,057,300	18.96%

2008		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Merck & Co.	\$ 312,155,300	20.52%
Park Terrace at Rahway, LLC	6,684,500	0.43%
Giacobbe Investment Corp.	5,960,700	0.38%
Alard Realty Enterprises	5,477,900	0.37%
Woodbridge Plaza, LLC	4,329,500	0.30%
Rahway Industrial Site	4,296,900	0.30%
Verizon	3,695,255	0.25%
Martin-Elston Assoc.	3,671,700	0.25%
Ninette Group LP	3,659,600	0.25%
Rahway Savings Institution	3,441,400	0.24%
	\$ 353,372,755	23.05%

Source: Municipal Tax Assessor

**RAHWAY SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 32,799,901	\$ 32,799,901	100.00%	N/A
2009	33,685,576	33,685,576	100.00%	N/A
2010	34,477,284	34,477,284	100.00%	N/A
2011	37,834,808	37,834,808	100.00%	N/A
2012	37,394,869	37,394,869	100.00%	N/A
2013	38,458,228	38,457,748	99.99%	\$ 480
2014	40,272,086	40,272,086	100.00%	N/A
2015	41,576,064	41,576,064	100.00%	N/A
2016	42,342,410	42,342,410	100.00%	N/A
2017	43,164,767	43,164,767	100.00%	N/A

N/A - Not Applicable

Source: District records.

RAHWAY SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities	Total District	Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Capital Leases			
2008	\$ 2,718,000	\$ 6,441,967	\$ 355,153		\$ 9,515,120	28,501	\$ 334
2009	2,200,000	6,340,000	187,930		8,727,930	28,998	301
2010	24,845,000	5,875,000	14,077		30,734,077	27,403	1,122
2011	23,955,000	5,385,000	350,500		29,690,500	27,959	1,062
2012	23,035,000	4,875,000	176,000		28,086,000	28,233	995
2013	22,085,000	4,345,000	678,816		27,108,816	28,450	953
2014	21,100,000	3,795,000	829,477		25,724,477	29,112	884
2015	20,080,000	3,225,000	1,176,549		24,481,549	29,508	830
2016	19,025,000	2,630,000	642,386		22,297,386	29,451	757
2017	17,930,000	2,010,000	326,185		20,266,185	29,451 *	688

Source: District records

* - Estimated Based on Prior Year, Current Year Information Not Available

RAHWAY SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2008	\$ 2,718,000		\$ 2,718,000	0.18%	\$ 95
2009	2,200,000		2,200,000	0.14%	76
2010	24,845,000		24,845,000	1.60%	907
2011	23,955,000		23,955,000	1.61%	857
2012	23,035,000		23,035,000	1.57%	816
2013	22,085,000		22,085,000	1.52%	776
2014	21,100,000		21,100,000	1.46%	725
2015	20,080,000		20,080,000	1.39%	680
2016	19,025,000		19,025,000	1.31%	646
2017	17,930,000		17,930,000	1.23%	609

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only nine years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**RAHWAY SCHOOL DISTRICT
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
FOR THE YEAR ENDED DECEMBER 31, 2016
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Rahway School District	\$ 19,025,000	\$ 19,025,000	
City of Rahway	<u>100,878,239</u>	<u>47,916,933</u>	<u>\$ 52,961,306</u>
Total Direct Debt	<u>119,903,239</u>	<u>66,941,933</u>	<u>52,961,306</u>
Overlapping Debt Apportioned to the Municipality:			
Union County (2)			22,881,273
Rahway Valley Sewerage Authority (3)			<u>19,645,783</u>
Total Overlapping Debt			<u>42,527,056</u>
Total Direct and Overlapping Debt			<u>\$ 95,488,362</u>

(1) Rahway's Chief Financial Officer and Annual Debt Statement - December 31, 2016.

(2) Union County Treasurer's Office. The County Debt was apportioned to Rahway City by dividing the City's 2016 equalized value by the total 2016 equalized value for Union County.

(3) Overlapping Debt Based upon the City of Rahway's share of flow to the authority.

* The source for this computation was the 2016 Table of Equalized Valuations, which is supplied by the New Jersey Division of Taxation.

