

**SCHOOL DISTRICT**  
**OF**  
**DUNELLEN BOROUGH**

**Dunellen School District  
Board of Education  
Dunellen, Middlesex County  
New Jersey**

**Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2018**



# **Comprehensive Annual**

## **Financial Report**

**of the**

**Dunellen School District**

**Board of Education**

**Dunellen, New Jersey**

**For the Fiscal Year Ending June 30, 2018**

**Prepared by**

**Dunellen School District**

**Board of Education**

**Finance Department**



# OUTLINE OF CAFR

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## **Introductory Section**



# DUNELLEN PUBLIC SCHOOLS

High Street and Lehigh Street  
Dunellen, New Jersey 08812  
Telephone: (732) 400-5900

Mr. Eugene G. Mosley  
Superintendent of Schools

Mr. Brian P. De Lucia  
Business Administrator

January 16, 2019

The Honorable President and Members  
of the Board of Education  
Dunellen School District  
County of Middlesex, State of New Jersey

Dear Board Members:

The comprehensive annual financial report of the Dunellen School District for the fiscal year ended June 30, 2018, 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 Dunellen Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is subject to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget "Uniform Guidance", "Audits of States, Local Governments and Non-profit Organizations", and New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control and compliance with applicable laws, regulations contracts and grants and findings and questioned costs are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: Dunellen School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB) in codification section 2100. All funds of the District are included in this report. The Dunellen Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular, as well as special education for handicapped students from preschool disabled through grade 12.

2) ECONOMIC CONDITION AND OUTLOOK: ECONOMIC CONDITION AND OUTLOOK: Although Dunellen was relatively stable for a number of years, the recession of 2008 continues to impact employment as it has the state and country. The Middlesex County unemployment rate for 2012 was 8.1% while Dunellen's unemployment rate was higher at 12%. The equalized valuation of real property has stabilized at the level it was in 2010. The Borough of Dunellen continues to focus on increasing the taxable value of property in the Borough and the effects of the property revaluation is yet to be seen.

3) MAJOR INITIATIVES:

The District financial budget includes and supports the maintenance of our three school buildings, upgrades and maintenance of all district technology, new and revised curriculum, and professional development opportunities for all staff. Capital projects have consumed a significant amount of our available resources with a focus on safety and security on both campuses.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is the responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2018.

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

7. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit. Deposit Protection Act ("GUDP A"). GUDP A was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

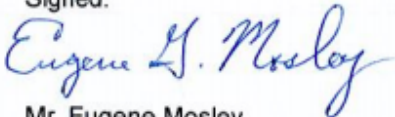
8. RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The New Jersey Schools Insurance Group oversees risk management for the District. A schedule of insurance coverage is found on Exhibit J-20.

9. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ardito & Co., LLP LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB "Uniform Guidance" and New Jersey's OMB Circular 15-08. The auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

10. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Dunellen School District for their concern in providing fiscal accountability to the citizens and taxpayers of the district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

Signed:



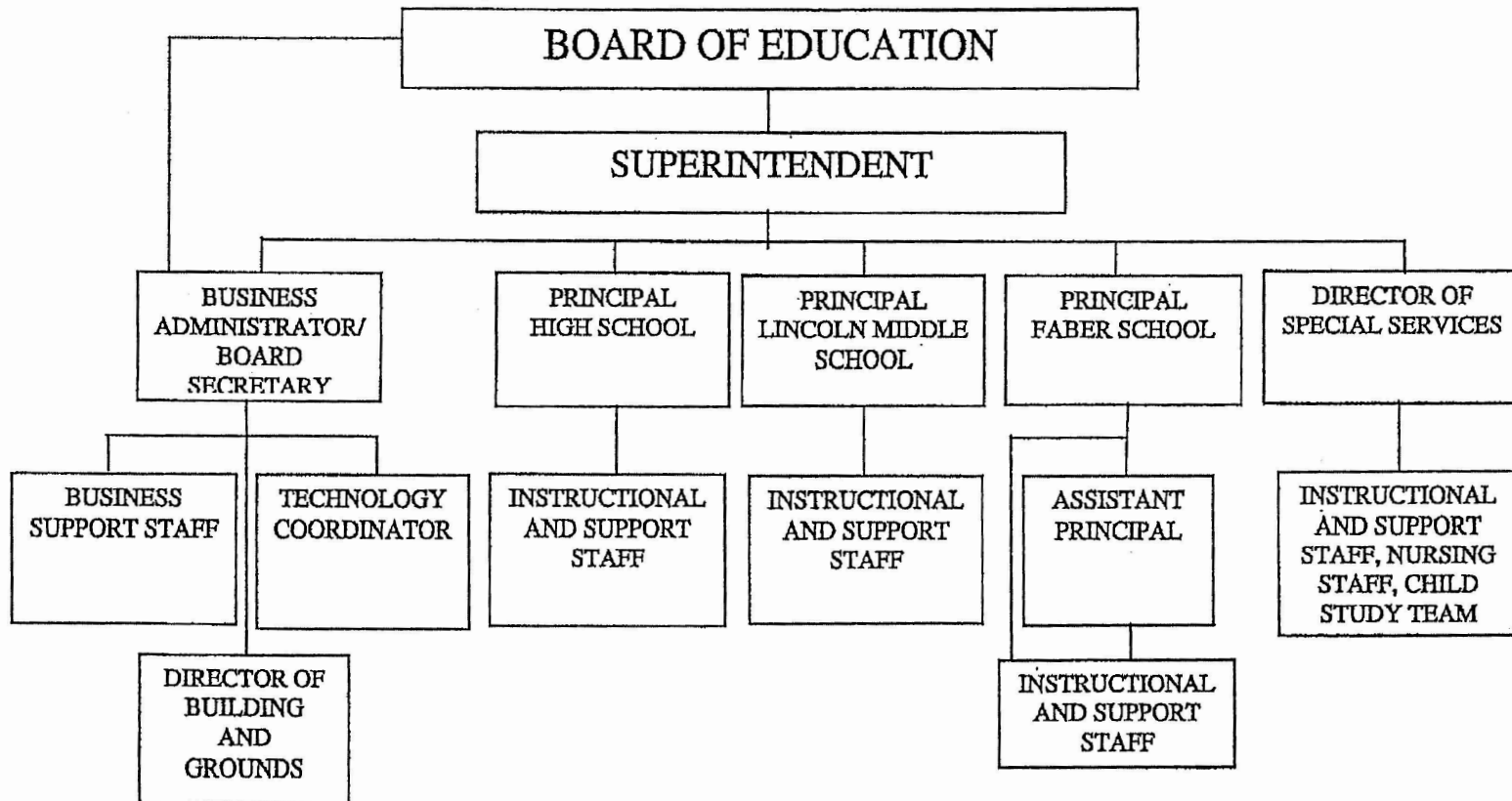
Mr. Eugene Mosley  
Superintendent of Schools

Signed:



Mr. Brian DeLucia  
School Business Administrator/  
Board Secretary

DUNELLEN BOARD OF EDUCATION TABLE OF ORGANIZATION



**DUNELLEN SCHOOL DISTRICT**

**BOARD OF EDUCATION**

**ROSTER OF OFFICIALS**

**June 30, 2018**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Jeffrey Portik, <i>President</i>	2021
George Johnson, <i>Vice-President</i>	2020
Barbara McGuane	2019
Jason Anderson	2020
John Paul Osborn	2019
Faith Thompson	2021
Kenneth Sanders	2020
Gerard Trotta	2020
Lisa Howard	2019

**Other Officials**

Mr. Eugene Mosley, Superintendent

Mr. Brian P. DeLucia, Business Administrator/ Board Secretary

Marc H. Zitomer, Esquire, Board Attorney

**DUNELLEN SCHOOL DISTRICT**  
**BOARD OF EDUCATION**

**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

**Ardito & Co., LLP**  
1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825-1192

**ATTORNEY**

**Marc H. Zitomer, Esquire**  
**Schenck, Price, Smith, & King**  
220 Park Avenue, PO Box 991  
Florham Park, NJ 07932

**OFFICIAL DEPOSITORY**

**Provident Savings Bank**  
P.O. Box 48  
Jersey City, New Jersey 07303



## **Financial Section**

# **Independent Auditor's Report**



## **ARDITO & Co., LLP**

1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825-1192  
908-996-4711 Fax: 908-996-4688  
e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA  
Douglas R. Williams, CPA, RMA, PSA

### **Independent Auditor's Report**

The Honorable President and  
Members of the Board of Education  
Dunellen School District  
County of Middlesex  
Dunellen, New Jersey 08812

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

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Dunellen School District Board of Education, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

-Continued-

In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Dunellen School District Board of Education, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dunellen School District Board of Education's basic financial statements. The introductory section, combining and individual non-major fund financial statements, long-term debt schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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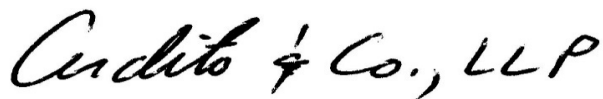
The schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey OMB's Circulars 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are also not a required part of the basic financial statements.

The combining and individual non-major fund financial statement information, long-term debt schedules, and the schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey OMB's Circulars 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statement information, long-term debt schedules, and schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey OMB's circulars 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are fairly stated in all material respects in relation to the basic financial statements as a whole.

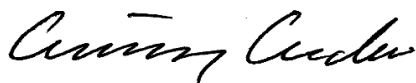
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 16, 2019, on our consideration of the Dunellen School District Board of Education'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the District's internal control over financial reporting and compliance.



ARDITO & CO., LLP  
January 16, 2019



Licensed Public School Accountant No. 2369

**Required Supplementary Information - Part I**

**Management's Discussion and Analysis**

DUNELLEN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

The discussion and analysis of Dunellen School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2018 are as follows:

- ◆ In total, Net Position increased \$1,087,210 which represents a 15.3% increase from 2017.
- ◆ General revenues accounted for \$11,711,020 in revenue or 45.7% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$13,936,798 or 54.3% of total revenues of \$25,647,818.
- ◆ Total assets of governmental activities increased by \$535,395, as cash and cash equivalents increased by \$1,151,377, receivables decreased by \$182,895, and capital assets decreased by \$433,744.
- ◆ The School District had \$24,560,608 in expenses; only \$13,936,798 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$11,711,020 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$19,251,093 in revenues and \$18,275,725 in expenditures. The General Fund's surplus balance increased \$178,412 over 2017, which compares favorably to the budgeted decrease of \$475,000.

**Using this Generally Accepted Accounting Principals Report (GAAP)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Dunellen School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. 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 fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Dunellen School District, the General Fund is by far the most significant fund.

DUNELLEN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

**Reporting the School District as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document 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 asks the question, "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting 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 is received or paid.

These two statements report the School District's Net Position and changes in those assets. This change in Net Position is important because it tells the reader that, for the School District as a whole, the financial positions 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. Nonfinancial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, 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 Activity--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 activity.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 26. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, and Capital Projects Fund.



DUNELLEN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

**Governmental Funds**

The School District's activities are reported in governmental funds, which focus on how money 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 you determine whether there are more or fewer 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 governmental funds is reconciled in the financial statements.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's Net Position for 2018 compared to 2017.

	<u>2018</u>	<u>2017</u>
<b>Table 1</b>		
<b>Net Position</b>		
<b>Assets</b>		
Current and Other Assets	\$ 1,955,255	\$ 986,116
Capital Assets	<u>17,443,364</u>	<u>17,877,108</u>
<b>Total Assets</b>	<u>19,398,619</u>	<u>18,863,224</u>
<b>Deferred Outflows of Resources</b>	<u>1,775,755</u>	<u>2,428,798</u>
<b>Liabilities</b>		
Long-Term Liabilities	11,918,657	13,602,081
Other Liabilities	<u>153,896</u>	<u>562,784</u>
<b>Total Liabilities</b>	<u>12,072,553</u>	<u>14,164,866</u>
<b>Deferred Inflows of Resources</b>	<u>897,505</u>	<u>10,050</u>
<b>Net Position</b>		
Invested in Capital Assets, Net of Debt	10,408,364	10,407,733
Restricted	686,176	813,505
Unrestricted	<u>(2,890,224)</u>	<u>(4,104,131)</u>
<b>Total Net Position</b>	<u>\$ 8,204,316</u>	<u>\$ 7,117,106</u>

DUNELLEN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

Total assets of governmental activities increased by \$535,395, as cash and cash equivalents increased by \$1,151,377, receivables decreased by \$182,895, and capital assets decreased by \$433,744.

The cash increase was due to operational efficiencies towards budgetary revenues and expenditures. The decrease in capital assets was entirely due to depreciation expense for the year.

Table 2 shows the changes in Net Position from fiscal year 2017.

**Table 2**  
**Changes in Net Position**

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 1,049,903	\$ 998,069
Operating Grants and Contributions	12,886,895	8,319,051
General Revenues:		
Property Taxes	11,625,900	10,695,374
Federal & State Aid on Capital Asset Projects	-	4,434,087
Investment Earnings	2,815	
Other	<u>82,305</u>	<u>68,309</u>
<b>Total Revenues</b>	<u>25,647,818</u>	<u>24,514,890</u>
<b>Program Expenses</b>		
Instruction	13,942,555	13,695,728
Support Services:		
Tuition	858,063	884,398
Pupils and Instructional Staff	3,250,959	3,127,310
General Administration, School Administration, Business	2,958,951	2,989,142
Operations and Maintenance of Facilities	1,791,859	1,739,078
Pupil Transportation	443,149	534,132
Business-Type Activities	975,277	1,131,846
Interest and Fiscal Charges	<u>339,795</u>	<u>386,393</u>
<b>Total Expenses</b>	<u>24,560,608</u>	<u>24,488,027</u>
Increase in Net Position	<u>\$ 1,087,210</u>	<u>\$ 26,863</u>

DUNELLEN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

**Governmental Activities**

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 45.3% percent of revenues for governmental activities for the Dunellen School District for the fiscal year 2018.

Instruction comprises 56.8% of district expenses. Support services expenses make up 37.9% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Instruction	\$ 13,942,555	\$ 5,646,668	13,747,444	\$8,543,723
Support Services:				
Tuition	858,063	858,063	884,398	610,066
Pupils and Instructional Staff	3,250,959	1,347,650	3,127,310	2,135,282
General Admin., School Admin., Business	2,958,951	1,241,461	2,989,142	2,080,501
Operation and Maintenance of Facilities	1,791,859	1,143,296	1,739,078	1,373,584
Pupil Transportation	443,149	443,149	534,132	512,912
Business-Type Activities	975,277	(396,272)	1,131,846	(148,639)
Interest and Fiscal Charges	339,795	339,795	334,677	63,477
<b>Total Expenses</b>	<u>\$ 24,560,608</u>	<u>\$ 10,623,810</u>	<u>\$ 24,488,027</u>	<u>\$ 15,170,906</u>

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

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students.

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

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

DUNELLEN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

Business-type activities includes expenses related to activities provided by the School District which are designed to provide for students to participate in food service and early childhood care.

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

The dependence upon tax revenues is apparent. Over 40.5% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 54.1%. The community, as a whole, is the primary support for the Dunellen School District.

**The School District's Funds**

Information about the School District's major funds starts on page 26. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$20,530,596 and expenditures of \$19,678,063. The General Fund's surplus balance increased \$178,412 over 2017, which compares favorably to the budgeted decrease of \$475,000.

**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.

During the course of the fiscal 2018 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$17,033,098, \$394,632 over original budgeted estimates of \$16,638,466. This difference was due primarily to additional state aid compared to budgeted aid.

General fund revenues exceeded expenditures by \$213,949. Again this surplus compares to a budgeted deficit of \$475,000, which was due to the use of surplus needed to balance the 2018 budget.

The budgeted deficit was reduced due additional revenue as stated above, and cost savings in the areas of instruction and maintenance.

Overall general fund balance (budget basis) was \$1,303,550, and amounts ear-marked and reserved for future purposes were \$967,167, creating a surplus in unreserved fund balance of \$336,383. Management believes unreserved fund balance at the 2% statutory levels will provide adequate working capital for the district.

DUNELLEN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

**Capital Assets**

At the end of the fiscal year 2018, the School District had \$17,318,113 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2018 balances compared to 2017.

**Table 4**  
**Capital Assets (Net of Depreciation) at June 30,**

	<u>2018</u>	<u>2017</u>
Land Improvements	245,382	274,970
Buildings and Improvements	17,026,605	17,479,808
Machinery and Equipment	<u>46,126</u>	<u>59,140</u>
Totals	<u>\$ 17,318,113</u>	<u>\$ 17,813,918</u>

Overall capital assets decreased \$495,805 from fiscal year 2017 to fiscal year 2018. The decrease in capital assets was due to depreciation expense for the year.

Capital improvements of \$16,569 were purchased during fiscal year 2018.

**Debt Administration**

At June 30, 2018, the School District had \$7,483,993 as outstanding long term debt. Of this amount, \$448,993 is for compensated absences and \$7,035,000 is for bonds payable outstanding.

At June 30, 2018, the School District's overall legal debt margin was \$17,584,955 and the unvoted debt margin was \$10,549,955.

DUNELLEN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

**For the Future**

The Dunellen School District is in very good financial condition presently. A major concern is the continued reliance on local property taxes. The Dunellen School District is primarily a residential community, thus the burden is focused on homeowners to bear the tax burden. However, future finances are not without challenges as the community continues to grow and state funding is frozen.

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

**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 show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Brian P. DeLucia, School Business Administrator/Board Secretary at Dunellen School District, High and Lehigh Streets, Dunellen, New Jersey.

## **Basic Financial Statements**

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

The statement of Net Position and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.



