

**LOPATCONG TOWNSHIP  
SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**JUNE 30, 2018**

**Responsibility of the Management of  
Lopatcong Township School District  
Warren County, New Jersey**



**LOPATCONG TOWNSHIP  
SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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

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SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**LOPATCONG TOWNSHIP  
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**Board of Education of Lopatcong Township**  
**321 Stonehenge Drive**  
**Phillipsburg, New Jersey 08865**  
**Telephone (908) 213-2995**  
**Fax (908) 213-3675**

**Atilla Sabahoglu**  
**School Business Administrator**

**Board Meets Second Tuesday**  
**of Each Month**

February 4, 2019

Honorable President and Members of the Board of Education  
Lopatcong Township School District  
321 Stonehenge Drive  
Phillipsburg, NJ 08865

Dear Honorable President and Board Members:

The Comprehensive Annual Financial Report of the Lopatcong Township School District for the fiscal year ending June 30, 2018 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Management of the District. To the best of our knowledge and belief, the data presented in this report is accurate in all material aspects and is reported in a manner designed to present, fairly, the financial position and results of the operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual report is presented in four sections, Introduction, Financial, Statistical and Single audit. The Introduction Section also includes the Letter of Transmittal, the District's Organizational Chart, Roster of Officials, and Consultants and Advisors. The Financial Section includes the Basic Financial Statements and schedules, as well as the auditor's report, therein. The Statistical Section includes financial and demographical information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to the single audit, including the auditor's reports on internal control structure and compliance with applicable law and regulations and findings are included in the Single Audit Section of this report.

**1. REPORTING ENTITY AND ITS SERVICES:** Lopatcong Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as stated by Statement No. 14. All funds and account groups of the District are included in this report.

The District provides a full range of educational services appropriate to grade levels preschool to 12 as well as Special Education. The District completed the 2017-2018 fiscal year with an average daily enrollment of 760.8 students, which is a 5.17% decrease under the previous year's enrollment. The following details the change in the student enrollment of the over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2008-2009	877.5	(2.80%)
2009-2010	934.7	6.50%
2010-2011	917.5	(1.80%)
2011-2012	885.9	(3.40%)
2012-2013	872.8	(1.50%)
2013-2014	861.0	(1.30%)
2014-2015	828.8	(3.80%)
2015-2016	846.0	2.03%
2016-2017	802.3	(5.17%)
2017-2018	760.8	(5.17%)

2. **ECONOMIC CONDITION AND OUTLOOK:** The Lopatcong Township School District recognizes the ever-changing environment in the financing of education in the State of New Jersey. The School Funding Reform Act of 2008, reduction of State Aid and the potential for failed budgets, do present a challenge now and for future years. The Lopatcong Township Board of Education, along with the staff, believes it will continue to provide a comprehensive education for all of its children. Exceptional instructional programs continue to be offered and reviewed on a regular basis for improvement. Students in grades three through eight scored comparably with the District factor group and State averages on the New Jersey State Assessment program in Language Arts and Mathematics.
  
3. **MAJOR INITIATIVES:** The main initiative for the 2017-2018 school year was to acquire additional technology to support the 21<sup>st</sup> Century Life and Careers Standards as well as to supplement technological activities in all classes. The addition of technology was directly aligned to the District initiative of a Reader’s Workshop and Math Workshop Model in all grades. By utilizing funds to procure Google Chromebooks, teachers were better equipped to provide intervention and extension activities for all students.

The District continued to address student achievement through developing and improving assessments aligned to curriculum. Curriculum and assessments continued to be aligned to the Common Core in all areas but there was a high focus on literacy. Through the use of Title II Funding, a literacy consultant was hired to work as a coach with teachers in grades 2-8.

The introduction of “Data Digs” district-wide assisted in identifying students for basic skills instruction and better helped the teachers plan for differentiated instruction within their classes. Data was collected in all grade levels in Mathematics and English Language Arts. The data was analyzed and shared in teams and/or individually with the principals in each school. Achievement goals were then established for each marking period and reviewed for success.

The Lopatcong School District continues to partner with the local PTA and Athletic Association to increase opportunities for children and families to participate in a wide variety of after-school activities and sporting events.



4. **INTERNAL CONTROLS:** Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in the conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance 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 the costs and benefits requires estimates and judgements by management.

As a recipient of Federal and State financial assistance, the District, is also responsible that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations to those programs. The internal control structure is also subject to periodic evaluation by District Management.

As a part of the District's single audit described earlier, tests are made to determine the adequacy of the internal structure, including the 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 Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue funds, and the debt service fund.

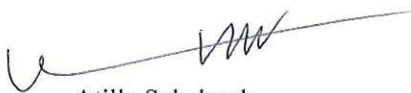
An encumbrance accounting system is used to record outstanding purchase commitments on a line by line basis.

6. **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in Notes to the Financial Statements. Note 1.
7. **FINANCIAL INFORMATION AT FISCAL YEAR END:** As demonstrated by the various statements and schedules included in the financial sections of this report, the District continues to meet its responsibility for sound financial management.
8. **DEBT ADMINISTRATION:** On June 30, 2018, the District's outstanding debt issue was \$11,505,000 for the construction of the Middle School.



9. **CASH MANAGEMENT:** The investment policy of the District is guided in a large part by the State as detailed in the Notes to the Financial Statement, Note 2. The District has adopted a cash management plan requiring it to deposit public funds in public depositories protected from loss under provisions of the Government Unit Deposit Protection Act (GUDPA). GUDPA was enacted 1970 to protect government units from a loss of funds in deposits with failed banking institutions in New Jersey. The law requires government units to deposit public funds only in public depositories located in New Jersey, where funds are secured in accordance with the Act.
10. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents and fidelity bonds.
11. **OTHER INFORMATION:**
- Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The District selected the accounting firm of BKC, CPAs, PC. In addition to meeting the requirements set forth in the statute, the audit was also designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments. The auditor's report on the general-purpose financial statements and schedules are included in the Financial Section of the report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.
12. **ACKNOWLEDGMENTS:** We would like to express our sincere appreciation to the members of the Lopatcong Township Board of Education for their dedication to providing fiscal accountability to the citizens and taxpayers of the District and contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the District's Staff.

Respectfully Submitted,

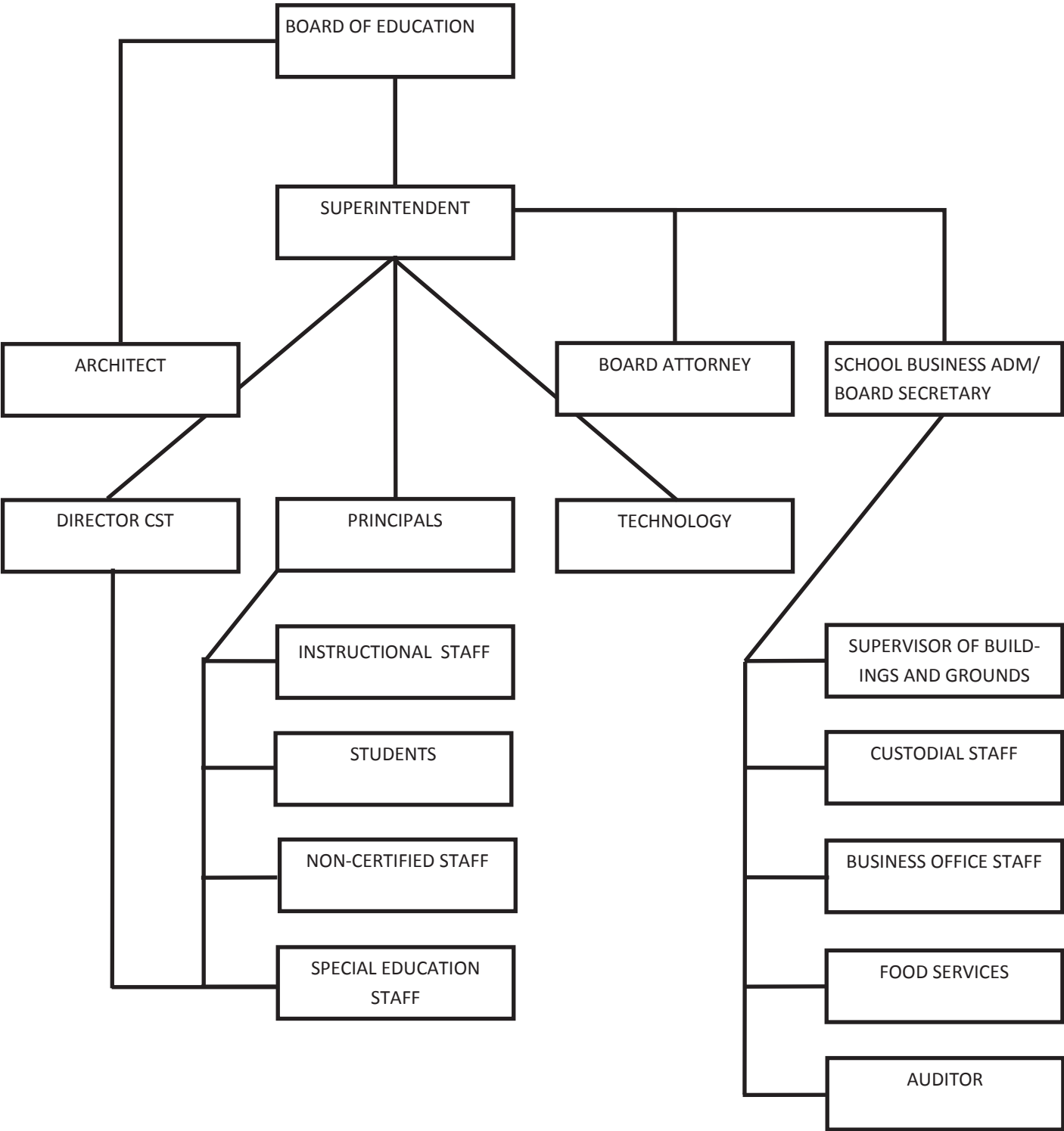


Atilla Sabahoglu  
School Business Administrator/Board Secretary



Rainie Roncoroni  
Superintendent

Lopatcong Township School District  
Organizational Chart



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**321 Stongehedge Drive**  
**Phillipsburg, NJ 08865**  
**Roster of Officials**  
**June 30, 2018**

<u>Members of the Board of Education</u>	<u>Title</u>	<u>Term Expires</u>
Robert McFarlane	President	2020
Stephen Ruane	Vice President	2018
William Taggart III		2018
Pamela Thomas		2018
Matthew Herzer		2019
Barbara Lance		2019
Ernie Gallant		2020
Kenney Lutz		2020

Other Officials

Rainie Roncoroni	Superintendent of Schools
Donna Tolley	Board Secretary/School Business Administrator
Cindy Hanics	School Treasurer

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**321 Stongehedge Drive**  
**Phillipsburg, NJ 08865**  
**Consultants & Advisors**  
**June 30, 2018**

**AUDIT FIRM**

BKC, CPAs, PC  
114 Broad Street  
Flemington, NJ 08822

**ATTORNEY**

John Comegno  
521 Pleasant Valley Avenue  
Moorestown, NJ 08057

**ARCHITECT**

Settembrino Architects  
25 Bridge Ave. Suite 201  
Red Bank, NJ 07701

**OFFICIAL DEPOSITORY**

Investors Savings Bank



Certified Public Accountants, PC

[www.bkc-cpa.com](http://www.bkc-cpa.com)

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## Independent Auditors' Report

Honorable President and  
Members of the Board of Education  
Lopatcong Township School District  
County of Warren, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lopatcong Township School District (the District) in the County of Warren, 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.

### Auditors' Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lopatcong Township School District, 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.

### Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### 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 Schedules, Schedules Related to Accounting and Reporting for Pensions, and Schedules Related to Accounting and Reporting for Other Postemployment Employee Benefits listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's Basic Financial Statements. The introduction section, combining and individual fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Schedule of Expenditures of State Financial Assistance required by New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are also not a required part of the basic financial statements. The combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subject 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



**BKC, CPAs, PC**



**Michael Holk, CPA, PSA**

February 4, 2019  
Flemington, New Jersey

**REQUIRED SUPPLEMENTARY INFORMATION - PART I**

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP, NEW JERSEY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited**

The discussion and analysis of Lopatcong Township 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 \$1,658,461 which represents a 138.67 percent increase from fiscal year 2017.
- General revenues accounted for \$22,443,010 in revenue or 97.29 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$652,847 or 2.71 percent to total revenues of \$24,095,857.
- The School District had \$22,437,396 in expenses; only \$652,847 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$23,443,010 were adequate to provide for these programs.
- Among major funds, the general fund had \$18,525,860 in revenues, \$16,907,405 in expenditures, and \$28,548 in other financing sources. The General Fund's balance increased \$1,647,003 from 2017.

**Using this Comprehensive Annual Financial Report (CAFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lopatcong Township 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 Lopatcong Township School District, the general fund is by far the most significant fund.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP, NEW JERSEY**

**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 position. 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. No financial 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 reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

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

**Fund Financial Statements**

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, capital projects fund and debt service fund.

**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 measure and report the operating results by measuring cash on hand and other assets that can be easily 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 provided.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP, NEW JERSEY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited**

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 at June 30, 2018 compared to June 30, 2017.

**Table 1  
Net Position**

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
<b>Assets</b>				
Current & other assets	\$ 3,331,737	\$ 1,659,848	\$ 1,671,889	100.73%
Capital assets	15,043,828	15,524,835	(481,007)	-3.10%
Total assets	<u>18,375,565</u>	<u>17,184,683</u>	<u>1,190,882</u>	6.93%
<b>Deferred pension activity</b>				
Total deferred outflow of resources	<u>1,124,017</u>	<u>1,859,326</u>	<u>(735,309)</u>	-39.55%
<b>Liabilities</b>				
Long-term liabilities	15,144,847	17,606,498	(2,461,651)	-13.98%
Other liabilities	<u>270,933</u>	<u>241,544</u>	<u>29,389</u>	12.17%
Total liabilities	<u>15,415,780</u>	<u>17,848,042</u>	<u>(2,432,262)</u>	-13.63%
<b>Deferred pension activity</b>				
Total deferred inflow of resources	<u>1,229,374</u>	<u>-</u>	<u>1,229,374</u>	100.00%
<b>Net position</b>				
Net investment in capital assets	3,538,828	3,414,835	123,993	3.63%
Restricted	3,121,147	1,638,662	1,482,485	90.47%
Unrestricted	<u>(3,805,547)</u>	<u>(3,857,530)</u>	<u>51,983</u>	-1.35%
Total net position	<u>\$ 2,854,428</u>	<u>\$ 1,195,967</u>	<u>\$ 1,658,461</u>	138.67%

Total assets increased \$1,190,882. Cash and cash equivalents increased by \$1,830,734, receivables and other assets decreased by \$158,845, and capital assets decreased by \$481,007. Unrestricted net position, the part of net position that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District, increased by \$51,983.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP, NEW JERSEY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited**

Table 2 shows the changes in net position for fiscal year ended June 30, 2018 compared to June 30, 2017.

**Table 2  
Changes in Net Position**

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
Revenues				
Program revenues				
Changes for services	\$ 296,580	\$ 292,937	\$ 3,643	1.24%
Operating grants	356,267	351,442	4,825	1.37%
General revenues				
Property taxes	14,059,305	13,760,363	298,942	2.17%
Unrestricted grants	9,340,650	8,552,940	787,710	9.21%
Other	43,055	38,353	4,702	12.26%
Total revenues	<u>24,095,857</u>	<u>22,996,035</u>	<u>1,099,822</u>	4.78%
Program expenses				
Instruction				
Regular	6,677,565	6,711,474	(33,909)	-0.51%
Special	3,292,753	3,156,827	135,926	4.31%
Other	21,123	26,237	(5,114)	-19.49%
Support services				
Tuition	6,087,176	6,053,142	34,034	0.56%
Student & instructional related services	1,504,996	1,445,614	59,382	4.11%
General & business administration	903,773	798,295	105,478	13.21%
School administration	735,234	775,580	(40,346)	-5.20%
Plant operations & maintenance	1,855,640	1,722,299	133,341	7.74%
Transportation	595,012	585,779	9,233	1.58%
Food service	277,087	282,908	(5,821)	-2.06%
Child care program	34,948	35,134	(186)	-0.53%
Interest on long term debt	452,089	479,120	(27,031)	-5.64%
Total expenses	<u>22,437,396</u>	<u>22,072,409</u>	<u>364,987</u>	1.65%
Increase (decrease) in net position before special item	1,658,461	923,626	734,835	79.56%
Special Items				
Capital grants de-obligated	-	(8,679)	8,679	-100.00%
Disposal of land	-	(3,500)	3,500	-100.00%
Increase (decrease) in net position	<u>\$ 1,658,461</u>	<u>\$ 911,447</u>	<u>\$ 747,014</u>	81.96%



**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP, NEW JERSEY**

**Management's Discussion and Analysis  
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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 58.35 percent of revenues for governmental activities for the Lopatcong Township School District for fiscal year 2018.

Instruction comprises 44.53 percent of the District's expenses. Support service expenses and interest on debt make up 55.47 percent 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 show the total cost of services and the net cost of services for 2018 and 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

Table 3 provides a summary of the School District's cost of governmental services in fiscal year ending June 30, 2018 compared to June 30, 2017.

**Table 3  
Cost of Governmental Services**

	Total Cost of Services		Net Cost of Services	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Instruction	\$ 9,991,441	\$ 9,894,538	\$ 9,773,167	\$ 9,575,469
Support services				
Tuition	6,087,176	6,053,142	5,987,176	6,053,142
Student & instructional staff	1,504,996	1,445,614	1,481,539	1,414,670
General & business administration	903,773	798,295	903,773	798,295
School administration	735,234	775,580	735,234	775,580
Plant operations & maintenance	1,855,640	1,722,299	1,853,193	1,718,670
Pupil transportation	595,012	585,779	595,012	585,779
Food services	277,087	282,908	23,608	34,736
Child care program	34,948	35,134	(20,242)	(7,431)
Interest on long-term debt	452,089	479,120	452,089	479,120
Total expenses	<u>\$ 22,437,396</u>	<u>\$ 22,072,409</u>	<u>\$ 21,784,549</u>	<u>\$ 21,428,030</u>

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

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP, NEW JERSEY**

**Management's Discussion and Analysis  
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Unaudited**

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 administration 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 a safe and 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.

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

The dependence upon tax revenues is apparent. For all activities general revenue support is 97.29 percent. The community, as a whole, is the primary support or funding source for the Lopatcong Township School District.