**RAHWAY SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

Legal Debt Margin Calculation for Fiscal Year 2017

Equalized Valuation Basis

2016	\$ 2,488,811,499
2015	2,525,907,401
2014	2,499,074,452
	<u>\$ 7,513,793,352</u>

Average Equalized Valuation Of Taxable Property

\$ 2,504,597,784

Debt Limit (4% of Average Equalization

\$ 100,183,911

Total Net Debt Applicable to Limit

17,930,000

Legal Debt Margin

\$ 82,253,911

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 125,104,251	\$ 138,942,318	\$ 145,023,398	\$ 143,404,596	\$ 136,347,948	\$ 125,797,577	\$ 116,288,356	\$ 107,165,113	\$ 102,499,225	\$ 100,183,911
Total Net Debt Applicable To Limit	2,718,000	2,200,000	24,845,000	23,955,000	23,035,000	22,085,000	21,100,000	20,080,000	19,025,000	17,930,000
Legal Debt Margin	<u>\$ 122,386,251</u>	<u>\$ 136,742,318</u>	<u>\$ 120,178,398</u>	<u>\$ 119,449,596</u>	<u>\$ 113,312,948</u>	<u>\$ 103,712,577</u>	<u>\$ 95,188,356</u>	<u>\$ 87,085,113</u>	<u>\$ 83,474,225</u>	<u>\$ 82,253,911</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	2.17%	1.58%	17.13%	16.70%	16.89%	17.56%	18.14%	18.74%	18.56%	17.90%

Source: Annual Debt Statements

**RAHWAY SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Per Capita Income (A)</u>	<u>Unemployment Rate</u>	<u>School District Population (B)</u>
2008	52,871	6.3%	28,501
2009	50,238	10.0%	28,998
2010	51,388	10.1%	27,403
2011	53,506	10.8%	27,959
2012	54,649	10.6%	28,233
2013	54,889	9.0%	28,450
2014	57,306	7.5%	29,112
2015	60,089	6.6%	29,508
2016	Not available	5.6%	29,451
2017	Not available	Not available	Not available

Source: United States Bureau of Census
School District Records

(A)- Represents County of Union

(B)- Estimated, Bureau of Census

N/A - Not Available as of date of audit

**RAHWAY SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

	2017		2008	
Employer	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment
Information for this schedule was not available				

RAHWAY SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	246	252	253	244	243	240	237	237	237	236
Special Education	106	112	113	110	107	101	103	103	103	103
Other Special Education	38	36	38	33	38	42	48	48	48	48
Support Services:										
Student and Instruction Related Services	10	13	27	29	29	27	28	28	28	27
General Administration	6	6	6	4	4	3	3	3	3	3
School Administrative Services	29	29	29	28	26	26	26	26	26	26
Central Services	5	5	5	5	5	5	6	6	6	6
Administrative Information Technology	4	4	4	4	4	4	4	4	4	4
Plant Operations And Maintenance	37	37	37	34	34	34	37	37	37	36
Pupil Transportation	1	1	1	1	1	1	1	1	1	1
Other Support Services	52	67	67	54	53	54	65	65	65	65
Total	<u>534</u>	<u>562</u>	<u>580</u>	<u>546</u>	<u>544</u>	<u>537</u>	<u>558</u>	<u>558</u>	<u>558</u>	<u>555</u>

Source: District Personnel Records

RAHWAY SCHOOL DISTRICT
 OPERATING STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)

Pupil/Teacher Ratio

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2008	3,816	56,658,086	14,848	5.96%	325	1:13	1:11	1:11	3,855	3,610	-0.80%	93.64%
2009	3,794	57,073,588	15,043	1.31%	323	1:13	1:11	1:11	3,854	3,612	-0.03%	93.70%
2010	3,796	61,616,845	16,232	7.90%	324	1:13	1:11	1:11	3,837	3,595	-0.44%	93.69%
2011	3,758	60,067,202	15,984	-1.53%	325	1:14	1:12	1:12	3,830	3,574	-0.18%	93.32%
2012	3,734	61,727,377	16,531	3.42%	297	1:13	1:13	1:12	3,784	3,561	-1.20%	94.11%
2013	3,667	66,897,243	18,243	10.36%	307	1:13	1:13	1:12	3,700	3,479	-2.22%	94.03%
2014	3,674	67,138,812	18,274	0.17%	312	1:13	1:13	1:12	3,715	3,491	0.41%	93.97%
2015	3,674	70,651,092	19,230	5.23%	312	1:13	1:13	1:12	3,749	3,532	0.92%	94.21%
2016	3,794	70,970,333	18,706	-2.73%	315	1:14	1:14	1:13	3,754	3,535	0.13%	94.17%
2016	3,835	72,684,487	18,953	1.32%	314	1:13	1:12	1:11	3,827	3,585	1.94%	93.68%

Sources: District records

- Note:
- a Enrollment based on annual October district count.
 - b Operating expenditures equal total expenditures less debt service and capital outlay.
 - c Cost per pupil represents operating expenditures divided by enrollment.