DUNELLEN SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2018

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,320,668	\$ 469,196	\$ 1,789,864
Receivables from Other Governments	118,012	22,623	140,635
Other Receivables	7,847	11,124	18,971
Inventory		5,785	5,785
Capital Assets, Net (Note 6):	17,318,113	125,251	17,443,364
<b>Total Assets</b>	<b>18,764,640</b>	<b>633,979</b>	<b>19,398,619</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Deferred Outflows	1,775,755		1,775,755
<b>LIABILITIES</b>			
Accounts Payable	29,539		29,539
Unearned Revenue	1,165	5,400	6,565
Accrued Interest	117,792		117,792
Net Pension Liability (Note 8)	4,434,664		4,434,664
Noncurrent Liabilities (Note 7):			
Due Within One Year	470,000		470,000
Due Beyond One Year	7,013,993		7,013,993
<b>Total Liabilities</b>	<b>12,067,153</b>	<b>5,400</b>	<b>12,072,553</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Deferred Inflows	897,505		897,505
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	10,283,113	125,251	10,408,364
Restricted for:			
Other Purposes	361,176		361,176
Assigned	325,000		325,000
Unrestricted	(3,393,552)	503,328	(2,890,224)
<b>Total Net Position</b>	<b>\$ 7,575,737</b>	<b>\$ 628,579</b>	<b>\$ 8,204,316</b>

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

DUNELLEN SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
<b>Functions/Programs</b>						
Governmental Activities:						
Instruction:						
Regular	\$ 10,544,290	\$ 19,813	\$ 6,486,521		\$ (4,037,956)	\$ (4,037,956)
Special Education	2,765,879	5,846	1,783,707		(976,326)	(976,326)
Other Special Instruction	632,386				(632,386)	(632,386)
Support Services:						
Tuition	858,063				(858,063)	(858,063)
Student & Instruction Related Services	3,250,959	5,846	1,897,463		(1,347,650)	(1,347,650)
School Administrative Services	1,516,422	3,374	1,029,522		(483,526)	(483,526)
General and Business Admin. Services	1,442,529	2,236	682,358		(757,935)	(757,935)
Plant Operations and Maintenance	1,791,859	2,119	646,444		(1,143,296)	(1,143,296)
Pupil Transportation	443,149		-		(443,149)	(443,149)
Interest and Fiscal Charges	339,795		-		(339,795)	(339,795)
Total Governmental Activities	23,585,331	39,234	12,526,015		(11,020,082)	(11,020,082)
Business-Type Activities:						
Food Service	567,122	265,503	354,133		\$ 52,514	52,514
Preschool Program	227,519	443,300			215,781	215,781
After Care	178,337	292,766	6,747		121,176	121,176
Chrome Program	2,299	9,100			6,801	6,801
Total Business-Type Activities	975,277	1,010,669	360,880	-	396,272	396,272
<b>Total Primary Government</b>	<b>\$ 24,560,608</b>	<b>\$ 1,049,903</b>	<b>\$ 12,886,895</b>		<b>\$ (11,020,082)</b>	<b>\$ (10,623,810)</b>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 10,907,075		\$ 10,907,075
Taxes Levied for Debt Service				718,825		718,825
Investment Earnings				2,815		2,815
Miscellaneous Income				76,814	\$ 5,491	82,305
Total General Revenues, Special Items, Extraordinary Items and Transfers				11,705,529	5,491	11,711,020
Change in Net Position				685,447	401,763	1,087,210
Net Position—Beginning				6,890,290	226,816	7,117,106
<b>Net Position—Ending</b>				<b>\$ 7,575,737</b>	<b>\$ 628,579</b>	<b>\$ 8,204,316</b>

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

## **FUND FINANCIAL STATEMENTS**

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

DUNELLEN SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2018

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 638,069		\$ 682,598	\$ 1	\$ 1,320,668
Interfund Receivables	11,411				11,411
Other Accounts Receivable	7,847				7,847
Receivables from Other Governments	105,436	\$ 12,576			118,012
<b>TOTAL ASSETS</b>	<b>\$ 762,763</b>	<b>\$ 12,576</b>	<b>\$ 682,598</b>	<b>\$ 1</b>	<b>\$ 1,457,938</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 29,539				\$ 29,539
Interfund Payables		\$ 11,411			11,411
Deferred Revenue	-	1,165			1,165
<b>Total Liabilities</b>	<b>29,539</b>	<b>12,576</b>	<b>-</b>	<b>-</b>	<b>42,115</b>
<b>Fund Balances:</b>					
<u>Restricted for:</u>					
Excess Surplus	12,176				12,176
Capital Reserve	349,000				349,000
Debt Service					-
<u>Assigned to:</u>					
Year-End Encumbrances	280,991		\$ 223,219		504,210
Designated for Subsequent Year's Expenditures	325,000				325,000
Capital Projects Fund			459,379		459,379
Debt Service Fund				\$ 1	1
<u>Unassigned:</u>					
General Fund	(233,943)				(233,943)
<b>Total Fund Balances</b>	<b>733,224</b>	<b>-</b>	<b>682,598</b>	<b>1</b>	<b>1,415,823</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 762,763</b>	<b>\$ 12,576</b>	<b>\$ 682,598</b>	<b>\$ 1</b>	<b>\$ 1,457,938</b>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$26,152,763 and the accumulated depreciation is \$8,834,650. \$17,318,113

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 8) 1,775,755

Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 8) (897,505)

Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 8) (4,434,664)

Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7) (117,792)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7) (7,483,993)

**Net Position of governmental activities** \$ 7,575,737

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
<b>Local sources:</b>					
Local Tax Levy	\$ 10,907,075			\$ 718,825	\$ 11,625,900
Tuition	39,234				39,234
Miscellaneous	73,775	\$ 5,854			79,629
<b>Total - Local Sources</b>	<b>11,020,084</b>	<b>5,854</b>	-	<b>718,825</b>	<b>11,744,763</b>
<b>State Sources</b>	<b>8,213,778</b>				<b>8,213,778</b>
<b>Federal Sources</b>	<b>17,231</b>	<b>554,824</b>			<b>572,055</b>
<b>Total Revenues</b>	<b>19,251,093</b>	<b>560,678</b>	-	<b>718,825</b>	<b>20,530,596</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Regular Instruction	4,927,984	446,922			5,374,906
Special Education Instruction	1,419,284				1,419,284
Other Special Instruction	632,386				632,386
Support services and undistributed costs:					
Tuition	858,063				858,063
Student and Instruction Related Services	1,790,608	113,756			1,904,364
School Administrative Services	730,993				730,993
Other Administrative Services	927,389				927,389
Plant Operations and Maintenance	1,253,391				1,253,391
Pupil Transportation	443,149				443,149
Unallocated Benefits	5,155,928				5,155,928
Transfer to Charter School	29,528				29,528
<b>Debt Service:</b>					
Principal				455,000	455,000
Interest and Other Charges				263,825	263,825
<b>Capital Outlay</b>	<b>107,022</b>		<b>\$ 122,835</b>		<b>229,857</b>
<b>Total Expenditures</b>	<b>18,275,725</b>	<b>560,678</b>	<b>122,835</b>	<b>718,825</b>	<b>19,678,063</b>
Excess (Deficiency) of Revenues Over Expenditures	975,368	-	(122,835)	-	852,533
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers to Capital Projects Fund	(796,956)		796,956	-	-
Total other financing sources and uses	(796,956)		796,956	-	-
Net Change in Fund Balances	178,412	-	674,121	-	852,533
Fund Balance—July 1	554,812	-	8,477	1	563,290
<b>Fund Balance—June 30</b>	<b>\$ 733,224</b>	<b>-</b>	<b>\$ 682,598</b>	<b>\$ 1</b>	<b>\$ 1,415,823</b>

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

DUNELLEN SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

**Total Net Change in Fund Balances - Governmental Funds (from B-2)** \$ 852,533

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

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

Depreciation Expense	\$ (512,374)	
Capital Outlays	<u>16,569</u>	(495,805)

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.

(111,913)

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

455,000

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount.

(14,368)

**Change in Net Position of Governmental Activities**

\$ 685,447

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

**STATEMENT OF PROPRIETARY NET POSITION  
PROPRIETARY FUNDS**

June 30, 2018

**Business-Type Activities-  
Enterprise Funds**

	<u>Food Service</u>	<u>Preschool Program</u>	<u>After Care</u>	<u>Chrome Program</u>	<u>Totals</u>
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and Cash Equivalents	\$ 5,356	\$ 332,519	\$ 124,520	\$ 6,801	\$ 469,196
Federal and State Accounts Receivable	22,048		575		22,623
Other Accounts Receivable	81	4,900	6,143		11,124
Inventories	5,785				5,785
<b>Total Current Assets</b>	<b>33,270</b>	<b>337,419</b>	<b>131,238</b>	<b>6,801</b>	<b>508,728</b>
<b>Noncurrent Assets:</b>					
Furniture, Machinery and Equipment	235,288				235,288
Less Accumulated Depreciation	(110,037)				(110,037)
<b>Total Noncurrent Assets</b>	<b>125,251</b>				<b>125,251</b>
<b>Total Assets</b>	<b>158,521</b>	<b>337,419</b>	<b>131,238</b>	<b>6,801</b>	<b>633,979</b>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts Payable					
Prepaid Fees	250	5,150			5,400
<b>Total Current Liabilities</b>	<b>250</b>	<b>5,150</b>			<b>5,400</b>
<b>Total Liabilities</b>	<b>250</b>	<b>5,150</b>			<b>5,400</b>
<b>Net Position</b>					
Invested in Capital Assets Net of Related Debt	125,251				125,251
Unrestricted	33,020	332,269	131,238	6,801	503,328
<b>Total Net Position</b>	<b>\$ 158,271</b>	<b>\$ 332,269</b>	<b>\$ 131,238</b>	<b>\$ 6,801</b>	<b>\$ 628,579</b>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Business-type Activities- Enterprise Fund</b>				<b>Total Enterprise</b>
	<b><u>Food Service</u></b>	<b><u>Preschool Program</u></b>	<b><u>After Care</u></b>	<b><u>Chrome Program</u></b>	
<b>Operating Revenues:</b>					
Charges for Services:					
Daily Sales - Reimbursable Programs	\$ 204,577				\$ 204,577
Daily Sales - Non-Reimb.Programs	60,926				60,926
Miscellaneous	5,491	443,300	\$ 292,766	\$ 9,100	750,657
<b>Total Operating Revenues</b>	<b>270,994</b>	<b>443,300</b>	<b>292,766</b>	<b>9,100</b>	<b>1,016,160</b>
<b>Operating Expenses:</b>					
Cost of Sales - Reimbursable Programs	239,685				239,685
Cost of Sales - Non-reimbursable Programs	35,123				35,123
Salaries	171,207	223,250	150,296		544,753
Employee Benefits	41,657				41,657
Supplies	22,906	4,269	28,041	2,299	57,515
Other Purchased Professional Services	11,425				11,425
Miscellaneous	5,975				5,975
Depreciation	39,144				39,144
<b>Total Operating Expenses</b>	<b>567,122</b>	<b>227,519</b>	<b>178,337</b>	<b>2,299</b>	<b>975,277</b>
Operating Income (Loss)	(296,128)	215,781	114,429	6,801	40,883
<b>Nonoperating Revenues (Expenses):</b>					
State Sources:					
State School Lunch Program	6,477				6,477
Federal Sources:					
National School Lunch Program	262,170				262,170
School Breakfast Program	61,885				61,885
After School Snack Program			6,747		6,747
Food Distribution Program	23,601				23,601
<b>Total Nonoperating Revenues (Expenses)</b>	<b>354,133</b>		<b>6,747</b>		<b>360,880</b>
Income (Loss) Before Contributions and Transfers	58,005	215,781	121,176	6,801	401,763
Transfers In (Out)	-	-	-	-	-
Change in Net Position	58,005	215,781	121,176	6,801	401,763
Total Net Position—Beginning	100,266	116,488	10,062		226,816
<b>Total Net Position—Ending</b>	<b>\$ 158,271</b>	<b>\$ 332,269</b>	<b>\$ 131,238</b>	<b>\$ 6,801</b>	<b>\$ 628,579</b>

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



DUNELLEN SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Business-Type Activities- Enterprise Funds				
	<u>Food Service</u>	<u>Preschool Program</u>	<u>After Care</u>	<u>Chrome Program</u>	<u>Total Enterprise</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers	\$ 270,994	\$ 551,430	\$ 294,273	\$ 9,100	\$ 1,125,797
Payments to Employees	(171,207)	(223,250)	(150,296)		(544,753)
Payments for Employee Benefits	(41,657)				(41,657)
Payments to Suppliers	(325,246)	(4,269)	(28,041)	(2,299)	(359,855)
<b>Net Cash Provided by (used for) Operating Activities</b>	<u>(267,116)</u>	<u>323,911</u>	<u>115,936</u>	<u>6,801</u>	<u>179,532</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
State Sources	7,205				7,205
Federal Sources	361,572		7,292		368,864
Operating Subsidy Transfers from Other Funds	(101,205)				(101,205)
<b>Net Cash Provided by (used for) Non-Capital Financing Activities</b>	<u>267,572</u>		<u>7,292</u>		<u>274,864</u>
Net Increase (Decrease) in Cash and Cash Equivalents	456	323,911	123,228	6,801	454,396
Balances—Beginning of Year	4,900	8,608	1,292		14,800
<b>Balances—End of Year</b>	<u>\$ 5,356</u>	<u>332,519</u>	<u>124,520</u>	<u>\$ 6,801</u>	<u>\$ 469,196</u>

**Reconciliation of Operating Income (Loss) to Net Cash**

**Provided (used) by Operating Activities:**

Operating Income (Loss)	\$ (296,128)	\$ 215,781	\$ 114,429	\$ 6,801	\$ 40,883
Adjustments to Reconcile Operating Income (Loss) to Net Cash					
Provided by (used for) Operating Activities:					
Depreciation	39,144				39,144
Federal Commodities	23,601				23,601
(Increase) Decrease in Receivables	(81)	108,580	2,107		110,606
(Increase) Decrease in Inventories	(657)				(657)
Increase (Decrease) in Payables	(32,995)	(450)	(600)		(34,045)
Total Adjustments	29,012	108,130	1,507		138,649
<b>Net Cash Provided by (used for) Operating Activities</b>	<u>\$ (267,116)</u>	<u>\$ 323,911</u>	<u>\$ 115,936</u>	<u>\$ 6,801</u>	<u>\$ 179,532</u>

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

DUNELLEN SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

June 30, 2018

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ <u>195,551</u>
<b>Total Assets</b>	<b>\$ <u>195,551</u></b>
<b>LIABILITIES</b>	
Payroll Deductions and Withholdings	\$ 37,646
Flexible Spending Account	9,035
Salaries & Wages	2,426
Payable to Student Groups	<u>120,079</u>
<b>Total Liabilities</b>	<b>\$ <u>169,186</u></b>
<b>Net Position</b>	
Held in Trust for Claims & Other Purposes	\$ <u><u>26,365</u></u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

For the Year Ended June 30, 2018

	<b>Unemployment Compensation <u>Trust</u></b>
<b>ADDITIONS</b>	
Contributions:	
Plan Member	\$ 31,485
Employer	<u>20,000</u>
Total Contributions	<u>51,485</u>
Investment Earnings:	
Interest	<u>44</u>
Net Investment Earnings	<u>44</u>
<b>Total Additions</b>	<b><u>51,529</u></b>
<b>DEDUCTIONS</b>	
Unemployment Claims	<u>58,942</u>
<b>Total Deductions</b>	<b><u>58,942</u></b>
Change in Net Position	(7,413)
Net Position—Beginning of the Year	<u>32,902</u>
<b>Net Position—End of the Year</b>	<b><u>\$ 25,489</u></b>

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

# **Notes to Financial Statements**

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Board of Education (Board) of the Dunellen School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provided for the most significant change in financial reporting in over twenty years and was phased-in (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities, GASB No. 68, Accounting for Pensions, an amendment of GASB No. 27 and GASB No. 75, Accounting for OPEB. The implementation of these statements did not effect net position balances as previously reported for the fiscal year ended June 30, 2017.

**A. Reporting Entity:**

The Dunellen School District is a Type II district located in the County of Middlesex, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of five members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Dunellen School District had an approximate enrollment at June 30, 2018, of 1211 students.

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

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

Based on the aforementioned criteria, the District has no component units.

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting:**

The School District's basic financial statements consist of District-wide statements, including a statement of Net Position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Basis of Presentation**

*District-wide Statements:* The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net position presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

*Fund Financial Statements:* During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No.34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

**GOVERNMENTAL FUNDS**

The District reports the following governmental funds:

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

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued):**

**GOVERNMENTAL FUNDS (Continued)**

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

**Capital Projects Fund** - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

**PROPRIETARY FUNDS**

**Enterprise (Food Service) Fund** - The Enterprise Fund accounts for all revenues and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges.

**Enterprise (Preschool Program) Fund** - The Enterprise Fund accounts for all revenues and expenses pertaining to the Board's early childhood operations. The preschool fund provides preschool services recovered primarily through user charges (tuition).

**Enterprise (After Care) Fund** - The Enterprise Fund accounts for all revenues and expenses pertaining to the Board's operations provided after school hours. The after care fund provides services recovered primarily through user charges (tuition).

**Enterprise (Chrome Program) Fund** - The Enterprise Fund accounts for all revenues and expenses pertaining to the Board's operations for providing chromebook computers to students. The chrome program fund provides services recovered primarily through user charges contributing to the cost of providing chromebooks to students.

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued):**

Additionally, the District reports the following fund type:

**Fiduciary Funds** - The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund and the Payroll Agency Fund.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

*District-wide, Proprietary, and Fiduciary Fund Financial Statements:* The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute as the municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.



DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgets/Budgetary Control:**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. In addition, transfers are also covered by changes in N.J.A.C. 6A:23A-2.3 that can require approval through the state department. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

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

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.