**The School District's Funds**

Information about the School District's major funds starts in the section entitled Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,899,428 and expenditures of \$18,280,973. The net positive change in fund balance for the year was most significant in the general fund, reflecting an increase of \$1,647,003.

**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. The budgeting systems are designed to tightly control total program budgets but provide the flexibility for program management.

For the general fund, budget basis revenues and other financing sources were \$17,044,125, \$189,139 over original budgeted estimates of \$16,854,986.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP, NEW JERSEY**

**Management’s Discussion and Analysis  
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The general fund expenditures and other financing uses of the School District exceeded revenues by \$1,652,552. The financial position of the School District highlights the dependency on the tax levy as well as the limitations of the 2% cap.

**Capital Assets**

At the end of the fiscal year 2018, the School District had \$15,043,828 invested in land, building, furniture and equipment. Table 4 provides a summary of the School District’s capital assets net of depreciation for the fiscal year ended June 30, 2018 compared to June 30, 2017.

**Table 4  
Capital Assets at Year-end (Net of Depreciation)**

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
Land	\$ 140,755	\$ 140,755	\$ -	
Construction in progress	-	13,005	(13,005)	-100.00%
Land improvements	68,368	80,345	(11,977)	-14.91%
Building & improvements	14,735,728	15,189,097	(453,369)	-2.98%
Furniture & equipment	98,977	101,633	(2,656)	-2.61%
	<u>\$ 15,043,828</u>	<u>\$ 15,524,835</u>	<u>\$ (481,007)</u>	-3.10%

Overall capital assets decreased by \$481,007 from fiscal year 2017 to fiscal year 2018. Increases in capital assets were offset by depreciation expenses for the year.

**Long-term liabilities**

At June 30, 2018, the School District had \$15,144,847 in long-term liabilities. This amount is detailed in Table 5 below for June 30, 2018 compared to June 30, 2017.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP, NEW JERSEY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited**

**Table 5  
Long-term Liabilities**

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
Construction of middle school and refunding of 2000 school bonds	\$ 11,505,000	\$ 12,110,000	\$ (605,000)	-5.00%
Unamortized bond premiums	310,645	334,541	(23,896)	-7.14%
Compensated absences liability	492,176	4,706,113	36,332	7.97%
Net pension liability	2,837,026	455,844	(1,869,087)	-39.72%
	<u>\$ 15,144,847</u>	<u>\$ 17,606,498</u>	<u>\$ (2,461,651)</u>	-13.98%

**For the Future**

Lopatcong Township is a sending district to Phillipsburg High School for grades 9-12. A challenge that faces the district over the next couple of years are the decreases in tuition adjustments, and the increases in tuition charged each year, resulting in large increases to the tuition line item of the budget. This budgeted expenditure is within the state mandated 2% cap.

**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, kindly contact Atila Sabahoglu, School Business Administrator/Board Secretary at Lopatcong Township Board of Education, 321 Stonehenge Drive, Phillipsburg, NJ 08865 or via phone at (908) 213-2995 x2500.

## **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.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash & cash equivalents	\$ -	\$ 73,385	\$ 73,385
Receivables, net	160,650	-	160,650
Interfund receivables	10	-	10
Inventory	-	9,576	9,576
<b>Restricted assets</b>			
Capital reserve account - cash	1,499,236	-	1,499,236
Emergency reserve - cash	180,000	-	180,000
Maintenance reserve - cash	180,000	-	180,000
Tuition reserve - cash	1,228,880	-	1,228,880
<b>Capital assets, net</b>			
Land	140,755	-	140,755
Other capital assets, net of depreciation	14,868,513	34,560	14,903,073
Total assets	<u>18,258,044</u>	<u>117,521</u>	<u>18,375,565</u>
<b>Deferred outflows of resources</b>			
Deferred amount on pension activity	<u>1,124,017</u>	<u>-</u>	<u>1,124,017</u>
<b>Liabilities</b>			
Accounts payable	43,569	-	43,569
Accrued interest	217,579	-	217,579
Unearned revenue	275	9,510	9,785
<b>Long-term liabilities</b>			
Due within one year	658,896	-	658,896
Due beyond one year	14,485,951	-	14,485,951
Total liabilities	<u>15,406,270</u>	<u>9,510</u>	<u>15,415,780</u>
<b>Deferred inflows of resources</b>			
Deferred amount on pension liability	<u>1,229,374</u>	<u>-</u>	<u>1,229,374</u>
<b>Net position</b>			
Net investment in capital assets	3,504,268	34,560	3,538,828
<b>Restricted for</b>			
Capital reserve	1,499,236	-	1,499,236
Emergency reserve	180,000	-	180,000
Maintenance reserve	180,000	-	180,000
Tuition reserve	1,261,911	-	1,261,911
Unrestricted	<u>(3,878,998)</u>	<u>73,451</u>	<u>(3,805,547)</u>
<b>Total net position</b>	<u>\$ 2,746,417</u>	<u>\$ 108,011</u>	<u>\$ 2,854,428</u>

See accompanying notes to financial statements.



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 3,059,000	\$ 3,618,565	\$ 61,495	\$ 10,000	\$ -	\$ (6,606,070)	\$ -	\$ (6,606,070)
Special education	1,254,065	1,713,820	-	69,919	-	(2,897,966)	-	(2,897,966)
Other special education	186,426	138,442	-	76,860	-	(248,008)	-	(248,008)
Other instruction	19,575	1,548	-	-	-	(21,123)	-	(21,123)
Support services								
Tuition	6,087,176	-	-	100,000	-	(5,987,176)	-	(5,987,176)
Students & instruction related services	745,559	759,437	-	23,457	-	(1,481,539)	-	(1,481,539)
General & business administration services	512,418	391,355	-	-	-	(903,773)	-	(903,773)
School administration services	337,245	397,989	-	-	-	(735,234)	-	(735,234)
Plant operations & maintenance	944,955	910,685	2,447	-	-	(1,853,193)	-	(1,853,193)
Pupil transportation	595,012	-	-	-	-	(595,012)	-	(595,012)
Interest on long-term debt	452,089	-	-	-	-	(452,089)	-	(452,089)
Total governmental activities	<u>14,193,520</u>	<u>7,931,841</u>	<u>63,942</u>	<u>280,236</u>	<u>-</u>	<u>(21,781,183)</u>	<u>-</u>	<u>(21,781,183)</u>
Business-type activities								
Food service	277,087	-	177,448	76,031	-	-	(23,608)	(23,608)
Child care program	34,948	-	55,190	-	-	-	20,242	20,242
Total business-type activities	<u>312,035</u>	<u>-</u>	<u>232,638</u>	<u>76,031</u>	<u>-</u>	<u>-</u>	<u>(3,366)</u>	<u>(3,366)</u>
Total primary government	<u>\$ 14,505,555</u>	<u>\$ 7,931,841</u>	<u>\$ 296,580</u>	<u>\$ 356,267</u>	<u>\$ -</u>	<u>(21,781,183)</u>	<u>(3,366)</u>	<u>(21,784,549)</u>
			General revenues, special items & transfers					
						13,176,071	-	13,176,071
						883,234	-	883,234
						9,340,650	-	9,340,650
						32,710	159	32,869
						10,186	-	10,186
						<u>23,442,851</u>	<u>159</u>	<u>23,443,010</u>
						1,661,668	(3,207)	1,658,461
						1,084,749	111,218	1,195,967
						<u>\$ 2,746,417</u>	<u>\$ 108,011</u>	<u>\$ 2,854,428</u>

See accompanying notes to financial statements.

## **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.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2018**

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>					
Due from other funds	\$ 10	\$ -	\$ -	\$ -	\$ 10
Receivables from other governments					
State	152,427	-	-	-	152,427
Other accounts receivable	8,223	-	-	-	8,223
Restricted cash & cash equivalents	3,088,116	-	-	-	3,088,116
<b>Total assets</b>	<b>\$ 3,248,776</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,248,776</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 43,569	\$ -	\$ -	\$ -	\$ 43,569
Unearned revenue	275	-	-	-	275
<b>Total liabilities</b>	<b>43,844</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,844</b>

See accompanying notes to financial statements.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet (continued)**  
**June 30, 2018**

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Capital reserve	\$ 1,499,236	\$ -	\$ -	\$ -	\$ 1,499,236
Emergency reserve	180,000	-	-	-	180,000
Maintenance reserve	180,000	-	-	-	180,000
Tuition reserve	1,261,911	-	-	-	1,261,911
Unassigned fund balance	83,785	-	-	-	83,785
Total fund balances	<u>3,204,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,204,932</u>
Total liabilities and fund balances	<u>\$ 3,248,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Statement of Net Position (A-1) are different because:

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$24,277,472 and the accumulated depreciation is \$9,268,204.	15,009,268
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	(105,357)
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(15,144,847)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(217,579)</u>
Total net position of governmental activities	<u>\$ 2,746,417</u>

See accompanying notes to financial statements.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>					
<b>Local sources</b>					
Local tax levy	\$13,176,071	\$ -	\$ -	\$ 883,234	\$ 14,059,305
<b>Tuition</b>					
Individuals	44,100	-	-	-	44,100
Other LEAs	17,395	-	-	-	17,395
Interest on investments	32,710	-	-	-	32,710
Rents and royalties	2,447	-	-	-	2,447
Miscellaneous	10,186	-	-	-	10,186
Total local sources	<u>13,282,909</u>	-	-	883,234	14,166,143
Federal sources	-	280,236	-	-	280,236
State sources	5,242,951	-	-	210,098	5,453,049
Total revenues	<u>18,525,860</u>	<u>280,236</u>	<u>-</u>	<u>1,093,332</u>	<u>19,899,428</u>
<b>Expenditures</b>					
<b>Current</b>					
<b>Instructional</b>					
Regular instruction	3,049,000	10,000	-	-	3,059,000
Special education instruction	1,184,146	69,919	-	-	1,254,065
Other special instruction	109,566	76,860	-	-	186,426
Other instruction	19,575	-	-	-	19,575
<b>Support service &amp; undistributed costs</b>					
Tuition	5,987,176	100,000	-	-	6,087,176
Student & instruction related services	725,239	20,320	-	-	745,559
General & business administrative services	512,418	-	-	-	512,418
School administrative services	337,245	-	-	-	337,245
Plant operations & maintenance	944,955	-	-	-	944,955
Pupil transportation	595,012	-	-	-	595,012
Unallocated benefits	3,418,787	-	-	-	3,418,787

See accompanying notes to financial statements.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)**  
**For the Year Ended June 30, 2018**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 24,155	\$ 3,137	\$ -	\$ -	\$ 27,292
Debt service					
Principal	-	-	-	605,000	605,000
Interest & other charges	131	-	-	488,332	488,463
Total expenditures	<u>16,907,405</u>	<u>280,236</u>	<u>-</u>	<u>1,093,332</u>	<u>18,280,973</u>
Excess (deficit) of revenues over (under) expenditures	<u>1,618,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,618,455</u>
Other financing sources (uses)					
Operating transfers in	28,548	-	-	-	28,548
Operating transfers out	-	-	(28,548)	-	(28,548)
Total other financing sources (uses)	<u>28,548</u>	<u>-</u>	<u>(28,548)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	1,647,003	-	(28,548)	-	1,618,455
Fund balances, July 1	<u>1,557,929</u>	<u>-</u>	<u>28,548</u>	<u>-</u>	<u>1,586,477</u>
Fund balances, June 30	<u>\$ 3,204,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,204,932</u>

See accompanying notes to financial statements.



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Governmental Funds**  
**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 changes in fund balances - governmental fund (from B-2) \$ 1,618,455

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 expenses. This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlays	\$ 27,292	
Depreciation expense	<u>(493,525)</u>	(466,233)

Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and are not reported in the Statement of Activities:

Debt principal payments		605,000
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Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and the Statement of Activities:

Amortization of bond premium		23,896
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In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.

		12,478
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See accompanying notes to financial statements.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities (continued)**  
**For the Year Ended June 30, 2018**

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. \$ (95,596)

In the Statement of Activities, compensated absences and early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation. (36,332)

Change in net position of governmental activities \$ 1,661,668

See accompanying notes to financial statements.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Proprietary Funds**  
**Combining Statement of Net Position**  
**June 30, 2018**

	Food Service Fund	Child Care Program	Total
<b>Assets</b>			
Current assets			
Cash & cash equivalents	\$ 2,382	\$ 71,003	\$ 73,385
Inventory	9,576	-	9,576
Total current assets	<u>11,958</u>	<u>71,003</u>	<u>82,961</u>
Noncurrent assets			
Capital assets	272,534	-	272,534
Less: accumulated depreciation	237,974	-	237,974
Total noncurrent assets	<u>34,560</u>	<u>-</u>	<u>34,560</u>
<b>Total assets</b>	<u>46,518</u>	<u>71,003</u>	<u>117,521</u>
<b>Liabilities</b>			
Current liabilities			
Unearned revenues - commodities	5,292	-	5,292
Unearned revenues - prepaid sales	4,218	-	4,218
<b>Total liabilities</b>	<u>9,510</u>	<u>-</u>	<u>9,510</u>
<b>Net position</b>			
Net investment in capital assets	34,560	-	34,560
Unrestricted	2,448	71,003	73,451
<b>Total net position</b>	<u>\$ 37,008</u>	<u>\$ 71,003</u>	<u>\$ 108,011</u>

See accompanying notes to financial statements.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Proprietary Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	Food Service Fund	Child Care Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 95,905	\$ -	\$ 95,905
Daily sales - non-reimbursable programs	81,543	-	81,543
Child care revenues	-	55,190	55,190
Total operating revenues	<u>177,448</u>	<u>55,190</u>	<u>232,638</u>
Operating expenses			
Cost of sales - reimbursable programs	72,274	-	72,274
Cost of sales - non-reimbursable programs	21,225	-	21,225
Commodity food costs	16,291	-	16,291
Salaries	108,350	22,838	131,188
Supports services - employee benefits	11,525	-	11,525
Purchased professional/technical services	3,929	-	3,929
Purchased property services	3,556	-	3,556
Other purchased services			
Insurance	7,568	-	7,568
Management fee	8,636	-	8,636
Supplies and materials	7,199	11,745	18,944
Depreciation	14,774	-	14,774
Miscellaneous expenditures	1,760	365	2,125
Total operating expenses	<u>277,087</u>	<u>34,948</u>	<u>312,035</u>
Operating income (loss)	<u>(99,639)</u>	<u>20,242</u>	<u>(79,397)</u>
Non-operating revenues (expenses)			
State sources			
State school lunch program	2,415	-	2,415
Federal sources			
National school lunch program			
Cash assistance	56,172	-	56,172
Non-cash assistance (commodities)	16,291	-	16,291
Special milk program for children	1,153	-	1,153
Interest earned on investments	159	-	159
Total non-operating revenues (expenses)	<u>76,190</u>	<u>-</u>	<u>76,190</u>
Change in net position	(23,449)	20,242	(3,207)
Net position, beginning	<u>60,457</u>	<u>50,761</u>	<u>111,218</u>
Net position, ending	<u>\$ 37,008</u>	<u>\$ 71,003</u>	<u>\$ 108,011</u>

See accompanying notes to financial statements.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Proprietary Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

	Food Service Fund	Child Care Program	Total
Cash flows from operating activities			
Receipts from customers	\$ 177,422	\$ 55,190	\$ 232,612
Payments to employees	(26,851)	(22,838)	(49,689)
Payments to Food Service Management Company	(208,743)	-	(208,743)
Payments to vendors (net)	(9,492)	(12,110)	(21,602)
Net cash provided by (used for) operating activities	<u>(67,664)</u>	<u>20,242</u>	<u>(47,422)</u>
Cash flows from non-capital financing activities			
State sources	2,483	-	2,483
Federal sources	59,041	-	59,041
Net cash provided by (used for) non-capital financing activities	<u>61,524</u>	<u>-</u>	<u>61,524</u>
Cash flows from investing activities			
Interest earned on investments	159	-	159
Net increase (decrease) in cash and cash equivalents	(5,981)	20,242	14,261
Cash and cash equivalents, beginning	<u>8,363</u>	<u>50,761</u>	<u>59,124</u>
Cash and cash equivalents, ending	<u>\$ 2,382</u>	<u>\$ 71,003</u>	<u>\$ 73,385</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating activities			
Operating income (loss)	\$ (99,639)	\$ 20,242	\$ (79,397)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	14,774	-	14,774
Federal food donation program	16,291	-	16,291
(Increase) decrease in inventory	202	-	202
Increase (decrease) in unearned revenue	708	-	708
Net cash provided by (used for) operating activities	<u>\$ (67,664)</u>	<u>\$ 20,242</u>	<u>\$ (47,422)</u>

See accompanying notes to financial statements.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Net Position**  
**June 30, 2018**

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash & cash equivalents	\$ 51,794	\$ 34,947	\$ 203,166
Total assets	<u>\$ 51,794</u>	<u>\$ 34,947</u>	<u>\$ 203,166</u>
<b>Liabilities</b>			
Due to other funds	\$ -	\$ -	\$ 10
Due to student groups	-	34,947	-
Payroll deductions & withholdings	-	-	203,156
Total liabilities	<u>-</u>	<u>\$ 34,947</u>	<u>\$ 203,166</u>
<b>Net position</b>			
Held in trust for unemployment claims & other purposes	<u>\$ 51,794</u>		

See accompanying notes to financial statements.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee withholdings	\$ 9,798
Investment earnings - interest	407
Total additions	<u>10,205</u>
Deductions	
Unemployment claims	<u>2,052</u>
Change in net position	8,153
Net position, beginning of the year	<u>43,641</u>
Net position, end of the year	<u><u>\$ 51,794</u></u>

See accompanying notes to financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies

The financial statements of the Lopatcong Township School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local 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 accounting policies of the District are described below.

The basic financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the Districts over-all financial position and results of operations.

Basic financial statements prepared using full-accrual accounting for all of the District's activities.

A. Reporting entity

The District is a Type II District located in the County of Warren, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year-terms. The purpose of the District is to educate students in Grades K-8. The District also has a sending/receiving relationship with Phillipsburg school district for Grades 9-12. The District had an approximate enrollment at June 30, 2018 of 768 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:

1. The organization is legally separate (can sue or be sued in their own name).
2. The District holds the corporate powers of the organization.
3. The District appoints a voting majority of the organization's Board.
4. The District is able to impose its will on the organization.
5. The organization has the potential to impose a financial benefit/burden on the District.
6. There is a fiscal dependency by the organization on the District.

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

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The District has elected to treat all of its governmental funds as major funds and they are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State Statute, a municipality is required to remit to its school district the entire property tax balance, 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 moneys under the established payment schedule and the unpaid amount is considered to be accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, and unrestricted State Aids.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

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

The District reports the following major governmental funds:

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

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.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

*Special Revenue Fund* - The District accounts for the proceeds of specific revenue sources 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 in the special revenue fund.