**RAHWAY SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
District Building										
Elementary										
Franklin School										
Square Feet	81,760	81,760	81,760	81,760	81,760	81,760	81,760	81,760	81,760	81,760
Capacity (students)	661	661	661	661	661	661	661	661	661	661
Enrollment	542	542	542	542	542	542	542	542	644	661
Cleveland School										
Square Feet	46,375	46,375	46,375	46,375	46,375	46,375	46,375	68,825	68,825	68,825
Capacity (students)	340	340	340	340	340	340	340	532	540	540
Enrollment	336	336	336	336	336	336	336	528	538	543
Madison School										
Square Feet	54,015	54,015	54,015	54,015	54,015	54,015	54,015	54,015	54,015	54,015
Capacity (students)	322	322	322	322	322	322	322	322	322	322
Enrollment	299	299	299	299	299	299	299	299	365	355
Roosevelt School										
Square Feet	78,810	78,810	78,810	78,810	78,810	78,810	78,810	78,810	78,810	78,810
Capacity (students)	754	754	754	754	754	754	754	754	754	754
Enrollment	666	666	666	666	666	666	666	666	627	605
Middle School										
Square Feet	144,611	144,611	144,611	144,611	144,611	144,611	144,611	144,611	144,611	144,611
Capacity (students)	913	913	913	913	913	913	913	913	913	913
Enrollment	949	949	949	949	949	949	949	949	557	555
High School										
Square Feet	165,833	165,833	165,833	165,833	165,833	165,833	165,833	176,133	176,135	176,135
Capacity (students)	1,084	1,084	1,084	1,084	1,084	1,084	1,084	1,084	1,084	1,084
Enrollment	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,072	1,070	1,116
Other										
Square Feet-Ace Building-St Mary's	6,893	6,893	6,893	6,893	6,893	15,000	15,000	15,000	15,000	15,000
Square Feet-Press Box-Vets Field	200	200	200	200	200	200	200	200	200	200
Square Feet-Hoagland Field House	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100
Square Feet-Concession Stand-Vets										
Square Feet-Athletic Office/Locker Room	2,930	2,930	2,930	2,930	2,930	2,930	2,930	2,930	2,930	2,930

Number of Schools at June 30, 2017

Elementary = 4
Middle School = 1
Senior High School = 1
Other = 5

Source: District Records

**RAHWAY SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN YEARS
(Unaudited)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
School Facilities										
Madison	\$ 75,758	\$ 85,013	\$ 49,699	\$ 48,028	\$ 56,825	\$ 70,710	\$ 113,789	\$ 72,874	\$ 86,606	\$ 113,132
Grover Cleveland	74,342	52,108	105,171	57,798	115,863	75,279	104,084	105,466	69,824	122,773
Roosevelt	98,999	162,649	108,396	129,306	151,196	114,555	135,447	109,027	105,831	161,912
Franklin	60,771	89,112	108,899	46,689	96,203	89,737	121,072	137,626	140,108	135,041
Middle School	136,592	222,881	220,514	92,894	123,840	113,321	92,311	160,453	192,998	169,430
High School	<u>201,802</u>	<u>334,533</u>	<u>184,318</u>	<u>183,120</u>	<u>196,034</u>	<u>290,801</u>	<u>359,446</u>	<u>262,409</u>	<u>233,268</u>	<u>196,296</u>
Total School Facilities	648,264	946,296	776,997	557,835	739,961	754,403	926,149	847,855	828,635	898,584
Other Facilities	<u>37,719</u>	<u>42,524</u>	<u>148,738</u>	<u>24,247</u>	<u>57,878</u>	<u>58,590</u>	<u>23,540</u>	<u>77,088</u>	<u>52,634</u>	<u>82,026</u>
Grand Total	<u>\$ 685,983</u>	<u>\$ 988,820</u>	<u>\$ 925,735</u>	<u>\$ 582,082</u>	<u>\$ 797,839</u>	<u>\$ 812,993</u>	<u>\$ 949,689</u>	<u>\$ 924,943</u>	<u>\$ 881,269</u>	<u>\$ 980,610</u>