**D. Encumbrance Accounting:**

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 reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the District has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

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

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity:**

**Cash and Cash Equivalents:**

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

**Interfund Transactions:**

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

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

**Inventories:**

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

**Allowance for Uncollectible Accounts:**

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

**Capital Assets:**

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

**Compensated Absences:**

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

District instructional employees are granted sick leave in amounts under the District's contractual policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial service and become eligible after fifteen years of service and payment is based upon retirement in the state pension system.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments. Salary related payments for the employer's share of social security and medicare taxes, as well as pension contributions, are included.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

**Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

**Accrued Liabilities and Long-Term Obligations:**

All payables, accrued liabilities and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Net Position:**

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Fund Balance Reserves:**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

**Revenues—Exchange and Nonexchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest and tuition.

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Operating Revenues and Expenses:**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

**Allocation of Indirect Expenses:**

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense, that could not be attributed to a specific function, is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**Extraordinary and Special Items:**

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**Management Estimates:**

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

**NOTE 2: CASH AND CASH EQUIVALENTS**

**Deposits:**

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

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

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

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2: CASH AND CASH EQUIVALENTS (Continued)**

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the district would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2018, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2018, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (B-7)</u>	<u>Total</u>
Checking	\$1,789,864	\$195,551	\$1,985,415
	<u>\$1,789,864</u>	<u>\$195,551</u>	<u>\$1,985,415</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2018, was \$1,985,415 and the bank balance was \$1,995,632. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$1,745,632 was covered by collateral pool.

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2018, consisted of intergovernmental receivables for grants and lunch reimbursements. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	<u>Governmental Fund Financial Statements</u>	<u>Government-Wide Financial Statements</u>
State Aid	\$105,436	\$105,867
Federal Aid	12,576	34,768
Gross Receivable-Governm.	118,012	140,635
Other Receivables	7,847	18,971
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	<u>\$125,859</u>	<u>\$159,606</u>

Other receivables consisted of tuition in both the governmental fund and enterprise funds.

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4: INVENTORY**

Inventory in the Food Service Fund at June 30, 2018, consisted of the following:

Food	\$	3,909
Supplies		<u>1,876</u>
Total	\$	<u>5,785</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

**NOTE 5: DEFERRED BOND ISSUANCE COSTS**

In governmental funds, debt issuance costs are recognized in the current period. For the District-wide financial statements, governmental activity debt issuance costs are amortized straight-line over the life of the specific bonds (18 to 20 years). The costs associated with the issued of the various bonds are immaterial and are not amortized on the District-wide financial statements.

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Land and Land Improvements	\$ 644,814			\$ 644,814
Buildings and Building Improvements	24,995,687			24,995,687
Machinery and Equipment	495,693	\$ 16,569		512,262
Total at Historical Cost	<u>26,136,194</u>	<u>16,569</u>		<u>26,152,763</u>
Less Accumulated Depreciation for:				
Land Improvements	(369,844)	\$ (29,588)		(399,432)
Building and Improvements	(7,515,879)	(453,203)		(7,969,082)
Equipment	(436,553)	(29,583)		(466,136)
Total Accumulated Depreciation	<u>(8,322,276)</u>	<u>(512,374)</u>		<u>(8,834,650)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>17,813,918</u>	<u>(495,805)</u>		<u>17,318,113</u>
<b>Government Activity Capital Assets, Net</b>	<b>\$ 17,813,918</b>	<b>\$ (495,805)</b>		<b>\$ 17,318,113</b>

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 6: CAPITAL ASSETS-(continued)**

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 503,734
School Administration	8,200
Plant and Operations	440
Total Depreciation Expense	<u>\$ 512,374</u>

**NOTE 7: LONG-TERM OBLIGATIONS**

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

**A. Long-Term Obligation Activity:**

Changes in long-term obligations for the year ended June 30, 2018, are as follows:

	Balance <u>7/1/17</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/18</u>	Amounts Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Debt	\$ 7,490,000	-	\$ (455,000)	\$7,035,000	\$470,000
Other Liabilities:					
Compensated Absences Payable	448,993			448,993	
<b>Total</b>	<u>\$7,938,993</u>	<u>-</u>	<u>(\$455,000)</u>	<u>\$7,483,993</u>	<u>\$470,000</u>

Compensated absences and capital leases have ben liquidated in the General Fund.

Interest paid on debt issued by the District is exempt from federal income taxes. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the federal government based on requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.



DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 7: LONG-TERM OBLIGATIONS-(Continued)**

Rebatable arbitrage liabilities related to District debt are not recorded in governmental funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the federal government. Thus, rebatable arbitrage liabilities related to governmental debt will be accrued as incurred at least annually (at fiscal year end) on the District-wide financial statements.

For the year ended June 30, 2018, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities				
	Issue Dates	Interest Rates	Date of Maturity	Original Issue	Balance June 30, 2018
General School Renovations					
Bonds Payable-Series 2012	12/12/12	Various	7/15/29	\$ 8,005,000	\$ 7,035,000
Total Bonds					\$ 7,035,000

**B. Debt Service Requirements:**

Debt Service requirements on serial bonds payable at June 30, 2018, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 470,000	\$ 249,950	\$ 719,950
2020	485,000	238,050	723,050
2021	500,000	228,200	728,200
2022	515,000	212,900	727,900
2023	540,000	191,800	731,800
2024	560,000	169,800	729,800
2025	590,000	146,800	736,800
2026	620,000	122,600	742,600
2027	645,000	97,300	742,300
2028	675,000	70,900	745,900
2029	705,000	43,300	748,300
2030	730,000	14,600	744,600
	<u>\$ 7,035,000</u>	<u>\$ 1,786,200</u>	<u>\$ 8,821,200</u>

**NOTE 8: PENSION PLANS**

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrprts.shtml>.

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8: PENSION PLANS (Continued)**

**Teachers' Pension and Annuity Fund (TPAF)** - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$43,685,729 as measured on June 30, 2017 and \$54,592,675 measured on June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$3,026,326 and revenue of \$3,026,326 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2018 is based upon changes in the collective net pension liability with a measurement period of June 30, 2016 through June 30, 2017. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2016 and June 30, 2017.

Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8: PENSION PLANS (Continued)**

	<u>6/30/2016</u>	<u>6/30/2017</u>
Collective deferred outflows of resources	\$17,440,003,201	\$14,251,854,934
Collective deferred inflows of resources	\$195,027,919	\$11,807,233,433
Collective net pension liability (Nonemployer-State of New Jersey)	\$78,666,367,052	\$67,423,605,859
State's portion of the net pension liability that was associated with the district	\$54,592,675	\$43,685,729
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.069398%	0.064793%

*Actuarial assumptions* - The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.25%
Salary Increases:	
Through 2021	Varies based on experience
Therafter	Varies based on experience
Investment Rate of Return:	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

*Long-Term Expected Rate of Return* - In accordance with State statute, the long-term expected rate of return on plan investments (7.0% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8: PENSION PLANS (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk mitigat	5.00%	5.51%
Cash equivalents	5.00%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yeild	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
US Equity	30.00%	8.19%
Non-US developed markets E	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

*Discount rate* - The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the State's net pension liability to changes in the discount rate* - Since the District has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. The following presents the State's net pension liability measured as of June 30, 2017, calculated using the discount rate shown above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(3.25%)</u>	<u>(4.25%)</u>	<u>(5.25%)</u>
State's Collective Net Pension Liability	\$ 80,394,331,171	\$ 67,670,209,171	\$ 57,188,022,171

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8: PENSION PLANS (Continued)**

*Pension plan fiduciary net position* - Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>. The plan fiduciary net position as of June 30, 2017 was \$23,056,161,829.

*Amortization of Deferred Outflows and Inflows of Resources* - Amount reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in the state's pension expense as follows:

	<u>Year Ended June 30:</u>
2018	\$740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	<u>(1,714,363,628)</u>
Total	<u>\$2,360,639,596</u>

*State's Pension Expense* - The components of allocable pension expense and pension expense related to specific liabilities of individual employers, for state and local employers for the year ending June 30, 2017 are as follows:

Service cost	\$3,028,689,581
Interest on total pension liability	3,304,988,177
Member contributions	(790,788,033)
Administrative expenses	11,923,787
Expected investment return net of investment expenses	(1,606,947,478)
Pension expense related to specific liabilities of individual employers	(357,659)
Recognition (amortization) of deferred inflows/outflows:	
Recognition of economic/demographic gains/losses	53,331,240
Recognition of assumption changes or inputs	723,829,969
Recognition of investment gains/losses	<u>(36,820,154)</u>
Total pension expense	<u>\$4,687,849,430</u>

**Public Employees' Retirement System (PERS)** - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

*Summary of Significant Accounting Policies* - 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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8: PENSION PLANS (Continued)**

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

At June 30, 2018, the District reported a liability of \$4,434,664 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 valuation was determined by an experience study for the period July 1, 2011 to June 30, 2014. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2017 and 2016. At June 30, 2017, the District's proportion was 0.01905% which was an increase of 0.00197% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$468,334. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 104,421	-
Changes of assumptions	893,432	\$ 890,156
Net difference between projected and actual earnings on pension plan investments	30,197	
Changes in proportion and differences between District contributions and proportionate share of contributions	568,169	7,349
District contributions subsequent to the measurement date	179,536	
Total	<u>\$ 1,775,755</u>	<u>\$ 897,505</u>

\$179,536 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability measured as of June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>
2018	\$528,981
2019	798,246
2020	483,696
2021	(643,317)
2022	<u>(468,892)</u>
Total	<u>\$698,714</u>

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8: PENSION PLANS (Continued)**

	<u>6/30/2016</u>	<u>6/30/2017</u>
Collective deferred outflows of resources	\$8,685,338,380	\$6,424,455,842
Collective deferred inflows of resources	870,133,595	5,700,625,981
Collective net pension liability (Non State - Local Group)	\$29,617,131,759	\$23,278,401,588
District's portion of net pension liability	\$5,057,997	\$4,434,664
District's proportion %	0.01707794%	0.01905055%

*Actuarial assumptions.* The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation:	2.25%
Salary Increases:	
Through 2026	1.65%-4.15% based on age
Therafter	2.65%-5.15% based on age
Investment Rate of Return:	7.00%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2013 Based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

*Long-Term Expected Rate of Return* - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk mitigat	5.00%	5.51%
Cash equivalents	5.00%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yeild	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
US Equity	30.00%	8.19%
Non-US developed markets E	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8: PENSION PLANS (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 5.0% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.0%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on contribution rate in the most recent fiscal year.

The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability measured as of June 30, 2017, calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
	<u>(4.00%)</u>	<u>(5.00%)</u>	<u>(6.00%)</u>
District's proportionate share of the net pension liability	\$ 5,501,502	\$4,434,664	\$ 3,545,856

*Pension Expense* - The components of allocable pension expense and pension expense related to specific liabilities of individual employers, for state and local employers for the year ending June 30, 2017 are as follows:

Service cost	\$302,854
Interest on total pension liability	\$549,570
member contributions	(\$144,063)
Administrative expenses	\$3,770
Expected investment return net of investment expenses	(\$392,389)
Pension expense related to specific liabilities of individual	(\$4,261)
Recognition (amortization) of deferred inflows/outflows:	
Recognition of economic/demographic gains/losses	\$48,156
Recognition of assumption changes or inputs	\$112,214
Recognition of investment gains/losses	<u>(\$7,517)</u>
Total pension expense	<u>\$468,334</u>

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.



DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8: PENSION PLANS (Continued)**

**Defined Contribution Retirement Plan (DCRP)** - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

**PERS and TPAF Vesting and Benefit Provisions** - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**Significant Legislation** - Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

□ New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8: PENSION PLANS (Continued)**

□ The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ 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 Chapter 78’s effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems’ unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**Contribution Requirements** - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees’ annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2018	\$179,536	100 %	-0-
6/30/2017	\$151,718	100	-0-
6/30/2016	\$138,247	100	-0-

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2018	\$1,043,184	100 %	-0-
6/30/2017	\$731,496	100	-0-
6/30/2016	\$555,625	100	-0-

During the fiscal year ended June 30, 2018, the State of New Jersey did contribute \$1,715,527 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$538,005 during the year ended June 30, 2018, for the employer’s share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10: POST-RETIREMENT BENEFITS**

**Plan description and benefits provided**

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service (GASB Cod. Sec. 2300.106(g)).

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.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

*Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:*

TPAF participant retirees

As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf

PERS participant retirees

The State paid \$238.9 million toward Chapter 126 benefits for 209,913 eligible retired members in Fiscal Year 2017.

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10: POST-RETIREMENT BENEFITS-(Continued)**

**Total OPEB Liability**

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA’s proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State’s level and is not specific to the board of education.

**Actuarial assumptions and other imputes** The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions , applied to all periods in the measurement:

Inflation rate	2.50%
Salary Increases Through 2026:	1.55-4.55% TPAF 2.15-4.18% PERS Based on years of service
Salary Increases Thereafter:	2.00-5.45% TPAF 3.15-5.15% PERS Based on years of service
Discount rate (2017)	3.58%
Discount rate (2016)	2.85%
Healthcare cost trend rates (PPO Plans)	5.9% decreasing to 5.0% after nine years
Healthcare cost trend rates (Self-insured post 65 PPO Plans)	4.50%
Healthcare cost trend rates (HMO Plans)	5.9% decreasing to 5.0% after nine years
Healthcare cost trend rates (Prescription Drug Benefits)	10.5% decreasing to 5.0% after eight years
Healthcare cost trend rates (Medicare Part B reimbursement)	5.00%
Healthcare cost trend rates (Medicare Advantage)	4.50%
Retirees' share of benefit related Costs	Projected health insurance premiums for retirees based on the retiree's annual retirement benefit and level of coverage

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. 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.

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2010 -June 30, 2013, and July 1, 2011 -June 30, 2014 for TPAF , PFRS and PERS , respectively .

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10: POST-RETIREMENT BENEFITS-(Continued)**

Changes in the Total OPEB Liability reported by the State of New Jersey

	<u>Total OPEB Liability</u>
<b>The State's Total OPEB Liability Balance at 6/30/2016</b>	<b>\$57,831,784,184</b>
<u>Changes for the year:</u>	
Service Cost	2,391,878,884
Interest	1,699,441,736
Benefit Payments	(1,242,412,566)
Contributions from Members	45,748,749
Changes in assumptions or other inputs	<u>(\$7,086,599,129)</u>
Net changes	<u>(\$4,191,942,326)</u>
<b>The State's Total OPEB Liability Balance at 6/30/2017</b>	<b><u>\$53,639,841,858</u></b>
 <b>The State's total OPEB liability attributable to the District:</b>	 <b>\$34,000,620</b>

There were no changes of benefit terms.

Changes of assumptions and other inputs reflects a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

**Sensitivity of the total OPEB liability to changes in the discount rate.** The following presents the total OPEB liability of the State for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percentage -point lower or 1- percentage-point higher than the current discount rate:

	<u>June 30, 2017</u>		
	<u>At 1% Decrease</u>	<u>At Discount Rate</u>	<u>At 1% Increase</u>
	<u>2.58%</u>	<u>3.58%</u>	<u>4.58%</u>
Total OPEB Liability (School Retirees)	\$63,674,362,200	\$53,639,841,858	\$45,680,364,953
	<u>June 30, 2016</u>		
	<u>At 1% Decrease</u>	<u>At Discount Rate</u>	<u>At 1% Increase</u>
	<u>1.85%</u>	<u>2.85%</u>	<u>3.85%</u>
Total OPEB Liability (School Retirees)	\$69,283,705,084	\$57,831,784,184	\$48,817,654,566

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10: POST-RETIREMENT BENEFITS-(Continued)**

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.** The following presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage- point higher than the current healthcare cost trend rates:

	<u>June 30, 2017</u>		
	<u>At 1% Decrease</u>	<u>Health Care Cost Trend Rate</u>	<u>At 1% Increase</u>
Total OPEB Liability (School Retirees)	\$44,113,584,560	\$53,639,841,858	\$66,290,599,457

	<u>June 30, 2016</u>		
	<u>At 1% Decrease</u>	<u>Health Care Cost Trend Rate</u>	<u>At 1% Increase</u>
Total OPEB Liability (School Retirees)	\$47,452,589,164	\$57,831,784,184	\$71,707,778,970

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2017, the board of education recognized OPEB expense of \$2,429,383 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the District's proportionate share of school retirees OPEB is zero, and there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Changes in proportion	\$99,843,255	(\$99,843,255)
Changes of assumptions or other inputs		(\$6,343,769,032)
Total	<u>\$99,843,255</u>	<u>(\$6,443,612,287)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2018	(\$742,830,097)
2019	(\$742,830,097)
2020	(\$742,830,097)
2021	(\$742,830,097)
2022	(\$742,830,097)
Thereafter	<u>(\$2,629,618,547)</u>
	<u>(\$6,343,769,032)</u>

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 11: COMPENSATED ABSENCES**

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

District instructional employees are granted sick leave in amounts under the District's contractual policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial service and become eligible after fifteen years of service and payment is based upon retirement in the state pension system.

In the district-wide *Statement of Assets*, the liabilities whose average maturities are greater than one year should be reported in two components--the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2018, no liability existed for compensated absences in the proprietary fund types.

**NOTE 12: RISK MANAGEMENT**

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

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$20,044	\$31,485	58,942	\$25,489
2016-2017	\$25,000	\$17,096	\$161,296	\$32,902
2015-2016	-	\$21,763	\$3,953	\$152,102

**NOTE 13: CONTINGENT LIABILITIES**

**GRANT PROGRAMS**

The Board participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Board is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13: CONTINGENT LIABILITIES-(Continued)**

**LITIGATION**

There are no material threatened litigations, claims or assessments, including unasserted claims and assessments known to the Board of Education.

**NOTE 14: FUND BALANCE APPROPRIATED**

General Fund (Exhibit B-1)- Of the \$733,224 General Fund fund balance at June 30, 2018, \$280,991 is reserved for encumbrances; \$12,176 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7, which will be included as anticipated revenue for the year ending June 30, 2020; \$349,000 is reserved for Capital Reserve; \$325,000 has been appropriated and included as anticipated revenue for the year ending June 30, 2019 and, (\$233,943) is unreserved and undesignated.

