

MEDFORD LAKES SCHOOL DISTRICT

Medford Lakes, New Jersey
County of Burlington

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

MEDFORD LAKES SCHOOL DISTRICT

MEDFORD LAKES, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prepared by

Medford Lakes School District Business Office

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INTRODUCTORY SECTION

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MEDFORD LAKES SCHOOL DISTRICT
Neeta and Nokomis Elementary Schools

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Mr. Anthony V. Dent, Superintendent/Neeta Principal

Mr. Michael F. Colling, Business Administrator
Dr. Michael Lee, Dir.of Spec.Ed./School Psychologist

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

February 15, 2019

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

Dear Board Members/Citizens:

The Comprehensive Annual Financial Report (CAFR) of the Medford Lakes School District for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Medford Lakes School District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the district as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the district's financial activities have been included.

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

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

Introductory Section:

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



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Financial Section:

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

Statistical Section:

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

Single Audit Section:

The School District is required to undergo an annual Single Audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and New Jersey OMB's Circular 15-08 OMB, *"Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid"*. Information related to this Single Audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, if any, are included in the Single Audit Section of this report.

REPORTING ENTITY AND ITS SERVICES

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

The School District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular and vocational as well as special education for children with special needs. The School District's enrollment, as of October 14th, for the current and past nine fiscal years are detailed below.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2017-2018	532	-2.56%
2016-2017	546	0.37%
2015-2016	544	0.18%
2014-2015	543	3.63%
2013-2014	524	-1.50%
2012-2013	532	-0.37%
2011-2012	534	-1.84%
2010-2011	544	-3.55%
2009-2010	564	2.17%
2008-2009	552	1.47%



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ECONOMIC CONDITION AND OUTLOOK

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

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

The Borough is 99% residential. Commercial ratables are few and residential taxpayers carry the burden of paying for services. The Borough's tax rate is \$3.24 per \$100 of assessed property value (figures and statistics from 2018). The School District spending ratio shows that 81% of the revenue comes from local sources while only 19% of the revenue comes from state sources. The District received additional state aid after the 2017-2018 Budget was approved and is hopefully that in the coming years, the District's total revenue from state sources will increase as the state recognizes that equal distribution of state aid to all District's in the state is needed.

MAJOR INITIATIVES

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

The Medford Lakes curriculum is aligned with the New Jersey Student Learning Standards. At the Nokomis School, a PK through grade 2 facility, a strong emphasis is placed on literacy and mathematics. Students in grades K-2 are also provided instruction in art, Spanish, music, library, comprehensive physical



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education/health, and technology literacy. The Neeta School serves grades 3-8. Neeta students are exposed to a multifaceted well-balanced curriculum that prepares them for the requirements of NJASK (*New Jersey State Assessment of Skills and Knowledge*) and for PARCC (*Partnership for Assessment of Readiness for College and Career*). Students in grades 3-8 receive instruction in a variety of special subject areas, including art, Spanish, music, library, comprehensive physical education/health, and technology literacy. The district also provides for the “inclusion” of our special needs students in all our classrooms.

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

INTERNAL ACCOUNTING CONTROLS

Management of the School District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the district are protected from loss, theft and misuse and to ensure that adequate accounting data are completed to allow for the preparation of financial statement in conformity with general accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be delivered; and (2) the valuation of costs and benefits require estimates and judgments by management.



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

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

BUDGETARY CONTROLS

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

ACCOUNTING SYSTEM AND REPORTS

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

FINANCIAL POLICIES

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



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taxes, interest and certain General Fund revenues are the significant revenue sources considered susceptible to accrual.

OTHER INFORMATION

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The accounting firm of Holman Frenia Allison, P.C., Certified Public Accounts, was appointed by the Board of Education. In addition to meeting the requirements set forth in the State statutes, the audit was also designed to meet the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and combining statements and related major fund supporting statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit section of this report.