Source: District records

**RAHWAY SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
NJSBAIG		
Property - Blanket Building & Contents	\$ 138,491,094	\$ 5,000
Comprehensive General Liability	11,000,000	
Comprehensive Auto Liability	11,000,000	
Comprehensive Crime Coverage	250,000	5,000
Flood/Earthquake:		
Aggregate Subject to FEMA deductible in Flood	10,000,000	per occurrence
Zone "A"; all others at \$10,000 deductible	10,000,000	aggregate
NJSBAIG		
Boiler and Machinery	100,000,000	1,000
Firemen's Fund		
Excess Liability	50,000,000	
N.J. School Boards Insurance Group:		
Worker's Compensation- Professional and Clerical	34,790,786	
Worker's Compensation- Non-professional and Driver	2,508,000	
Athletic Accident- Monumental Life Insurance Company:		
All participants- Including Football	25,000	
Student Accident- AIG Life Insurance:		
Voluntary Participation	500,000	
Interscholastic Athletes	5,000,000	
NJSBAIG		
Environmental Liability Each Loss	1,000,000	25,000
Environmental Liability Aggregate	11,000,000	
NJ School Boards		
School Board Legal	11,000,000	10,000

Source: School District's records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
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ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA, PSA

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 Trustees
Rahway School District
Rahway, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements 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 Rahway School District as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Rahway School District's basic financial statements and have issued our report thereon dated December 4, 2017.

Internal Control Over Financial Reporting

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

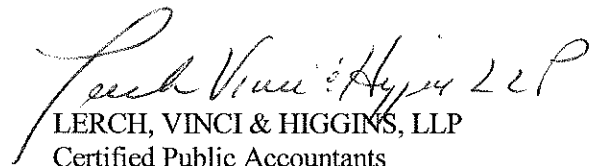
Compliance and Other Matters

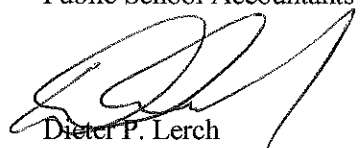
As part of obtaining reasonable assurance about whether the Rahway School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Rahway School District in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated December 4, 2017.

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 Rahway School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Rahway School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


 LERCH, VINCI & HIGGINS, LLP
 Certified Public Accountants
 Public School Accountants


 Dieter P. Lerch
 Public School Accountant
 PSA Number CS000756

Fair Lawn, New Jersey
 December 4, 2017



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
U.S. UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Rahway School District
Rahway, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Rahway School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Rahway School District's major federal and state programs for the fiscal year ended June 30, 2017. The Rahway School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Rahway School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; 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 Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, U.S. Uniform Guidance and New Jersey Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Rahway 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 federal and state program. However, our audit does not provide a legal determination of the Rahway School District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Rahway 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 federal and state programs for the fiscal year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the U.S. Uniform Guidance and New Jersey OMB Circular 15-08 and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal and state program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the Rahway 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 Rahway School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with U.S. Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Rahway School District's internal control over compliance.

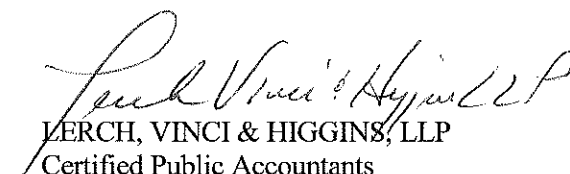
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

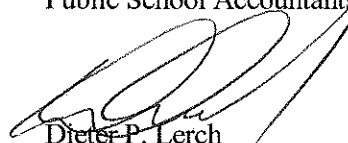
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of U.S. Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable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

Report on Schedule of Expenditures of Federal Awards Required by U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rahway School District as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated December 4, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.



VERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Dieter P. Lerch
Public School Accountant
PSA Number CS000756

Fair Lawn, New Jersey
December 4, 2017

RAHWAY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	FAIN Number	Grant Period	Award Amount	Carryover Amount			Budgetary Expenditures	Adjustment	Refund of Prior Year Balances	Balance, June 30, 2017		Due to Grantor at June 30, 2017	MEMO GAAP Receivable
					Balance July 1, 2016	Unearned Revenue	Accounts Receivable				Cash Received	(Account Receivable)		
U.S. Department of Education														
Passed-through State Department of Education														
Food Distribution Program -														
National School Lunch Program														
Non-Cash Assistance	10.550	171NJ304N1099	7/1/16-6/30/17	\$ 164,444			\$ 164,444	\$ 157,967			\$ 6,477			
Non-Cash Assistance	10.550	16161NJ304N1099	7/1/15-6/30/16	129,154	\$ 10,796			10,796						
Cash Assistance	10.555	171NJ304N1099	7/1/16-6/30/17	981,085			904,773	981,085		\$ (76,312)			\$ 76,312	
Cash Assistance	10.555	16161NJ304N1099	7/1/15-6/30/16	962,017	(184,160)		184,160							
National School Breakfast Program	10.553	171NJ304N1099	7/1/16-6/30/17	157,262			141,812	157,262		(15,450)			15,450	
National School Breakfast Program	10.553	16161NJ304N1099	7/1/15-6/30/16	152,020	(31,090)		31,090							
Total U.S. Department of Agriculture - Enterprise Fund					(204,454)		1,426,279	1,307,110			(91,762)	6,477		91,763
U.S. Department of Health and Human Services														
Passed-through State Department of Education:														
General Fund														
Medicaid Assistance	93.778	1705NJSMAP	7/1/16-6/30/17	174,178			174,178	174,178						
Medicaid Assistance	93.778	1605NJSMAP	7/1/15-6/30/16	138,255	(15,531)		15,531							
ARRA - SEMI Cost Settlement	93.778		4/1/2009-12/31/2009	13,407			13,407	13,407						
Total U.S. Department of Health and Human Services					(15,531)		202,916	187,585						
U.S. Department of Education														
Passed-through State Department of Education														
Special Revenue Fund														
IDEA Part B - Basic	84.027	H027A160100	7/1/16-6/30/17	989,419	\$ 2,001	\$ (2,001)	988,953	977,775		(2,467)	13,645			
IDEA Part B - Basic	84.027	H027A150100	7/1/15-6/30/16	1,035,422	(3,441)	(2,001)	2,001	3,441						
IDEA Part B - Preschool	84.173	H173A160114	7/1/16-6/30/17	28,394			28,394	28,076			318			
Total Special Education Cluster					(3,441)		1,020,788	1,005,851			(2,467)	13,963		
Title III	84.365	S365A160030	7/1/16-6/30/17	71,067		6,584	(6,584)	70,136	76,398		(7,515)	1,253		6,262
Title III	84.365	S365A150030	7/1/15-6/30/16	66,851	(8,181)	(6,584)	6,584	7,699	\$ 482					
Title III - Immigrant	84.365	S365A160030	7/1/16-6/30/17	7,434		11,154	(11,154)	2,723	16,459		(15,860)	2,129		13,731
Title III - Immigrant	84.365	S365A150030	7/1/15-6/30/16	15,293	(597)	(11,154)	11,154	597						
Total Title III Cluster					(8,778)		81,160	92,857	482		(23,375)	3,382		19,993
Title I	84.010	S010A160030	7/1/16-6/30/17	569,890		19,181	(19,181)	460,527	576,679		(128,544)	12,392		116,152
Title I	84.010	S010A150030	7/1/15-6/30/16	554,521	(151,207)	(19,181)	19,181	151,207						
Title IIA	84.367	S367A160029	7/1/16-6/30/17	122,840		11,390	(11,390)	83,641	100,022		(50,589)	34,208		16,381
Title IIA	84.367	S367A150029	7/1/15-6/30/16	130,677	(27,294)	(11,390)	11,390	27,294						
Total U.S. Department of Education - Special Revenue Fund					(190,720)		1,824,617	1,775,409	482		(204,975)	63,945		152,526
Total Federal Awards					\$ (410,505)	\$ -	\$ 3,453,812	\$ 3,270,104	\$ 482	\$ -	\$ (296,737)	\$ 70,422	\$ -	\$ 244,388