**NOTE 15: CALCULATION OF EXCESS SURPLUS**

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2018 is \$12,176.

**NOTE 16: INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 2018:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 11,411	
Special Revenue Fund		\$ 11,411
	<u>\$ 11,411</u>	<u>\$ 11,411</u>

The infund balances represent cash advances to the special revenue fund in anticipation of the receipt of federal grants receivables in the subsequent year.

**NOTE 17: CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the Dunellen School District Board of Education by inclusion of \$1. on October 11, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.



DUNELLEN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 17: CAPITAL RESERVE ACCOUNT-(Continued)**

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23-2.13(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$ 400,000
Budgeted Withdrawal	(796,956)
Deposits: June Board resolution June, 12, 2018	<u>745,956</u>
Ending Balance, June 30, 2018	<u><u>\$ 349,000</u></u>

**NOTE 18: 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 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.



**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

DUNELLEN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ Unfavorable</b>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 10,907,075		\$ 10,907,075	\$ 10,907,075	
Tuition from Individuals	45,000		45,000	39,234	\$ (5,766)
Tuition from Other LEA's Within the State	30,000		30,000		(30,000)
Miscellaneous	21,924		21,924	73,775	51,851
<b>Total - Local Sources</b>	<b>11,003,999</b>		<b>11,003,999</b>	<b>11,020,084</b>	<b>16,085</b>
<b>State Sources:</b>					
Equalization Aid	4,510,934	\$ 395,956	4,906,890	4,906,890	
Transportation Aid	21,220		21,220	21,220	
Special Education Aid	703,414		703,414	703,414	
Security Aid	65,057		65,057	65,057	
Under Adequacy Aid	159,306		159,306	159,306	
PARCC Readiness Aid	11,620		11,620	11,620	
Per Pupil Growth Aid	11,620		11,620	11,620	
Prof. Learning Comm Aid	11,220		11,220	11,220	
Extraordinary Aid	125,000		125,000	105,436	(19,564)
TPAF Pension (On-Behalf - Non-Budgeted)				1,040,974	1,040,974
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				672,343	672,343
TPAF Pension LTD Insurance (On-Behalf - Non-Budgeted)				2,210	2,210
TPAF Social Security (Reimbursed - Non-Budgeted)				538,005	538,005
<b>Total State Sources</b>	<b>5,619,391</b>	<b>395,956</b>	<b>6,015,347</b>	<b>8,249,315</b>	<b>2,233,968</b>
<b>Federal Sources:</b>					
Medical Assistance Program	15,076		15,076	17,231	2,155
<b>Total Federal Sources</b>	<b>15,076</b>		<b>15,076</b>	<b>17,231</b>	<b>2,155</b>
<b>TOTAL REVENUES</b>	<b>16,638,466</b>	<b>395,956</b>	<b>17,034,422</b>	<b>19,286,630</b>	<b>2,252,208</b>

DUNELLEN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ Unfavorable</b>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction</b>					
Kindergarten - Salaries of Teachers	225,626	32,484	258,110	252,275	5,835
Grades 1-5 - Salaries of Teachers	1,525,111	(96,728)	1,428,383	1,427,958	425
Grades 6-8 - Salaries of Teachers	944,339	175,642	1,119,981	1,119,556	425
Grades 9-12 - Salaries of Teachers	1,941,014	(162,687)	1,778,327	1,761,812	16,515
<b>Regular Programs - Home Instruction:</b>					
Salaries of Teachers	16,000		16,000	9,998	6,002
Purchased Professional-Educational Services	23,175	(4,478)	18,697	11,205	7,492
<b>Regular Programs - Undistributed Instruction</b>					
Other Salaries for Instruction	127,676	(36,960)	90,716	81,179	9,537
Purchased Professional-Educational Services	10,700	(1,218)	9,482	5,334	4,148
General Supplies	171,535	83,078	254,613	184,392	70,221
Textbooks	77,350		77,350	74,275	3,075
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>5,062,526</b>	<b>(10,867)</b>	<b>5,051,659</b>	<b>4,927,984</b>	<b>123,675</b>
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
<b>Behavioral Disabilities:</b>					
Salaries of Teachers	152,605	(101,005)	51,600	46,460	5,140
Other Salaries for Instruction	42,697	1,906	44,603	41,315	3,288
General Supplies	4,100	(2,864)	1,236	1,235	1
<b>Total Behavioral Disabilities</b>	<b>199,402</b>	<b>(101,963)</b>	<b>97,439</b>	<b>89,010</b>	<b>8,429</b>
<b>Multiple Disabilities:</b>					
Salaries of Teachers	172,541	24,291	196,832	174,206	22,626
Other Salaries for Instruction	44,432	1,068	45,500	45,500	
General Supplies	2,260	100	2,360	2,343	17
<b>Total Multiple Disabilities</b>	<b>219,233</b>	<b>25,459</b>	<b>244,692</b>	<b>222,049</b>	<b>22,643</b>

DUNELLEN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ Unfavorable</b>
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	404,450	26,231	430,681	428,161	2,520
Other Salaries for Instruction	222,634	43,744	266,378	255,787	10,591
General Supplies	3,000	2,300	5,300	3,206	2,094
<b>Total Resource Room/Resource Center</b>	<b>630,084</b>	<b>72,275</b>	<b>702,359</b>	<b>687,154</b>	<b>15,205</b>
<b>Autism:</b>					
Salaries of Teachers		42,175	42,175	42,175	
General Supplies		2,064	2,064	1,896	168
<b>Total Autism:</b>		<b>44,239</b>	<b>44,239</b>	<b>44,071</b>	<b>168</b>
<b>Preschool Disabilities - Full Time:</b>					
Salaries of Teachers	10,575	(10,575)			
Purchased Professional-Educational Services	299,000	78,000	377,000	377,000	
<b>Total Preschool Disabilities - Full Time</b>	<b>309,575</b>	<b>67,425</b>	<b>377,000</b>	<b>377,000</b>	
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<b>1,358,294</b>	<b>107,435</b>	<b>1,465,729</b>	<b>1,419,284</b>	<b>46,445</b>
<b>Basic Skills/Remedial - Instruction:</b>					
Salaries of Teachers	87,208	26,065	113,273	113,273	
General Supplies	500	362	862	362	500
Textbooks	7,000		7,000	2,564	4,436
<b>Total Basic Skills/Remedial - Instruction:</b>	<b>94,708</b>	<b>26,427</b>	<b>121,135</b>	<b>116,199</b>	<b>4,936</b>
<b>Bilingual Education - Instruction:</b>					
Salaries of Teachers	119,171	67,417	186,588	178,928	7,660
General Supplies	1,000		1,000	338	662
<b>Total Bilingual Education - Instruction</b>	<b>120,171</b>	<b>67,417</b>	<b>187,588</b>	<b>179,266</b>	<b>8,322</b>
<b>School-Spon. Co/Extra Curricular Actvts. - Inst.:</b>					
Salaries	113,300	(18,605)	94,695	94,498	197
Supplies and Materials	2,870	(1,900)	970	145	825
Other Objects	230		230	185	45
<b>Total School-Spon. Cocurricular Actvts. - Inst.</b>	<b>116,400</b>	<b>(20,505)</b>	<b>95,895</b>	<b>94,828</b>	<b>1,067</b>

DUNELLEN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ Unfavorable</b>
<b>School-Spon. Athletics - Instruction:</b>					
Salaries	153,935	1,393	155,328	155,328	
Purchased Services (300-500 series)	18,000	13,705	31,705	31,705	
Supplies and Materials	17,861	17,634	35,495	20,761	14,734
Other Objects	10,475	(1,100)	9,375	9,299	76
Transfer to Cover Deficit (Agency Funds)	21,500	3,500	25,000	25,000	
<b>Total School-Spon. Athletics - Inst.</b>	<b>221,771</b>	<b>35,132</b>	<b>256,903</b>	<b>242,093</b>	<b>14,810</b>
<b>TOTAL INSTRUCTION</b>	<b>6,973,870</b>	<b>205,039</b>	<b>7,178,909</b>	<b>6,979,654</b>	<b>199,255</b>
<b>UNDISTRIBUTED EXPENDITURES</b>					
<b>Instruction:</b>					
Tuition to Other LEAs Within the State-Special	115,000	19,681	134,681	124,255	10,426
Tuition to CSSD & Regional Day Schools	360,000	(247,837)	112,163	112,163	
Tuition to Priv. Sch. For Disabled within State	660,983	(20,798)	640,185	588,693	51,492
Tuition-State Facilities	32,952		32,952	32,952	
<b>Total Instruction</b>	<b>1,168,935</b>	<b>(248,954)</b>	<b>919,981</b>	<b>858,063</b>	<b>61,918</b>
<b>Attendance and Social Work:</b>					
Salaries	209,935	(108,521)	101,414	101,414	
Supplies and Materials	3,075	312	3,387	2,728	659
<b>Total Attendance and Social Work</b>	<b>213,010</b>	<b>(108,209)</b>	<b>104,801</b>	<b>104,142</b>	<b>659</b>
<b>Health Services:</b>					
Salaries	125,931	3,224	129,155	127,955	1,200
Purchased Professional and Technical Services	10,000		10,000	5,058	4,942
Supplies and Materials	9,285	(1,000)	8,285	4,997	3,288
<b>Total Health Services</b>	<b>145,216</b>	<b>2,224</b>	<b>147,440</b>	<b>138,010</b>	<b>9,430</b>
<b>Other Supp. Services Students-Related Services:</b>					
Salaries	61,090	49,210	110,300	110,300	
Purchased Professional-Educational Services	240,000	(59,564)	180,436	176,152	4,284
Supplies and Materials	500		500	498	2
<b>Total Other Supp. Services Students-Related Services</b>	<b>301,590</b>	<b>(10,354)</b>	<b>291,236</b>	<b>286,950</b>	<b>4,286</b>



DUNELLEN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ Unfavorable</b>
<b>Other Supp. Services Students-Extra. Services:</b>					
Purchased Professional-Educational Services	62,500	4,580	67,080	67,080	
<b>Total Other Supp. Services Students-Extra. Services</b>	<u>62,500</u>	<u>4,580</u>	<u>67,080</u>	<u>67,080</u>	
<b>Guidance:</b>					
Salaries of Other Professional Staff	190,509	(2,513)	187,996	187,996	
Salaries of Secretarial and Clerical Assistants	51,067	(1,035)	50,032	50,032	
Other Salaries	6,180	(1,758)	4,422	4,422	
Other Purchased Prof. and Tech. Services	5,900	(940)	4,960	3,500	1,460
Supplies and Materials	2,000	119	2,119	1,061	1,058
Other Objects	1,100		1,100	919	181
<b>Total Guidance</b>	<u>256,756</u>	<u>(6,127)</u>	<u>250,629</u>	<u>247,930</u>	<u>2,699</u>
<b>Child Study Teams:</b>					
Salaries of Other Professional Staff	321,200	81,732	402,932	399,980	2,952
Salaries of Secretarial and Clerical Assistants	58,522	1,900	60,422	60,422	
Other Salaries	6,757	(2,375)	4,382	4,382	
Purchased Professional-Educational Services	16,000	26,000	42,000	37,011	4,989
Misc Pur Serv (400-500 series O/Than Resid Costs)	1,500	(90)	1,410	520	890
Supplies and Materials	7,500	2,407	9,907	9,305	602
Other Objects	2,100		2,100	1,430	670
<b>Total Child Study Teams</b>	<u>413,579</u>	<u>109,574</u>	<u>523,153</u>	<u>513,050</u>	<u>10,103</u>
<b>Improvement of Instructional Services:</b>					
Salaries of Supervisor of Instruction	220,420	(70,326)	150,094	146,800	3,294
Salaries of Other Professional Staff	6,695	(5,845)	850	850	
Salaries of Secretarial and Clerical Assistants	38,110	1,090	39,200	28,255	10,945
Other Salaries	5,405	(707)	4,698	4,698	
Purchased Professional-Educational Services	5,000	1,500	6,500	4,968	1,532
Other Purchased Services (400-500 series)	12,500	(5,000)	7,500	2,170	5,330
Supplies and Materials	2,584		2,584	856	1,728
Other Objects	2,200	529	2,729	2,410	319
<b>Total Improvement of Instructional Services</b>	<u>292,914</u>	<u>(78,759)</u>	<u>214,155</u>	<u>191,007</u>	<u>23,148</u>

DUNELLEN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ Unfavorable</b>
<b>Educational Media Services/School Library:</b>					
Salaries	146,411	(8,885)	137,526	137,414	112
Salaries of Technology Coordinators	89,021	6,580	95,601	94,695	906
Supplies and Materials	7,100		7,100	4,930	2,170
Other Objects	100		100		100
<b>Total Educational Media Services/School Library</b>	<b>242,632</b>	<b>(2,305)</b>	<b>240,327</b>	<b>237,039</b>	<b>3,288</b>
<b>Instructional Staff Training Services:</b>					
Purchased Professional-Educational Services	4,000	1,400	5,400	5,400	
<b>Total Instructional Staff Training Services</b>	<b>4,000</b>	<b>1,400</b>	<b>5,400</b>	<b>5,400</b>	
<b>Supp. Services - General Administration:</b>					
Salaries	216,764	9,231	225,995	225,995	
Legal Services	30,000		30,000	22,647	7,353
Audit Fees	23,500		23,500	22,750	750
Other Purchased Professional Services	8,000	6,500	14,500	12,385	2,115
Purchased Technical Services	7,500		7,500	4,971	2,529
Communications/Telephone	43,775	(3,299)	40,476	26,783	13,693
Other Purchased Services (400-500 series)	130,000	2,055	132,055	127,309	4,746
General Supplies	3,000	17	3,017	2,982	35
Judgements Against the School District	10,000	(10,000)			
Miscellaneous Expenditures	7,500	(279)	7,221	7,221	
BOE Membership Dues & Fees	8,000		8,000	7,967	33
<b>Total Supp. Services - General Administration</b>	<b>488,039</b>	<b>4,225</b>	<b>492,264</b>	<b>461,010</b>	<b>31,254</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	505,473	71,358	576,831	557,950	18,881
Salaries of Other Professional Staff	28,263	(473)	27,790	27,790	
Salaries of Secretarial and Clerical Assistants	113,053	(2,446)	110,607	110,607	
Other Salaries	11,558	1,426	12,984	12,984	
Other Purchased Services (400-500 series)	4,680	1,500	6,180	5,312	868
Supplies and Materials	12,600	(485)	12,115	10,710	1,405
Other Objects	6,300	(529)	5,771	5,640	131
<b>Total Support Services - School Administration</b>	<b>681,927</b>	<b>70,351</b>	<b>752,278</b>	<b>730,993</b>	<b>21,285</b>

DUNELLEN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ Unfavorable</b>
<b>Central Services:</b>					
Salaries	319,094	(10,904)	308,190	308,190	
Purchased Professional Services	3,500	(500)	3,000		3,000
Misc. Purchased Services (400-500 series)	6,100	300	6,400	4,863	1,537
Supplies and Materials	3,450	176	3,626	2,734	892
Miscellaneous Expenditures	1,400	4,211	5,611	4,178	1,433
<b>Total Central Services</b>	<b>333,544</b>	<b>(6,717)</b>	<b>326,827</b>	<b>319,965</b>	<b>6,862</b>
<b>Admin Information Technology:</b>					
Salaries	87,911	1,095	89,006	89,006	
Purchased Technical Services	46,000		46,000	36,057	9,943
Supplies and Materials	7,140	15,000	22,140	21,351	789
Other Objects	250		250		250
<b>Total Admin Information Technology</b>	<b>141,301</b>	<b>16,095</b>	<b>157,396</b>	<b>146,414</b>	<b>10,982</b>
<b>Required Maintenance for School Facilities:</b>					
Salaries	163,707	(11,307)	152,400	152,400	
Cleaning, Repair and Maintenance Services	80,000	(7,999)	72,001	62,981	9,020
General Supplies	54,000	4,670	58,670	49,163	9,507
Other Objects	4,000	518	4,518	4,518	
<b>Total Required Maintenance for School Facilities</b>	<b>301,707</b>	<b>(14,118)</b>	<b>287,589</b>	<b>269,062</b>	<b>18,527</b>
<b>Other Operations and Maintenance of Plant:</b>					
Salaries	350,200	54,951	405,151	381,451	23,700
Purchased Professional and Technical Services	12,500		12,500	6,115	6,385
Cleaning, Repair and Maintenance Services	127,150	26,005	153,155	137,621	15,534
Other Purchased Property Services	40,000	(9,500)	30,500	28,422	2,078
Insurance	85,000	9,000	94,000	93,743	257
Miscellaneous Purchased Services	12,500	(7,853)	4,647	4,647	
General Supplies	36,000	38,769	74,769	72,106	2,663
Energy (Natural Gas)	80,000	(2,611)	77,389	51,326	26,063
Energy (Electricity)	209,200	(7,710)	201,490	162,673	38,817
Other Objects	3,000	1,565	4,565	4,565	
<b>Total Other Operations and Maintenance of Plant</b>	<b>955,550</b>	<b>102,616</b>	<b>1,058,166</b>	<b>942,669</b>	<b>115,497</b>