*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.

Additionally, the District reports the following fund types:

Proprietary fund types

*Proprietary Fund* - The focus of proprietary fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the District.

*Enterprise Fund* - The enterprise fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's enterprise fund is comprised of the food service fund and the child care program.

All proprietary funds are accounted for on a current financial resource's measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (total net position) segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light trucks & vehicles	4 Years
Heavy trucks & vehicles	6 Years

Fiduciary fund types

*Trust and Agency Funds* - This fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the trust and agency funds of the District.

*Unemployment Compensation Trust Fund* - This fund is used to account for the portion of employee deductions for unemployment compensation required to be deposited and accumulated for future unemployment claims under the Benefit Reimbursement Method.

*Student Activities Agency Fund* - This fund is used to account for funds derived from athletic events or other activities of pupil organizations and accumulated for payment of student group activities.

*Payroll Agency Fund* - This fund accounts for the withholding and remittance of employee salary deductions.

D. 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 and, if necessary, are voted upon at the annual school election in November. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line-item accounts within each fund. Line-item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum Chart of Accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board Resolution. Budget amendments during the year ended June 30, 2018 were insignificant.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the 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.

E. Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as 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 unearned 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.

F. Tuition receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

G. Tuition payable

Tuition charges for the fiscal years 2017-2018 and 2016-2017 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-term interfund receivable and payables

Short-term interfund receivables and payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

Inventories and prepaid items, which benefit future periods, 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. The commodities inventory value at balance sheet date is reported as unearned revenue as title does not pass to the School District until the commodities are used. Prepaid items in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

J. Capital assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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.

All reported capital assets, except for land and construction in progress, of the District are depreciated using the straight-line method over the following estimated lives:

Assets	Years
Buildings	50
Building improvements & portable classroom	50
Land improvements	20
Furniture	20
Maintenance equipment	15
Musical instruments	10
Athletic equipment	10
Audio visual equipment	10
Office equipment	5 - 10
Computer equipment	5 - 10

K. Compensated absences

The District accounts for compensated absences (e.g., unused vacation and sick leave) as directed by Governmental Accounting Standards Board Statement Number 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.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

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

The liability for compensated absences was accrued using the vesting method, whereby the liability is calculated by vesting balances as of the balance sheet date for which a payment is probable. Salary related payments for the employer's share of Social Security and Medicare taxes are included.

For the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, in the fund financial statements, all of the compensated absences are considered long-term and therefore are not a fund liability. This represents a reconciling item between the fund and government-wide presentations.

L. Unearned revenue

Unearned revenue in the general fund and special revenue fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the special revenue fund.

Unearned revenue in the enterprise fund includes United States government commodity inventories at year-end. The aid revenue associated with this commodity inventory is deferred until it is used in the operations of the food service fund. Prepaid lunch debit card revenue balances at year-end are also included in unearned revenue.

M. Long-term obligations

In the government-wide financial statements and in internal service fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

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



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

N. Net position

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

- Net investment in capital assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.
- Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by credits, grantors, or laws or regulations of their governments.
- Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

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

O. Fund balances - governmental funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Non-spendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned - includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the general fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

When expenditure is incurred for purposes which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

P. Use of estimates

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

Q. Allocation of indirect expenses

Certain expenses, which have not been charged to a specific function in the District's fund financial statements, have been allocated to the functions for the government-wide statements. Employee benefits, on-behalf TPAF Pension Contributions, reimbursed TPAF Social Security Contributions and compensated absences accruals have been allocated based on salaries by function. Depreciation expense which was not specifically identified by function has been allocated based on the current year expenses by function.

R. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has one item that qualifies for reporting in this category, deferred amount on pension activity. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amount on pension activity.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 2 - Tax assessments and property taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the municipality, the municipality's local school districts, and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey statutes.

School taxes are guaranteed as to amount of collection by the municipality, the collection agency, and are transmitted to the School District in accordance with the Schedule of Tax Installments as certified by the School District's Board of Education on an annual basis.

Note 3 - Deposits, cash equivalents, and investments

Cash and cash equivalents include petty cash, change funds, cash, and certificates of deposit in banks. As of June 30, 2018, the District had no investments.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governmental units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 3 - Deposits, cash equivalents, and investments (continued)

New Jersey School Districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey School Districts.

N.J.S.A. 17:9-41 e.t. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and saving banks the deposits of which are federally insured.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk. New Jersey statutes require cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, employee salary withholdings, or funds that may pass to the District relative to the happening of a future condition.

As of June 30, 2018, the District's bank balances were exposed to custodial credit risk as follows:

Insured by the FDIC	\$ 250,000
Insured by GUDPA	3,253,984
Total bank balances	\$ 3,503,984

Deposits at June 30, 2018 appear in the financial statements as summarized below:

Cash and cash equivalents		<u>Ref.</u>	\$ 3,418,377
Unrestricted cash and cash equivalents			
Governmental funds, Balance Sheet	B-1		\$ -
Enterprise funds, Statement of Net Position	B-4		73,385
Fiduciary funds, Statement of Net Position	B-7		289,907
Restricted cash and cash equivalents			
Governmental funds, Balance Sheet	B-1		3,055,085
Total cash and cash equivalents			\$ 3,418,377

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 4 - Capital assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 140,755	\$ -	\$ -	\$ 140,755
Construction in progress	13,005	-	13,005	-
Total	<u>153,760</u>	<u>-</u>	<u>13,005</u>	<u>140,755</u>
Capital assets, being depreciated				
Land improvements	351,942	-	-	351,942
Building & improvements	23,212,643	13,005	-	23,225,648
Furniture & equipment	550,235	27,292	18,400	559,127
Total	<u>24,114,820</u>	<u>40,297</u>	<u>18,400</u>	<u>24,136,717</u>
Accumulated depreciation				
Land improvements	271,597	11,977	-	283,574
Building & improvements	8,023,546	466,374	-	8,489,920
Furniture & equipment	497,936	15,174	18,400	494,710
Total	<u>8,793,079</u>	<u>493,525</u>	<u>18,400</u>	<u>9,268,204</u>
Total capital assets, being depreciated, net	<u>15,321,741</u>	<u>(453,228)</u>	<u>-</u>	<u>14,868,513</u>
Transfers	<u>-</u>	<u>(13,005)</u>	<u>(13,005)</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 15,475,501</u>	<u>\$ (466,233)</u>	<u>\$ -</u>	<u>\$ 15,009,268</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business type activities				
Furniture & equipment	\$ 272,534	\$ -	\$ -	\$ 272,534
Less: accumulated depreciation	223,200	(14,774)	-	237,974
Business type activities capital assets, net	<u>\$ 49,334</u>	<u>\$ (14,774)</u>	<u>\$ -</u>	<u>\$ 34,560</u>

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 4 - Capital assets (continued)

Depreciation expense was charged to governmental functions in the current year as follows:

Instruction	
Regular	\$ 241,944
Special education	99,187
Other special instruction	14,745
Other instruction	1,548
Support services	
Student & instruction	58,968
General & business administration	40,528
School administration	26,674
Plant maintenance	9,931
Total depreciation expense, governmental activities	\$ 493,525

Note 5 - Long-term debt

Long-term liability activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 12,110,000	\$ -	\$ 605,000	\$ 11,505,000	\$ 635,000
Bond premium	334,541	-	23,896	310,645	23,896
Compensated absences payable	455,844	36,332	-	492,176	-
PERS net pension liability	4,706,113	-	1,869,087	2,837,026	-
Total governmental activities long-term liabilities	\$ 17,606,498	\$ 36,332	\$ 2,497,983	\$ 15,144,847	\$ 658,896

Payments on the general obligation bonds are made in the debt service fund from property taxes and state aid. The other long-term debts are paid in the current expenditures budget of the District's general fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2018, including interest payments are listed as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 635,000	\$ 458,844	\$ 1,093,844
2020	665,000	426,344	1,091,344
2021	695,000	395,544	1,090,544
2022	735,000	362,993	1,097,993
2023	845,000	327,719	1,172,719
2024 - 2028	4,490,000	1,131,156	5,621,156
Thereafter	3,440,000	218,309	3,658,309
Total	\$ 11,505,000	\$ 3,320,909	\$ 14,825,909

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 5 - Long-term debt (continued)

*General Obligation Bonds* - General obligation school building bonds payable at June 30, 2018, with their outstanding balances are comprised of the following individual issues:

\$15,895,000 - 2001 refunding obligation school building/refunding bonds, interest at 4.00% to 5.125% due in annual installments beginning January 15, 2002, through July 15, 2030.	\$ 5,350,000
\$9,600,000 - 2011 refunding school bonds, interest at 2.00% to 5.00%, due in annual installments beginning July 15, 2011, through July 15, 2026.	6,155,000
	\$ 11,505,000

The general obligation bonded debt of the District is limited by State Law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2018 is \$25,738,505. General obligation debt at June 30, 2018 is \$11,505,000, resulting in a legal debt margin of \$14,233,505.

Note 6 - Pension plans

Description of systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF), Public Employees' Retirement System (PERS) and the Defined Contribution Retirement Program (DCRP). The PERS and TPAF systems are sponsored and administered by the State of New Jersey. The DCRP system is administered by Prudential Financial for the Division of Pensions and Benefits. The TPAF retirement system is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The PERS and DCRP are considered cost sharing multiple-employer plans.

A. Public employees' retirement systems (PERS)

Plan description

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

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 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of PERS.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Plan description (continued)

The following represents the membership tiers for PERS:

Tier	Definition
1	Members enrolled prior to July 1, 2007
2	Members eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members eligible to enroll on or after June 28, 2011

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

Allocation methodology and reconciliation to financial statements

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the state and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2017.



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Allocation methodology and reconciliation to financial statements (continued)

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the State fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the Schedule of Pension Amounts by Employer may result in immaterial differences.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The Actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15-years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

The contribution rate was 7.20% effective July 1, 2016 and will increase annually on July 1<sup>st</sup> until eventually reaching 7.50% of base salary effective July 1, 2018.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information

Components of net pension liability

The components of the District's allocable share of the net pension liability for PERS as of June 30, 2017:

	2017
Total pension liability	\$ 5,466,326
Plan fiduciary net position	2,629,300
Net pension liability	\$ 2,837,026

Plan fiduciary net position as a percentage of the total pension liability 48.10%

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 rate	2.25%
Salary increases (based on age)	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Investment rate of return	7.00%

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

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. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% 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 PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	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%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	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 5.00% 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 rate in the most recent State fiscal year.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Discount rate (continued)

The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plans 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 collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>District's Proportionate Share of the Net Pension Liability</u>	<u>2017</u>
At current discount rate (5.00%)	\$ 2,837,026
At a 1% lower rate (4.00%)	3,519,523
At a 1% higher rate (6.00%)	2,268,421

Collective deferred outflows of resources and deferred inflows of resources

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 Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 66,802	\$ -
Changes of assumptions	571,563	569,467
Net difference between projected and actual earnings on pension plan investments	19,318	-
Changes in proportion and differences between District contributions and proportionate share of contributions	353,431	659,907
District contributions subsequent to the measurement date	112,903	-
<b>Total</b>	<b>\$ 1,124,017</b>	<b>\$ 1,229,374</b>

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

The amount 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 ended June 30, 2018, the plan measurement date is June 30, 2017) of \$112,903 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Deferred outflows of resources				
Differences between expected and actual experience	\$ 67,127	\$ 20,716	\$ 21,041	\$ 66,802
Changes of assumptions	747,706	-	176,143	571,563
Differences between projected and actual earnings on pension plan investments	137,635	(121,601)	(3,284)	19,318
Deferred inflows of resources				
Changes of assumptions	-	(696,580)	(127,113)	(569,467)
Net of deferred outflows	<u>\$ 952,468</u>	<u>\$ (797,465)</u>	<u>\$ 66,787</u>	<u>\$ 88,216</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from District contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense as follows:

Year Ended June 30,

2018	\$ 66,786
2019	100,782
2020	61,069
2021	(81,222)
2022	(59,199)
Total	<u>\$ 88,216</u>

Pension expense

For the year ended June 30, 2018, the District recognized net pension expense of \$208,499, which represents the District's proportionate share of allocable plan pension expense of \$204,630, less the net amortization of deferred amounts from changes in proportion of \$24,391, and plus other adjustments to the net pension liability of \$28,260. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ended June 30, 2017 are as follows:

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 -

Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Pension expense (continued)

Service cost	\$	132,327
Interest on total pension liability		240,124
Member contributions		(62,946)
Administrative expense		1,647
Expected investment return net of investment expense		(171,447)
Pension expense related to specific liabilities of individual employers		(1,862)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		49,030
Amortization of expected versus actual experience		21,041
Amortization of projected versus actual investment earnings on pension plan investments		(3,284)
Pension expense	\$	204,630

B. Teacher's pension and annuity fund (TPAF)

Plan description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

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 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members enrolled prior to July 1, 2007
2	Members eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members eligible to enroll on or after June 28, 2011

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Plan description (continued)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the State fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. During the State fiscal year ended June 30, 2017, the State of New Jersey contributed \$582,309 to the TPAF for normal pension benefits on behalf of the District.

The contribution rate was 7.20% effective July 1, 2016 and will increase annually on July 1<sup>st</sup> until eventually reaching 7.50% of base salary effective July 1, 2018.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Components of net pension liability

For purposes of reporting required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the District's proportionate share of allocable net pension liability, employer pension expense and related revenue, non-employer contributions and their allocable proportionate percentage for fiscal year ended June 30, 2017 is as follows:

	2017
State's proportionate share of net pension liability	\$ 34,963,884
District's proportionate share of net pension liability	-
Employer pension expense and related revenue	2,422,121
Non-employer contribution	582,309
 Allocable proportionate percentage	 .0518570369%

The components of the contractually required contribution, which exclude amounts related to specific liabilities of individual employers, for the District for the year ended June 30, 2017 are as follows:

Service cost	\$ 1,564,866
Interest on total pension liability	1,707,623
Member contributions	(408,585)
Administrative expense	6,161
Expected investment return net of investment expense	(830,279)
Pension expense related to specific liabilities of individual employers	(185)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	373,989
Amortization of expected versus actual experience	27,555
Amortization of projected versus actual investment earnings on pension plan investments	(19,024)
Pension expense	\$ 2,422,121



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Collective net pension liability and actuarial information

As detailed earlier, the District was not required to report a liability for its proportionate share of net pension expense for TPAF due to a special funding situation. The State's proportionate share of the net pension liability for TPAF as of June 30, 2017 is as follows:

	2017
Total pension liability	\$ 46,876,555
Plan fiduciary net position	11,912,671
Net pension liability	\$ 34,963,884

Plan fiduciary net position as a percentage of the total pension liability 25.41%

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 rate	2.25%
Salary increases (based on age)	
2012 - 2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial 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 (7.00% 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:

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)  
B. Teacher's pension and annuity fund (TPAF) (continued)  
Long-term expected rate of return (continued)

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	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%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	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 rate in the most recent State fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plans 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 2036 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>District's Proportionate Share of the Net Pension Liability</u>	<u>2017</u>
At current discount rate (4.25%)	\$ 34,963,884
At a 1% lower rate (3.25%)	41,538,191
At a 1% higher rate (5.25%)	29,547,942

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$8,300 in 2018) but who earn salary of at least \$5,000 annually are eligible to participate. The Program Administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: [www.prudential.com/njdcprp](http://www.prudential.com/njdcprp).

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District's contribution to the DCRP for fiscal year ended 2018 was \$9,780.

D. Other pension plan information

During the year ended June 30, 2018, the State of New Jersey contributed \$457,349 to the TPAF for post-retirement medical benefits, \$16,777 for non-contributory insurance premiums, \$650 for long-term disability insurance, and \$691,327 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$321,181 during the year ended June 30, 2018 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Post-retirement benefits

Chapter 384 of PL 1987 and Chapter 6 of PL 1990 required TPAF and 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. Chapter 103 of PL 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2017, there were 112,966 statewide retirees eligible for post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62 of PL 1994. Funding of post-retirement medical premiums are on a pay-as-you-go basis.

The State is also responsible for the cost attributable to Chapter 126 of PL 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a School District or County College with 25-years of service. In fiscal year 2017, the State paid \$238.9 million toward Chapter 126 of PL 1992 benefits for 20,913 eligible retired members.

GASB Statement No. 75 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District's only material OPEB obligation is for healthcare provided to eligible retirees through the NJ State Health Benefits Program.

*Plan Description* - The School District participates in the State Health Benefits Program (SHBP), a multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to state employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code, SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to employees, retirees, and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The School District adopted a Resolution to participate in the SHBP. The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295 or by visiting their website at ([www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions)).

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Post-retirement benefits (continued)

*Funding Policy* - Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis. Information regarding the State's annual contributions, annual OPEB cost and net OPEB obligations is available through the State as noted in the previous paragraph.

*Total OPEB liability* - Under a special funding situation, the State, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Therefore, the following OPEB liability note information is reported at the State's level and is not accrued by the District.

Total OPEB liability

For purposes of reporting required GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the District's proportionate share of allocable OPEB liability and employer OPEB expense and related revenue as of June 30, 2017 is as follows:

	2017
State's proportionate share of the OPEB liability	\$ 53,639,841,858
District's proportionate share of the State's OPEB liability	26,794,883
Employer pension expense and related revenue	1,465,480
Allocable proportionate percentage	.049953322%

Changes in the total OPEB liability

	Total OPEB Liability
Total OPEB liability at June 30, 2016	\$ 29,205,572
Service cost	1,016,922
Interest cost	852,883
Change of benefit terms	-
Differences between expected and actual experiences	-
Changes of assumptions	(3,682,721)
Member contributions	22,853
Gross benefit payments	(620,626)
Total OPEB liability at June 30, 2017	\$ 26,794,883

There were no changes of the benefit terms from June 30, 2016 to June 30, 2017.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Post-retirement benefits (continued)

Total OPEB Liability (continued)

The total non-employer 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 non-employer 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%
	TPAF	PERS
	(based on years	(based on age)
Salary increases	of service)	
Through 2026	1.55% - 4.55%	2.15% - 4.15%
Thereafter	2.00% - 5.45%	3.15% - 5.15%

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.