ACKNOWLEDGEMENTS

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

Respectfully submitted,

Anthony V. Dent

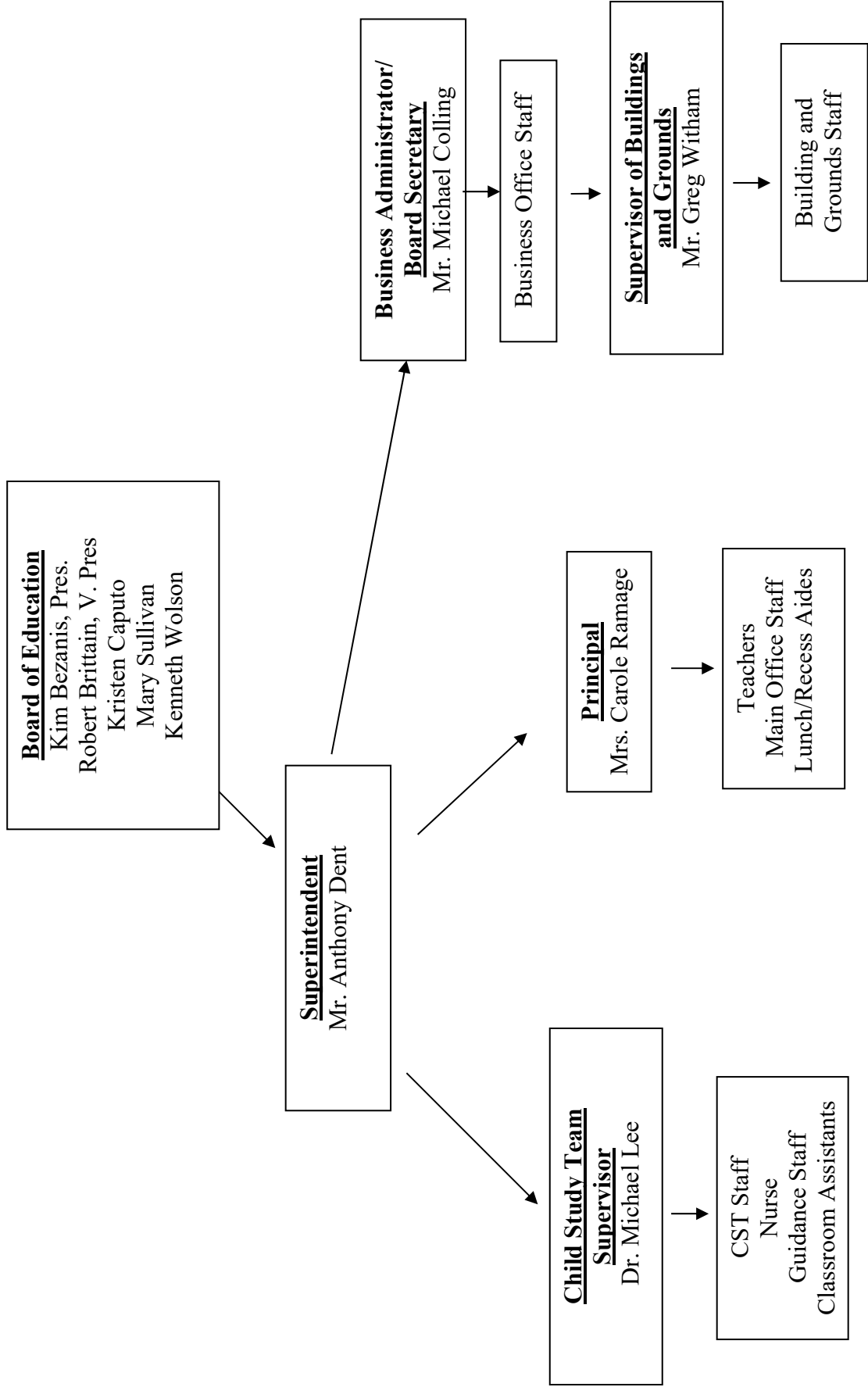
Superintendent

Michael F. Colling

School Business Administrator/Board Secretary

MEDFORD LAKES SCHOOLS

Organizational Chart 2017-2018



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MEDFORD LAKES SCHOOL DISTRICT

**44 Neeta Trail
Medford Lakes, New Jersey**

ROSTER OF OFFICIALS

JUNE 30, 2018

MEMBERS OF THE BOARD OF EDUCATION

TERM EXPIRES

Kim Bezanis, President	2021
Robert Brittain, Vice President	2018
Kristen Caputo	2019
Mary Sullivan	2018
Kenneth Wolson	2021

OTHER OFFICIALS

Mr. Anthony V. Dent, Superintendent

Michael F. Colling, Business Administrator/Board Secretary

Mary E. Bakey, Treasurer of School Monies

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

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MEDFORD LAKES SCHOOL DISTRICT
Medford Lakes, New Jersey 08055

CONSULTANTS AND ADVISORS

AUDIT FIRM

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

ATTORNEY

Frank P. Cavallo, Jr., Esq.
Parker McCay
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Mount Laurel, New Jersey 08054

OFFICIAL DEPOSITORY

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

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FINANCIAL SECTION

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INDEPENDENT AUDITOR’S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Medford Lakes School District, County of Burlington, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Medford Lakes School District, County of Burlington, State of New Jersey, as of June 30, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2018 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74. 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 information, and the schedules related to accounting and reporting for pensions & other post-employment benefits, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Medford Lakes School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, statistical section and schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state

financial assistance, as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying combining statements and related major fund supporting statements and schedules, and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2019 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

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

Medford, New Jersey
February 15, 2019

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REQUIRED SUPPLEMENTARY INFORMATION - PART I

Management's Discussion and Analysis

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MEDFORD LAKES SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

As management of the Medford Lakes School District, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Overview of the Basic Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

MEDFORD LAKES SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited) (Continued)

Overview of the Basic Financial Statements (continued)

Fund Financial Statements (continued)

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financial requirements in the near term.

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

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

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

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

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

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

Notes to the Basic Financial Statements

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

Financial Analysis of the School District as a Whole

Table 1 provides a summary of the School Districts net position for the fiscal years 2018 compared to fiscal year 2017.

MEDFORD LAKES SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited) (Continued)

Financial Analysis of the School District (continued)

Table 1
Summary of Net Position

	June 30, <u>2018</u>	June 30, <u>2017</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Current & Other Assets	\$ 3,544,598	\$ 1,337,675	\$ 2,206,923	165.0%
Capital Assets, Net	<u>5,513,605</u>	<u>5,043,430</u>	470,175	9.3%
Total Assets	<u>9,058,203</u>	<u>6,381,105</u>	<u>2,677,098</u>	42.0%
Deferred Outflow of Resources	<u>684,528</u>	<u>794,333</u>	<u>(109,805)</u>	-13.8%
Current and other Liabilities	90,018	90,500	(482)	-0.5%
Noncurrent Liabilities	<u>6,593,205</u>	<u>4,303,617</u>	<u>2,289,588</u>	53.2%
Total Liabilities	<u>6,683,223</u>	<u>4,394,117</u>	<u>2,289,106</u>	52.1%
Deferred Inflow of Resources	<u>345,727</u>	-	<u>345,727</u>	100.0%
Net Position:				
Net Investment in Capital Assets	854,817	3,021,299	(2,166,482)	-71.7%
Restricted	3,242,217	1,030,089	2,212,128	214.8%
Unrestricted (Deficit)	<u>(1,383,253)</u>	<u>(1,270,067)</u>	<u>(113,186)</u>	8.9%
Total Net Position	<u>\$ 2,713,781</u>	<u>\$ 2,781,321</u>	<u>\$ (67,540)</u>	-2.4%