DUNELLEN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ Unfavorable</b>
<b>Care and Upkeep of Grounds:</b>					
Cleaning, Repair and Maintenance Services	11,500	(11,500)			
General Supplies	20,000	(20,000)			
Other Objects	250		250	221	29
<b>Total Care and Upkeep of Grounds</b>	<b>31,750</b>	<b>(31,500)</b>	<b>250</b>	<b>221</b>	<b>29</b>
<b>Security:</b>					
General Supplies		41,439	41,439	41,439	
<b>Total Security</b>		<b>41,439</b>	<b>41,439</b>	<b>41,439</b>	
<b>Student Transportation Services</b>					
Contracted Services - Aid in Lieu of Payments-Charter Sch.	2,785	1,635	4,420	4,420	
Contract Services (Other than Between Home & School)-Vendors	61,625		61,625	52,141	9,484
Contract Services - (Between Home and School) - Joint Agreements	118,438	4,982	123,420	113,522	9,898
Contract Services - (Special Ed. Students) - Vendors	29,400	18,376	47,776	47,776	
Contract Services - (Special Ed. Students) - Joint Agrmts	18,821	(13,000)	5,821	5,136	685
Contracted Services (Spec Ed. Students)-ESC's & CTSA's	318,961	(73,781)	245,180	220,154	25,026
Other Objects	11,786	(11,786)			
<b>Total Student Transportation Services</b>	<b>561,816</b>	<b>(73,574)</b>	<b>488,242</b>	<b>443,149</b>	<b>45,093</b>
<b>UNALLOCATED BENEFITS</b>					
<b>Regular Programs-Instruction:</b>					
Social Security Contributions	173,000	30,112	203,112	203,112	
Other Retirement Contributions - PERS	175,000	4,536	179,536	179,536	
Unemployment Compensation		20,000	20,000	20,000	
Workman's Compensation	75,000	(9,611)	65,389	65,389	
Health Benefits	2,588,700	1,602	2,590,302	2,403,487	186,815
Tuition Reimbursement	35,000	(3,430)	31,570	11,400	20,170
Other Employee Benefits	5,000	1,812	6,812	6,812	
Unused Sick Payment to Term/Ret. Staff		12,660	12,660	12,660	
<b>Total Regular Programs-Instruction</b>	<b>3,051,700</b>	<b>57,681</b>	<b>3,109,381</b>	<b>2,902,396</b>	<b>206,985</b>

DUNELLEN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ Unfavorable</b>
<b>UNALLOCATED BENEFITS</b>					
On-behalf TPAF pension Contrib. (non-budgeted)				1,040,974	(1,040,974)
On-behalf TPAF PRM Contrib. (non-budgeted)				672,343	(672,343)
On-behalf TPAF pension LTD Ins. (non-budgeted)				2,210	(2,210)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				538,005	(538,005)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>				<b>2,253,532</b>	<b>(2,253,532)</b>
<b>TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS</b>	<b>3,051,700</b>	<b>57,681</b>	<b>3,109,381</b>	<b>5,155,928</b>	<b>(2,046,547)</b>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<b>9,648,466</b>	<b>(170,432)</b>	<b>9,478,034</b>	<b>11,159,521</b>	<b>(1,681,487)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>16,622,336</b>	<b>34,607</b>	<b>16,656,943</b>	<b>18,139,175</b>	<b>(1,482,232)</b>
<b>CAPITAL OUTLAY</b>					
<b>EQUIPMENT</b>					
<b>Regular Programs - Instruction:</b>					
Grades 1-5		16,569	16,569	16,569	
Grades 9-12		27,452	27,452	27,452	
<b>TOTAL EQUIPMENT</b>		<b>44,021</b>	<b>44,021</b>	<b>44,021</b>	
<b>FACILITIES ACQUISITIONS AND CONSTRUCT. SVCS:</b>					
Construction Services			1,399	1,399	
Assessment for Debt Service on SDA Funding	61,602		61,602	61,602	
<b>TOTAL FACILITIES ACQUISITIONS AND CONST. SVCS</b>	<b>61,602</b>		<b>63,001</b>	<b>63,001</b>	
<b>TOTAL CAPITAL OUTLAY</b>	<b>61,602</b>	<b>44,021</b>	<b>107,022</b>	<b>107,022</b>	
Transfer of Funds to Charter Schools			29,528	29,528	
<b>TOTAL EXPENDITURES</b>	<b>16,713,466</b>	<b>78,628</b>	<b>16,793,493</b>	<b>18,275,725</b>	<b>(1,482,232)</b>
<b>Excess (Deficiency of Revenues Over(Under) Expenditures</b>	<b>(75,000)</b>	<b>317,328</b>	<b>240,929</b>	<b>1,010,905</b>	<b>769,976</b>

DUNELLEN SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ Unfavorable</u>
<b>Other Financing Sources:</b>					
<b>Operating Transfer In/(Out):</b>					
Capital Outlay - Transfer to Capital Projects Fund	(250,000)		(250,000)	(250,000)	
Capital Reserve - Transfer to Capital Projects Fund	(150,000)	(396,956)	(546,956)	(546,956)	
<b>Total Other Financing Sources:</b>	<u>(400,000)</u>	<u>(396,956)</u>	<u>(796,956)</u>	<u>(796,956)</u>	
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>					
	(475,000)	(79,628)	(556,027)	213,949	769,976
<b>Fund Balance, July 1</b>	1,089,601		1,089,601	1,089,601	
<b>Fund Balance, June 30</b>	<u>\$ 614,601</u>	<u>(79,628)</u>	<u>\$ 533,574</u>	<u>\$ 1,303,550</u>	<u>\$ 769,976</u>
<b>Recapitulation:</b>					
<b>Restricted for:</b>					
Excess Surplus				12,176	
Capital Reserve				349,000	
<b>Assigned to:</b>					
Reserve for Encumbrances				280,991	
Designated for Subsequent Year's Expenditures				325,000	
<b>Unassigned:</b>					
Unrestricted Fund Balance				<u>336,383</u>	
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				1,303,550	
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Last State Aid Payment not recognized on GAAP basis				<u>(570,326)</u>	
<b>Fund Balance per Governmental Funds(GAAP Basis B-2)</b>				<u>\$ 733,224</u>	

DUNELLEN SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2018

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
Local Sources		\$ 5,873	\$ 5,873	\$ 5,854	\$ (19)
Federal Sources	\$ 502,000	53,970	555,970	555,970	-
<b>Total Revenues</b>	<b>502,000</b>	<b>59,843</b>	<b>561,843</b>	<b>561,824</b>	<b>(19)</b>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	235,000	(102,231)	132,769	132,769	
Other Salaries for Instruction	4,062	33,577	37,639	37,639	
Tuition	230,000	15,074	245,074	245,074	
General Supplies	21,338	11,080	32,418	32,399	19
<b>Total Instruction</b>	<b>490,400</b>	<b>(42,500)</b>	<b>447,900</b>	<b>447,881</b>	<b>19</b>
<b>Support Services</b>					
Salaries of Supervisors of Instruction		3,485	3,485	3,485	
Salaries of Program Directors		425	425	425	
Other Salaries	850	(1)	849	849	
Employee Benefits		70,651	70,651	70,651	
Purchased Professional Education Serv.	3,000	10,598	13,598	13,598	
Other Purchased Services	4,000	12,471	16,471	16,471	
Supplies and Materials	3,700	4,718	8,418	8,418	
Other Objects	50	(4)	46	46	
<b>Total Support Services</b>	<b>11,600</b>	<b>102,343</b>	<b>113,943</b>	<b>113,943</b>	
Total Expenditures	502,000	59,843	561,843	561,824	19
<b>Total Outflows</b>	<b>\$ 502,000</b>	<b>59,843</b>	<b>\$ 561,843</b>	<b>\$ 561,824</b>	<b>\$ 19</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>					
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>					None
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Last State Aid Payment not recognized on GAAP basis					<u>None</u>
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>					None

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2018

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

	General Fund	Special Revenue Fund
	<u>          </u>	<u>          </u>
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 19,286,630	\$ 561,824
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	(1,146)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	534,789	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(570,326)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 19,251,093</u>	<u>\$ 560,678</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 18,275,725	\$ 561,824
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	(1,146)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u>          </u>	<u>          </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 18,275,725</u>	<u>\$ 560,678</u>



**Dunellen School District**  
**Required Supplementary Information - Part III**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Last Ten Fiscal Years \***

**Exhibit L-3**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
State's proportionate share of the net pension liability (asset) associated with the District	\$ 43,685,729	\$ 54,592,675	\$ 43,760,207	\$ 34,978,482						
Total	\$ 43,685,729	\$ 54,592,675	\$ 43,760,207	\$ 34,978,482						
District's covered employee payroll	\$ 7,446,556	\$ 7,138,073	\$ 6,912,756	\$ 6,554,337						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A						
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	28.71%	33.64%						

\*\* Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the district (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the district.

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

**Exhibit L-1**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net pension liability (asset)	0.019050550%	0.017077942%	0.0160802473%	0.0161605205%						
District's proportionate share of the net pension liability (asset)	\$ 4,434,664	\$ 5,057,997	\$ 3,609,693	\$ 3,025,691						
District's covered employee payroll	\$ 1,637,182	\$ 1,574,452	\$ 1,265,305	\$ 1,156,451						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	270.87%	321.25%	285.28%	261.64%						
Plan fiduciary net position as a percentage of the total pension liability (Local)	58.18%	40.14%	47.92%	52.08%						

\* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

Dunellen School District  
 Required Supplementary Information - Part III  
 Schedule of District Contributions  
 Last Ten Fiscal Years \*

Exhibit L-2

Teachers' Pension and Annuity Fund (TPAF)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution **	N/A	N/A	N/A	N/A						
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A	N/A						
Contribution deficiency (excess)	N/A	N/A	N/A	N/A						
District's covered employee payroll	\$ 7,446,556	\$ 7,138,073	\$ 6,912,756	\$ 6,554,337						
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A						

\*\* Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. The district (employer) does not contribute to the plan.

Public Employees' Retirement System (PERS)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 179,536	\$ 151,718	\$ 138,247	\$ 133,225						
Contributions in relation to the contractually required contribution	(179,536)	(151,718)	(138,247)	(133,225)						
Contribution deficiency (excess)	-	-	-	-						
District's covered employee payroll	\$ 1,637,182	\$ 1,574,452	\$ 1,265,305	\$ 1,156,451						
Contributions as a percentage of covered-employee payroll	10.97%	9.64%	10.93%	11.52%						

\* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

Dunellen School District  
 Required Supplementary Information - Part III  
 Schedule of Changes in the State's Total OPEB Liability and Related Ratios  
 Last Ten Fiscal Years \*

Exhibit M-1

State Health Benefit Local Education Retired Employees Plan (TPAF and PERS)

<b>The State of New Jersey's Total OPEB Liability</b>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Service Cost	\$ 2,391,878,884	\$ 1,723,999,319								
Interest	1,699,441,736	1,823,643,792								
Benefit Payments	(1,242,412,566)	(1,223,298,019)								
Contributions from Members	45,748,749	46,273,747								
Changes of Assumptions or other inputs	<u>\$ (7,086,599,129)</u>	<u>8,611,513,521</u>								
<b>Net change in total OPEB liability</b>	<b>(4,191,942,326)</b>	<b>10,982,132,360</b>								
<b>Total OPEB Liability - Beginning</b>	<b><u>\$ 57,831,784,184</u></b>	<b><u>\$46,849,651,824</u></b>								
<b>Total OPEB Liability - Ending</b>	<b><u>\$ 53,639,841,858</u></b>	<b><u>\$57,831,784,184</u></b>								
<b>The State of New Jersey's total OPEB liability **</b>	<b>\$ 53,639,841,858</b>	<b>\$57,831,784,184</b>								
<b>The State of New Jersey's OPEB liability attributable to the District **</b>	<b>\$ 34,000,620</b>	<b>\$ 36,380,960</b>								
<b>The District's proportionate share of the total OPEB liability</b>	<b>Zero</b>	<b>Zero</b>								
<b>District's covered employee payroll</b>	<b>\$ 9,083,738</b>	<b>\$ 8,712,525</b>								
<b>Total District's OPEB liability as a percentage of its covered-employee payroll</b>	<b>0.00%</b>	<b>0.00%</b>								
<b>District's contribution</b>	<b>None</b>	<b>None</b>								
<b>State's covered employee payroll ***</b>	<b>\$ 13,493,400,208</b>	<b>\$13,493,400,208</b>								
<b>Total State's OPEB liability as a percentage of its covered-employee payroll</b>	<b>397.53%</b>	<b>428.59%</b>								

\*\* Note: Other Post Employment Benefits (OPEB) for employees of the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS) is considered a special funding situation as defined by GASB Statement No. 75 in which the State of New Jersey is 100% responsible for contributions to the health insurance plan. The district (employer) does not contribute to the plan and the district's OPEB liability is zero.

\*\*\* Based on payroll on the June 30, 2016 census data

\* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

DUNELLEN SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III  
Pension and Other Post Employment Benefits (OPEB) Schedules**

For the Fiscal Year Ended June 30, 2018

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

**Pension Schedules**

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

*Changes of assumptions.* Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

**OPEB Schedules**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

*Changes of benefit terms.* There were no changes of benefit terms.

*Changes of assumptions.* Changes of assumptions and other inputs reflects a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

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

**Pension Schedules**

*Changes of benefit terms.* The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

*Changes of assumptions.* Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

**OPEB Schedules**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

*Changes of benefit terms.* There were no changes of benefit terms.

*Changes of assumptions.* Changes of assumptions and other inputs reflects a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

DUNELLEN SCHOOL DISTRICT

Exhibit E-1

**SPECIAL REVENUE FUND**  
**COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2018

	<b>Title I Part A</b>	<b>Title II Part A</b>	<b>Title III Title III</b>	<b>Title III Immigrant</b>	<b>Title IV</b>	<b>IDEA Basic</b>	<b>IDEA Pre-Sch.</b>	<b>Brain Inj. Grant</b>	<b>NJSBAIG Grant</b>	<b>Other Local</b>	<b>Totals</b>
<b>REVENUES</b>											
Local Sources								\$ 750	\$ 4,123	\$ 981	\$ 5,854
Federal Sources	\$ 250,034	\$ 31,244	\$ 3,376	\$ 9,166	\$ 10,000	\$ 245,074	\$ 7,076				555,970
<b>TOTAL REVENUES</b>	<b>250,034</b>	<b>31,244</b>	<b>3,376</b>	<b>9,166</b>	<b>10,000</b>	<b>245,074</b>	<b>7,076</b>	<b>750</b>	<b>4,123</b>	<b>981</b>	<b>561,824</b>
<b>EXPENDITURES:</b>											
<b>Instruction:</b>											
Salaries of Teachers	130,899	1,870									132,769
Other Salaries for Instruction	26,605		958		3,000		7,076				37,639
Tuition						245,074					245,074
General Supplies	19,484		2,218	7,966	1,000			750		981	32,399
<b>Total Instruction</b>	<b>176,988</b>	<b>1,870</b>	<b>3,176</b>	<b>7,966</b>	<b>4,000</b>	<b>245,074</b>	<b>7,076</b>	<b>750</b>		<b>981</b>	<b>447,881</b>
<b>Support Services:</b>											
Salaries of Supervisors of Instruction		3,485									3,485
Salaries of Program Directors		425									425
Other Salaries				849							849
Employee Benefits	70,651										70,651
Purchased Professional Education Serv.	2,395	8,378			2,825						13,598
Other Purchased Services		16,471									16,471
Supplies and Materials		615	200	305	3,175				4,123		8,418
Other Objects				46							46
<b>Total Support Services</b>	<b>73,046</b>	<b>29,374</b>	<b>200</b>	<b>1,200</b>	<b>6,000</b>				<b>4,123</b>		<b>113,943</b>
<b>TOTAL EXPENDITURES</b>	<b>250,034</b>	<b>31,244</b>	<b>3,376</b>	<b>9,166</b>	<b>10,000</b>	<b>245,074</b>	<b>7,076</b>	<b>750</b>	<b>4,123</b>	<b>981</b>	<b>561,824</b>
<b>Total Outflows</b>	<b>250,034</b>	<b>31,244</b>	<b>3,376</b>	<b>9,166</b>	<b>10,000</b>	<b>245,074</b>	<b>7,076</b>	<b>750</b>	<b>4,123</b>	<b>981</b>	<b>561,824</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>											

**CAPITAL PROJECTS FUND  
DETAIL STATEMENTS**

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.