RAHWAY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Award Amount	Grant Period From	Balance, July 1, 2016		Cash Received	Budgetary Expenditures	Transfers/Adjustment	Refund Prior Years' Balances	June 30, 2017		Due to Grantor	MEMO	
				Unearned Revenue/ (Accts Rec.)	Due to Grantor					Unearned Revenue	GAAP Receivable		Cumulative Total Expenditures	
General Fund:														
State Department of Education:														
Equalization Aid	17-495-034-5120-078	\$ 17,565,441	7/1/16-6/30/17			\$ 15,822,331	\$ 17,565,441			\$ (1,743,110)				\$ 17,565,441
Equalization Aid	16-495-034-5120-078	17,507,406	7/1/15-6/30/16	\$ (1,711,126)		1,711,126								
Security Aid	17-495-034-5120-084	473,055	7/1/16-6/30/17			426,111	473,055			(46,944)				473,055
Security Aid	16-495-034-5120-084	443,128	7/1/15-6/30/16	(43,310)		43,310								
Special Education Aid	17-495-034-5120-089	2,263,445	7/1/16-6/30/17			2,038,832	2,263,445			(224,613)				2,263,445
Special Education Aid	16-495-034-5120-089	2,230,002	7/1/15-6/30/16	(217,955)		217,955								
Under Adequacy Aid	17-495-034-5120-096	86,609	7/1/16-6/30/17			78,014	86,609			(8,595)				86,609
Under Adequacy Aid	16-495-034-5120-096	86,609	7/1/15-6/30/16	(8,465)		8,465								
PARCC Readiness Aid	17-495-034-5120-098	36,460	7/1/16-6/30/17			32,842	36,460			(3,618)				36,460
PARCC Readiness Aid	16-495-034-5120-098	36,460	7/1/15-6/30/16	(3,564)		3,564								
Per Pupil Growth Aid	17-495-034-5120-097	36,460	7/1/16-6/30/17			32,842	36,460			(3,618)				36,460
Per Pupil Growth Aid	16-495-034-5120-097	36,460	7/1/15-6/30/16	(3,564)		3,564								
Professional Learning Community Aid	17-495-034-5120-101	36,910	7/1/16-6/30/17			33,247	36,910			(3,663)				36,910
Total State Aid Public Cluster				(1,987,984)		20,452,203	20,498,380			(2,034,161)				20,498,380
Transportation Aid	17-495-034-5120-014	209,420	7/1/16-6/30/17			188,638	209,420			(20,782)				209,420
Transportation Aid	16-495-034-5120-014	181,590	7/1/15-6/30/16	(17,748)		17,748								
Nonpublic Transportation	not available	34,991	7/1/16-6/30/17				34,991			(34,991)			\$ 34,991	34,991
Nonpublic Transportation	not available	35,861	7/1/15-6/30/16	(35,861)		35,861								
Total Transportation Aid Cluster				(53,609)		242,247	244,411			(55,773)				34,991
Extraordinary Aid	17-100-034-5120-473	604,445	7/1/16-6/30/17				604,445			(604,445)				604,445
Extraordinary Aid	16-100-034-5120-473	571,276	7/1/15-6/30/16	(571,276)		571,276								
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	2,110,221	7/1/15-6/30/16			2,006,472	2,110,221			(103,749)			103,749	2,110,221
On-Behalf TPAF Pension Contribution	17-495-034-5094-006	2,955,316	7/1/16-6/30/17			2,955,316	2,955,316							2,955,316
On-Behalf TPAF Non-Contributory Group Insurance	17-495-034-5094-007	107,078	7/1/16-6/30/17			107,078	107,078							107,078
On-Behalf TPAF Long Term Disability Insurance	17-495-034-5094-007	5,851	7/1/16-6/30/17			5,851	5,851							5,851
On-Behalf TPAF Post Retirement Medical Benefits	17-495-034-5094-001	2,551,671	7/1/16-6/30/17			2,551,671	2,551,671							2,551,671
Total General Fund				(2,612,869)		28,892,114	29,077,373			(2,798,128)				138,740
Special Revenue Fund:														
State Department of Education:														
N.J. Nonpublic Aid:														
Textbook Aid	17-100-034-5120-064	692	7/1/16-6/30/17			692	605					\$ 87		605
Textbook Aid	16-100-034-5120-064	2,055	7/1/15-6/30/16		\$ 1,468				\$ 1,468					
Nursing Services	17-100-034-5120-070	1,170	7/1/16-6/30/17			1,170	1,170							1,170
Technology Initiative	17-100-034-5120-373	312	7/1/16-6/30/17			312	266						46	266
Technology Initiative	16-100-034-5120-373	936	7/1/15-6/30/16		602				602					
Security Aid	17-100-034-5120-509	650	7/1/16-6/30/17			650	625					25		625
Security Aid	16-100-034-5120-509	900	7/1/15-6/30/16		585				585					
Handicapped Services:														
Supplemental Instruction	15-100-034-5120-066	785	7/1/14-6/30/15		785									
Corrective Speech	15-100-034-5120-066	884	7/1/14-6/30/15		884									
Preschool Education Aid	17-495-034-5120-086	707,941	7/1/16-6/30/17		\$ 69,867	637,147	707,941			(70,794)	\$ 69,867			707,941
Preschool Education Aid	16-495-034-5120-086	687,999	7/1/15-6/30/16	1,068	(69,867)	68,799								
Total Special Revenue Fund				1,068	4,324	708,770	710,607		2,655	(70,794)	69,867	158		710,607