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

Table 2
Summary of Changes in Net Position

	June 30, <u>2018</u>	June 30, <u>2017</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 69,675	\$ 264,261	\$ (194,586)	-73.6%
Operating Grants & Contributions	3,094,439	1,134,597	1,959,842	172.7%
General Revenues:				
Property Taxes	6,369,269	6,249,999	119,270	1.9%
Federal & State Aid	2,262,159	1,111,264	1,150,895	103.6%
Other General Revenues	<u>84,259</u>	<u>93,290</u>	<u>(9,031)</u>	-9.7%
Total Revenues	<u>11,879,801</u>	<u>8,853,411</u>	<u>3,026,390</u>	34.2%
Function/Program Expenditures:				
Regular Instruction	2,764,912	2,566,490	198,422	7.7%
Special Education Instruction	1,127,542	1,073,386	54,156	5.0%
Other Instruction	83,860	67,889	15,971	23.5%
Tuition	81,032	135,311	(54,279)	-40.1%
Student & Instruction Related Services	940,841	787,037	153,804	19.5%
General Administrative	343,449	312,810	30,639	9.8%
School Administrative Services	114,976	119,561	(4,585)	-3.8%
Plant Operations & Maintenance	562,924	508,870	54,054	10.6%
Pupil Transportation	126,772	126,135	637	0.5%
Unallocated Benefits	3,396,534	1,279,094	2,117,440	165.5%
On Behalf TPAF Pension and Social Security Contributions	1,818,375	957,219	861,156	90.0%
Special Schools	273,588	228,404	45,184	19.8%
Interest & Other Charges	116,071	119,137	(3,066)	-2.6%
Unallocated Depreciation	183,966	195,526	(11,560)	-5.9%
Food Service	<u>12,499</u>	<u>13,401</u>	<u>(902)</u>	-6.7%
Total Expenditures	<u>11,947,341</u>	<u>8,490,270</u>	<u>3,457,071</u>	40.7%
Change In Net Position	(67,540)	363,141	(430,681)	-118.6%
Net Position - Beginning	<u>2,781,321</u>	<u>2,418,180</u>	<u>363,141</u>	15.0%
Net Position - Ending	<u>\$ 2,713,781</u>	<u>\$ 2,781,321</u>	<u>\$ (67,540)</u>	-2.4%

**MEDFORD LAKES SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited) (Continued)**

Governmental Activities

During the fiscal year 2018, the net position of governmental activities decreased by \$67,765 or 2.45%. The primary reason for the decrease was an increase in the expenditures of the District.

The assets and deferred outflows of the primary government activities exceeded liabilities and deferred inflows by \$2,693,872, with an unrestricted deficit balance of \$1,401,456. The deficit in unrestricted net position is primarily due to accounting treatment for compensated absences payable, GASB 68 net pension liability, and the last two state aid payments. In addition, state statutes prohibit school districts from maintaining more than 2% of its adopted budget as unassigned fund balance.

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

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

Unrestricted Net Position (With GASB 68)	\$	(1,394,930)
Add back: PERS Pension Liability		66,094
Less: Deferred Outflows related to pensions		(629,939)
Add back: Deferred Inflows related to pensions		<u>345,727</u>
Unrestricted Net Position (Without GASB 68)	\$	<u>(1,613,048)</u>

Business-type Activities

During the fiscal year 2018, the net position of business-type activities increased by \$225 or 1.14%.

The assets and deferred outflows of the business-type activities exceeded liabilities and deferred inflows by \$19,909.

General Fund Budgeting Highlights

Final budgeted revenues were \$7,262,062, which was an increase of \$75,666. Excluding nonbudgeted revenues, the School District's budgeted revenues exceeded actual revenues by \$4,919.

Final budgeted appropriations was \$7,808,801, which was an increase of \$148,861 from the original budget. The increase is primarily due to prior year reserve for encumbrances, which increase the budget appropriations in the subsequent fiscal year's budget. Excluding nonbudgeted revenues, the School District's budget appropriations exceeded actual expenditures by \$395,541.

The School District's general fund balance – budgetary basis (Exhibit C-1) was \$1,285,567 at June 30, 2018, a decrease of \$140,771 from the prior year.

MEDFORD LAKES SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited) (Continued)

Governmental Funds

At the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$3,522,247, an increase of \$2,198,884 from the prior year.

General fund - During the current fiscal year, the fund balance of the School District's general fund decreased by \$146,418 or (11.12%) to \$1,170,331 at June 30, 2018, compared to an increase of \$372,055 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in fund balance of the general fund is as follows:

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

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

Capital projects fund - During the current fiscal year, the fund balance of the School District's Capital Projects fund increased by \$2,331,188 or 35,246% to \$2,337,802 at June 30, 2018, compared to no change in fund balance in the prior fiscal year. The primary factor(s) affecting the change in fund balance of the capital projects fund is as follows:

- The District issued \$2,994,000 in school bonds.

Debt service fund - During the current fiscal year, the fund balance of the School District's debt service fund increased by \$14,114 or 100% to \$14,114 at June 30, 2018, compared to a decrease of \$1 in fund balance in the prior fiscal year.

Proprietary Funds

Food service fund - During the current fiscal year, the net position of the School District's food service fund increased by \$225 or 1.14% to \$19,909 at June 30, 2018, compared to a decrease of \$831 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in net position of the food service fund is as follows:

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

Capital Assets

The School District's capital assets for its governmental and business-type activities as of June 30, 2018, totaled \$5,513,605 (net of accumulated depreciation). Capital assets includes land, land improvements, buildings and improvements and equipment. The School Districts "Net Investment in Capital Assets" component of net position represents capital assets, net of accumulated depreciation less any outstanding debt associated with the capital assets. There was a net increase in the School District's investment in capital assets for the current fiscal year in the amount of \$185,434. This increase is primarily due to the capital projects taking place during the 2017-2018 year. Table 4 shows fiscal 2018 balances compared to 2017.

**MEDFORD LAKES SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited) (Continued)**

Capital Assets (continued)

**Table 4
Summary of Capital Assets**

<u>Capital Asset (Net of Depreciation):</u>	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
Building and Improvements	\$ 5,513,605	\$ 5,033,141	\$ 480,464	9.5%
Equipment	-	10,289	(10,289)	-100.0%
	<u>\$ 5,513,605</u>	<u>\$ 5,043,430</u>	<u>\$ 470,175</u>	<u>9.3%</u>

Depreciation expense for the year was \$183,966. Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 5) of this report.

Debt Administration

Long-term debt – At the end of the current fiscal year, the School District had total bonded debt outstanding of \$4,584,000, which is an increase of \$2,639,000 from the prior year.

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

Factors on the School District's Future

The Medford Lakes School District is in excellent financial condition presently. The School District is proud of its community support and involvement in the educational program. The District continues to monitor the legislation that comes from Trenton. Recently introduced legislation has increased the total aid that the district is receiving and for that, the District is very thankful.