DUNELLEN SCHOOL DISTRICT

Exhibit F-1

**CAPITAL PROJECTS FUND  
SUMMARY STATEMENT OF PROJECT EXPENDITURES**

For the Fiscal Year Ended June 30, 2018

	<u>Approval</u>	<u>Original Date</u>	<u>Original Appropriations</u>	<u>Revised Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2018</u>
					<u>Prior Years</u>	<u>Current Year</u>	
John P. Farber Elementary School	Board of Education	4/23/14	\$ 488,061	\$ 541,568	\$ 541,568	-	-
Athletic Field Projects	Board of Education	8/15/17	408,477	408,477		-	\$ 408,477
DHS Science Rooms	Board of Education	8/15/17	308,025	308,025		\$ 72,835	235,190
Security Project	Board of Education	8/15/17	87,931	88,931		50,000	38,931
			<u>\$ 1,292,494</u>	<u>\$ 1,347,001</u>	<u>\$ 541,568</u>	<u>122,835</u>	<u>\$ 682,598</u>

Fund Balances, June 30, 2018 \$ 682,598

DUNELLEN SCHOOL DISTRICT

Exhibit F-2

**CAPITAL PROJECTS FUND**  
**SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE-BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2018

**Revenues and Other Financing**

**Sources/(Uses):**

Transfer from Capital Outlay - General Fund	\$ 250,000
Transfer from Capital Reserve - General Fund	<u>546,956</u>
Total Revenues	<u>796,956</u>

**Expenditures and Other Financing**

**Uses**

Professional Fees	59,355
Construction Services	<u>63,480</u>
Total Expenditures	<u>122,835</u>

Excess(deficiency) of revenues over(under)  
 expenditures

674,121

Fund Balance - Beginning

\$ 8,477

Fund Balance - Ending

\$ 682,598

DUNELLEN SCHOOL DISTRICT

Exhibit F-2a

**CAPITAL PROJECTS FUND**  
**SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,**  
**AND PROJECT STATUS-BUDGETARY BASIS**  
**JOHN P. FARBER ELEMENTARY SCHOOL**

From Inception and for the Fiscal Year Ended June 30, 2018

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Costs</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SCC Grant	\$ 116,375		\$ 116,375	\$ 116,375
Miscellaneous Income - Prior Year Refund	5,205		5,205	5,205
Transfer from Enterprise Fund	35,000		35,000	35,000
Transfer from Capital Reserve	218,465	\$ (8,477)	209,988	209,988
Transfer from Maintenance Reserve	175,000		175,000	175,000
Total Revenues	550,045	(8,477)	541,568	541,568
<b>Expenditures and Other Financing Sources</b>				
Purchased Professional and Technical Services	\$ 40,620		\$ 40,620	40,620
Construction Services	500,948		500,948	500,948
Total Expenditures	541,568	-	541,568	541,568
Excess(deficiency) of revenues over(under) expenditures			\$ 8,477	-

Project Fund Balance, 6/30/18 -

**Additional project information:**

Project Number	SP1140-040-14-1003
Grant Date	4/23/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$488,061
Additional Authorized Cost	\$53,507
Revised Authorized Cost	\$541,568
Percentage Increase over Original Authorized Cost	11.0%
Percentage Completion	100.0%
Original Target Completion Date	10/31/14
Revised Target Completion Date	12/31/16

DUNELLEN SCHOOL DISTRICT

Exhibit F-2b

**CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,  
AND PROJECT STATUS-BUDGETARY BASIS  
ATHLETIC FIELD PROJECT**

From Inception and for the Fiscal Year Ended June 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
<b>Revenues and Other Financing Sources</b>				
Transfer from Capital Outlay		\$ 250,000	\$ 250,000	\$ 250,000
Transfer from Capital Reserve		158,477	158,477	158,477
Total Revenues	-	408,477	408,477	408,477
<b>Expenditures and Other Financing Sources</b>				
Construction Services			-	408,477
Total Expenditures	-	-	-	408,477
Excess(deficiency) of revenues over(under) expenditures	-		\$ 408,477	
			<u>\$ 408,477</u>	
			Project Fund Balance, 6/30/18	<u>\$ 408,477</u>

**Additional project information:**

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$400,000
Additional Authorized Cost	\$8,477
Revised Authorized Cost	\$408,477
Percentage Increase over Original Authorized Cost	2.1%
Percentage Completion	
Original Target Completion Date	6/30/18
Revised Target Completion Date	6/30/19

DUNELLEN SCHOOL DISTRICT

Exhibit F-2c

**CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,  
AND PROJECT STATUS-BUDGETARY BASIS  
DHS SCIENCE ROOMS**

From Inception and for the Fiscal Year Ended June 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
<b>Revenues and Other Financing Sources</b>				
Transfer from Capital Reserve		\$ 308,025	\$ 308,025	\$ 308,025
Total Revenues	-	308,025	308,025	308,025
<b>Expenditures and Other Financing Sources</b>				
Purchased Professional and Technical Services		59,355	59,355	122,244
Construction Services		13,480	13,480	185,781
Total Expenditures	-	72,835	72,835	308,025
Excess(deficiency) of revenues over(under) expenditures	-		\$ 235,190	
			<u>\$ 235,190</u>	
			Project Fund Balance, 6/30/18	<u>\$ 235,190</u>

**Additional project information:**

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$308,025
Additional Authorized Cost	
Revised Authorized Cost	\$308,025
Percentage Increase over Original Authorized Cost	
Percentage Completion	23.6%
Original Target Completion Date	6/30/18
Revised Target Completion Date	6/30/19

DUNELLEN SCHOOL DISTRICT

Exhibit F-2d

**CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,  
AND PROJECT STATUS-BUDGETARY BASIS  
SECURITY PROJECTS**

From Inception and for the Fiscal Year Ended June 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
<b>Revenues and Other Financing Sources</b>				
Transfer from Capital Reserve		\$ 88,931	\$ 88,931	\$ 88,931
Total Revenues	-	88,931	88,931	88,931
<b>Expenditures and Other Financing Sources</b>				
Construction Services		50,000	50,000	185,781
Total Expenditures	-	50,000	50,000	185,781
Excess(deficiency) of revenues over(under) expenditures	-		\$ 38,931	
			<u>\$ 38,931</u>	
			Project Fund Balance, 6/30/18	<u>\$ 38,931</u>

**Additional project information:**

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$87,931
Additional Authorized Cost	\$1,000
Revised Authorized Cost	\$88,931
Percentage Increase over Original Authorized Cost	1.1%
Percentage Completion	56.2%
Original Target Completion Date	6/30/18
Revised Target Completion Date	6/30/19

**PROPRIETARY FUND  
DETAIL STATEMENTS**

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the district's board is that the costs of providing goods or services be financed through user charges.

**Food Services Fund** - This fund provides for the operation of food services in all schools within the school district.

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.**

<p style="text-align: center;"><b>FIDUCIARY FUND DETAIL STATEMENTS</b></p>
--

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

**Student Activity Fund** - This agency fund is used to account for student funds held at the schools.

**Payroll Fund** - This agency fund is used to account for the payroll transactions of the school



DUNELLEN SCHOOL DISTRICT

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2018

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>		SCHOLARSHIP FUNDS		<u>AGENCY FUNDS</u> STUDENT ACTIVITY		PAYROLL AGENCY		<u>TOTALS</u>
<b>ASSETS:</b>									
Cash and Cash Equivalents	\$	25,489	\$	876	\$	120,079	\$	49,107	\$ 195,551
<b>TOTAL ASSETS</b>	<u>\$</u>	<u>25,489</u>	<u>\$</u>	<u>876</u>	<u>\$</u>	<u>120,079</u>	<u>\$</u>	<u>49,107</u>	<u>195,551</u>
<b>LIABILITIES:</b>									
Liabilities:									
Payroll Deductions and Withholdings							\$	37,646	\$ 37,646
Flexible Spending Account								9,035	9,035
Salaries & Wages								2,426	2,426
Payable to Student Groups					\$	120,079			120,079
<b>Total Liabilities</b>						<u>\$ 120,079</u>		<u>49,107</u>	<u>169,186</u>
<b>Net Position</b>									
Held in Trust for									
Claims and Other Purposes	\$	25,489	\$	876					26,365
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$</u>	<u>25,489</u>	<u>\$</u>	<u>876</u>	<u>\$</u>	<u>120,079</u>	<u>\$</u>	<u>49,107</u>	<u>195,551</u>

DUNELLEN SCHOOL DISTRICT

Exhibit H-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018**

	<b>UNEMPLOYMENT COMPENSATION INSURANCE</b>	
	<b><u>TRUST</u></b>	<b><u>TOTALS</u></b>
<b>ADDITIONS</b>		
Contributions:		
Plan Member	\$ 31,485	\$ 31,485
Employer	<u>20,000</u>	<u>20,000</u>
Total Contributions	<u>51,485</u>	<u>51,485</u>
Investment Earnings:		
Interest	<u>44</u>	<u>44</u>
Net Investment Earnings	<u>44</u>	<u>44</u>
<b>Total Additions</b>	<b><u>51,529</u></b>	<b><u>51,529</u></b>
<b>DEDUCTIONS</b>		
Unemployment Claims/Quarterly Remittance	<u>58,942</u>	<u>58,942</u>
<b>Total Deductions</b>	<b><u>58,942</u></b>	<b><u>58,942</u></b>
Change in Net Position	(7,413)	(7,413)
Net Position—Beginning of the Year	<u>32,902</u>	<u>32,902</u>
<b>Net Position—End of the Year</b>	<b><u>\$ 25,489</u></b>	<b><u>\$ 25,489</u></b>

DUNELLEN SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
STUDENT ACTIVITY AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>ACTIVITY</u>	<u>BALANCE JULY 1, 2017</u>	<u>TRANSFERS</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2018</u>
Farber School	\$ 8,946		\$ 21,351	\$ 14,264	\$ 16,033
Lincoln Middle School/Dunellen High School	120,868		278,883	297,765	101,986
Student Activity Accounts	<u>1,340</u>	<u>-</u>	<u>27,367</u>	<u>26,647</u>	<u>2,060</u>
<b>Totals</b>	<b><u>\$ 131,154</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 327,601</u></b>	<b><u>\$ 338,676</u></b>	<b><u>\$ 120,079</u></b>

DUNELLEN SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
PAYROLL AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>BALANCE</u> <u>JULY 1, 2017</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2018</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 83,297	\$ 11,393,402	\$ 11,427,592	\$ 49,107
<b>Total Assets</b>	<u>\$ 83,297</u>	<u>\$ 11,393,402</u>	<u>\$ 11,427,592</u>	<u>\$ 49,107</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings	\$ 65,973	\$ 5,058,961	\$ 5,087,288	\$ 37,646
Flexible Spending Account	8,413	8,338	7,716	9,035
Accrued Salaries and Wages	<u>8,911</u>	<u>6,326,103</u>	<u>6,332,588</u>	<u>2,426</u>
<b>Total Liabilities</b>	<u>\$ 83,297</u>	<u>\$ 11,393,402</u>	<u>\$ 11,427,592</u>	<u>\$ 49,107</u>

## **LONG-TERM DEBT SCHEDULES**

The Long-Term Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.

DUNELLEN SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS  
AS OF ENDED JUNE 30, 2018**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE July 1, 2017</u>	<u>RETIRED</u>	<u>BALANCE June 30, 2018</u>
			<u>DATE</u>	<u>AMOUNT</u>				
2012 Series School Bonds	12/12/12	\$ 8,005,000	7/15/18	\$ 470,000	3.00%	\$ 7,490,000	\$ (455,000)	\$ 7,035,000
			7/15/19	485,000	3.00%			
			7/15/20	500,000	2.00%			
			7/15/21	515,000	2.00%			
			7/15/22	540,000	4.00%			
			7/15/23	560,000	4.00%			
			7/15/24	590,000	4.00%			
			7/15/25	620,000	4.00%			
			7/15/26	645,000	4.00%			
			7/15/27	675,000	4.00%			
			7/15/28	705,000	4.00%			
			7/15/29	730,000	4.00%			
			Total					

DUNELLEN SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 718,825		\$ 718,825	\$ 718,825	-
<b>TOTAL REVENUES</b>	<b>718,825</b>	<b>-</b>	<b>718,825</b>	<b>718,825</b>	<b>-</b>
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	263,825	-	263,825	263,825	-
Redemption of Principal	455,000		455,000	455,000	-
Total Regular Debt Service	718,825		718,825	718,825	-
<b>TOTAL EXPENDITURES</b>	<b>718,825</b>		<b>718,825</b>	<b>718,825</b>	<b>-</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	-	-	-	-
Fund Balance, July 1	1		1	1	-
<b>Fund Balance, June 30</b>	<b>\$ 1</b>	<b>-</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>-</b>
<b>Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures</b>					
Budgeted Fund Balance	-	-	-	-	-

Dunellen School District  
Statistical Section

<u>Contents</u>	<u>Page</u>
<b>Financial Trends (J-1 thru J-5)</b> These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	102-107
<b>Revenue Capacity (J-6 thru J-9)</b> These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	108-111
<b>Debt Capacity (J-10 thru J-13)</b> These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	112-115
<b>Demographic and Economic Information (J-14 and J-15)</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	116-117
<b>Operating Information (J-16 thru J-20)</b> These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	118-122

**Sources:**

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning in that year.



**Dunellen School District**  
**Net Position by Component,**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-1**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 9,203,207	\$ 8,990,699	\$ 8,782,038	\$ 8,652,743	\$ 7,046,996	\$ 7,596,047	\$ 9,227,074	\$ 10,160,602	\$ 10,344,543	\$ 10,283,113
Restricted	194,084	261,925	460,282	1,041,703	1,256,965	1,586,520	1,229,723	554,622	813,505	686,176
Unrestricted	(398,464)	(395,258)	(402,669)	(483,386)	(525,903)	(622,457)	(3,426,160)	(3,703,158)	(4,267,757)	(3,393,552)
<b>Total governmental activities Net Position</b>	<b>\$ 8,998,827</b>	<b>\$ 8,857,366</b>	<b>\$ 8,839,651</b>	<b>\$ 9,211,060</b>	<b>\$ 7,778,058</b>	<b>\$ 8,560,110</b>	<b>\$ 7,030,636</b>	<b>\$ 7,012,066</b>	<b>\$ 6,890,290</b>	<b>\$ 7,575,737</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 8,040	\$ 6,696	\$ 5,352	\$ 9,844	\$ 6,850	\$ 31,008	\$ 63,224	\$ 93,102	\$ 63,190	\$ 125,251
Restricted										-
Unrestricted	71,404	101,852	114,469	160,748	205,882	93,057	31,328	(14,925)	163,626	503,328
<b>Total business-type activities Net Position</b>	<b>\$ 79,445</b>	<b>\$ 108,548</b>	<b>\$ 119,821</b>	<b>\$ 170,592</b>	<b>\$ 212,732</b>	<b>\$ 124,065</b>	<b>\$ 94,551</b>	<b>\$ 78,177</b>	<b>\$ 226,816</b>	<b>\$ 628,579</b>
<b>District-wide</b>										
Invested in capital assets, net of related debt	\$ 9,211,248	\$ 8,997,395	\$ 8,787,390	\$ 8,662,587	\$ 7,053,846	\$ 7,627,054	\$ 9,290,297	\$ 10,253,704	\$ 10,407,733	\$ 10,408,364
Restricted	194,084	261,925	460,282	1,041,703	1,256,965	1,586,520	1,229,723	554,622	813,505	686,176
Unrestricted	(327,060)	(293,407)	(288,200)	(322,638)	(320,021)	(529,399)	(3,394,833)	(3,718,083)	(4,104,131)	(2,890,224)
<b>Total district Net Position</b>	<b>\$ 9,078,272</b>	<b>\$ 8,965,914</b>	<b>\$ 8,959,472</b>	<b>\$ 9,381,652</b>	<b>\$ 7,990,790</b>	<b>\$ 8,684,175</b>	<b>\$ 7,125,187</b>	<b>\$ 7,090,243</b>	<b>\$ 7,117,106</b>	<b>\$ 8,204,316</b>

Source: CAFR Schedule A-1

**Dunellen Borough School District**  
**Changes in Net Position, Last Ten Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-2**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities										
Instruction										
Regular	\$ 6,817,573	\$ 7,131,892	\$ 7,170,731	\$ 7,430,285	\$ 7,068,516	\$ 7,248,615	\$ 7,843,984	\$ 9,257,507	\$ 9,096,544	\$ 10,544,290
Special education	1,801,300	2,093,028	1,638,543	1,535,806	1,680,494	1,798,816	1,903,322	2,273,920	2,385,209	2,765,879
Other special instruction	607,961	612,702	583,818	620,692	691,002	655,042	897,181	897,047	1,012,423	632,386
Support Services:										
Tuition	863,479	1,074,640	1,040,496	1,189,457	1,261,366	941,609	1,059,862	1,047,738	884,398	858,063
Student & instruction related services	1,690,952	1,849,549	1,866,130	1,757,927	1,982,427	2,398,008	2,437,945	3,027,681	2,849,076	3,250,959
School administrative service	946,391	956,705	950,705	1,001,478	913,123	1,153,603	1,101,739	1,170,752	1,269,300	1,516,422
General and business admin. services	828,056	865,222	816,684	874,999	1,126,720	938,389	1,229,543	1,377,898	1,455,852	1,442,529
Plant operations and maintenance	1,497,595	1,288,644	1,380,279	1,335,684	1,402,989	1,215,452	1,339,700	1,399,567	1,632,890	1,791,859
Pupil transportation	397,313	461,997	465,088	450,434	491,205	410,691	464,999	538,842	534,132	443,149
Charter Schools	7,484		7,109		25,333	18,250	15,151	32,564	1,901,680	
Interest on long-term debt	558,239	560,560	494,698	489,785	425,159	406,436	366,594	348,017	334,677	339,795
Total governmental activities expenses	16,016,344	16,894,939	16,414,281	16,686,547	17,068,334	17,184,912	18,660,020	21,371,532	23,356,181	23,585,331
Business-type activities:										
Food service	375,736	422,953	415,164	435,526	441,744	457,072	482,100	581,155	608,480	567,122
Preschool Program										227,519
After Care									523,367	178,337
Chrome Program										2,299
Total business-type activities expense	375,736	422,953	415,164	435,526	441,744	457,072	482,100	581,155	1,131,846	975,277
Total district expenses	\$ 16,392,080	\$ 17,317,892	\$ 16,829,445	\$ 17,122,073	\$ 17,510,078	\$ 17,641,984	\$ 19,142,120	\$ 21,952,687	\$ 24,488,027	\$ 24,560,608
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Business and other support services			\$ 58,656	\$ 50,280	\$ 53,669	\$ 52,745	\$ 52,971	\$ 69,268	\$ 66,788	\$ 39,234
Operating grants and contributions	\$ 2,619,002	\$ 3,010,279	2,551,156	2,873,889	3,013,280	3,043,708	4,109,328	4,090,750	7,969,848	12,526,015
Capital grants and contributions										-
Total governmental activities program revenues	2,619,002	3,010,279	2,609,812	2,924,170	3,066,949	3,096,453	4,162,299	4,160,018	8,036,635	12,565,249
Business-type activities:										
Charges for services										
Food service	244,858	243,177	216,233	221,733	211,048	214,858	223,924	243,965	284,599	265,503
Preschool Program									453,795	443,300
After Care									192,888	292,766
Chrome Program										9,100
Operating grants and contributions	169,379	208,879	210,205	264,565	270,260	278,548	278,663	320,815	349,204	360,880
Capital grants and contributions										-
Total business type activities program revenues	414,237	452,056	426,438	486,298	481,308	493,406	502,587	564,780	1,280,486	1,371,549
Total district program revenues	\$ 3,033,239	\$ 3,462,335	\$ 3,036,250	\$ 3,410,468	\$ 3,548,257	\$ 3,589,859	\$ 4,664,886	\$ 4,724,798	\$ 9,317,121	\$ 13,936,798
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (13,397,342)	\$ (13,884,659)	\$ (13,804,469)	\$ (13,762,378)	\$ (14,001,385)	\$ (14,088,459)	\$ (14,497,721)	\$ (17,211,513)	\$ (15,319,546)	\$ (11,020,082)
Business-type activities	38,501	29,103	11,274	50,772	39,564	36,334	20,487	(16,375)	148,640	396,272
Total district-wide net expense	\$ (13,358,841)	\$ (13,855,556)	\$ (13,793,195)	\$ (13,711,605)	\$ (13,961,821)	\$ (14,052,125)	\$ (14,477,234)	\$ (17,227,888)	\$ (15,170,906)	\$ (10,623,810)