Health care trend assumptions

For pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For Health Maintenance Organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount rate

The discount rate for June 30, 2017 was 3.58%. 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.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Post-retirement benefits (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rates

The following presents the total non-employer OPEB liability as of June 30, 2017, using the District's allocable proportionate percentage, calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>Total OPEB Liability (school retirees)</u>	2017
At current discount rate (3.58%)	\$ 26,794,883
At a 1% lower rate (2.58%)	31,807,459
At a 1% higher rate (4.58%)	22,818,860

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total non-employer OPEB liability, as well as what the total non-employer 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>Total OPEB Liability (school retirees)</u>	2017
Healthcare cost trend rate	\$ 26,794,883
At a 1% lower rate (1% decrease)	22,036,201
At a 1% higher rate (1% increase)	33,114,357

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of \$1,465,480 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, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

Note 8 - Deferred compensation

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

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 8 - Deferred compensation (continued)  
 AXA Equitable  
 Ameriprise Financial  
 Lincoln Investments

Note 9 - Interfund receivables and payables  
 The composition of interfund balances as of June 30, 2018 is as follows:

	Receivable	Payable
General fund	\$ 10	\$ -
Payroll agency	-	10
	\$ 10	\$ 10

The balance due from the payroll agency fund to the general fund of \$10 represents a loan.

Note 10 - Inventory  
 Inventory in the food service fund as of June 30, 2018 consisted of the following:

Food	\$ 7,855
Supplies	1,721
Total	\$ 9,576

Note 11 - Contingent liabilities  
 The District is involved in various legal proceedings that are incidental to its operations. These legal proceedings are not likely to have a material adverse effect on the financial position of the School District.

Amounts received or are receivables from grantor agencies could be subject to audit and adjusted by grantor agencies. Any disallowed claims, including amounts already collected, may result in a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

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, and student accident and surety bonds. There was no significant reduction in insurance coverage from coverage of the prior year. The District did not have any insurance settlements which exceeded insurance coverage for the past three years. A complete Schedule of Insurance Coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report.

*New Jersey Unemployment Compensation Insurance* - The District has elected to fund its NJ Unemployment Compensation Insurance under the Benefit Reimbursement Method. Under this plan, the District is required to reimburse the NJ 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, and interest earnings, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's unemployment trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Board Contrib.</u>	<u>Interest Earnings</u>	<u>Employee Contrib.</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017 - 2018	\$ -	\$ 407	\$ 9,798	\$ 2,052	\$ 51,794
2016 - 2017	30,000	61	9,978	16,612	43,641
2015 - 2016	24,500	75	10,966	48,326	20,214

Note 13 - Legal reserve accounts

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

Funds placed in the capital reserve account are restricted to capital projects in the Districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. 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 NJAC 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 13 - Legal reserve accounts (continued)

Districts are allowed as per N.J.S.A. 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board Resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$907,452 to their capital reserve account and \$625,033 to the tuition reserve account by Board Resolution in June 2018 as summarized in the following schedule. The following schedule is a summarization of the legal reserve accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 563,236	\$ 907,452	\$ -	\$ 28,548	\$ -	\$ 1,499,236
Emergency	180,000	-	-	-	-	180,000
Maintenance	180,000	-	-	-	-	180,000
Tuition	686,878	625,033	-	-	50,000	1,261,911
Total	<u>\$ 1,610,114</u>	<u>\$1,532,485</u>	<u>\$ -</u>	<u>\$ 28,548</u>	<u>\$ 50,000</u>	<u>\$ 3,121,147</u>

Note 14 - Fund balance

As described in Note 1 (N), fund balance may be restricted, committed or assigned. An analysis of the general fund balance on June 30, 2018 is as follows:

	2018
<b>Restricted</b>	
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	\$ 1,499,236
Emergency reserve account - Represents funds accumulated to finance unanticipated general fund expenditures required for a thorough and efficient education.	180,000
Maintenance reserve account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A.18A:76-9).	180,000
Tuition reserve account - Represents funds accumulated for future tuition adjustments pursuant to N.J.A.C. 6A:23A-17.1(f).	1,261,911
<b>Unassigned</b>	
Undesignated - Represents fund balance which has not been restricted or designated.	435,334
Total fund balance - budgetary basis (Exhibit C-1)	3,556,481
Last state aid payments not recognized on GAAP basis	(351,549)
Total fund balance - GAAP basis (Exhibit B-1)	\$ 3,204,932

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 15 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve general fund 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 \$0.

Note 16 - Operating lease

At June 30, 2018, the District had operating lease agreements in effect for copy machines. The present value of the future minimum rental payments under the operating lease agreements are as follows:

2019	\$	23,878
2020		23,877
Total		\$ 47,755

Note 17 - 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, one of the municipalities in which the school district is situated has entered into tax abatement agreements. These 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 located within the applicable municipality and remitted to the School District.

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

The Township of Lopatcong has entered into tax abatement agreements for affordable housing. The gross dollar amount of the tax revenue reduction during the calendar year 2018 was \$103,447 as a result of the tax abatement agreement.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 18 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2018 of (\$3,878,998) on Schedule A-1 "Statement of Net Position". The deficit balance is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

Note 19 - Recent accounting pronouncements not yet effective

The following is the accounting pronouncements which are not yet effective as of the year end date of this report.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 *Leases*. This statement, which is effective for reporting periods beginning after June 15, 2019, is not expected to have a material impact on the District's financial reporting.

Note 20 - Subsequent events

The District has evaluated subsequent events through February 4, 2019, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES</b>					
Local sources					
Local tax levy	\$ 13,176,071	\$ -	\$ 13,176,071	\$ 13,176,071	\$ -
Tuition from individuals	43,000	-	43,000	44,100	1,100
Tuition from other LEAs within the state	20,000	-	20,000	17,395	(2,605)
Rents and royalties	-	-	-	2,447	2,447
Unrestricted miscellaneous revenues	6,000	-	6,000	42,896	36,896
<b>Total</b>	<b>13,245,071</b>	<b>-</b>	<b>13,245,071</b>	<b>13,282,909</b>	<b>37,838</b>
State sources					
School choice aid	163,320	-	163,320	163,320	-
Categorical transportation aid	39,846	-	39,846	39,846	-
Extraordinary aid	25,000	-	25,000	143,211	118,211
Categorical special education aid	704,190	-	704,190	704,190	-
Equalization aid	2,603,952	-	2,603,952	2,624,662	20,710
Categorical security aid	26,030	-	26,030	26,030	-
Under adequacy aid	12,277	-	12,277	12,277	-
PARCC readiness aid	11,820	-	11,820	11,820	-
Per pupil growth aid	11,820	-	11,820	11,820	-
Professional learning community aid	11,660	-	11,660	11,660	-
Lead testing for drinking water	-	-	-	3,164	3,164
Other state aid	-	-	-	9,216	9,216
TPAF pension (on-behalf)	-	-	-	708,104	708,104
TPAF social security (reimbursed)	-	-	-	321,181	321,181
TPAF post retirement benefits	-	-	-	457,349	457,349
TPAF long-term disability insurance	-	-	-	650	650
<b>Total</b>	<b>3,609,915</b>	<b>-</b>	<b>3,609,915</b>	<b>5,248,500</b>	<b>1,638,585</b>
<b>Total revenues</b>	<b>\$ 16,854,986</b>	<b>\$ -</b>	<b>\$ 16,854,986</b>	<b>\$ 18,531,409</b>	<b>\$ 1,676,423</b>
<b>EXPENDITURES</b>					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 75,906	\$ (63)	\$ 75,843	\$ 75,465	\$ 378
Kindergarten	199,741	(48,528)	151,213	151,213	-
Grades 1-5	1,633,057	(49,318)	1,583,739	1,492,808	90,931
Grades 6-8	1,165,766	(7,692)	1,158,074	1,148,785	9,289
Home instruction					
Salaries of teacher	14,000	2,500	16,500	12,870	3,630
Purchased professional - educational services	7,500	-	7,500	1,258	6,242
Purchased technical services	250	-	250	-	250
Other purchased services	1,200	-	1,200	-	1,200
Regular programs - undistributed instruction					
Purchased technical services	30,000	-	30,000	29,826	174
Other purchased services	140,347	-	140,347	71,545	68,802
General supplies	120,700	(8,095)	112,605	64,250	48,355
Textbooks	35,000	-	35,000	-	35,000
Other objects	4,000	-	4,000	980	3,020
<b>Total</b>	<b>3,427,467</b>	<b>(111,196)</b>	<b>3,316,271</b>	<b>3,049,000</b>	<b>267,271</b>

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES (cont'd)</b>					
Special education					
Multiple disabilities					
Salaries of teachers	\$ 229,482	\$ (55,270)	\$ 174,212	\$ 153,139	\$ 21,073
Other salaries for instruction	222,999	1,535	224,534	222,270	2,264
General supplies	-	1,469	1,469	1,469	-
Total	452,481	(52,266)	400,215	376,878	23,337
Resource room/resource center					
Salaries of teachers	539,487	66,099	605,586	600,170	5,416
Other salaries for instruction	62,444	(11,059)	51,385	37,998	13,387
Total	601,931	55,040	656,971	638,168	18,803
Autism					
Salaries of teachers	-	69,913	69,913	69,516	397
Other salaries for instruction	-	46,692	46,692	39,601	7,091
Total	-	116,605	116,605	109,117	7,488
Preschool disabilities - part-time					
Salaries of teachers	37,513	13	37,526	37,525	1
Other salaries for instruction	22,316	142	22,458	22,458	-
General supplies	600	-	600	-	600
Total	60,429	155	60,584	59,983	601
Total special education	1,114,841	119,534	1,234,375	1,184,146	50,229
Basic skills/remedial					
Salaries of teachers	109,700	-	109,700	109,566	134
General supplies	200	-	200	-	200
Total	109,900	-	109,900	109,566	334
School-sponsored co/extra curricular activities - instruction					
Salaries	25,840	-	25,840	19,575	6,265
Total	25,840	-	25,840	19,575	6,265
Total instruction regular	\$ 4,678,048	\$ 8,338	\$ 4,686,386	\$ 4,362,287	\$ 324,099
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - regular	\$ 5,514,204	\$ (10,000)	\$ 5,504,204	\$ 5,496,876	\$ 7,328
Tuition to other LEAs within the state - special	225,500	(10,000)	215,500	73,080	142,420
Tuition to county vocational school district - regular	73,400	1,600	75,000	75,000	-
Tuition to county vocational school district - special	104,000	(1,600)	102,400	71,300	31,100
Tuition to cssd & regional day schools	149,230	22,272	171,502	167,492	4,010
Tuition to priv. school for the disabled w/i state	175,000	(22,272)	152,728	103,428	49,300
Total	6,241,334	(20,000)	6,221,334	5,987,176	234,158
Undistributed expenditures - attendance & social work					
Salaries	25,211	-	25,211	25,167	44
Total	25,211	-	25,211	25,167	44

See independent auditors' report.



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES (cont'd)</b>					
Undistributed expenditures - health services					
Salaries	\$ 149,927	\$ -	\$ 149,927	\$ 149,306	\$ 621
Purchased professional and technical services	300	-	300	-	300
Supplies and materials	3,400	-	3,400	2,192	1,208
Other objects	500	-	500	180	320
<b>Total</b>	<b>154,127</b>	<b>-</b>	<b>154,127</b>	<b>151,678</b>	<b>2,449</b>
Undistributed expenditures - speech, ot, pt & related services					
Salaries	126,522	-	126,522	126,521	1
Purchased professional - educational services	8,500	13,047	21,547	19,605	1,942
Supplies and materials	625	-	625	353	272
<b>Total</b>	<b>135,647</b>	<b>13,047</b>	<b>148,694</b>	<b>146,479</b>	<b>2,215</b>
Undistributed expenditures - guidance					
Salaries of other professional staff	98,215	2,262	100,477	100,250	227
Other purchased professional & technical services	3,100	(2,282)	818	39	779
Other purchased services	1,000	-	1,000	-	1,000
Supplies and materials	40	20	60	60	-
<b>Total</b>	<b>102,355</b>	<b>-</b>	<b>102,355</b>	<b>100,349</b>	<b>2,006</b>
Undistributed expenditures - child study teams					
Salaries of other professional staff	129,592	(1,391)	128,201	128,162	39
Salaries of secretarial and clerical assistants	17,137	-	17,137	17,094	43
Other salaries	8,090	(12)	8,078	8,078	-
Purchased professional - educational services	66,179	5,167	71,346	71,338	8
Other purchased professional & technical services	51,000	(10,434)	40,566	33,316	7,250
Other purchased services	10,500	(10,500)	-	-	-
Miscellaneous purchased service	-	5,183	5,183	8	5,175
Supplies and materials	1,000	840	1,840	1,840	-
Other objects	200	-	200	-	200
<b>Total</b>	<b>283,698</b>	<b>(11,147)</b>	<b>272,551</b>	<b>259,836</b>	<b>12,715</b>
Undistributed expenditures - improvement of inst. service					
Salaries of other professional staff	5,000	-	5,000	648	4,352
Purchased professional - educational services	10,608	(1,158)	9,450	450	9,000
Supplies and materials	200	-	200	-	200
<b>Total</b>	<b>15,808</b>	<b>(1,158)</b>	<b>14,650</b>	<b>1,098</b>	<b>13,552</b>
Undistributed expenditures - edu. media service/sch. library					
Salaries	25,000	25,026	50,026	34,657	15,369
Salaries of technology coordinators	28,665	(28,665)	-	-	-
Purchased professional and technical services	1,100	939	2,039	2,039	-
<b>Total</b>	<b>54,765</b>	<b>(2,700)</b>	<b>52,065</b>	<b>36,696</b>	<b>15,369</b>

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - instructional staff training services					
Salaries of supervisor of instruction	\$ 11,000	\$ (11,000)	\$ -	\$ -	\$ -
Other salaries	-	7,720	7,720	160	7,560
Other purchased services	1,500	2,278	3,778	3,776	2
Supplies and materials	500	(98)	402	-	402
<b>Total</b>	<b>13,000</b>	<b>(1,100)</b>	<b>11,900</b>	<b>3,936</b>	<b>7,964</b>
Undistributed expend. - support service - general admin.					
Salaries	166,984	157	167,141	166,808	333
Legal services	50,000	-	50,000	50,000	-
Audit fees	20,000	350	20,350	20,350	-
Architectural/engineering services	5,000	34,000	39,000	39,000	-
Other purchased professional services	15,000	(7,866)	7,134	6,127	1,007
Communications/telephone	18,100	-	18,100	13,986	4,114
BOE other purchased services	3,000	-	3,000	2,405	595
Misc purch services	28,000	(4,350)	23,650	17,088	6,562
General supplies	1,600	(157)	1,443	872	571
Miscellaneous expenditures	1,857	-	1,857	1,825	32
BOE membership dues and fees	8,500	(534)	7,966	7,966	-
<b>Total</b>	<b>318,041</b>	<b>21,600</b>	<b>339,641</b>	<b>326,427</b>	<b>13,214</b>
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	186,930	(2,352)	184,578	179,831	4,747
Salaries of secretarial and clerical assistants	92,756	-	92,756	90,545	2,211
Supplies and materials	6,180	-	6,180	2,017	4,163
Other objects	9,000	-	9,000	3,920	5,080
<b>Total</b>	<b>294,866</b>	<b>(2,352)</b>	<b>292,514</b>	<b>276,313</b>	<b>16,201</b>
Undistributed expenditures - central services					
Salaries	154,807	9,700	164,507	161,366	3,141
Purchased technical services	25,815	(1,300)	24,515	22,911	1,604
Miscellaneous purchased services	500	-	500	-	500
Supplies and materials	750	-	750	396	354
Other objects	1,400	-	1,400	1,318	82
<b>Total</b>	<b>183,272</b>	<b>8,400</b>	<b>191,672</b>	<b>185,991</b>	<b>5,681</b>
Undistributed expenditures - admin. info. technology					
Salaries	39,997	2,873	42,870	42,870	-
Purchased professional services	11,200	(2,090)	9,110	9,110	-
Other purchased services	10,000	(10,000)	-	-	-
Supplies and materials	5,000	3,952	8,952	8,952	-
<b>Total</b>	<b>66,197</b>	<b>(5,265)</b>	<b>60,932</b>	<b>60,932</b>	<b>-</b>
Undistributed expend. - required maint. for school facilities					
Salaries	266,066	(50)	266,016	265,564	452
Cleaning, repair, and maintenance services	82,000	15,537	97,537	86,067	11,470
Lead testing in water	8,000	(8,000)	-	-	-
General supplies	25,000	(133)	24,867	21,497	3,370
Other objects	750	-	750	550	200
<b>Total</b>	<b>381,816</b>	<b>7,354</b>	<b>389,170</b>	<b>373,678</b>	<b>15,492</b>

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES (cont'd)</b>					
Undistributed expenditures - custodial services					
Salaries	\$ 255,797	\$ 39,067	\$ 294,864	\$ 259,299	\$ 35,565
Salaries of non-instructional aides	30,134	(30,134)	-	-	-
Purchased professional and technical services	4,100	-	4,100	3,375	725
Cleaning, repair, and maintenance service	15,500	(7,330)	8,170	8,170	-
Other purchased property services	36,715	(16,324)	20,391	19,933	458
Insurance	34,950	(3,204)	31,746	31,746	-
Miscellaneous purchased services	550	-	550	258	292
General supplies	41,143	21,530	62,673	56,748	5,925
Energy (natural gas)	43,000	14,850	57,850	49,014	8,836
Energy (electricity)	191,390	(17,350)	174,040	140,559	33,481
Energy (gasoline)	7,500	-	7,500	2,175	5,325
<b>Total</b>	<b>660,779</b>	<b>1,105</b>	<b>661,884</b>	<b>571,277</b>	<b>90,607</b>
Undistributed expenditures - student transportation service					
Salaries for pupil trans (between home & school) - reg.	2,000	-	2,000	2,000	-
Other purchased professional and technical service	3,800	1,750	5,550	5,050	500
Contract service-aid in lieu pymts - non-public schools	45,968	(1,750)	44,218	38,188	6,030
Contract services (between home & school) - vendors	322,000	-	322,000	287,214	34,786
Contract service (sp ed stds) - vendors	283,835	-	283,835	262,560	21,275
<b>Total</b>	<b>657,603</b>	<b>-</b>	<b>657,603</b>	<b>595,012</b>	<b>62,591</b>
Unallocated benefits - employee benefits					
Social security contributions	142,500	-	142,500	110,744	31,756
Other retirement contributions - PERS	154,500	-	154,500	113,954	40,546
Other retirement contributions - regular	14,000	-	14,000	11,167	2,833
Workmen's compensation	79,095	-	79,095	66,784	12,311
Health benefits	2,097,336	-	2,097,336	1,557,243	540,093
Tuition reimbursement	56,000	(3,000)	53,000	15,782	37,218
Other employee benefits	65,000	1,550	66,550	55,829	10,721
<b>Total</b>	<b>2,608,431</b>	<b>(1,450)</b>	<b>2,606,981</b>	<b>1,931,503</b>	<b>675,478</b>
On-behalf TPAF pension contribution	-	-	-	708,104	(708,104)
On-behalf TPAF post retirement medical benefits	-	-	-	457,349	(457,349)
On-behalf TPAF long-term disability insurance	-	-	-	650	(650)
Reimbursed TPAF social security contribution	-	-	-	321,181	(321,181)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,487,284</b>	<b>(1,487,284)</b>
<b>Total undistributed expenditures</b>	<b>\$ 12,196,950</b>	<b>\$ 6,334</b>	<b>\$ 12,203,284</b>	<b>\$ 12,520,832</b>	<b>\$ (317,548)</b>
<b>Total current</b>	<b>\$ 16,874,998</b>	<b>\$ 14,672</b>	<b>\$ 16,889,670</b>	<b>\$ 16,883,119</b>	<b>\$ 6,551</b>
Capital outlay					
Equipment					
Undistributed					
Undistributed expenditures - care and upkeep of grounds	\$ 8,115	\$ 16,040	\$ 24,155	\$ 24,155	\$ -
<b>Total equipment</b>	<b>8,115</b>	<b>16,040</b>	<b>24,155</b>	<b>24,155</b>	<b>-</b>