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

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

Contacting the School Districts Financial Management

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

BASIC FINANCIAL STATEMENTS

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A. Government-Wide Financial Statements

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MEDFORD LAKES SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
Cash & Cash Equivalents	\$ 3,196,289	\$ 1,039	\$ 3,197,328
Receivables, Net (Note 4)	73,938	324	74,262
Internal Balances	(10,314)	10,314	-
Restricted Assets:			
Restricted Cash & Cash Equivalents	273,008	-	273,008
Capital Assets, Net (Note 5)	5,505,373	8,232	5,513,605
Total Assets	9,038,294	19,909	9,058,203
DEFERRED OUTFLOW OF RESOURCES			
Deferred Charge on Refunding of Debt	54,589	-	54,589
Deferred Outflows Related to Pensions (Note 8)	629,939	-	629,939
Total Deferred Outflow of Resources	684,528	-	684,528
Total Assets and Deferred Outflow of Resources	9,722,822	19,909	9,742,731
LIABILITIES			
Accounts Payable	4,757	-	4,757
Accrued Interest Payable	13,250	-	13,250
Due to Other Governments	66,094	-	66,094
Unearned Revenue	5,917	-	5,917
Noncurrent Liabilities (Note 7):			
Due Within One Year	523,692	-	523,692
Due Beyond One Year	6,069,513	-	6,069,513
Total Liabilities	6,683,223	-	6,683,223
DEFERRED INFLOW OF RESOURCES			
Deferred Inflows Related to Pensions	345,727	-	345,727
Total Deferred Inflow of Resources	345,727	-	345,727
Total Liabilities and Deferred Inflow of Resources	7,028,950	-	7,028,950
NET POSITION			
Net Investment in Capital Assets	846,585	8,232	854,817
Restricted For:			
Capital Projects	2,337,803	-	2,337,803
Maintenance Reserve	136,509	-	136,509
Emergency Reserve	136,498	-	136,498
Debt Service	14,114	-	14,114
Excess Surplus	617,293	-	617,293
Unrestricted	(1,394,930)	11,677	(1,383,253)
Total Net Position	\$ 2,693,872	\$ 19,909	\$ 2,713,781

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

**MEDFORD LAKES SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:						
Instruction:						
Regular	\$ 2,764,912	\$ -	\$ 148,871	\$ (2,616,041)	\$ -	\$ (2,616,041)
Special Education	1,127,542	61,602	-	(1,065,940)	-	(1,065,940)
Other Special Instruction	42,000	-	-	(42,000)	-	(42,000)
Other Instruction	41,860	-	-	(41,860)	-	(41,860)
Support Services & Undistributed Costs:						
Tuition	81,032	-	-	(81,032)	-	(81,032)
Health Services	172,343	-	-	(172,343)	-	(172,343)
Student & Instruction Related Services	700,127	-	22,359	(677,768)	-	(677,768)
Educational Media Services/School Library	63,971	-	-	(63,971)	-	(63,971)
Instructional Staff Training	4,400	-	-	(4,400)	-	(4,400)
School Administrative Services	114,976	-	-	(114,976)	-	(114,976)
General Administrative Services	343,449	-	-	(343,449)	-	(343,449)
Plant Operations & Maintenance	562,924	-	-	(562,924)	-	(562,924)
Pupil Transportation	126,772	-	-	(126,772)	-	(126,772)
Business & Other Support Services	273,588	-	-	(273,588)	-	(273,588)
Unallocated Benefits	3,396,534	-	1,100,183	(2,296,351)	-	(2,296,351)
On Behalf TPAF Pension and Social Security Contributions	1,818,375	-	1,818,375	-	-	-
Interest and Charges on Long-term Debt	145,901	-	-	(145,901)	-	(145,901)
Increase in Compensated Absences	(29,830)	-	-	29,830	-	29,830
Unallocated Depreciation	183,966	-	-	(183,966)	-	(183,966)
Total Governmental Activities	11,934,842	61,602	3,089,788	(8,783,452)	-	(8,783,452)
Business-Type Activities:						
Food Service	12,499	8,073	4,651	-	225	225
Total Business-Type Activities	12,499	8,073	4,651	-	225	225
Total Primary Government	\$ 11,947,341	\$ 69,675	\$ 3,094,439	(8,783,452)	225	(8,783,227)

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

**MEDFORD LAKES SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				5,917,019	-	5,917,019
Taxes Levied for Debt Service				452,250	-	452,250
Federal & State Aid Not Restricted				2,262,159	-	2,262,159
Miscellaneous Revenue				84,259	-	84,259
Total General Revenues, Special Items, Extraordinary Items & Transfers				8,715,687	-	8,715,687
Change In Net Position				(67,765)	225	(67,540)
Net Position - Beginning				2,761,637	19,684	2,781,321
Net Position - Ending				2,693,872	19,909	2,713,781

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B. Fund Financial Statements

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Governmental Funds

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**MEDFORD LAKES SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

ASSETS	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTALS
Cash & Cash Equivalents	\$ 973,218	\$ -	\$ 2,351,916	\$ -	\$ 3,325,134
Due From Other Funds	27,632	139,519	-	14,114	181,265
Intergovernmental Accounts Receivable:					
State	46,307	-	-	-	46,307
Restricted Cash & Cash Equivalents	273,008	-	-	-	273,008
Total Assets	\$ 1,320,165	\$ 139,519	\$ 2,351,916	\$ 14,114	\$ 3,825,714
LIABILITIES & FUND BALANCES					
Liabilities:					
Cash Overdraft	\$ -	\$ 128,845	\$ -	\$ -	\$ 128,845
Accounts Payable	-	4,757	-	-	4,757
Interfund Payable	149,834	-	14,114	-	163,948
Unearned Revenue	-	5,917	-	-	5,917
Total Liabilities	149,834	139,519	14,114	-	303,467
Fund Balances:					
Restricted for:					
Excess Surplus - Prior Year - Designated for Subsequent Year's Expenditures	352,589	-	-	-	352,589
Excess Surplus - Current Year	264,704	-	-	-	264,704
Capital Reserve Account	1	-	-	-	1
Capital Projects	-	-	927,967	-	927,967
Emergency Reserve Account	136,498	-	-	-	136,498
Maintenance Reserve Account	136,509	-	-	-	136,509
Assigned to:					
Designated by the BOE for Subsequent Year's Expenditures	4,002	-	-	-	4,002
Other Purposes	113,924	-	-	-	113,924
Capital Projects	-	-	1,409,835	-	1,409,835
Debt Service	-	-	-	14,114	14,114
Unassigned:					
General Fund	162,104	-	-	-	162,104
Total Fund Balances	1,170,331	-	2,337,802	14,114	3,522,247
Total Liabilities & Fund Balances	\$ 1,320,165	\$ 139,519	\$ 2,351,916	\$ 14,114	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$13,687,279, and the accumulated depreciation is \$8,181,906. (See Note 5)	\$ 5,505,373
Accrued interest payable is not recorded in the fund financial statements due to the fact that payable is not due in the current period.	(13,250)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	284,212
Accrued pension contributions for the June 30, 2019 plan year are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.	(66,094)
Deferred charge on refunding of debt net of bond premium is not recorded in the fund financials, but is recorded on the government-wide financial statements.	54,589
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 7)	<u>(6,593,205)</u>
Net position of Governmental Activities	<u><u>\$ 2,693,872</u></u>