**Dunellen Borough School District**  
**Changes in Net Position, Last Ten Fiscal Years**  
*(accrual basis of accounting)*

Exhibit J-2

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 8,126,326	\$ 8,354,094	\$ 8,543,395	\$ 8,754,123	\$ 8,929,205	\$ 9,107,789	\$ 9,289,944	\$ 9,931,548	\$ 10,249,324	\$ 10,907,075
Taxes levied for debt service	430,664	466,245	549,402	614,944	799,181	685,264	783,097	427,585	446,050	718,825
Investment earnings	13877.4	7,672	5,302	4,636	3,294					2,815
Miscellaneous income	105112.22	106,485	49,757	67,166	24,490	70,313	60,913	100,114	68,308	76,814
Federal and State Aid for Capital Assets Projects	4434649.07	4,808,703	4,638,896	4,692,920	4,752,199	4,882,145	5,503,013	6,733,705	4,434,087	
Transfers						125,000	50,000			
Total governmental activities	13,110,628	13,743,198	13,786,752	14,133,789	14,508,369	14,870,510	15,686,967	17,192,952	15,197,769	11,705,529
Business-type activities:										
Investment earnings										5,491
Transfers						(125,000)	(50,000)			-
Total business-type activities	-	-	-	-	-	(125,000)	(50,000)	-	-	5,491
Total district-wide	\$ 13,110,628	\$ 13,743,198	\$ 13,786,752	\$ 14,133,789	\$ 14,508,369	\$ 14,745,510	\$ 15,636,967	\$ 17,192,952	\$ 15,197,769	\$ 11,711,020
<b>Change in Net Position</b>										
Governmental activities	\$ (286,714)	\$ (141,461)	\$ (17,717)	\$ 371,411	\$ 506,983	\$ 782,052	\$ 1,189,246	\$ (18,561)	\$ (121,777)	\$ 685,447
Business-type activities	38,501	29,103	11,274	50,772	39,564	(88,666)	(29,513)	(16,375)	148,640	401,763
Total district	\$ (248,213)	\$ (112,358)	\$ (6,443)	\$ 422,184	\$ 546,547	\$ 693,385	\$ 1,159,733	\$ (34,936)	\$ 26,863	\$ 1,087,210

Source: CAFR Schedule A-2

**Dunellen School District**  
**Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

**Exhibit J-3**

	2009		2010		2011		2012		Fiscal Year Ending June 30,		2015		2016		2017		2018	
									2013	2014								
General Fund																		
Reserved	\$ 408,491	\$ 497,051	\$ 460,281	\$ 1,041,703	\$ 1,228,481	\$ 1,517,710	\$ 835,391	\$ 551,349	\$ 805,027	\$ 967,167								
Unreserved	(203,683)	(199,768)	(37,568)	(106,242)	(172,089)	(175,195)	(284,536)	(178,579)	(250,215)	(233,943)								
Total general fund	\$ 204,808	\$ 297,283	\$ 422,713	\$ 935,461	\$ 1,056,392	\$ 1,342,515	\$ 550,855	\$ 372,770	\$ 554,812	\$ 733,224								
All Other Governmental Funds																		
Reserved																		\$ 223,219
Unreserved, reported in:																		
Special revenue fund					\$ 28,484	\$ 68,809	\$ 394,330	\$ 3,272	\$ 8,477	459,379								
Capital projects fund																		
Debt service fund	\$ 1	\$ 1	\$ 1	\$ 1	1	1	1	1	1	1								
Total all other governmental funds	\$ 1	\$ 1	\$ 1	\$ 1	\$ 28,484	\$ 68,810	\$ 394,331	\$ 3,273	\$ 8,478	\$ 682,599								

Source: CAFR Schedule B-1

**Dunellen School District  
Changes in Fund Balances, Governmental Funds,  
Last Ten Fiscal Years**

**Exhibit J-4**

	<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>	<u>2018</u>
<b>Revenues</b>										
Tax levy	\$ 9,115,229	\$ 9,380,899	\$ 9,587,495	\$ 9,829,742	\$ 9,981,719	\$ 10,136,012	\$ 10,376,158	\$ 10,643,673	\$ 10,966,574	\$ 11,625,900
Tuition		45,322	58,656	50,280	53,669	52,745	52,971	69,268	66,788	39,234
Miscellaneous	118,990	68,835	55,059	71,802	46,875	30,362	60,913	100,114	68,309	79,629
State sources	6,022,016	5,707,718	6,055,625	6,389,382	6,905,990	6,890,540	7,675,392	7,268,685	7,467,746	8,213,778
Federal sources	473,395	1,550,704	639,729	716,752	587,065	692,353	577,233	599,276	563,108	572,055
<b>Total revenue</b>	<b>15,729,630</b>	<b>16,753,477</b>	<b>16,396,564</b>	<b>17,057,959</b>	<b>17,575,317</b>	<b>17,802,012</b>	<b>18,742,668</b>	<b>18,681,017</b>	<b>19,132,525</b>	<b>20,530,596</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	4,434,752	4,589,422	4,563,907	4,673,149	4,935,460	4,944,335	5,018,079	5,042,670	5,027,477	5,374,906
Special education instruction	1,400,083	1,678,213	1,214,298	1,111,538	1,248,224	1,307,407	1,290,654	1,337,392	1,605,807	1,419,284
Other special instruction	466,008	530,745	501,436	468,395	505,186	558,028	593,717	526,119	605,155	632,386
<b>Support Services:</b>										
Tuition	863,479	1,074,640	1,040,496	1,189,457	1,261,366	941,609	1,059,862	1,047,738	884,398	858,063
Student & instruction related services	1,317,610	1,366,656	1,376,200	1,328,668	1,488,090	1,721,586	1,682,056	1,815,612	1,770,677	1,904,364
School administrative services	668,851	703,173	697,584	714,350	652,090	640,801	623,874	629,053	714,014	730,993
Other administrative services	657,154	682,531	648,881	663,489	670,764	764,277	897,592	893,097	979,750	927,389
Plant operations and maintenance	1,443,868	1,242,529	1,279,872	1,258,781	1,263,243	1,195,269	1,253,185	1,281,953	1,220,880	1,253,391
Pupil transportation	392,359	456,696	459,206	444,567	486,423	408,196	464,999	538,842	534,132	443,149
Unallocated employee benefits	2,801,585	3,047,740	3,171,078	3,350,077	3,617,746	3,712,487	3,878,768	4,321,120	4,517,526	5,155,928
Summer School										-
Charter School	7,484		7,109		25,333	18,250	15,151	32,564	51,716	29,528
Capital Outlay	61,367	8,815	57,824	62,423	42,746	139,274	1,205,481	1,071,876	316,497	229,857
<b>Debt service:</b>										
Principal	675,000	740,000	745,000	805,000	810,000	890,000	955,000	420,000	440,000	455,000
Interest and other charges	570,005	539,841	508,243	475,318	1,329,364	359,044	320,390	292,125	277,250	263,825
<b>Total expenditures</b>	<b>15,759,604</b>	<b>16,661,002</b>	<b>16,271,134</b>	<b>16,545,212</b>	<b>18,336,035</b>	<b>17,600,564</b>	<b>19,258,806</b>	<b>19,250,161</b>	<b>18,945,277</b>	<b>19,678,063</b>
<b>Excess (Deficiency) of revenues over (under) expenditures</b>	<b>(29,974)</b>	<b>92,475</b>	<b>125,430</b>	<b>512,747</b>	<b>(760,718)</b>	<b>201,448</b>	<b>(516,138)</b>	<b>(569,144)</b>	<b>187,247</b>	<b>852,533</b>
<b>Other Financing Sources (uses)</b>										
Bond Proceeds							-		-	-
Transfers in										796,956
Transfers out										(796,956)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (29,974)</b>	<b>\$ 92,475</b>	<b>\$ 125,430</b>	<b>\$ 512,747</b>	<b>\$ (760,718)</b>	<b>\$ 201,448</b>	<b>\$ (516,138)</b>	<b>\$ (569,144)</b>	<b>\$ 187,247</b>	<b>\$ 852,533</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>7.9%</b>	<b>7.7%</b>	<b>7.7%</b>	<b>7.8%</b>	<b>11.7%</b>	<b>7.2%</b>	<b>7.1%</b>	<b>3.9%</b>	<b>3.9%</b>	<b>3.7%</b>

Source: CAFR Schedule B-2

DUNELLEN SCHOOL DISTRICT

GENERAL FUND OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2009	\$ 13,877			\$ 105,112	\$ 118,990
2010	7,672		\$ 45,322	61,163	114,157
2011	5,302	\$ 14,267	58,656	4,475	82,700
2012	4,636	30,583	50,280	8,762	94,261
2013	3,294		18,975	17,841	40,110
2014	3,098	9,935	52,745	7,357	73,136
2015	2,713	24,245	52,971	23,972	103,901
2016	1,839	28,382	69,268	66,606	166,096
2017			66,788	60,336	127,123
2018	2,815		39,234	70,960	113,009

SOURCE: District Records

**Dunellen School District  
Assessed Value and Actual Value of Taxable Property,  
Last Ten Fiscal Years**

**Exhibit J-6**

Fiscal Year Ended June 30,	Vacant Land	Residential	Apartment	Commercial	Industrial	Total Assessed Value	Public Utilities <b>a</b>	Net Valuation Taxable	Total Direct School Tax Rate <b>b</b>	Estimated Actual (County Equalized Value)
2009	\$629,000	\$124,392,000	\$1,623,800	\$13,452,550	\$3,374,700	144,092,127	\$620,077	\$144,092,127	\$6.295	\$724,000,200
2010	508,300	124,775,150	1,623,800	13,701,800	3,374,700	144,603,827	620,077	144,603,827	6.395	724,000,200
2011	437,600	124,963,050	1,623,800	13,521,700	3,597,200	144,803,169	659,819	144,803,169	6.550	680,482,726
2012	459,900	124,839,650	1,623,800	14,039,300	3,136,300	144,771,812	672,862	144,771,812	6.706	643,137,863
2013	459,900	125,004,750	1,585,800	14,136,300	3,136,300	145,052,237	729,187	145,052,237	6.830	626,388,719
2014	682,300	124,567,150	1,514,200	14,244,100	3,136,300	144,144,076	26	144,144,076	6.979	569,449,462
2015	664,000	124,540,800	1,514,200	14,292,400	3,136,300	144,147,726	26	144,147,726	7.115	553,084,033
2016	581,200	124,891,400	1,514,200	14,232,100	3,136,300	144,355,226	26	144,355,226	7.281	568,041,053
2017	566,500	125,040,800	1,514,200	14,073,200	3,136,300	144,331,025	25	144,331,025	7.486	593,466,308
2018	459,100	125,333,000	1,514,200	14,133,200	3,136,300	144,575,824	24	144,575,824	7.813	601,419,131

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

**b** Tax rates are per \$100

**Dunellen School District  
Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years**

**Exhibit J-7**

*(rate per \$100 of assessed value)*

Fiscal Year Ended June 30,	Greenwich Township Board of Education General Obligation			Borough of Dunellen		Middlesex County	Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	Debt Service <sup>b</sup>	Total Direct	Library			
2009	\$5.418	\$0.877	\$6.295	\$2.992		\$1.441	\$10.728
2010	\$5.521	\$0.874	\$6.395	\$3.011		\$1.477	\$10.883
2011	\$5.835	\$0.715	\$6.550	\$3.350		\$1.397	\$11.297
2012	\$5.840	\$0.866	\$6.706	\$3.537		\$1.364	\$11.607
2013	\$6.082	\$0.748	\$6.830	\$3.455		\$1.486	\$11.771
2014	\$6.243	\$0.736	\$6.979	\$3.280		\$1.512	\$11.771
2015	\$6.368	\$0.747	\$7.115	\$3.278		\$1.525	\$11.918
2016	\$7.220	\$0.061	\$7.281	\$3.331		\$1.564	\$12.176
2017	\$7.434	\$0.052	\$7.486	\$3.389		\$1.612	\$12.487
2018	\$7.316	\$0.497	\$7.813	\$3.490		\$1.656	\$12.959

Source: District Records and Municipal Tax Collector

**Note:**

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

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

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



**Dunellen School District  
Principal Property Tax Payers,  
Current Year and Nine Years Ago**

**Exhibit J-8**

Taxpayer	2017			2007		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Dunellen Associates	\$ 2,100,000	1	1.45%	\$ 2,100,000	1	1.47%
Provident Savings Bank	404,400	2	0.28%	594,000	2	0.42%
Verizon	309,000	3	0.21%			
Sunrise Industries	400,000	4	0.28%	453,000	3	0.32%
Retail Development Assoc.	401,600	5	0.28%	401,600	4	0.28%
A&M Gardens, Inc.	375,000	6	0.26%	375,000	6	0.0026
UMI Associates	374,000	7	0.26%	400,000	5	0.28%
Friend Well Plaza	855,100	8	0.59%			
Peter J. Riccio	322,000	9	0.22%	322,000	7	0.23%
Summit Federal Savings	236,000	10	0.16%	-		
Valstir, LLC				300,000	10	0.21%
Ronald Papieo				309,000	8	0.22%
Petra Heleniak				300,800	9	0.21%
<b>Total</b>	<b>\$ 5,777,100</b>		<b>3.98%</b>	<b>\$ 5,555,400</b>		<b>3.90%</b>

Source: District CAFR & Municipal Tax Assessor

**Dunellen School District  
Property Tax Levies and Collections,  
Last Ten Fiscal Years**

**Exhibit J-9**

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	
2009	\$9,115,229	\$9,115,229	100.00%	-
2010	\$9,380,899	\$9,380,899	100.00%	-
2011	\$9,587,495	\$9,587,495	100.00%	-
2012	\$9,829,742	\$9,829,742	100.00%	-
2013	\$9,981,719	\$9,981,719	100.00%	-
2014	\$10,136,012	\$10,136,012	100.00%	-
2015	\$10,376,158	\$10,376,158	100.00%	-
2016	\$10,643,673	\$10,643,673	100.00%	-
2017	\$10,966,574	\$10,966,574	100.00%	-
2018	\$11,625,900	\$11,625,900	100.00%	-

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

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

**Dunellen School District  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years**

**Exhibit J-10**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2009	\$13,265,000	-0-	-0-	-0-	-0-	\$13,265,000	4.09%	\$1,874
2010	\$12,525,000	-0-	-0-	-0-	-0-	\$12,525,000	3.72%	\$1,732
2011	\$11,780,000	-0-	-0-	-0-	-0-	\$11,780,000	3.32%	\$1,621
2012	\$10,975,000	-0-	-0-	-0-	-0-	\$10,975,000	2.99%	\$1,501
2013	\$10,195,000	-0-	-0-	-0-	-0-	\$10,195,000	2.76%	\$1,387
2014	\$9,305,000	-0-	-0-	-0-	-0-	\$9,305,000	2.40%	\$1,261
2015	\$8,885,000	-0-	-0-	-0-	-0-	\$8,885,000	2.25%	\$1,203
2016	\$7,930,000	-0-	-0-	-0-	-0-	\$7,930,000	2.01%	\$1,075
2017	\$7,490,000	-0-	-0-	-0-	-0-	\$7,490,000	1.90%	\$1,016
2018	\$7,035,000	-0-	-0-	-0-	-0-	\$7,035,000	1.70%	\$950

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

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

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

**Dunellen School District**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

**Exhibit J-11**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$13,265,000	-0-	\$13,265,000	9.21%	\$1,874
2010	\$12,525,000	-0-	\$12,525,000	8.66%	\$1,732
2011	\$11,780,000	-0-	\$11,780,000	8.14%	\$1,621
2012	\$10,975,000	-0-	\$10,975,000	7.58%	\$1,501
2013	\$10,195,000	-0-	\$10,195,000	7.03%	\$1,387
2014	\$9,305,000	-0-	\$9,305,000	6.46%	\$1,261
2015	\$8,350,000	-0-	\$8,350,000	5.79%	\$1,130
2016	\$7,930,000	-0-	\$7,930,000	5.49%	\$1,075
2017	\$7,490,000	-0-	\$7,490,000	5.19%	\$1,016
2018	\$7,035,000	-0-	\$7,035,000	4.87%	\$950

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

**a** See Exhibit NJ J-6 for property tax data.

**b** Population data can be found in Exhibit NJ J-14.

**Dunellen School District  
Ratios of Overlapping Governmental Activities Debt  
As of June 30, 2018**

**Exhibit J-12**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Borough of Dunellen	\$ 7,562,503	100.000%	\$ 7,562,503
<b>Other debt</b>			
Middlesex County	476,938,580	0.581%	2,769,587
Middlesex County Improvement Authority	335,466,243	0.581%	<u>1,948,056</u>
Subtotal, overlapping debt			12,280,146
<b>Dunellen School District Direct Debt</b>			<u>7,035,000</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 19,315,146</u></u>