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Facilities acquisition and construction service					
Assessment for debt service on SDA funding	\$ 131	\$ -	\$ 131	\$ 131	\$ -
Total facilities acquisition and construction service	<u>131</u>	<u>-</u>	<u>131</u>	<u>131</u>	<u>-</u>
Total capital outlay	<u>\$ 8,246</u>	<u>\$ 16,040</u>	<u>\$ 24,286</u>	<u>\$ 24,286</u>	<u>\$ -</u>
Total expenditures	<u>\$ 16,883,244</u>	<u>\$ 30,712</u>	<u>\$ 16,913,956</u>	<u>\$ 16,907,405</u>	<u>\$ 6,551</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (28,258)</u>	<u>\$ (30,712)</u>	<u>\$ (58,970)</u>	<u>\$ 1,624,004</u>	<u>\$ 1,682,974</u>
Other financing sources (uses)					
Operating transfer in					
Transfers from capital projects fund	-	-	-	28,548	28,548
Operating transfer out					
Transfer to fiduciary fund - board contribution	(30,000)	10,000	(20,000)	-	20,000
Total other financing sources (uses)	<u>(30,000)</u>	<u>10,000</u>	<u>(20,000)</u>	<u>28,548</u>	<u>48,548</u>
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	<u>(58,258)</u>	<u>(20,712)</u>	<u>(78,970)</u>	<u>1,652,552</u>	<u>1,731,522</u>
Fund balances, July 1	1,903,929	-	1,903,929	1,903,929	-
Fund balances, June 30	<u>\$ 1,845,671</u>	<u>\$ (20,712)</u>	<u>\$ 1,824,959</u>	<u>\$ 3,556,481</u>	<u>\$ 1,731,522</u>
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (8,258)	\$ -	\$ (8,258)	\$ (8,258)	\$ -
Increase in capital reserve	-	907,452	907,452	936,000	28,548
Increase in tuition reserve	-	625,033	625,033	625,033	-
Withdrawal from tuition reserve	(50,000)	-	(50,000)	(50,000)	-
Budgeted fund balance	-	(1,553,197)	(1,553,197)	149,777	1,702,974
Total	<u>\$ (8,258)</u>	<u>\$ (20,712)</u>	<u>\$ (78,970)</u>	<u>\$ 1,652,552</u>	<u>\$ 1,731,522</u>
Recapitulation of fund balance					
Restricted fund balance					
Capital reserve				\$ 1,499,236	
Emergency reserve				180,000	
Maintenance reserve				180,000	
Tuition reserve					
Year 2016 - 2017				636,878	
Year 2017 - 2018				625,033	
Unassigned fund balance				<u>435,334</u>	
Fund balance per budgetary basis				3,556,481	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(351,549)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 3,204,932</u>	

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Federal sources	\$ 283,221	\$ -	\$ 283,221	\$ 280,236	\$ (2,985)
Total revenues	<u>\$ 283,221</u>	<u>\$ -</u>	<u>\$ 283,221</u>	<u>\$ 280,236</u>	<u>\$ (2,985)</u>
Expenditures					
Instruction					
Purchased professional & technical services	\$ 76,679	\$ (520)	\$ 76,159	\$ 76,159	\$ -
General supplies	83,237	(2,617)	80,620	80,620	-
Totals	<u>159,916</u>	<u>(3,137)</u>	<u>156,779</u>	<u>156,779</u>	<u>-</u>
Support services					
Tuition	100,000	-	100,000	100,000	-
Purchased professional & technical services	23,305	-	23,305	20,320	2,985
Total	<u>123,305</u>	<u>-</u>	<u>123,305</u>	<u>120,320</u>	<u>2,985</u>
Capital outlay					
Equipment	-	3,137	3,137	3,137	-
Total expenditures	<u>\$ 283,221</u>	<u>\$ -</u>	<u>\$ 283,221</u>	<u>\$ 280,236</u>	<u>\$ 2,985</u>

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**  
**Budget-to-GAAP Reconciliation**

Explanation of Differences Between Budgetary Inflows and  
Outflows and GAAP Revenues and Expenditures

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 18,531,409	\$ 280,236
The last state aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33):		
State aid receivable prior year	346,000	-
State aid receivable current year	<u>(351,549)</u>	<u>-</u>
Total revenues (GAAP Basis)	<u>\$ 18,525,860</u>	<u>\$ 280,236</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$ 16,907,405</u>	<u>\$ 280,236</u>
Total expenditures (GAAP Basis)	<u>\$ 16,907,405</u>	<u>\$ 280,236</u>

See independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

**SCHEDULES RELATED TO ACCOUNTING  
AND REPORTING FOR PENSIONS (GASB 68) (UNAUDITED)**



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System**  
**Last Ten Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - percentage	N/A	0.0121873736%	0.0158898322%	0.0148198542%	0.0140257185%	0.0145281974%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 2,837,026	\$ 4,706,113	\$ 3,292,869	\$ 2,660,383	\$ 2,304,129	N/A	N/A	N/A	N/A
District's covered employee payroll	\$ 873,251	833,685	895,069	973,162	972,571	908,252	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	340.30%	525.78%	338.37%	273.54%	253.69%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	48.10%	40.14%	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Schedule of District's Contributions - Public Employees Retirement System**  
**Last Ten Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 112,903	\$ 141,163	\$ 126,113	\$ 117,140	\$ 101,150	\$ 104,107	\$ 112,011	\$ 117,649	\$ 80,535	N/A
Contributions in relation to the contractually required contribution	(112,903)	(141,163)	(126,113)	(117,140)	(101,150)	(104,107)	(112,011)	(117,649)	(80,535)	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 873,251	\$ 833,685	\$ 895,069	\$ 973,162	\$ 972,571	\$ 908,252	\$ 905,624	\$ 966,345	\$ 1,015,742	N/A
Contributions as a percentage of covered employee payroll	12.93%	16.93%	14.09%	12.04%	10.40%	11.46%	12.37%	12.17%	7.93%	N/A

N/A - Not Available

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund**  
**Last Ten Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	N/A	\$ 35,091,766	44,408,814	34,825,346	31,062,221	29,906,072	N/A	N/A	N/A	N/A
Total	\$ -	\$ 35,091,766	\$ 44,408,814	\$ 34,825,346	\$ 31,062,221	\$ 29,906,072	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	\$ 4,492,226	\$ 5,072,569	\$ 5,427,576	\$ 5,613,632	\$ 5,403,946	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	25.41%	22.33%	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Schedule of District's Contributions - Teacher's Pension and Annuity Fund**  
**Last Ten Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 708,104	\$ 583,290	\$ 451,977	\$ 297,889	\$ 245,863	\$ 382,357	\$ 188,718	\$ 18,641	\$ 19,404	N/A
Contributions in relation to the contractually required contribution	(708,104)	(583,290)	(451,977)	(297,889)	(245,863)	(382,357)	(188,718)	(18,641)	(19,404)	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 4,571,983	\$ 4,492,226	\$ 5,072,569	\$ 5,427,576	\$ 5,613,632	\$ 5,403,946	\$ 5,552,110	\$ 5,644,524	\$ 5,867,708	N/A
Contributions as a percentage of covered employee payroll	15.49%	12.98%	8.91%	5.49%	4.38%	7.08%	3.40%	0.33%	0.33%	N/A

N/A - Not Available

See independent auditors' report.

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR  
OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (GASB 75) (UNAUDITED)**

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Other**  
**Postemployment Employee Benefits Liability**  
**Last Ten Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportionate share of the other post employment employee benefits liability (asset) - percentage	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the other post employment employee benefits liability (asset) - value	N/A	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the other post employment employee benefits liability (asset) associated with the District	N/A	26,794,883	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>\$ -</b>	<b>\$ 26,794,883</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
District's covered employee payroll	N/A	\$ 5,325,911	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Required Supplementary Information - Part III**  
**(Unaudited)**  
**June 30, 2018**

- Note 1 - Special funding situation - TPAF and other post-retirement benefits  
The participating employer allocations included in the supplemental Schedule of Employer Special Funding Allocations and the supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense and other post-retirement benefits (OPEB) expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability and OPEB liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund and for OPEB allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.
- Note 2 - Changes in assumptions - TPAF  
The discount rate increased from 3.22% in State fiscal year 2016 to 4.25% in State fiscal year 2017. The inflation rate was 2.50% for State fiscal years 2016 and 2.25% in State fiscal year 2017.
- Note 3 - Changes in assumptions - PERS  
The discount rate increased from 3.98% in State fiscal year 2016 to 5.00% in State fiscal year 2017. The inflation rate decreased from 3.08% for State fiscal year 2016 to 2.25% for State fiscal year 2017.
- Note 4 - Changes in assumptions - other post-retirement employee benefits  
The other post-retirement employee benefits discount rate increased from 2.85% in State fiscal year 2016 to 3.58% in State fiscal year 2017. The inflation rate was not available for State fiscal year 2016 and for State fiscal year 2017 was 2.50%.
- Note 5 - Changes in healthcare trend assumptions - other post-retirement employee benefits  
For pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For Health Maintenance Organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.
- Note 6 - Changes in benefit term assumptions - other post-retirement employee benefits  
There were no changes of the benefit terms from June 30, 2016 to June 30, 2017.

## **SPECIAL REVENUE FUND**

### **DETAIL STATEMENTS**

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



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Schedule of Revenues and Expenditures - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2018**

	<u>ESSA Title IA</u>	<u>ESSA Title IIA</u>	<u>ESSA Title IVA</u>	<u>IDEA Basic</u>	<u>IDEA Preschool</u>	<u>Total</u>
<b>Revenues</b>						
Federal sources	\$ 79,997	\$ 20,320	\$ 10,000	\$ 164,679	\$ 5,240	\$ 280,236
<b>Total revenues</b>	<u>\$ 79,997</u>	<u>\$ 20,320</u>	<u>\$ 10,000</u>	<u>\$ 164,679</u>	<u>\$ 5,240</u>	<u>\$ 280,236</u>
<b>Expenditures</b>						
<b>Instruction</b>						
Purchased professional and technical services	\$ -	\$ -	\$ 7,980	\$ 63,679	\$ 4,500	\$ 76,159
General supplies	76,860	-	2,020	1,000	740	80,620
<b>Total</b>	<u>76,860</u>	<u>-</u>	<u>10,000</u>	<u>64,679</u>	<u>5,240</u>	<u>156,779</u>
<b>Support services</b>						
Tuition	-	-	-	100,000	-	100,000
Purchased professional and technical services	-	20,320	-	-	-	20,320
<b>Total</b>	<u>-</u>	<u>20,320</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>120,320</u>
<b>Capital outlay</b>						
Equipment	3,137	-	-	-	-	3,137
<b>Total expenditures</b>	<u>\$ 79,997</u>	<u>\$ 20,320</u>	<u>\$ 10,000</u>	<u>\$ 164,679</u>	<u>\$ 5,240</u>	<u>\$ 280,236</u>

See independent auditors' report.

## **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.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Summary Schedule of Project Expenditures**  
**For the Fiscal Year Ended June 30, 2018**

Description	Approval Date	Revised Budgetary Appropriations	Expenditures to Date		Unexpended Appropriations 06/30/18
			Prior Years	Current Year	
Window and doors project	09/30/14	\$ 676,301	\$647,753	\$ 28,548	\$ -
		<u>\$ 676,301</u>	<u>\$ 647,753</u>	<u>\$ 28,548</u>	<u>\$ -</u>

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2018**

Revenues		
Local sources	\$	-
Total revenues		-
Expenditures		
Transfer to other funds		28,548
Total expenditures		28,548
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses		(28,548)
Fund balance - beginning of year		28,548
Fund balance - ending of year	\$	-

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status**  
**Budgetary Basis**  
**Window and Doors Project**  
**For the Fiscal Year Ended June 30, 2018**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - transfer from capital reserve	\$ 419,676	\$ -	\$ 419,676	\$ 419,676
Local sources - prior year refund	12,541	-	12,541	12,541
State source - school development authority aid	244,084	-	244,084	244,084
Total revenues	<u>676,301</u>	<u>-</u>	<u>676,301</u>	<u>676,301</u>
Expenditures and other financing uses				
Purchased professional services	72,559	-	72,559	72,559
Construction services	575,194	-	575,194	575,194
Transfers to other funds	-	28,548	28,548	28,548
Total expenditures	<u>647,753</u>	<u>28,548</u>	<u>676,301</u>	<u>676,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 28,548</u>	<u>\$ (28,548)</u>	<u>\$ -</u>	<u>\$ -</u>

**Additional Project Information**

Project number	2790-050-14-1001
Grant date	09/30/14
Bond authorization date	N/A
Bonds authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 631,907
Additional authorized cost	\$ 44,394
Revised authorized cost	\$ 676,301
Percentage completion	100%

See independent auditors' report.

## **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.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Enterprise Fund**  
**Combining Statement of Net Position**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Food Service</u> <u>Fund</u>	<u>Child Care</u> <u>Program</u>	<u>Total</u>
Assets			
Current assets			
Cash & cash equivalents	\$ 2,382	\$ 71,003	\$ 73,385
Inventory	9,576	-	9,576
Total current assets	<u>11,958</u>	<u>71,003</u>	<u>82,961</u>
Noncurrent assets			
Capital assets	272,534	-	272,534
Less: accumulated depreciation	<u>237,974</u>	<u>-</u>	<u>237,974</u>
Total noncurrent assets	<u>34,560</u>	<u>-</u>	<u>34,560</u>
Total assets	<u>46,518</u>	<u>71,003</u>	<u>117,521</u>
Liabilities			
Current liabilities			
Unearned revenues - commodities	5,292	-	5,292
Unearned revenues - prepaid sales	<u>4,218</u>	<u>-</u>	<u>4,218</u>
Total liabilities	<u>9,510</u>	<u>-</u>	<u>9,510</u>
Net position			
Net investment in capital assets	34,560	-	34,560
Unrestricted	<u>2,448</u>	<u>71,003</u>	<u>73,451</u>
Total net position	<u>\$ 37,008</u>	<u>\$ 71,003</u>	<u>\$ 108,011</u>

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Enterprise Fund**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2018**

	Food Service Fund	Child Care Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 95,905	\$ -	\$ 95,905
Daily sales - non-reimbursable programs	81,543	-	81,543
Child care revenues	-	55,190	55,190
Total operating revenues	<u>177,448</u>	<u>55,190</u>	<u>232,638</u>
Operating expenses			
Cost of sales - reimbursable programs	72,274	-	72,274
Cost of sales - non-reimbursable programs	21,225	-	21,225
Commodity food costs	16,291	-	16,291
Salaries	108,350	22,838	131,188
Supports services - employee benefits	11,525	-	11,525
Purchased professional/technical services	3,929	-	3,929
Purchased property services	3,556	-	3,556
Other purchased services			
Insurance	7,568	-	7,568
Management fee	8,636	-	8,636
Supplies and materials	7,199	11,745	18,944
Depreciation	14,774	-	14,774
Miscellaneous expenditures	1,760	365	2,125
Total operating expenses	<u>277,087</u>	<u>34,948</u>	<u>312,035</u>
Operating income (loss)	<u>(99,639)</u>	<u>20,242</u>	<u>(79,397)</u>
Non-operating revenues (expenses)			
State sources			
State school lunch program	2,415	-	2,415
Federal sources			
National school lunch program			
Cash assistance	56,172	-	56,172
Non-cash assistance (commodities)	16,291	-	16,291
Special milk program for children	1,153	-	1,153
Interest earned on investments	159	-	159
Total non-operating revenues (expenses)	<u>76,190</u>	<u>-</u>	<u>76,190</u>
Change in net position	(23,449)	20,242	(3,207)
Net position, beginning	<u>60,457</u>	<u>50,761</u>	<u>111,218</u>
Net position, ending	<u>\$ 37,008</u>	<u>\$ 71,003</u>	<u>\$ 108,011</u>

See independent auditors' report.



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Enterprise Fund**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2018**

	Food Service Fund	Child Care Program	Total
Cash flows from operating activities			
Receipts from customers (net)	\$ 177,422	\$ 55,190	\$ 232,612
Payments to employees	(26,851)	(22,838)	(49,689)
Payments to Food Service Management Company	(208,743)	-	(208,743)
Payments to vendors (net)	(9,492)	(12,110)	(21,602)
Net cash provided by (used for) operating activities	<u>(67,664)</u>	<u>20,242</u>	<u>(47,422)</u>
Cash flows from non-capital financing activities			
State sources	2,483	-	2,483
Federal sources	59,041	-	59,041
Net cash provided by (used for) non-capital financing activities	<u>61,524</u>	<u>-</u>	<u>61,524</u>
Cash flows from investing activities			
Interest on investments	159	-	159
Net increase (decrease) in cash and cash equivalents	(5,981)	20,242	14,261
Cash and cash equivalents, beginning	8,363	50,761	59,124
Cash and cash equivalents, ending	<u>\$ 2,382</u>	<u>\$ 71,003</u>	<u>\$ 73,385</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (99,639)	\$ 20,242	\$ (79,397)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	14,774		14,774
Federal food donation program	16,291	-	16,291
(Increase) decrease in inventory	202	-	202
Increase (decrease) in unearned revenue	708	-	708
Net cash provided by (used for) operating activities	<u>\$ (67,664)</u>	<u>\$ 20,242</u>	<u>\$ (47,422)</u>

See independent auditors' report.