**MEDFORD LAKES 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	TOTALS
Revenues:					
Local Tax Levy	\$ 5,917,019	\$ -	\$ -	\$ 452,250	\$ 6,369,269
Tuition	61,602	-	-	-	61,602
Miscellaneous	34,739	35,406	14,114	-	84,259
State Sources	2,327,395	-	-	-	2,327,395
Federal Sources	-	135,824	-	-	135,824
Total Revenues	8,340,755	171,230	14,114	452,250	8,978,349
Expenditures:					
Current:					
Regular Instruction	2,616,041	148,871	-	-	2,764,912
Special Education Instruction	1,127,542	-	-	-	1,127,542
Other Special Instruction	42,000	-	-	-	42,000
Other Instruction	41,860	-	-	-	41,860
Support Services & Undistributed Costs:					
Tuition	81,032	-	-	-	81,032
Health Services\Attendance	172,343	-	-	-	172,343
Student & Instruction Related					
Services	677,768	22,359	-	-	700,127
Educational Media Services/ School Library	63,971	-	-	-	63,971
Instructional Staff Training	4,400	-	-	-	4,400
General Administrative Services	343,449	-	-	-	343,449
School Administrative Services	114,976	-	-	-	114,976
Plant Operations & Maintenance	562,924	-	-	-	562,924
Pupil Transportation	126,772	-	-	-	126,772
Business & Other Support Services	273,588	-	-	-	273,588
Unallocated Benefits	2,224,861	-	-	-	2,224,861
Debt Service:					
Principal	-	-	-	355,000	355,000
Interest	-	-	-	97,250	97,250
Capital Outlay	20,260	-	656,198	-	676,458
Total Expenditures	8,493,787	171,230	656,198	452,250	9,773,465
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(153,032)	-	(642,084)	-	(795,116)
Other Financing Sources/(Uses):					
Bond Proceeds	-	-	2,994,000	-	2,994,000
Transfers In	6,614	-	-	14,114	20,728
Transfers Out	-	-	(20,728)	-	(20,728)
Total Other Financing Sources & Uses	6,614	-	2,973,272	14,114	2,994,000
Net Change in Fund Balances	(146,418)	-	2,331,188	14,114	2,198,884
Fund Balance - July 1	1,316,749	-	6,614	-	1,323,363
Fund Balance - June 30	\$ 1,170,331	\$ -	\$ 2,337,802	\$ 14,114	\$ 3,522,247

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

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

Total Net Change in Fund Balances - Governmental Funds (From B-2) \$ 2,198,884

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

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

Depreciation Expense	\$ (183,966)	
Capital Outlays	<u>656,198</u>	472,232

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.

Original Issue Premiums	(48,908)	
Bond Proceeds	<u>(2,994,000)</u>	(3,042,908)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 355,000

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

Prior Year	77,131	
Current Year	<u>(59,572)</u>	17,559

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities. (101,320)

Net difference in accrued interest on bonds and capital leases is not recorded in the fund financial statements. 2,958

In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the Governmental Fund, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); When the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

Prior Year Compensated Absences	153,593	
Current Year Compensated Absences	<u>(123,763)</u>	29,830

Change in Net Position of Governmental Activities \$ (67,765)

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Proprietary Funds

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**MEDFORD LAKES SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018**

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS
	FOOD SERVICE
Current Assets:	
Cash & Cash Equivalents	\$ 1,039
Accounts Receivable:	
Interfunds	10,314
Federal	324
Total Current Assets	11,677
Noncurrent Assets:	
Furniture, Machinery & Equipment	20,574
Accumulated Depreciation	(12,342)
Total Noncurrent Assets	8,232
Total Assets	\$ 19,909
NET POSITION	
Net Investment in Capital Assets	\$ 8,232
Unrestricted	11,677
Total Net Position	\$ 19,909

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

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

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS <hr/> FOOD SERVICE
Operating Revenues:	
Charges for Services:	
Daily Sales - Reimbursable Programs:	
Special Milk Program	\$ 8,073
Total Operating Revenues	<hr/> 8,073
Operating Expenses:	
Cost of Sales- Reimbursable	914
Cost of Sales- Non Reimbursable	8,770
Miscellaneous	758
Depreciation	2,057
Total Operating Expenses	<hr/> 12,499
Operating Income/(Loss)	<hr/> (4,426)
Nonoperating Revenues/(Expenses):	
Federal Sources:	
Special Milk Program	4,651
Total Nonoperating Revenues/(Expenses)	<hr/> 4,651
Change in Net Position	225
Total Net Position - Beginning	<hr/> 19,684
Total Net Position - Ending	<hr/> <hr/> \$ 19,909

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

**MEDFORD LAKES SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018**

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

Cash Flows From Operating Activities:	
Receipts from Customers	\$ 6,316
Payments to Suppliers	(10,442)
	<hr/>
Net Cash Provided/(Used) by Operating Activities	(4,126)
	<hr/>
Cash Flows From Noncapital Financing Activities:	
Federal Sources	5,082
	<hr/>
Net Cash Provided/(Used) by Noncapital Financing Activities	5,082
	<hr/>
Net Increase/(Decrease) in Cash & Cash Equivalents	956
Balances - Beginning of Year	83
	<hr/>
Balances - End of Year	\$ 1,039
	<hr/> <hr/>