RAHWAY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Award Amount	Grant Period From	Balance, July 1, 2016			Cash Received	Budgetary Expenditures	Adjustment	Refund Prior Years' Balances	Balance, June 30, 2017			MEMO	
				Unearned Revenue/ (Accts Res.)	Due to Grantor	Carryover Amount					(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
Debt Service Fund:															
Debt Service Aid - Type II	17-495-034-5120-075	\$ 213,344	7/1/16-6/30/17	-	-	-	\$ 213,344	\$ 213,344	-	-	-	-	-	-	\$ 213,344
Total Debt Service Fund				-	-	-	213,344	213,344	-	-	-	-	-	-	213,344
Enterprise Fund:															
School Lunch Program	17-100-010-3350-023	21,379	7/1/16-6/30/17	-	-	-	19,713	21,379	-	-	\$ (1,666)	-	-	\$ 1,666	21,379
School Lunch Program	16-100-010-3350-023	21,172	7/1/15-6/30/16	\$ (4,033)	-	-	4,033	-	-	-	-	-	-	-	-
Total Enterprise Fund				(4,033)	-	-	23,746	21,379	-	-	(1,666)	-	-	1,666	21,379
Capital Projects Fund:															
State Economic Development Authority															
Educational Facilities Construction & Financing Act (Schools Development Authority.):															
Cleveland School Boiler Replacement	4290-090-13-G2RM	120,589		(77,159)	-	-	-	-	-	-	(120,589)	\$ 43,430	-	120,589	77,159
High School Emergency Generator	4290-050-14-G2RL	111,877		(53,927)	-	-	-	15,839	-	-	(111,877)	42,111	-	111,877	69,766
2009 Referendum															
High School Room Renovations	4290-050-09-00AY	4,304,169		(855,466)	-	-	-	-	-	-	(860,833)	5,367	-	860,833	4,298,802
High School Electrical Service and Distribution Upgrades	4290-050-09-0ZB1	142,815		(142,453)	-	-	142,453	-	-	-	-	-	-	-	142,815
High School Window, HVAC and Electrical Upgrades	4290-050-09-0ZBK	618,341		(618,341)	-	-	-	-	-	-	(618,341)	-	-	618,341	618,341
Middle School Room Renovations	4290-060-09-00AZ	1,251,875		(233,012)	-	-	250,375	17,363	-	-	-	-	-	-	1,251,875
Middle School Boilers, Fire Alarms and Electrical Panels	4290-060-09-0ZBL	2,295,442		(454,631)	-	-	-	-	-	-	(459,088)	4,457	-	459,088	2,290,985
Cleveland School Additions and Renovations	4290-090-09-00BA	1,620,946		(1,608,070)	-	-	-	-	-	-	(1,620,946)	12,876	-	1,620,946	1,608,070
Cleveland School Electrical Service Upgrades	4290-090-09-0ZBN	98,644		(98,499)	-	-	98,499	-	-	-	-	-	-	-	98,644
Total Capital Projects Fund				(4,141,558)	-	-	491,327	33,202	-	-	(3,791,674)	108,241	-	3,791,674	10,456,457
Total State Financial Assistance Subject to Single Audit Determination				\$ (6,757,392)	\$ 4,324	\$ -	\$ 30,329,301	\$ 30,055,905	\$ -	\$ 2,655	\$ (6,662,362)	\$ 178,108	\$ 158	\$ 3,932,080	\$ 40,479,160
Less:															
State Assistance Not Subject to Single Audit:															
TPAF Pension								(2,955,316)							
TPAF NCGI Contribution								(107,078)							
TPAF LTDI Contribution								(5,851)							
TPAF Post-Retirement Medical Contribution								(2,551,671)							
State Assistance Subject to Major Program Determination								\$ 24,435,989							

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

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Rahway School District. The Board of Education is defined in Note 1(A) to the Board's financial statements. All federal financial assistance received directly from federal 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 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

The 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.