## **FIDUCIARY FUNDS**

### **DETAIL STATEMENTS**

Fiduciary Funds are used to account for funds received by the school district as an agent for individuals, private organizations, other government and/or other funds.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Combining Schedule of Net Position**  
**June 30, 2018**

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
<b>Assets</b>				
Cash & cash equivalents	\$ 51,794	\$ 34,947	\$ 203,166	\$ 289,907
<b>Total assets</b>	<b>\$ 51,794</b>	<b>\$ 34,947</b>	<b>\$ 203,166</b>	<b>\$ 289,907</b>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ 10	\$ 10
Due to students groups	-	34,947	-	34,947
Payroll deductions & withholdings	-	-	203,156	203,156
<b>Total liabilities</b>	<b>-</b>	<b>34,947</b>	<b>203,166</b>	<b>238,113</b>
<b>Net position</b>				
Held in trust for unemployment claims & other purposes	\$ 51,794	\$ -	\$ -	\$ 51,794

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Unemployment Compensation Fund**  
**Schedule of Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2018**

Additions		
Contributions		
Employee withholdings	\$	9,798
Investment earnings - interest		407
Total additions		<u>10,205</u>
 Deductions		
Unemployment claims		<u>2,052</u>
 Change in net position		8,153
 Net position, beginning of the year		<u>43,641</u>
 Net position, end of the year	\$	<u><u>51,794</u></u>

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Student Activity Agency Fund**  
**Schedule of Receipts and Disbursements**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Balance</u> 07/01/17	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 06/30/18
Assets				
Cash & cash equivalents	\$ 35,110	\$ 64,144	\$ 64,307	\$ 34,947
Total assets	<u>\$ 35,110</u>	<u>\$ 64,144</u>	<u>\$ 64,307</u>	<u>\$ 34,947</u>
Liabilities				
Due to student groups	\$ 35,110	\$ 64,144	\$ 64,307	\$ 34,947
Total liabilities	<u>\$ 35,110</u>	<u>\$ 64,144</u>	<u>\$ 64,307</u>	<u>\$ 34,947</u>

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**  
**For the Fiscal Year Ended June 30, 2018**

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
<b>Assets</b>				
Cash & cash equivalents	\$ 175,210	\$ 6,625,042	\$ 6,597,086	\$ 203,166
<b>Total assets</b>	<b>\$ 175,210</b>	<b>\$ 6,625,042</b>	<b>\$ 6,597,086</b>	<b>\$ 203,166</b>
<b>Liabilities</b>				
Due to other funds	\$ 10	\$ -	\$ -	\$ 10
Payroll deductions & withholdings	-	3,215,543	3,012,709	202,834
Flexible Spending Account	154	3,709	3,591	272
Net payroll	175,046	3,405,790	3,580,786	50
<b>Total liabilities</b>	<b>\$ 175,210</b>	<b>\$ 6,625,042</b>	<b>\$ 6,597,086</b>	<b>\$ 203,166</b>

See independent auditors' report.

## **LONG-TERM DEBT SCHEDULES**

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

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Long-Term Debt**  
**Schedule of Serial Bonds**  
**For the Fiscal Year Ended June 30, 2018**

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/17	Issued	Retired	Balance 06/30/18
			Date	Amount					
Construction of Middle School and refunding of 2000 series	09/01/01	\$ 15,895,000	07/15/22	\$ 845,000	4.75%	\$ 5,350,000	\$ -	\$ -	\$ 5,350,000
			07/15/27	1,065,000	5.00%	-	-	-	-
			07/15/28	1,105,000	5.00%	-	-	-	-
			07/15/29	1,145,000	5.00%	-	-	-	-
			07/15/30	1,190,000	5.00%	-	-	-	-
Refunding school bonds	05/11/11	9,600,000	07/15/18	635,000	5.00%	6,760,000	-	605,000	6,155,000
			07/15/19	665,000	5.00%	-	-	-	-
			07/15/20	695,000	5.00%	-	-	-	-
			07/15/21	735,000	5.00%	-	-	-	-
			07/15/23	805,000	4.00%	-	-	-	-
			07/15/24	840,000	4.00%	-	-	-	-
			07/15/25	875,000	4.00%	-	-	-	-
			07/15/26	905,000	4.00%	-	-	-	-
						<u>\$ 12,110,000</u>	<u>\$ -</u>	<u>\$ 605,000</u>	<u>\$ 11,505,000</u>

See independent auditors' report.



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Debt Service Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources					
Local tax levy	\$ 883,234	\$ -	\$ 883,234	\$ 883,234	\$ -
State sources					
Debt service aid	210,098	-	210,098	210,098	-
Total revenues	<u>1,093,332</u>	<u>-</u>	<u>1,093,332</u>	<u>1,093,332</u>	<u>-</u>
Expenditures					
Regular debt service					
Redemption of principal	605,000	-	605,000	605,000	-
Interest	488,332	-	488,332	488,332	-
Total expenditures	<u>1,093,332</u>	<u>-</u>	<u>1,093,332</u>	<u>1,093,332</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

## **STATISTICAL SECTION**

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Statistical Section J Series**

Contents	Page
<b>FINANCIAL TRENDS</b>	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
<b>REVENUE CAPACITY</b>	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
<b>DEBT CAPACITY</b>	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
<b>DEMOGRAPHIC AND ECONOMIC INFORMATION</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	J-14 to J-15
<b>OPERATING INFORMATION</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.	J-16 to J-20
Sources: Unless otherwise noted, the information in these schedules are derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.	

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Net Position by Component**  
**Last Ten Fiscal Years (Accrual Basis of Accounting)**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Government activities										
Net investment in capital assets	\$ 1,681,236	\$ 1,218,768	\$ 1,561,585	\$ 2,502,670	\$ 2,441,347	\$ 2,485,149	\$ 2,583,172	\$ 3,236,856	\$ 3,365,501	\$ 3,504,268
Restricted	888,708	1,532,914	2,409,934	1,872,117	2,020,129	1,602,787	1,264,361	542,396	1,638,662	3,121,147
Unrestricted	(490,819)	(605,275)	(232,627)	(320,185)	(303,587)	(2,795,366)	(3,585,713)	(3,633,115)	(3,919,414)	(3,878,998)
Total governmental activities	<u>\$ 2,079,125</u>	<u>\$ 2,146,407</u>	<u>\$ 3,738,892</u>	<u>\$ 4,054,602</u>	<u>\$ 4,157,889</u>	<u>\$ 1,292,570</u>	<u>\$ 261,820</u>	<u>\$ 146,137</u>	<u>\$ 1,084,749</u>	<u>\$ 2,746,417</u>
Business-type activities										
Net investment in capital assets	\$ 95,505	\$ 116,175	\$ 109,440	\$ 102,705	\$ 91,549	\$ 76,683	\$ 64,073	\$ 61,403	\$ 49,334	\$ 34,560
Unrestricted	84,106	72,293	93,735	71,843	75,509	86,623	88,575	76,980	61,884	73,451
Total business-type activities	<u>\$ 179,611</u>	<u>\$ 188,468</u>	<u>\$ 203,175</u>	<u>\$ 174,548</u>	<u>\$ 167,058</u>	<u>\$ 163,306</u>	<u>\$ 152,648</u>	<u>\$ 138,383</u>	<u>\$ 111,218</u>	<u>\$ 108,011</u>
District-wide										
Net investment in capital assets	\$ 1,776,741	\$ 1,334,943	\$ 1,671,025	\$ 2,605,375	\$ 2,532,896	\$ 2,561,832	\$ 2,647,245	\$ 3,298,259	\$ 3,414,835	\$ 3,538,828
Restricted	888,708	1,532,914	2,409,934	1,872,117	2,020,129	1,602,787	1,264,361	542,396	1,638,662	3,121,147
Unrestricted	(406,713)	(532,982)	(138,892)	(248,342)	(228,078)	(2,708,743)	(3,497,138)	(3,556,135)	(3,857,530)	(3,805,547)
Total district-wide	<u>\$ 2,258,736</u>	<u>\$ 2,334,875</u>	<u>\$ 3,942,067</u>	<u>\$ 4,229,150</u>	<u>\$ 4,324,947</u>	<u>\$ 1,455,876</u>	<u>\$ 414,468</u>	<u>\$ 284,520</u>	<u>\$ 1,195,967</u>	<u>\$ 2,854,428</u>

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Changes in Net Position**  
**Last Ten Fiscal Years (Accrual Basis of Accounting)**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction										
Regular	\$ 5,868,171	\$ 5,438,877	\$ 5,283,440	\$ 5,747,351	\$ 5,940,174	\$ 6,167,467	\$ 7,462,218	\$ 7,060,296	\$ 6,711,474	\$ 6,677,565
Special education	1,065,729	1,405,873	1,349,239	1,387,983	1,576,311	1,512,958	1,594,726	1,985,821	2,862,417	2,967,885
Other special education	779,496	1,157,361	1,002,992	853,052	903,533	839,434	783,630	416,448	320,647	345,991
Support services										
Tuition	3,131,326	2,660,298	2,793,682	3,499,860	4,438,501	5,289,756	6,451,262	6,396,630	6,053,142	6,087,176
Student & instruction related services	1,480,577	1,370,998	1,381,180	1,533,950	1,553,014	1,336,677	1,604,246	1,491,739	1,445,614	1,504,996
General & business administrative services	1,234,099	1,378,989	1,339,569	1,597,488	1,219,793	1,269,802	1,369,273	1,644,606	1,573,875	1,639,007
Plant operations & maintenance	1,427,388	1,364,199	1,315,993	1,189,193	1,158,008	1,279,279	1,223,862	1,252,242	1,722,299	1,855,640
Pupil transportation	511,519	461,882	452,095	456,489	503,132	523,953	484,092	444,013	585,779	595,012
Special school	7,999	-	-	-	-	-	-	-	-	-
Interest on long-term debt	799,893	776,314	586,814	543,967	528,989	541,008	524,041	525,578	479,120	452,089
Unallocated depreciation	48,036	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>16,354,233</u>	<u>16,014,791</u>	<u>15,505,004</u>	<u>16,809,333</u>	<u>17,821,455</u>	<u>18,760,334</u>	<u>21,497,350</u>	<u>21,217,373</u>	<u>21,754,367</u>	<u>22,125,361</u>
Business-type activities										
Food services	235,967	246,507	267,644	304,248	308,637	295,772	295,173	284,401	282,908	277,087
Child care program	-	-	-	-	30,487	31,382	25,294	36,604	35,134	34,948
Total business-type activities	<u>235,967</u>	<u>246,507</u>	<u>267,644</u>	<u>304,248</u>	<u>339,124</u>	<u>327,154</u>	<u>320,467</u>	<u>321,005</u>	<u>318,042</u>	<u>312,035</u>
Total district expenses	<u>\$ 16,590,200</u>	<u>\$ 16,261,298</u>	<u>\$ 15,772,648</u>	<u>\$ 17,113,581</u>	<u>\$ 18,160,579</u>	<u>\$ 19,087,488</u>	<u>\$ 21,817,817</u>	<u>\$ 21,538,378</u>	<u>\$ 22,072,409</u>	<u>\$ 22,437,396</u>

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Changes in Net Position (continued)**  
**Last Ten Fiscal Years (Accrual Basis of Accounting)**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program revenues										
Governmental activities										
Charges for services	\$ 10,050	\$ 11,850	\$ 90,302	\$ 118,940	\$ 99,963	\$ 67,774	\$ 100,216	\$ 118,769	\$ 74,561	\$ 63,942
Operating grants & contributions	269,594	452,606	371,193	234,966	317,543	410,969	283,817	277,359	279,081	280,236
Capital grants & contributions	-	24,717	436,225	-	-	-	252,763	-	-	-
Total governmental activities program revenues	<u>279,644</u>	<u>489,173</u>	<u>897,720</u>	<u>353,906</u>	<u>417,506</u>	<u>478,743</u>	<u>636,796</u>	<u>396,128</u>	<u>353,642</u>	<u>344,178</u>
Business-type activities										
Charges for services										
Food service	181,908	179,085	208,755	203,959	204,566	196,706	187,057	184,514	175,811	177,448
Child care program	-	-	-	-	48,281	39,746	39,209	39,861	42,565	55,190
Operating grants & contributions	51,704	67,013	73,358	71,063	78,542	86,723	83,381	82,208	72,361	76,031
Total business-type activities program revenues	<u>233,612</u>	<u>246,098</u>	<u>282,113</u>	<u>275,022</u>	<u>331,389</u>	<u>323,175</u>	<u>309,647</u>	<u>306,583</u>	<u>290,737</u>	<u>308,669</u>
Total district - program revenues	<u>\$ 513,256</u>	<u>\$ 735,271</u>	<u>\$ 1,179,833</u>	<u>\$ 628,928</u>	<u>\$ 748,895</u>	<u>\$ 801,918</u>	<u>\$ 946,443</u>	<u>\$ 702,711</u>	<u>\$ 644,379</u>	<u>\$ 652,847</u>
Net (expense) revenues										
Governmental activities	\$ (16,074,589)	\$ (15,525,618)	\$ (14,607,284)	\$ (16,455,427)	\$ (17,403,949)	\$ (18,281,591)	\$ (20,860,554)	\$ (20,821,245)	\$ (21,400,725)	\$ (21,781,183)
Business-type activities	(2,355)	(409)	14,469	(29,226)	(7,735)	(3,979)	(10,820)	(14,422)	(27,305)	(3,366)
Total district-wide net expenses	<u>\$ (16,076,944)</u>	<u>\$ (15,526,027)</u>	<u>\$ (14,592,815)</u>	<u>\$ (16,484,653)</u>	<u>\$ (17,411,684)</u>	<u>\$ (18,285,570)</u>	<u>\$ (20,871,374)</u>	<u>\$ (20,835,667)</u>	<u>\$ (21,428,030)</u>	<u>\$ (21,784,549)</u>

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Changes in Net Position (continued)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 11,018,756	\$ 10,775,728	\$ 11,105,502	\$ 11,327,612	\$ 11,622,452	\$ 11,896,112	\$ 12,201,862	\$ 12,532,892	\$ 12,881,255	\$ 13,176,071
Taxes levied for debt service	900,885	953,625	991,213	915,832	894,692	812,260	884,990	889,272	879,108	883,234
Unrestricted grants & contributions	4,307,798	4,542,227	4,076,644	4,467,073	5,023,938	4,860,063	6,702,924	7,248,416	8,552,940	9,340,650
Investment earnings	26,881	15,458	8,045	21,200	10,518	11,827	7,558	9,175	11,052	32,710
State capital projects grants deobligated	-	-	-	-	(78,495)	-	-	-	(8,679)	-
Disposal of land	-	-	-	-	-	-	-	-	(3,500)	-
Miscellaneous income	1,997	8,534	18,365	39,420	34,131	49,300	32,470	50,307	27,161	10,186
Transfers	-	-	-	-	-	-	-	(24,500)	-	-
Total governmental activities	<u>16,256,317</u>	<u>16,295,572</u>	<u>16,199,769</u>	<u>16,771,137</u>	<u>17,507,236</u>	<u>17,629,562</u>	<u>19,829,804</u>	<u>20,705,562</u>	<u>22,339,337</u>	<u>23,442,851</u>
Business-type activities										
Miscellaneous income	1,267	491	238	599	245	227	162	157	140	159
Total business-type activities	<u>1,267</u>	<u>491</u>	<u>238</u>	<u>599</u>	<u>245</u>	<u>227</u>	<u>162</u>	<u>157</u>	<u>140</u>	<u>159</u>
Total district-wide	<u>\$ 16,257,584</u>	<u>\$ 16,296,063</u>	<u>\$ 16,200,007</u>	<u>\$ 16,771,736</u>	<u>\$ 17,507,481</u>	<u>\$ 17,629,789</u>	<u>\$ 19,829,966</u>	<u>\$ 20,705,719</u>	<u>\$ 22,339,477</u>	<u>\$ 23,443,010</u>
Change in net position										
Governmental activities	\$ 181,728	\$ 769,954	\$ 1,592,485	\$ 315,710	\$ 103,287	\$ (652,029)	\$ (1,030,750)	\$ (115,683)	\$ 938,612	\$ 1,661,668
Business-type activities	(1,088)	82	14,707	(28,627)	(7,490)	(3,752)	(10,658)	(14,265)	(27,165)	(3,207)
Total district	<u>\$ 180,640</u>	<u>\$ 770,036</u>	<u>\$ 1,607,192</u>	<u>\$ 287,083</u>	<u>\$ 95,797</u>	<u>\$ (655,781)</u>	<u>\$ (1,041,408)</u>	<u>\$ (129,948)</u>	<u>\$ 911,447</u>	<u>\$ 1,658,461</u>

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Restricted	\$ 783,203	\$ 1,532,914	\$ 1,554,122	\$ 1,918,109	\$ 2,165,381	\$ 1,809,892	\$ 1,011,598	\$ 479,468	\$ 1,610,114	\$ 3,121,147
Committed	93,930	72,488	69,453	9,568	15,207	8,747	-	817	8,258	-
Assigned	105,505	-	-	208,677	39,242	186,469	-	-	-	-
Unassigned	24,828	(44,895)	90,714	49,839	190,453	(7,848)	(355,136)	(187,230)	(60,443)	83,785
Total general fund	<u>\$ 1,007,466</u>	<u>\$ 1,560,507</u>	<u>\$ 1,714,289</u>	<u>\$ 2,186,193</u>	<u>\$ 2,410,283</u>	<u>\$ 1,991,260</u>	<u>\$ 656,462</u>	<u>\$ 293,055</u>	<u>\$ 1,557,929</u>	<u>\$ 3,204,932</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ -	\$ -	\$ 1,053,636	\$ 266,634	\$ 170,655	\$ -	\$ 252,763	\$ 62,928	\$ 28,548	\$ -
Assigned, reported in										
Debt service fund	694	694	-	100,342	100,342	-	-	-	-	-
Total all other governmental funds	<u>\$ 694</u>	<u>\$ 694</u>	<u>\$ 1,053,636</u>	<u>\$ 366,976</u>	<u>\$ 270,997</u>	<u>\$ -</u>	<u>\$ 252,763</u>	<u>\$ 62,928</u>	<u>\$ 28,548</u>	<u>\$ -</u>

See independent auditors' report.