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

Operating Income/(Loss)	\$ (4,426)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:	
Depreciation & Net Amortization	2,057
(Increase)/Decrease in Interfund Receivable	(1,757)
	<hr/>
Total Adjustments	300
	<hr/>
Net Cash Provided/(Used) by Operating Activities	\$ (4,126)
	<hr/> <hr/>

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

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Fiduciary Fund

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**MEDFORD LAKES SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

ASSETS	PRIVATE PURPOSE			AGENCY			TOTALS
	SCHOLARSHIP	FLEXIBLE TRUST	NEW JERSEY UNEMPLOYMENT TRUST	STUDENT ACTIVITY	PAYROLL AGENCY	NET PAYROLL	
Cash & Cash Equivalents	\$ 8,339	\$ 4,803	\$ 29,430	\$ 7,516	\$ 117,026	\$ 8,913	\$ 176,027
Interfund Receivable	-	-	1,200	-	-	-	1,200
Total Assets	8,339	4,803	30,630	7,516	117,026	8,913	177,227
LIABILITIES							
Accrued Salaries & Wages	-	-	-	-	99,220	-	99,220
Interfund Payable	-	2,112	-	-	17,806	8,913	28,831
Due to Student Groups	-	-	-	7,516	-	-	7,516
Total Liabilities	-	2,112	-	7,516	117,026	8,913	135,567
NET POSITION							
Restricted for:							
Other Purposes	-	2,691	-	-	-	-	2,691
Scholarships	8,339	-	-	-	-	-	8,339
Unemployment Claims	-	-	30,630	-	-	-	30,630
Total Net Position	\$ 8,339	\$ 2,691	\$ 30,630	\$ -	\$ -	\$ -	\$ 41,660

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

**MEDFORD LAKES SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

ADDITIONS:	PRIVATE PURPOSE			TOTALS
	SCHOLARSHIP	FLEXIBLE SPENDING TRUST	UNEMPLOYMENT COMPENSATION TRUST FUND	
Local Sources:				
Interest on Investments	\$ 1	\$ -	\$ -	\$ 1
Contributions	-	9,110	-	9,110
Total Operating Revenue	1	9,110	-	9,111
Total Additions	1	9,110	-	9,111
DEDUCTIONS:				
Scholarships	100	-	-	100
Miscellaneous Expenditures	-	9,219	-	9,219
Total Deductions	100	9,219	-	9,319
Change in Net Position	(99)	(109)	-	(208)
Net Position - Beginning of the Year	8,438	2,800	30,630	41,868
Net Position - End of the Year	\$ 8,339	\$ 2,691	\$ 30,630	\$ 41,660

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

MEDFORD LAKES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

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

Reporting Entity

The Medford Lakes School District is a Type II School District located in the County of Burlington, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of 5 members elected to three-year terms. These terms are staggered so that a maximum of 2 members’ terms expire each year. The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, vocational, as well as special education for handicapped youngsters. The operations of the District include two elementary schools located in Medford Lakes Borough. The Medford Lakes School District has an approximate enrollment at June 30, 2018 of 532 students.

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

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

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

Component Units

GASB Statement No.14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34. The District had no component units as of for the year ended June 30, 2018.

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

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

Government-Wide Financial Statements

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

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule (Exhibit B-3) is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The District has presented all major funds that met those qualifications.

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

MEDFORD LAKES SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018 (continued)

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

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service funds balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

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

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

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position. The District’s fiduciary funds are Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

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 in 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activities column of the government wide statements incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the District’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. However, data from the fiduciary funds is not incorporated in the government-wide financial statements.

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

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

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 year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for services, licenses, and interest on notes receivable associated with the current fiscal period are all considered to be susceptible to accrual and accordingly have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available when cash is received.

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. The principal operating revenues of the Food Service Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, employee salaries and benefits, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Internal service funds are used to account for those operations which provide benefits to other funds, departments, or agencies of the primary government and its component unit. Although internal service funds are reported as a proprietary fund in the fund financial statements, it is incorporated into governmental activities in the government-wide financial statements. The District does not maintain any internal service funds.

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 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.

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, interest earnings and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

Capital Projects Fund - The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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.

The District reports the following major proprietary funds:

Food Service Fund – This fund accounts for the revenues and expenses pertaining to the District’s cafeteria operations.

Additionally, the District reports the following major fiduciary funds:

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

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

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

Flexible Spending Trust Fund – Revenues consist of employee contributions. Expenditures consist of qualified expenditures provided to employees.

Agency Funds - Agency funds are assets held by a governmental entity (either as trustee or as an agent) for other parties that cannot be used to finance the governmental entity’s own operating programs. The district currently maintains Payroll funds and Student Activity Funds as Agency Funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from

MEDFORD LAKES SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018 (continued)

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

other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Budgets/Budgetary Control

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

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

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

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounts as presented in the General Fund Budgetary Comparison Schedules and the Special Revenue Fund Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds. Note that the District does not report encumbrances outstanding at fiscal

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

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

year-end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the last state aid payments.

Encumbrances

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

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

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

Cash and Cash Equivalents

Cash and Cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost.

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

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A.17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Tuition Payable/Receivable

Tuition rates for the fiscal year end June 30, 2018 were established by the receiving district based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

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

Inventories

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

Interfund Receivables/Payables

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. The amounts are eliminated in the governmental and business-type activities, which are presented as Internal Balances. Balances with fiduciary funds are not considered Internal Balances; therefore those balances are reported on the Statement of Net Position.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. The District has established a threshold of \$2,000 for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Equipment & Vehicles	3 – 20 Years
Buildings	30 – 50 Years
Improvements	10 – 50 Years
Software	5 – 7 Years

Compensated Absences

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

The entire compensated absences liability is reported on the government-wide financial statements and proprietary fund financial statements. Compensated absences liability is not recorded in the governmental funds. Instead expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of resignations or retirements.

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

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

Unearned Revenue

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

Accrued Liabilities and Long-Term Obligations

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

Accounting Estimates

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

Interfund Activity

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

Fund Balance

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- **Non-spendable** – This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- **Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant),

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

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

grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School Board did not have any committed resources as of June 30, 2018.
- Assigned – This classification includes amounts that are constrained by the School District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

Net Position

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

- Net Investment in Capital Assets – This components represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

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

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

The following GASB Statements became effective for the fiscal year ended June 30, 2018:

Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions. This Statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agency Employers and Agent Multi-Employer Plans, for OPEB Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB Plans.

Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement will be effective for the year ended June 30, 2018.

Recently Issued Accounting Pronouncements

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

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

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

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

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

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

Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The Governmental Accounting Standards Board (GASB) has issued a new standard with guidance the GASB believes will enhance debt-related disclosures in notes to financial statements, including those addressing direct borrowings and direct placements. The new standard clarifies which liabilities governments should include in their note disclosures related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the potential impact on the School District's financial statements.

Bond Premiums, Discounts and Issuance Costs

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

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

Deferred Loss on Refunding Debt

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

Deferred Outflows and Deferred Inflows of Resources

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

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

Pensions

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

MEDFORD LAKES SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)

Note 2. Deposits and Investments

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Board’s deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity fund or other funds that may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2018, the School District’s bank balance of \$3,811,411 was exposed to custodial credit risk as follows:

Insured under FDIC and GUDPA	\$ 3,620,198
Uninsured and Uncollateralized	<u>191,213</u>
	<u>\$ 3,811,411</u>

Investments

The School District had no investments at June 30, 2018.

Note 3. Reserve Accounts

Capital Reserve

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

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

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

Ending Balance, June 30, 2018 & 2017	<u>\$ 1</u>
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MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 3. Reserve Accounts (continued)

The June 30, 2018 LRF balance of local support costs of uncompleted capital projects at June 30, 2018 is \$1,250,605. The withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the School District's Long Rang Facilities Plan.

Maintenance Reserve

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

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

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

Ending Balance, June 30, 2018 & 2017	<u>\$ 136,509</u>
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Emergency Reserve

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

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

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

Ending Balance, June 30, 2018 & 2017	<u>\$ 136,498</u>
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MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 4. Accounts Receivable

Accounts receivable at June 30, 2018 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state and federal programs, the current fiscal year guarantee of federal funds and the budgetary control of New Jersey governmental entities. Accounts receivable in the School District's governmental and business-type activities as of June 30, 2018, consisted of the following:

<u>Description</u>	<u>Governmental Funds</u>		<u>Proprietary Funds</u>	
	<u>General Fund</u>	<u>Total Governmental Activities</u>	<u>Food Service Fund</u>	<u>Total Business-Type Activities</u>
Federal Awards	\$ -	\$ -	\$ 324	\$ 324
State Awards	46,307	46,307	-	-
Other	27,631	27,631	-	-
Total	\$ 73,938	\$ 73,938	\$ 324	\$ 324

Note 5. Capital Assets

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

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	Balance June 30, <u>2018</u>
Governmental Activities:				
Capital Assets being depreciated:				
Buildings and Improvements	\$ 12,824,264	\$ 656,198	\$ -	\$ 13,480,462
Equipment	206,818	-	-	206,818
Total Capital Assets being depreciated	<u>13,031,082</u>	<u>656,198</u>	<u>-</u>	<u>13,687,280</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(7,791,123)	(183,966)	-	(7,975,089)
Equipment	(206,818)	-	-	(206,818)
Total Accumulated Depreciation	<u>(7,997,941)</u>	<u>(183,966)</u>	<u>-</u>	<u>(8,181,907)</u>
Total Capital Assets being depreciated, net	<u>5,033,141</u>	<u>472,232</u>	<u>-</u>	<u>5,505,373</u>
Total Governmental Activities Capital Assets, net	<u>\$ 5,033,141</u>	<u>\$ 472,232</u>	<u>\$ -</u>	<u>\$ 5,505,373</u>

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 5. Capital Assets (continued):

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	Balance June 30, <u>2018</u>
Business-Type Activities:				
Equipment	\$ 20,574	\$ -	\$ -	\$ 20,574
	<u>20,574</u>	<u>-</u>	<u>-</u>	<u>20,574</u>
Less: Accumulated Depreciation:				
Equipment	(10,285)	(2,057)	-	(12,342)
	<u>(10,285)</u>	<u>(2,057)</u>	<u>-</u>	<u>(12,342)</u>
Total Business-Type Activities Capital Assets, net	\$ 10,289	\$ (2,057)	\$ -	\$ 8,232

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

Note 6. Interfund Receivables, Payables and Transfers

Individual fund receivables/payables balances at June 30, 2018 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 27,632	\$ 149,834
Special Revenue Fund	139,519	-
Capital Projects Fund	14,114	-
Debt Service Fund	-	14,114
Food Service Fund	10,314	-
Payroll Fund	-	28,831
Unemployment Fund	<u>1,200</u>	<u>-</u>
	<u>\$ 192,779</u>	<u>\$ 192,779</u>

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

A summary of interfund transfers is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 6,614	\$ -
Capital Projects Fund	14,114	-
Debt Service Fund	<u>-</u>	<u>20,728</u>
	<u>\$ 20,728</u>	<u>\$ 20,728</u>

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

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 7. Long-Term Obligations

During the fiscal year-ended June 30, 2018 the following changes occurred in long-term obligations for the governmental and business-type activities:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Balance Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 1,945,000	\$ 2,994,000	\$ 355,000	\$ 4,584,000	\$ 490,000
Unamortized Bond Premiums	145,961	48,908	31,800	163,069	33,692
Compensated Absences	153,593	-	29,830	123,763	-
Net Pension Liability	2,059,064	-	336,691	1,722,373	-
	<u>\$ 4,303,618</u>	<u>\$ 3,042,908</u>	<u>\$ 753,321</u>	<u>\$ 6,593,205</u>	<u>\$ 523,692</u>

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

Bonds Payable

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

On January 18, 2018, the School District issued \$2,994,000 of General School Bonds to fund general capital improvements for the Neeta and Nokomis Schools. The Bonds were issued at interest rates varying from 1.50% to 3.00% and mature on January 1, 2033.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 490,000	\$ 151,520	\$ 641,520
2020	505,000	134,570	639,570
2021	525,000	112,920	637,920
2022	550,000	90,270	640,270
2023	200,000	66,370	266,370
2024-2028	1,120,000	266,600	1,386,600
2029-2033	1,194,000	107,100	1,301,100
	<u>\$ 4,584,000</u>	<u>\$ 929,350</u>	<u>\$ 5,513,350</u>

Bonds Authorized but not Issued

As of June 30, 2018, the School District had no bonds authorized but not issued.