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2.. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain 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, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$82,380 for the general fund and a decrease of \$555 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 187,585	\$ 28,994,993	\$ 29,182,578
Special Revenue Fund	1,775,781	709,680	2,485,461
Capital Projects Fund		33,202	33,202
Debt Service Fund		213,344	213,344
Food Service Fund	1,285,518	21,379	1,306,897
	<hr/>	<hr/>	<hr/>
Total Financial Assistance	\$ 3,248,884	\$ 29,972,598	\$ 33,221,482

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

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the National School Lunch Program as non-cash assistance represent current year value received and current year distributions, respectively of the Federal Food Distribution Program. TPAF Social Security contributions in the amount of \$2,110,221 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2017. The amount reported as TPAF Pension System Contributions in the amount of \$3,062,394, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$2,551,671 and TPAF Long-Term Disability Insurance in the amount of \$5,851 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2016.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension, Post-Retirement Medical Benefits Contributions and Long Term Disability Insurance are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's financial statements and the amount subject to State single audit and major program determination.

NOTE 7 DE MINIMIS INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? yes X none reported

Noncompliance material to the basic financial statements noted? yes X no

Federal Awards Section

Internal Control over compliance:

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

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with U.S. Uniform Guidance yes X none

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	171NJ304N1099	National School Lunch Program
10.553	171NJ304N1099	National School Breakfast Program
84.027	H027A160100	IDEA Part B - Basic
84.173	H173A160114	IDEA Part B - Preschool

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

**RAHWAY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part I – Summary of Auditor’s Results

State Awards Section

Internal Control over compliance:

- 1) Material weakness(es) identified? _____ yes X no
- 2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? _____ yes X none reported

Type of auditor’s report on compliance for major programs: _____ Unmodified

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08, as amended? X yes _____ none

Identification of major programs:

<u>State Grant/Project Numbers</u>	<u>Name of State Program</u>
17-495-034-5120-078	Equalization Aid
17-495-034-5120-089	Special Education Aid
17-495-034-5120-084	Security Aid
17-495-034-5120-096	Under Adequacy Aid
17-495-034-5120-098	PARCC Readiness Aid
17-495-034-5120-097	Per Pupil Growth Aid
17-495-034-5120-101	Professional Learning Community Aid
17-495-034-5094-003	Reimbursed TPAF Social Security Contributions

Dollar threshold used to distinguish between Type A and Type B Programs \$ _____ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

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

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

There are none.

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

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

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

CURRENT YEAR FEDERAL AWARDS

There are none.

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

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

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

CURRENT YEAR STATE AWARDS

Finding 2017-001

Our audit indicated that payments to a vendor performing fire alarm services were made without the solicitation of bids or quotes.

State Program Information

Equalization Aid	17-495-034-5120-078
Special Education Aid	17-495-034-5120-089
Security Aid	17-495-034-5120-084
Under Adequacy Aid	17-495-034-5120-096
PARCC Readiness Aid	17-495-034-5120-098
Per Pupil Growth Aid	17-495-034-5120-097
Professional Learning Community Aid	17-495-034-5120-101

Criteria or Specific Requirement

State of New Jersey State Aid/Grant Compliance Supplement; Public School Contracts Law

Condition

Payments were made for fire alarm services without the solicitation of bids or quotes.

Questioned Costs

None.

Context

A vendor was paid a total of \$90,472 for fire alarm services without the solicitation of bids or quotes.

Cause

Unkown.

Effect

The District is not in compliance with the Public School Contracts Law with respect to quotes.

Recommendation

The District solicit bids or quotes, as applicable, prior to the use of vendors for the performance of fire alarm services.

Views of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**RAHWAY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

Finding 2016-001

Several payments to vendors performing contracted maintenance and electrical services were made without the solicitation of bids or quotes.

Current Status

Corrective action has been taken.