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Tax levy	\$ 11,919,641	\$ 11,729,353	\$ 12,096,715	\$ 12,243,444	\$ 12,517,144	\$ 12,708,372	\$ 13,086,852	\$ 13,422,164	\$ 13,760,363	\$ 14,059,305
Tuition charges	10,050	11,850	89,152	118,940	99,963	67,749	98,590	118,769	70,932	61,495
Interest earnings	5,042	15,458	8,045	21,200	10,518	11,827	7,558	9,175	11,052	32,710
Rents and royalties	-	-	-	-	-	-	-	-	3,629	2,447
Miscellaneous	23,836	8,534	19,515	32,462	34,131	49,325	34,096	26,411	39,702	10,186
State sources	4,318,157	4,063,092	4,508,409	4,384,459	4,987,430	4,863,617	5,250,745	5,124,129	5,206,986	5,453,049
Federal sources	259,235	956,458	375,653	324,538	354,051	407,415	317,320	275,245	279,652	280,236
<b>Total revenues</b>	<b>16,535,961</b>	<b>16,784,745</b>	<b>17,097,489</b>	<b>17,125,043</b>	<b>18,003,237</b>	<b>18,108,305</b>	<b>18,795,161</b>	<b>18,975,893</b>	<b>19,372,316</b>	<b>19,899,428</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular instruction	4,070,207	3,796,344	3,726,675	3,923,841	3,780,409	4,051,644	4,251,978	3,591,176	3,145,774	3,049,000
Special education instruction	817,713	821,806	849,031	847,167	920,176	963,957	831,103	998,081	1,080,436	1,184,146
Other special instruction	598,092	756,101	663,773	575,771	572,807	514,781	417,287	182,900	130,916	129,141
<b>Support services</b>										
Tuition	3,131,326	2,591,191	2,762,789	3,499,860	4,438,501	5,104,357	6,336,262	6,300,202	6,053,142	5,987,176
Student & inst related services	1,136,018	871,757	869,153	963,842	911,075	848,267	882,784	789,247	681,623	725,239
General & school administration services	946,901	1,038,755	1,001,129	952,886	919,637	936,770	900,183	951,055	793,109	849,663
Plant operations & maintenance	1,095,207	1,140,099	1,070,140	988,146	922,057	1,073,178	981,612	914,670	846,173	944,955
Pupil transportation	511,519	461,882	452,095	448,218	494,195	507,837	484,092	444,013	585,779	595,012
Employee benefits	2,765,744	2,823,149	2,769,938	3,034,349	3,392,616	3,263,088	3,366,252	3,391,673	3,376,186	3,418,787
Transfer to charter schools	7,999	-	-	-	-	-	-	-	-	-
Capital outlay	68,807	221,104	126,886	817,946	25,174	29,039	46,189	563,322	51,247	24,155
Special revenue funds	-	477,323	371,193	234,966	317,543	410,969	283,817	277,359	279,081	280,236
<b>Debt service</b>										
Principal	355,000	445,000	465,000	615,000	510,000	520,000	540,000	565,000	575,000	605,000
Interest & other charges	809,046	787,193	762,963	437,807	592,441	574,438	555,637	535,937	513,356	488,463
<b>Total expenditures</b>	<b>16,313,579</b>	<b>16,231,704</b>	<b>15,890,765</b>	<b>17,339,799</b>	<b>17,796,631</b>	<b>18,798,325</b>	<b>19,877,196</b>	<b>19,504,635</b>	<b>18,111,822</b>	<b>18,280,973</b>

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Changes in Fund Balances, Governmental Funds (continued)**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Excess (deficiency) of revenues over (under) expenditures	\$ 222,382	\$ 553,041	\$ 1,206,724	\$ (214,756)	\$ 206,606	\$ (690,020)	\$ (1,082,035)	\$ (528,742)	\$ 1,260,494	\$ 1,618,455
Other financing sources (uses)										
Transfer out	-	-	-	-	-	-	-	(24,500)	(30,000)	-
Proceeds from refinancing bond issue	-	-	10,201,851	-	-	-	-	-	-	-
Payments to refunding bond escrow agent	-	-	(10,201,851)	-	-	-	-	-	-	-
NJSDA grant deobligated	-	-	-	-	(78,495)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(78,495)	-	-	(24,500)	(30,000)	-
Net change in fund balances	<u>\$ 222,382</u>	<u>\$ 553,041</u>	<u>\$ 1,206,724</u>	<u>\$ (214,756)</u>	<u>\$ 128,111</u>	<u>\$ (690,020)</u>	<u>\$ (1,082,035)</u>	<u>\$ (553,242)</u>	<u>\$ 1,230,494</u>	<u>\$ 1,618,455</u>
Debt service as a percentage of non-capital expenditures	7.72%	8.34%	8.45%	6.81%	6.61%	6.19%	5.85%	6.17%	6.41%	6.37%

Source: District Records

NOTE: Non-capital expenditures are total expenditures less capital outlay, capital projects and debt service.

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**General Fund - Other Local Revenues by Source**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Interest income	\$ 5,042	\$ 15,458	\$ 8,045	\$ 21,200	\$ 10,518	\$ 11,827	\$ 7,558	\$ 9,175	\$ 11,052	\$ 32,710
Tuition	10,050	11,850	89,152	118,940	99,963	67,749	98,590	118,769	70,932	61,495
Prior year refunds	-	211	16,992	12,427	16,266	44,630	12,167	-	20,932	1,954
Miscellaneous	23,835	538	609	258	364	134	2,280	3,005	3,991	6,544
Old outstanding checks voided	-	7,785	13	-	-	54	-	-	-	-
Close old agency balances	-	-	-	-	-	-	-	(924)	76	71
Facility rentals	-	-	250	-	-	425	1,627	-	3,629	2,447
Emergency management training fees	-	-	900	-	-	-	-	-	-	-
Contributions	-	-	658	250	-	500	12,056	1,054	1,011	904
Book fees	-	-	93	49	-	-	-	591	318	172
Application fees	-	-	-	500	475	-	-	310	833	300
Accounts payable canceled	-	-	-	17,255	17,026	3,542	-	24,693	-	-
Fund 20 adjustments	-	-	-	-	-	-	5,966	(12,818)	-	-
Sale of assets	-	-	-	-	-	40	-	10,500	-	241
<b>Annual totals</b>	<b>\$ 38,927</b>	<b>\$ 35,842</b>	<b>\$ 116,712</b>	<b>\$ 170,879</b>	<b>\$ 144,612</b>	<b>\$ 128,901</b>	<b>\$ 140,244</b>	<b>\$ 154,355</b>	<b>\$ 112,774</b>	<b>\$ 106,838</b>

Source: District Records

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Vacant land	\$ 55,445,600	\$ 42,028,620	\$ 35,700,520	\$ 21,599,020	\$ 19,621,720	\$ 16,235,420	\$ 12,976,620	\$ 17,209,874	\$ 11,230,520	\$ 10,554,720
Residential	784,580,256	808,976,846	827,794,246	661,096,274	669,756,124	679,151,024	689,476,824	693,597,571	693,752,971	692,445,071
Farm regular	11,468,300	13,137,400	12,801,700	10,568,700	11,230,900	11,212,200	11,072,700	10,696,400	10,185,200	9,937,000
Q farm	695,122	702,046	704,552	702,478	711,662	650,894	6,080,903	642,778	642,778	639,656
Commercial	137,140,971	135,035,724	135,544,724	124,171,875	122,971,275	125,260,175	110,165,375	112,929,575	112,132,975	112,264,375
Industrial	19,067,400	19,067,400	19,067,400	18,036,200	17,423,200	16,284,200	14,684,200	14,684,200	15,565,600	24,285,600
Apartment	18,230,400	18,230,400	18,230,400	16,320,000	16,320,000	16,320,000	16,320,000	16,320,000	26,494,000	31,229,000
<b>Total assessed value</b>	<b>1,026,628,049</b>	<b>1,037,178,436</b>	<b>1,049,843,542</b>	<b>852,494,547</b>	<b>858,034,881</b>	<b>865,113,913</b>	<b>860,776,622</b>	<b>866,080,398</b>	<b>870,004,044</b>	<b>881,355,422</b>
Public utilities (a)	1,748,462	1,845,675	1,538,797	1,509,258	1,509,258	929,832	981,687	950,563	940,641	948,998
<b>Net valuation taxable</b>	<b>\$ 1,028,376,511</b>	<b>\$ 1,039,024,111</b>	<b>\$ 1,051,382,339</b>	<b>\$ 854,003,805</b>	<b>\$ 859,544,139</b>	<b>\$ 866,043,745</b>	<b>\$ 861,758,309</b>	<b>\$ 867,030,961</b>	<b>\$ 870,944,685</b>	<b>\$ 882,304,420</b>
Estimated actual county equalized value	\$ 1,022,833,671	\$ 1,033,453,429	\$ 1,002,056,801	\$ 963,949,507	\$ 896,572,587	\$ 840,814,377	\$ 817,502,861	\$ 842,131,991	\$ 872,427,812	\$ 882,569,191
Percentage of net valuation to estimated actual equalized value	100.54%	100.54%	104.92%	88.59%	95.87%	103.00%	105.41%	102.96%	99.83%	99.97%
<b>Total direct school tax rate (b)</b>	<b>\$ 1.16</b>	<b>\$ 1.17</b>	<b>\$ 1.16</b>	<b>\$ 1.46</b>	<b>\$ 1.48</b>	<b>\$ 1.51</b>	<b>\$ 1.56</b>	<b>\$ 1.59</b>	<b>\$ 1.62</b>	<b>\$ 1.62</b>

\*

Source: 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 the County Board of Taxation requests Treasury to order a reassessment.

- (a) Taxable value of machinery, implements and equipments of telephone and messenger system companies
- (b) Tax rates are per \$100

- \* Revalued/Reassessed
- \* Limited exemptions and abatements

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
**(Rate Per \$100 of Assessed Value)**

Assessment Year	School District Direct Rate					Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6)		Municipality	County		
			Total Direct School Tax Rate					
2009	\$ 1.071	\$ 0.088	\$ 1.159	\$ 0.224	\$ 0.602	\$ 1.99		
2010	1.075	0.090	1.165	0.267	0.607	2.04		
2011	1.077	0.087	1.164	0.276	0.609	2.05		
2012	1.360	0.102	1.462	0.403	0.681	2.55		
2013	1.384	0.095	1.479	0.459	0.748	2.69		
2014	1.409	0.101	1.510	0.508	0.741	2.76		
2015	1.455	0.103	1.558	0.522	0.691	2.77		
2016	1.486	0.101	1.587	0.553	0.742	2.88		
2017	1.512	0.103	1.615	0.571	0.766	2.95		
2018	1.520	0.102	1.622	0.591	0.734	2.95		

Sources: Municipal Tax Collector

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

\* Revalued/Reassessed

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Principal Property Taxpayers,**  
**Current Year and Nine Years Ago**

	2018			2009		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Larken Associates	\$ 52,765,800	1	5.98%	\$ -		0.00%
Brakeley Associates, Inc.	15,864,000	2	1.80%	17,800,300	2	1.73%
Hillcrest Medical Plaza	14,675,400	3	1.66%	4,938,500	9	0.48%
Stag GI New Jersey, Inc.	14,259,000	8	1.62%	-		0.00%
Phillipsburg Mall LLC	11,096,200	4	1.26%	-		0.00%
Genesis / Brakley P. C/O Health Care	8,599,800	6	0.97%	9,238,400	4	0.90%
Strykers Golf, LLC	6,003,300	7	0.68%	9,600,000	3	0.93%
Genesis/Lopatcong	5,411,400	9	0.61%	5,723,500	7	0.56%
Stowaway Self Storage	4,693,560	10	0.53%	5,018,960	8	0.49%
Genesis/Lopatcong	-		-	6,023,900	6	0.59%
Crown American	-		-	25,082,500	1	2.44%
Captive Realty of NJ, LLC	-		-	4,570,900	10	0.44%
IT Banker, C/O Mallinekrodt Baker, Inc.	-		-	6,294,500	5	0.61%
	<u>\$ 133,368,460</u>		<u>15.12%</u>	<u>\$94,291,460</u>		<u>9.17%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Property Tax Levies and Collections**  
**Last Ten Years**

Year Ended June 30,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2009	\$ 11,919,641	\$ 11,919,641	100.00%
2010	11,729,353	11,729,353	100.00%
2011	12,096,715	12,096,715	100.00%
2012	12,243,444	12,243,444	100.00%
2013	12,517,144	12,517,144	100.00%
2014	12,708,372	12,708,372	100.00%
2015	13,086,852	13,086,852	100.00%
2016	13,422,164	13,422,164	100.00%
2017	13,760,363	13,760,363	100.00%
2018	14,059,305	14,059,305	100.00%

Source: District Records including the Certificate and Report of School Taxes (A4F Form)

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

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year Ending June 30,	Governmental Activities				Business-Type Activities		Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2009	\$ 16,490,000	\$ -	\$ -	\$ -	\$ -	\$ 16,490,000	4.49%	\$ 1,977	
2010	16,045,000	-	-	-	-	16,045,000	4.39%	1,914	
2011	15,330,000	-	-	-	-	15,330,000	4.30%	1,892	
2012	14,820,000	-	-	-	-	14,820,000	3.98%	1,815	
2013	14,310,000	-	-	-	-	14,310,000	3.73%	1,747	
2014	13,790,000	-	-	-	-	13,790,000	3.56%	1,682	
2015	13,250,000	-	-	-	-	13,250,000	3.28%	1,593	
2016	12,685,000	-	-	-	-	12,685,000	3.03%	1,526	
2017	12,110,000	-	-	-	-	12,110,000	2.84%	1,462	
2018	11,505,000	-	-	-	-	11,505,000	N/A	1,378	

NOTES: (1) Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

- (a) See Exhibit J-14 for personal income and population data.  
 These ratios are calculated using personal income and population for the prior calendar year.

See independent auditors' report.



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Fiscal Year Ending June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions			
2009	\$ 16,490,000		\$ 16,490,000	1.60%	\$ 1,977
2010	16,045,000		16,045,000	1.54%	1,914
2011	15,330,000		15,330,000	1.46%	1,892
2012	* 14,820,000		14,820,000	1.74%	1,815
2013	14,310,000		14,310,000	1.66%	1,747
2014	13,790,000		13,790,000	1.59%	1,682
2015	13,250,000		13,250,000	1.54%	1,593
2016	12,685,000		12,685,000	1.46%	1,526
2017	12,110,000		12,110,000	1.39%	1,462
2018	11,505,000		11,505,000	1.30%	1,378

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

- (a) See Exhibit J-6 for property tax data.
- (b) Population data can be found in Exhibit J-14.

\* Revalued/Reassessed

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Direct and Overlapping Governmental Activities Debt**  
**As of December 31, 2017**

	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Governmental Unit			
Debt repaid with property taxes			
Municipality	\$ 7,404,504	100.00%	\$ 7,404,504
County general obligation debt	6,746,849	8.00%	<u>539,759</u>
Subtotal, overlapping debt			7,944,263
School district direct debt			<u>11,505,000</u>
Total direct and overlapping debt			<u><u>\$ 19,449,263</u></u>

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

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 municipality. 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

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2018

		Equalized Valuation Basis	
		2017	\$ 870,265,124
		2016	867,555,242
		2015	836,030,130
			<u>\$ 2,573,850,496</u>
	Average equalized valuation of taxable property		<u>\$ 857,950,165</u>
	Debt limit (3.0% of average equalization value)	(a)	\$ 25,738,505
	Total net debt applicable to limit		<u>11,505,000</u>
	Legal debt margin		<u>\$ 14,233,505</u>

	Fiscal Year				
	2014	2015	2016	2017	2017
Debt limit	\$ 26,817,883	\$ 25,459,337	\$ 24,905,998	\$ 25,242,208	\$ 25,738,505
Total net debt applicable	13,790,000	13,250,000	12,685,000	12,110,000	11,505,000
Legal debt margin	<u>\$ 13,027,883</u>	<u>\$ 12,209,337</u>	<u>\$ 12,220,998</u>	<u>\$ 13,132,208</u>	<u>\$ 14,233,505</u>
Total net debt applicable to the limit as a percentage of debt limit	51.42%	52.04%	50.93%	47.98%	44.70%

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt limit	\$ 30,074,396	\$ 30,631,678	\$ 30,439,678	\$ 29,676,211	\$ 28,363,021
Total net debt applicable	16,490,000	16,045,000	15,330,000	14,715,000	14,310,000
Legal debt margin	<u>\$ 13,584,396</u>	<u>\$ 14,586,678</u>	<u>\$ 15,109,678</u>	<u>\$ 14,961,211</u>	<u>\$ 14,053,021</u>
Total net debt applicable to the limit as a percentage of debt limit	54.83%	52.38%	50.36%	49.59%	50.45%

Source: Equalized Valuation Bases were obtained from the annual report of the State of New Jersey Department of Treasury, Division of Taxation.

(a) Limit set by N.J.S.A. 18A:24-19

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2009	8,383	\$ 365,683,226	\$ 43,622	5.0%
2010	8,101	356,630,323	44,023	5.1%
2011	8,164	372,743,748	45,657	4.8%
2012	8,192	383,623,168	46,829	4.6%
2013	8,201	387,612,064	47,264	3.7%
2014	8,320	404,335,360	48,598	5.7%
2015	8,314	418,826,064	50,376	4.7%
2016	8,286	426,347,844	51,454	3.8%
2017	8,348	N/A	N/A	3.3%
2018	N/A	N/A	N/A	N/A

Sources:

- (a) Population information provided by the NJ Dept of Labor and Workforce
- (b) Personal income has been estimated based upon the municipal population and per capita personal income presented.
- (c) Per capita personal income by County estimated based upon the 2010 Census published by the U.S. Bureau of Economic Analysis.
- (d) Unemployment data provided by the NJ Dept of Labor and Workforce Development.