**Sources:** Township Finance Officer, Middlesex County Finance Office and Utility Authorities

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

**a** For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

**Dunellen School District  
Legal Debt Margin Information,  
Last Ten Fiscal Years**

**Exhibit J-13**

**Legal Debt Margin Calculation for Fiscal Year 2018**

	Equalized valuation basis
	2015 \$ 586,571,312
	2016 582,300,208
	2017 589,624,004
	[A] <u>\$ 1,758,495,524</u>
Average equalized valuation of taxable property	[A/3] \$ 586,165,175
Debt limit (3 % of average equalization value)	[B] 17,584,955
Net school debt	[C] 7,035,000
Legal debt margin	[B-C] <u>\$ 10,549,955</u>

	Fiscal Year									
	<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>	<u>2018</u>
Debt limit	\$ 25,665,364	\$ 27,503,533	\$ 27,893,498	\$ 26,837,484	\$ 25,306,257	\$ 23,883,356	\$ 22,711,681	\$ 23,057,618	\$ 23,057,618	\$ 17,584,955
Total net debt applicable to limit	<u>13,940,000</u>	<u>13,265,000</u>	<u>12,525,000</u>	<u>11,780,000</u>	<u>11,780,000</u>	<u>10,195,000</u>	<u>9,305,000</u>	<u>7,930,000</u>	<u>7,490,000</u>	<u>7,035,000</u>
Legal debt margin	<u>\$ 11,725,364</u>	<u>\$ 14,238,533</u>	<u>\$ 15,368,498</u>	<u>\$ 15,057,484</u>	<u>\$ 13,526,257</u>	<u>\$ 13,688,356</u>	<u>\$ 13,406,681</u>	<u>\$ 15,127,618</u>	<u>\$ 15,567,618</u>	<u>\$ 10,549,955</u>
Total net debt applicable to the limit as a percentage of debt limit	54.31%	48.23%	44.90%	43.89%	46.55%	42.69%	40.97%	34.39%	32.48%	40.01%

Source: Abstract of Ratables and District Records CAFR Schedule J-7

**a** Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

**Dunellen School District  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

**Exhibit J-14**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income (thousands of dollars) <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2009	6,966	\$ 320,561,388	\$ 46,018 R	12.9%
2010	7,080	\$ 334,530,000	\$ 47,250 R	12.9%
2011	7,231	\$ 365,548,743	\$ 50,553 R	12.5%
2012	7,271	\$ 384,992,179	\$ 52,949 R	12.7%
2013	7,320	\$ 371,687,640	\$ 50,777 R	3.7%
2014	7,361	\$ 383,294,631	\$ 52,071 R	3.7%
2015	7,396	\$ 400,101,412	\$ 54,097 R	4.9%
2016	7,408	\$ 414,699,840	\$ 55,980 R	4.3%
2017	7,401	\$ 414,307,980	\$ 55,980 *	4.2%
2018	7,407	\$ 414,643,860	\$ 55,980 *	*

**Source:**

<sup>a</sup> Combined Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal Income provided by US Dept of Commerce

<sup>c</sup> Per Capita provided by US Dept of Commerce

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

R =Revised

P =Projected

\* Current data unavailable

Dunellen School District  
Principal Employers,  
Current Year and Nine Years Ago

Exhibit J-15

N/A

Employer	2018			2009		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%			0.00%
		2	0.00%			0.00%
		3	0.00%			0.00%
		4	0.00%			0.00%
		5	0.00%			0.00%
		6	0.00%			0.00%
		7	0.00%			0.00%
		8	0.00%			0.00%
		9	0.00%			0.00%
		10	0.00%			0.00%
	<u>-</u>		<u>0.00%</u>	<u>-</u>		<u>0.00%</u>

**Source:**  
No reliable information is available at the local or county level.



**Dunellen School District  
Full-time Equivalent District Employees by Function/Program,  
Last Ten Fiscal Years**

**Exhibit J-16**

<u>Function/Program</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>	<u>2018</u>
Instruction										
Regular	94.0	80.0	80.0	83.0	83.0	83.0	83.0	83.0	83.0	85.0
Special education	19.0	23.0	23.0	25.0	26.0	26.0	27.0	28.0	29.0	30.0
Other special education	6.0	9.3	9.3	9.3	9.3	10.3	10.3	10.3	10.3	12.0
Other Instruction	5.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0
Support Services:										
Student & instruction related services	19.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	13.0	13.0
School administrative services	12.0	11.5	11.5	11.5	11.5	11.5	12.5	12.5	12.5	12.5
Business administrative services	6.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Central Services and admin IT		6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Plant operations and maintenance	2.0	1.0	1.0	1.0	1.0	1.0	1.0	16.0	16.0	16.0
Food Service		0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total	163.0	147.4	147.4	152.4	153.4	154.4	156.4	173.4	175.4	180.1

**Source:** District Personnel Records

**Dunellen School District  
Operating Statistics  
Last Ten Fiscal Years**

**Exhibit J-17**

Fiscal Year	Enrollment <sup>d</sup>	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
2009	1,101	\$14,453,232	13,127	1.50%	112	1:13	1:19	1:15	1,103.8	1,051.3	1.38%	95.2%
2010	1,153	15,372,346	13,338	1.61%	108	1:10	1:13.4	1:09	1,120.6	1,066.5	1.52%	95.2%
2011	1,131	14,960,067	13,227	-0.83%	108	1:11.2	1:15.3	1:13.5	1,109.4	1,056.6	-1.00%	95.2%
2012	1,177	15,202,471	12,922	-2.31%	106	1:12.4	1:12.4	1:12.4	1,152.2	1,096.8	3.86%	95.2%
2013	1,179	16,150,924	13,699	6.01%	107	1:12	1:12	1:12	1,144.4	1,088.8	-0.68%	95.1%
2014	1,168	16,212,246	13,880	1.33%	108	1:12	1:12	1:12	1,150.6	1,091.6	0.54%	94.9%
2015	1,155	16,777,935	14,526	4.65%	109	1:12	1:12	1:12	1,158.9	1,102.3	0.72%	95.1%
2016	1,127	17,466,160	15,498	6.69%	110	1:12	1:12	1:12	1,127.0	1,087.6	-2.75%	96.5%
2017	1,187	17,911,530	15,090	-2.63%	110	1:12	1:12	1:12	1,187.0	1,089.9	5.32%	91.8%
2018	1,211	18,959,238	15,656	3.75%	112	1:12	1:12	1:12	1,211.0	1,138.3	2.02%	94.0%

**Sources:** District records, ASSA and Schedule J-4

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

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-2
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d Enrollment for FY2009 forward includes student counts for tuition students.

**Dunellen School District  
School Building Information  
Last Ten Fiscal Years**

**Exhibit J-18**

	<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>	<u>2018</u>
<b><u>District Building</u></b>										
<b><u>Elementary</u></b>										
JOHN P. FABER										
Square Feet	77,961	77,961	77,961	77,961	77,961	77,961	77,961	77,961	77,961	77,961
Capacity (students)	610	610	610	610	610	610	610	610	610	610
Enrollment	523	562	560	570	546	551	556	512	512	550
<b><u>Middle School</u></b>										
LINCOLN MIDDLE SCHOOL										
Square Feet	26,248	26,248	26,248	26,248	26,248	26,248	26,248	26,248	26,248	26,248
Capacity (students)	301	301	301	301	301	301	301	301	301	301
Enrollment	273	258	260	259	277	277	280	289	289	296
<b><u>High School</u></b>										
DUNELLEN HIGH SCHOOL										
Square Feet	81,881	81,881	81,881	81,881	81,881	81,881	81,881	81,881	81,881	81,881
Capacity (students)	432	432	432	432	432	432	432	432	432	432
Enrollment	304	320	33	332	322	323	319	345	345	365

Number of Schools at June 30, 2018  
 Elementary = 1  
  
 Middle = 1  
 Senior High School = 1

**Source:** District records, ASSA

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of renovations and/or additions. Enrollment is based on the annual October district count.

DUNELLEN SCHOOL DISTRICT  
GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
Last Ten Fiscal Years Ending June 30, 2018

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</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>	<u>2018</u>	<u>Total</u>
Dunellen High School		\$ 79,654	\$ 64,476	\$ 87,163	\$ 84,222	\$ 79,842	\$ 70,372	\$ 63,792	\$ 96,805	\$ 132,964	\$ 118,390	\$ 877,680
John P. Faber School		76,033	61,545	83,200	80,394	76,213	67,173	60,892	92,405	126,598	112,721	837,174
Lincoln Middle School		<u>25,344</u>	<u>20,515</u>	<u>27,733</u>	<u>26,798</u>	<u>25,404</u>	<u>22,391</u>	<u>20,297</u>	<u>30,802</u>	<u>42,623</u>	<u>37,951</u>	<u>279,858</u>
Total School Facilities		181,031	146,536	198,096	191,414	181,459	159,936	144,981	220,012	302,185	269,062	1,994,712
Other Facilities		<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
<b>Grand Total</b>		<b><u>\$ 181,031</u></b>	<b><u>\$ 146,536</u></b>	<b><u>\$ 198,096</u></b>	<b><u>\$ 191,414</u></b>	<b><u>\$ 181,459</u></b>	<b><u>\$ 159,936</u></b>	<b><u>\$ 144,981</u></b>	<b><u>\$ 220,012</u></b>	<b><u>\$ 302,185</u></b>	<b><u>\$ 269,062</u></b>	<b><u>\$ 1,994,712</u></b>

DUNELLEN SCHOOL DISTRICT

INSURANCE SCHEDULE

JUNE 30, 2018

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
<b>COMPREHENSIVE PACKAGE POLICY - School Alliance Insurance Fund</b>		
Property-Blanket Building and Contents	\$ 500,000,000	\$ 5,000
Employee Dishonesty (Per Loss)	25,000	500
Money and Securities (in and out)	10,000	500
Comprehensive General Liability:		
Occurrence Limit	6,000,000	1,000
Comprehensive Automobile Liability	6,000,000	1,000
Workers' Compensation	2,000,000	1,000
Data Processing	250,000	1,000
<b>PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE</b>		
<b>BLANKET POSITION BOND - Selective Insurance Company</b>		
School Board Secretary/School Business Administrator	25,000	

SOURCE: District Records

# **Single Audit Section**



## **ARDITO & Co., LLP**

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Anthony Ardito, CPA, RMA, CMFO, PSA  
 Douglas R. Williams, CPA, RMA, 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***

#### Independent Auditor's Report

Honorable President and  
 Members of the Board of Education  
 Dunellen School District  
 County of Middlesex  
 Dunellen, New Jersey 08812

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dunellen School District Board of Education in the County of Middlesex, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Dunellen School District Board of Education's basic financial statements, and have issued our report thereon dated January 16, 2019.

#### **Internal Control Over Financial Reporting**

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

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

-Continued-

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*ARDITO & Co., LLP*

ARDITO & CO., LLP  
January 16, 2019

*Cynthia Corder*

Licensed Public School Accountant No.2369





## **ARDITO & Co., LLP**

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 Douglas R. Williams, CPA, RMA, PSA

### **Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey OMB circular 15-08**

#### Independent Auditor's Report

Honorable President and  
 Members of the Board of Education  
 Dunellen School District  
 County of Middlesex  
 Dunellen, New Jersey 08812

#### **Report on Compliance for Each Major Federal and State Program**

We have audited the Dunellen School District Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2018. The Dunellen School District Board of Education'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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

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

Our responsibility is to express an opinion on compliance for each of the 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

-Continued-

Those standards, the Uniform Guidance, and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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 District's compliance.

**Opinion on Each Major Federal and State Program**

In our opinion, the Dunellen School District Board of Education 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 as identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned costs for the year ended June 30, 2018.

**Report on Internal Control Over Compliance**

Management of the Dunellen School District Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 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 Dunellen School District Board of Education'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 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 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 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.

-Continued-

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 Uniform Guidance and New Jersey OMB circular 15-08, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.

*Ardito & Co., LLP*

ARDITO & CO., LLP  
January 16, 2019

*Cynthia Corder*

Licensed Public School Accountant No.2369

DUNELLEN SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards  
for the Fiscal Year ended June 30, 2018

Schedule A

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA No.	FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance At June 30, 2017	Carryover/ Walkover Amount	Cash Received	Budget Expend.	Adjust.	Repayment of Prior Years' Balances	Balance at June 30, 2018			Cumulative Total Expenditures	
					From	To							Accounts Receivable	Deferred Revenue	Due to Grantor		
<b>U.S. Department of Education</b>																	
<b>General Fund:</b>																	
Medical Assistance Aid	93.778	1705NJ5MAP	N/A	17,231	7/1/17	6/30/18			\$ 17,231	\$ (17,231)							\$ 17,231
<b>Total General Fund</b>							-	-	<b>17,231</b>	<b>(17,231)</b>	-	-	-	-	-	-	<b>17,231</b>
<b>U.S. Department of Education Passed- Through State Dept. of Education:</b>																	
<b>Special Revenue Fund:</b>																	
Title I	84.010	S010A170030	N/A	250,034	7/1/17	6/30/18			\$ 249,834	\$ (250,034)		\$ (200)					250,034
Title II	84.367	S367B170027	N/A	29,953	7/1/17	6/30/18	\$ 1,291		29,953	(31,244)							31,244
Title III	84.365	S367B170030	N/A	9,166	7/1/17	6/30/18			9,166	(9,166)							9,166
Title III Immigrant	84.365	S367B170030	N/A	3,376	7/1/17	6/30/18				(3,376)			(3,376)				3,376
Title IV	84.424A	S424B170031	N/A	10,000	7/1/17	6/30/18			1,000	(10,000)			(9,000)				10,000
I.D.E.A. Part B, Basic Regular	84.027	H027A170100	FT-1785-18	245,074	7/1/17	6/30/18			245,074	(245,074)							245,074
I.D.E.A. Part B, Preschool	84.173	H173A170114	FT-1785-18	7,076	7/1/17	6/30/18			7,076	(7,076)							7,076
Subtotal-Special Education Cluster									252,150	(252,150)							252,150
<b>Total Special Revenue Fund</b>							<b>1,291</b>		<b>542,103</b>	<b>(555,970)</b>			<b>(12,576)</b>				<b>555,970</b>
<b>U.S. Dept. of Agriculture Passed- Through State Dept. of Education:</b>																	
<b>Enterprise Fund:</b>																	
<b>Child Nutrition Cluster:</b>																	
National School Lunch Program (Food Distribution)	10.555	171NJ304N1099	N/A	23,601	7/1/17	6/30/18			23,601	(23,601)							23,601
School Breakfast Program	10.553	171NJ304N1099	N/A		7/1/16	6/30/17	(11,370)		11,370								
School Breakfast Program	10.553	171NJ304N1099	N/A	61,885	7/1/17	6/30/18			57,530	(61,885)			(4,355)				61,885
National School Lunch Program	10.555	171NJ304N1099	N/A		7/1/16	6/30/17	(47,764)		47,764								
National School Lunch Program	10.555	171NJ304N1099	N/A	262,170	7/1/17	6/30/18			244,908	(262,170)			(17,262)				262,170
After School Snacks Area Eligible	10.558	171NJ304N1099	N/A		7/1/16	6/30/17	(1,120)		1,120								
After School Snacks Area Eligible	10.558	171NJ304N1099	N/A	6,747	7/1/17	6/30/18			6,172	(6,747)			(575)				6,747
<b>Total Enterprise Fund</b>							<b>(60,254)</b>		<b>392,465</b>	<b>(354,403)</b>			<b>(22,192)</b>				<b>354,403</b>
<b>TOTAL FEDERAL ASSISTANCE</b>							<b>\$ (58,963)</b>		<b>\$ 951,799</b>	<b>\$ (927,604)</b>			<b>\$ (34,768)</b>				<b>\$ 927,604</b>

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



NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS  
AND FINANCIAL ASSISTANCE  
JUNE 30, 2018

**NOTE 1. GENERAL**

The accompanying schedule of expenditures of state financial assistance includes state award activity of the Board of Education, Dunellen School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditure of state financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on 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 Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of *2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and NJ OMB 15-08*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has elected not to use the 10% de minimis indirect cost rate.

**NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$35,537) for the general fund and (\$1,146) for the special revenue fund. See Exhibit C-3 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 basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS  
AND FINANCIAL ASSISTANCE  
JUNE 30, 2018

**NOTE 3. (Continued)**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 17,231	\$ 8,213,778	\$ 8,231,009
Special Revenue Fund	554,824	-	554,824
Food Service Fund	<u>347,656</u>	<u>6,477</u>	<u>354,133</u>
Total Financial Assistance	<u>\$ 919,711</u>	<u>\$ 8,220,255</u>	<u>\$ 9,139,966</u>

**NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS**

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

**NOTE 5. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2018. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2018.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section 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 deficiencies identified that were not considered to be material weaknesses? \_\_\_ Yes **x** None Reported

Noncompliance material to financial statements noted? \_\_\_ Yes **x** No

**Federal Awards**

Internal control over major programs:

1) Material weakness(es) identified? \_\_\_ Yes **x** No

2) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_\_ Yes **x** None

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of ? \_\_\_ Yes **x** No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FEIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>H027A170100</u>	<u>Special Education Cluster (IDEA B)</u>
<u>84.173</u>	<u>H173A170114</u>	<u>Special Education Cluster (IDEA Pre-School)</u>
<u> </u>	<u> </u>	<u> </u>

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

Auditee qualified as low-risk auditee? **x** yes \_\_\_ no





SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**Section II-Financial Statement Findings**

N/A

There were no matters of noncompliance or reportable conditions noted, that are required to be reported in accordance with *Government Auditing Standards*.

**Section III - Federal and State Financial Assistance Findings and Questioned Costs**

N/A

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and NJOMB Circular Letter 15-08, as applicable. There were no federal or state financial assistance findings or questioned costs that are required to be reported in accordance with Uniform Guidance or NJOMB Circular 15-08.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**STATUS OF PRIOR YEAR FINDINGS**

N/A

In accordance with *government auditing standards*, our procedures included a review of all prior year recommendations. There were no prior year findings.