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
Principal Employers  
Current Year and Nine Years Ago**

2018

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Municipal Employment</u>
-----------------	------------------	-------------	---------------------------------------------------------

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2009

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Municipal Employment</u>
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Full Time Equivalent District Employees by Function/Program**  
**Last Ten Fiscal Years**

Function/Program	<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	56.0	57.2	54.2	60.6	42.0	56.6	48.0	43.0	42.7	42.7
Special education	17.0	13.4	18.5	24.4	26.4	18.2	30.0	24.4	14.5	13.5
Other instruction	-	-	-	-	13.6	9.7	11.5	11.0	11.6	11.6
Support services										
Student and instruction related services	20.2	23.5	22.9	17.4	10.2	10.2	9.1	8.9	8.0	8.0
General administration	2.0	2.0	2.7	2.7	2.7	2.5	2.5	2.0	2.5	2.5
School administration services	7.0	6.7	5.8	7.7	5.6	5.6	4.5	5.5	5.5	5.5
Central services	3.5	3.6	3.4	4.2	3.1	2.5	3.0	3.0	2.5	2.5
Plant operations and maintenance	10.2	10.2	13.0	10.0	9.0	9.0	9.0	9.0	8.0	8.0
Transportation services	-	0.3	0.3	0.3	0.3	0.3	-	-	-	-
Total	<u>115.9</u>	<u>116.9</u>	<u>120.8</u>	<u>127.3</u>	<u>112.9</u>	<u>114.6</u>	<u>117.6</u>	<u>106.8</u>	<u>95.3</u>	<u>94.3</u>

Source: District Personnel Records

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Operating Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	Enrollment	Operating	Cost	Percentage Change	Teaching Staff ( b )	Teacher Ratio		Average Daily	Average Daily	% Change in	Student
		Expenditures ( a )	Per Pupil			Elementary School	Middle School	Enrollment ( ADE ) ( c )	Attendance ( ADA ) ( c )	Average Daily Enrollment	Attendance Percentage
2009	873	\$ 15,072,727	\$ 17,265	1.37%	79.0	1:11.04	1:11.05	877.5	843.2	-2.76%	96.09%
2010	940	14,778,407	15,722	-8.94%	97.0	1:13.14	1:11.08	934.7	899.9	6.52%	96.28%
2011	917	14,535,916	15,852	0.83%	86.0	1:11.62	1:11.40	917.5	879.7	-1.84%	95.88%
2012	895	15,469,046	17,284	9.04%	85.0	1:9.33	1:10.92	885.9	853.8	-3.44%	96.38%
2013	879	16,669,016	18,964	9.72%	76.0	1:8.14	1:9.25	872.8	838.2	-1.48%	96.04%
2014	861	17,674,848	20,528	8.25%	78.0	1:11.02	1:13.00	854.4	820.7	-2.11%	96.06%
2015	821	18,735,370	22,820	11.16%	76.5	1:8.14	1:12.20	828.8	794.4	-3.00%	95.85%
2016	849	17,840,376	21,013	-7.92%	63.6	1:14.34	1:12.56	846.0	814.6	2.08%	96.29%
2017	800	16,972,219	21,215	0.96%	57.2	1:20.80	1:24.00	802.3	763.2	-5.17%	95.13%
2018	768	17,163,355	22,348	5.34%	56.2	1:20.42	1:25.33	760.8	726.1	-5.17%	95.43%

Source: District Records

- (a) Operating expenditures equal total expenditures less debt service and capital outlay.
- (b) Teaching staff includes only full-time equivalents or certificated staff.
- (c) Average Daily Enrollment and Average Daily Attendance are obtained from the School Register Summary (SRS).

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**School Building Information**  
**Last Ten Fiscal Years**

District Building	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Delaware Park Elementary (1924)										
Square feet	10,920	10,920	10,920	10,920	10,920	10,920	10,920	-	-	-
Capacity (students)	75.0	75.0	75.0	75.0	75.0	75.0	75.0	-	-	-
Enrollment	-	-	-	-	-	-	-	-	-	-
Lopatcong Elementary (1960/1975)										
Square feet	57,240	57,240	57,240	57,240	57,240	57,240	57,240	57,240	57,240	57,240
Capacity (students)	539.0	539.0	539.0	539.0	539.0	539.0	539.0	539.0	539.0	539.0
Enrollment	475.0	519.0	480.0	491.0	479.0	458.0	443.0	443.0	416.0	394.0
Lopatcong Middle (2003)										
Square feet	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000
Capacity (students)	512.0	512.0	512.0	512.0	512.0	512.0	512.0	512.0	512.0	512.0
Enrollment	398.0	421.0	435.0	404.0	400.0	397.0	385.0	398.0	384.0	352.0
Number of schools at June 30, 2018										
Elementary	1									
Middle	1									

Source: District Facilities Office

NOTE: Year of original construction is shown in parentheses. Increase in square footage and capacity are the result of renovations and additions. Enrollment is based on the annual October District count.

See independent auditors' report.



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Required Maintenance Expenditures by School Facility**  
**Last Ten Fiscal Years**

Undistributed expenditures - Required maintenance for school facilities

<u>Fiscal Year Ending</u>	<u>Delaware Park School</u>	<u>Lopatcong Elementary School</u>	<u>Lopatcong Middle School</u>	<u>Total</u>
2009	\$ 6,020	\$ 31,565	\$ 54,602	\$ 92,187
2010	83	43,091	50,783	93,957
2011	459	137,674	199,919	338,052
2012	463	134,623	173,881	308,967
2013	658	119,110	122,793	242,561
2014	767	116,944	184,276	301,987
2015	910	133,399	229,872	364,181
2016	-	134,378	202,107	336,485
2017	-	131,388	196,824	328,212
2018	-	148,471	225,207	373,678
<b>Total school facilities</b>	<b>\$ 9,360</b>	<b>\$ 1,130,643</b>	<b>\$ 1,640,264</b>	<b>\$ 2,780,267</b>

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

Source: District Records

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Insurance Schedule**  
**June 30, 2018**  
**(Unaudited)**

	Coverage	Deductible
Commercial Package Policy - School Alliance Insurance Fund (SAIF)		
<u>Property Section</u>		
Blanket Building and Contents (Fund Limit)	\$ 500,000,000	\$ 2,500
Accounts Receivable	2,500,000	2,500
Automobile Physical Damage	In Blanket Limit	1,000
Builders Risk	25,000,000	2,500
Electronic Data Processing Equipment	In Blanket Limit	2,500
<u>Liability Section</u>		
Comprehensive General Liability	5,000,000	-
Automobile Liability	5,000,000	-
Employee Benefit Liability	5,000,000	1,000
<u>Excess Liability</u>		
Excludes School Board Legal Liability	5,000,000	-
<u>Crime</u>		
Blanket Employee Dishonesty	100,000	1,000
Per Loss Aggregate Limit	400,000	
Forgery	50,000	1,000
Theft/Disappearance/Destruction		
Inside	50,000	1,000
Outside	50,000	1,000
Chartis (SAIF)		
School Board Legal Liability	5,000,000	5,000
ACE American Insurance Company (SAIF)		
Environmental Impairment Liability		
Limit of Liability		
Incident	1,000,000	10,000
Fund Annual Aggregate	25,000,000	-
Workers' Compensation (SAIF)		
(a) Statutory Benefits	Included	-
(a) Employer's Liability	5,000,000	-
Supplemental Coverage (optional)	Included	-
Selective Insurance Company		
Public Employees' Faithful Performance Blanket Position Bond - Treasurer	205,000	-

Source: District Records

See independent auditors' report.

**SINGLE AUDIT SECTION**



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

Honorable President and  
Members of the Board of Education  
Lopatcong Township School District  
County of Warren, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Lopatcong Township School District, County of Warren, the State of New Jersey, (the District), 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, and have issued our report thereon dated February 4, 2019.

Internal Control over Financial Reporting

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

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

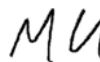
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### Purpose of this Report

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



**BKC, CPAs, PC**



Michael A. Holk, CPA, PSA

February 4, 2019  
Flemington, New Jersey



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**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the  
New Jersey OMB Circular Letter 15-08**

Honorable President and  
Members of the Board of Education  
Lopatcong Township School District  
County of Warren, New Jersey

Report on Compliance for Each Major State Program

We have audited the Lopatcong Township School District's, (the District), compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2018. The District's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

### Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

### Report on Internal Control Over Compliance

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

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

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

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



**BKC, CPAs, PC**



Michael A. Holk, CPA, PSA

February 4, 2019  
Flemington, New Jersey



**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards - Schedule A**  
**For the Fiscal Year Ended June 30, 2018**

Grantor/Program Title	Federal		Project Number	Program or Award Amount	Grant Period		Balance 06/30/17	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment	Repayment of Prior Year Balance	Balance June 30, 2018		
	CFDA Number	FAIN Number			From	To							Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education passed through State Department of Education															
Special revenue fund															
Title I A	84.010A	S010A170030	ESSA-2790-18	\$ 79,997	07/01/17	06/30/18	\$ -	\$ -	\$ 79,997	\$ 79,997	\$ -	\$ -	\$ -	\$ -	\$ -
Title II A	84.367A	S367A170029	ESSA-2790-18	20,320	07/01/17	06/30/18	-	-	20,320	20,320	-	-	-	-	-
Title IV A	84.424	S424170031	ESSA-2790-18	10,000	07/01/17	06/30/18	-	-	10,000	10,000	-	-	-	-	-
IDEA basic	84.027	H027A170100	IDEA-2790-18	167,664	07/01/17	06/30/18	-	-	164,679	164,679	-	-	-	-	-
IDEA preschool	84.173	H173S170114	IDEA-2790-18	5,240	07/01/17	06/30/18	-	-	5,240	5,240	-	-	-	-	-
Total special revenue fund							-	-	280,236	280,236	-	-	-	-	-
U.S. Department of Agriculture passed through State Department of Agriculture															
Enterprise fund															
Child nutrition cluster															
Special milk program for children	10.556	171NJ304N1099	N/A	1,223	10/01/16	09/30/17	(49)	-	49	-	-	-	-	-	-
Special milk program for children	10.556	181NJ304N1099	N/A	1,153	10/01/17	09/30/18	-	-	1,153	1,153	-	-	-	-	-
National school lunch program non-cash assistance (commodities)	10.555	171NJ304N1099	N/A	15,770	10/01/16	09/30/17	4,559	-	-	4,559	-	-	-	-	-
National school lunch program non-cash assistance (commodities)	10.555	181NJ304N1099	N/A	17,024	10/01/17	09/30/18	-	-	17,024	11,732	-	-	-	5,292	-
National school lunch program cash assistance	10.555	171NJ304N1099	N/A	53,890	10/01/16	09/30/17	(1,667)	-	1,667	-	-	-	-	-	-
National school lunch program cash assistance	10.555	181NJ304N1099	N/A	56,172	10/01/17	09/30/18	-	-	56,172	56,172	-	-	-	-	-
Total enterprise fund							2,843	-	76,065	73,616	-	-	-	5,292	-
Total federal financial assistance							\$ 2,843	\$ -	\$ 356,301	\$ 353,852	\$ -	\$ -	\$ -	\$ 5,292	\$ -

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Expenditures of State Financial Assistance - Schedule B**  
**For the Fiscal Year Ended June 30, 2018**

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2017			Budgetary Expenditure	Adjustments Repayments	Balance June 30, 2018			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor	Cash Received			Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education														
General fund														
Special education categorical aid	18-495-034-5120-089	\$ 704,190	07/01/17	06/30/18	\$ -	\$ -	\$ 635,531	\$ 704,190	\$ -	\$ -	\$ -	\$ -	\$ 68,659	\$ 704,190
Equalization aid	18-495-034-5120-078	2,624,662	07/01/17	06/30/18	-	-	2,368,757	2,624,662	-	-	-	-	255,905	2,624,662
School choice aid	18-495-034-5120-068	163,320	07/01/17	06/30/18	-	-	147,396	163,320	-	-	-	-	15,924	163,320
Security aid	18-495-034-5120-084	26,030	07/01/17	06/30/18	-	-	23,492	26,030	-	-	-	-	2,538	26,030
Under adequacy aid	18-495-034-5120-096	12,277	07/01/17	06/30/18	-	-	11,080	12,277	-	-	-	-	1,197	12,277
Transportation aid	18-495-034-5120-014	39,846	07/01/17	06/30/18	-	-	35,961	39,846	-	-	-	-	3,885	39,846
PARCC readiness aid	18-495-034-5120-098	11,820	07/01/17	06/30/18	-	-	10,668	11,820	-	-	-	-	1,152	11,820
Per pupil growth aid	18-495-034-5120-097	11,820	07/01/17	06/30/18	-	-	10,668	11,820	-	-	-	-	1,152	11,820
Professional learning community aid	18-495-034-5120-101	11,660	07/01/17	06/30/18	-	-	10,523	11,660	-	-	-	-	1,137	11,660
Extraordinary aid	18-100-034-5120-473	143,211	07/01/17	06/30/18	-	-	-	143,211	-	(143,211)	-	-	-	143,211
Extraordinary aid	17-100-034-5120-473	62,357	07/01/16	06/30/17	(62,357)	-	62,357	-	-	-	-	-	-	62,357
Non-public transportation aid	18-495-034-5120-014	9,216	07/01/17	06/30/18	-	-	-	9,216	-	(9,216)	-	-	-	9,216
Non-public transportation aid	17-495-034-5120-014	6,264	07/01/16	06/30/17	(6,264)	-	6,264	-	-	-	-	-	-	6,264
Lead testing for schools aid	18-495-034-5120-104	3,164	07/01/17	06/30/18	-	-	3,164	3,164	-	-	-	-	-	3,164
On behalf TPAF pension contribution - teachers' pension & annuity fund	18-495-034-5094-002	691,327	07/01/17	06/30/18	-	-	691,327	691,327	-	-	-	-	-	691,327
On behalf TPAF pension contribution - non-contributory insurance	18-495-034-5094-004	16,777	07/01/17	06/30/18	-	-	16,777	16,777	-	-	-	-	-	16,777
On behalf TPAF pension contribution - post retirement medical	18-495-034-5094-001	457,349	07/01/17	06/30/18	-	-	457,349	457,349	-	-	-	-	-	457,349
On behalf TPAF pension contribution - long-term disability insurance	18-495-034-5094-001	650	07/01/17	06/30/18	-	-	650	650	-	-	-	-	-	650
Reimbursed TPAF social security contribution	18-495-034-5094-003	321,181	07/01/17	06/30/18	-	-	321,181	321,181	-	-	-	-	-	321,181
Total general fund					<u>(68,621)</u>	<u>-</u>	<u>4,813,145</u>	<u>5,248,500</u>	<u>-</u>	<u>(152,427)</u>	<u>-</u>	<u>-</u>	<u>351,549</u>	<u>5,317,121</u>
Debt service fund														
Debt service aid - state support	18-495-034-5120-017	210,098	07/01/17	06/30/18	-	-	210,098	210,098	-	-	-	-	-	210,098
Total debt service fund					<u>-</u>	<u>-</u>	<u>210,098</u>	<u>210,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,098</u>
State Department of Agriculture														
Enterprise fund														
State school lunch program	17-100-010-3350-023	2,123	07/01/16	06/30/17	(68)	-	68	-	-	-	-	-	-	2,123
State school lunch program	18-100-010-3350-023	2,415	07/01/17	06/30/18	-	-	2,415	2,415	-	-	-	-	-	2,415
Total enterprise fund					<u>(68)</u>	<u>-</u>	<u>2,483</u>	<u>2,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,538</u>
Total state financial assistance					<u>\$ (68,689)</u>	<u>\$ -</u>	<u>\$ 5,025,726</u>	<u>5,461,013</u>	<u>\$ -</u>	<u>\$ (152,427)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351,549</u>	<u>\$ 5,531,757</u>
Less: On behalf TPAF pension system contributions								<u>(1,166,103)</u>						
Total for state financial assistance - major program determination								<u>\$ 4,294,910</u>						

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Fiscal Year Ended June 30, 2018**

Note 1 - General

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of all federal awards and state financial assistance programs of the Lopatcong Township School District. The District is defined in Note 1 (A) to the District's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, is included on the Schedules of Expenditures of Federal Awards and State Financial Assistance.

Note 2 - Basis of accounting

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1 (C) and 1 (D) to the District's basic financial statements.

Note 3 - Relationship of financial statements

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$5,549) for the general fund and \$0 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.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Fiscal Year Ended June 30, 2018**

Note 3 - Relationship of financial statements (continued)

Financial assistance revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General fund	\$ -	\$ 5,242,951	\$ 5,242,951
Special revenue fund	280,236	-	280,236
Debt service fund	-	210,098	210,098
Food service fund	73,616	2,415	76,031
Total awards and financial assistance	\$ 353,852	\$ 5,455,464	\$ 5,809,316

Note 4 - Relationship to federal and state financial reports

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

Note 5 - Other

Revenues and expenditures reported under the USDA Commodities Program represent 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 Contribution represents the amount reimbursed by the state for the employer's share of Social Security Contributions for TPAF members for the year ended June 30, 2018.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs - Section I**  
**For the Fiscal Year Ended June 30, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

1. Were material weakness(es) identified?       Yes       No
2. Were significant deficiencies identified?       Yes       None reported

Noncompliance material to basic financial statements noted?

Yes       No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

1. Were material weakness(es) identified?       Yes       No
2. Were significant deficiencies identified?       Yes       None reported

What was the type of auditor's report issued on compliance for major programs?

\_\_\_\_\_

Were any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a)?

Yes       No

Identification of Major Programs:

CFDA Number(s)	FEIN Number(s)	Name of Federal Program or Cluster
<u>Not Applicable</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

What was the dollar threshold used to distinguish between Type A and Type B programs?

\_\_\_\_\_

Did the auditee qualify as a low-risk auditee?

Yes       No

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs - Section I**  
**For the Fiscal Year Ended June 30, 2018**

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

State Awards

What was the dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Did the auditee qualify as a low-risk auditee? X Yes    \_\_\_ No

Internal Control Over Major Programs:

- 1. Were material weakness(es) identified? \_\_\_ Yes    X No
- 2. Were there significant deficiencies identified that are not considered to be material weaknesses? \_\_\_ Yes    X None reported

What was the type of auditor's report issued on compliance for major programs? Unmodified

Were any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 15-08 as applicable? \_\_\_ Yes    X    No

Identification of Major Programs:

<u>State Grant/Project Numbers</u>	<u>Name of State Program</u>
<i>18-495-034-5120-089</i>	<i>State Aid Public Cluster:</i>
<i>18-495-034-5120-078</i>	<i>Special Education Categorical Aid</i>
<i>18-495-034-5120-084</i>	<i>Equalization Aid</i>
<i>18-495-034-5120-096</i>	<i>Security Aid</i>
<i>18-495-034-5120-068</i>	<i>Under Adequacy Aid</i>
<i>18-495-034-5120-097</i>	<i>School Choice Aid</i>
<i>18-495-034-5120-098</i>	<i>Per Pupil Growth Aid</i>
<i>18-495-034-5120-101</i>	<i>PARCC Readiness Aid</i>
<i>18-495-034-5094-003</i>	<i>Professional Learning Community Aid</i>
<i>18-495-034-5120-017</i>	<i>Reimbursed TPAF Social Security Contribution</i>
	<i>Debt Service Aid - State Support</i>

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs - Section II and III  
For the Fiscal Year Ended June 30, 2018**

Section II - Financial Statement Findings

There were no findings or questioned costs for the year ended June 30, 2018.

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

There were no findings or questioned costs for the year ended June 30, 2018.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
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

There were no prior year findings or questioned costs.