MEDFORD LAKES SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)

Note 8. Pension Plans

A. Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th 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 PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 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, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 8. Pension Plans (continued):

A. Public Employees' Retirement System (PERS) (continued):

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

Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources - At June 30, 2018, the School District reported a liability of \$1,722,373 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The School District's proportion of the net pension liability was based on the School District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The School District's proportion measured as of June 30, 2017, was .007399%, which was an increase of .000446% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized full accrual pension expense of \$68,544 in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2017 measurement date. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 40,556	\$ -
Changes of Assumptions	346,999	345,727
Net Difference between Projected and Actual Earnings on Pension Plan Investments	11,728	-
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	164,562	-
School District contributions subsequent to measurement date	66,094	-
	\$ 629,939	\$ 345,727

\$66,094 reported as deferred outflows of resources resulting from school district contributions subsequent to the measurement date is estimated based on unadjusted 2017-2018 total salaries for PERS employees multiplied by an employer pension contribution rate of 13.37%. The payable is due on April 1,

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 8. Pension Plans (continued):

A. Public Employees' Retirement System (PERS) (continued):

2019 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
<u>June 30,</u>	
2019	\$ 78,136
2020	95,577
2021	68,767
2022	178
2023	<u>(24,540)</u>
	<u>\$ 218,118</u>

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 8. Pension Plans (continued):

A. Public Employees' Retirement System (PERS) (continued):

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015, and 2014 amounts, respectively.

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

Inflation	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014

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

The actuarial assumptions used in the July 1, 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.

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 8. Pension Plans (continued):

A. Public Employees' Retirement System (PERS) (continued):

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 Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash	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%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. The single blended discount rate was based on 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 municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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.

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 8. Pension Plans (continued):

A. Public Employees' Retirement System (PERS) (continued):

Sensitivity of the School District's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the School District's proportionate share of the net pension liability as of June 30, 2017, calculated using the discount rate of 5.00% as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 2,136,721	\$ 1,722,373	\$ 1,377,170

Additional Information - The following is a summary of the collective balances of the local group at June 30, 2018 and 2017

Collective Balances at June 30, 2018 and June 30, 2017

	<u>6/30/2018</u>	<u>6/30/2017</u>
Actuarial valuation date (including roll forward)	June 30, 2017	June 30, 2016
Deferred Outflows of Resources	\$ 563,845	\$ 656,129
Deferred Inflows of Resources	345,727	-
Net Pension Liability	1,722,373	2,059,064
District's portion of the Plan's total net pension Liability	0.00740%	0.00695%

B. Teachers' Pension and Annuity Fund (TPAF)

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

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 8. Pension Plans (continued):

B. Teachers' Pension and Annuity Fund (TPAF) (continued):

own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions - The contribution policy for TPAF is set by *N.J.S.A 18A:66* and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.2% in State fiscal year 2017. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

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

Pension Liability and Pension Expense - The State's proportionate share of the TPAF net pension liability, attributable to the School District as of June 30, 2017 was \$22,590,675. The School District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The State's proportionate share of the net pension liability associated

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 8. Pension Plans (continued):

B. Teachers' Pension and Annuity Fund (TPAF) (continued):

with the District was based on projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2017, the State proportionate share of the TPAF net pension liability attributable to the School District was .03350%, which was a decrease of .000446% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the School District recognized \$502,221 in on-behalf pension expense and revenue in the government-wide financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2017 measurement date.

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

Inflation Rate	2.25%
Salary Increases: 2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 8. Pension Plans (continued):

B. Teachers' Pension and Annuity Fund (TPAF) (continued):

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash	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%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. The single blended discount rate was based on 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 municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the School District's proportionate share of the Net Pension Liability to Changes in the Discount Rate – As previously mentioned, TPAF has a special funding situation where the State pays 100% of the School District's annual required contribution. The following represents the State's proportionate share of the net pension liability, attributable to the School District calculated using the discount rate of 4.25% as well as what the State's proportionate share of the net pension liability, attributable to the School District's would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 8. Pension Plans (continued):

B. Teachers' Pension and Annuity Fund (TPAF) (continued):

	1% Decrease <u>(3.25%)</u>	Current Discount Rate <u>(4.25%)</u>	1% Increase <u>(5.25%)</u>
District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the District	<u>26,838,431</u>	<u>22,590,675</u>	<u>19,091,356</u>
	<u>\$ 26,838,431</u>	<u>\$ 22,590,675</u>	<u>\$ 19,091,356</u>

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

Additional Information - The following is a summary of the collective balances of the local group at June 30, 2018 and 2017:

	<u>6/30/2018</u>		<u>6/30/2017</u>
Collective Deferred Outflows of Resources	\$ 14,353,461,035	\$	17,581,004,496
Collective Deferred Inflows of Resources	11,992,821,439		300,836,088
Collective Net Pension Liability	67,670,209,171		79,028,907,033
School District's portion	0.03749%		0.03432%

C. Defined Contribution Plan (DCRP)

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

Individuals eligible for membership in the DCRP include:

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

MEDFORD LAKES SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018 (continued)

Note 8. Pension Plans (continued):

C. Defined Contribution Plan (DCRP) (continued):

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

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

For the year ended June 30, 2018, employee contributions totaled \$9,414 and the District recognized pension expense of \$2,065.

Note 9. Other Post-Retirement Benefits

General Information about the OPEB Plan

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

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 9. Other Post-Retirement Benefits (continued):

coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

Basis of Presentation

The Schedule presents the State of New Jersey’s obligation under NJSA 52:14-17.32f. The Schedule does not purport to be a complete presentation of the financial position or changes in financial position of the State Health Benefit Local Education Retired Employees Plan or the State of New Jersey. The accompanying Schedule was prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the State of New Jersey to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Total Nonemployer OPEB Liability

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

Inflation Rate	2.50%			
		<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases:				
Through		1.55 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
		based on years of service	based on age	based on age
Thereafter		2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
		based on years of service	based on age	based on age

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.

MEDFORD LAKES SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018 (continued)

Note 9. Other Post-Retirement Benefits (continued):

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

OPEB Obligation and OPEB Expense - The State's proportionate share of the total Other Post Employment Benefits Obligations, attributable to the School District as of June 30, 2017 was \$20,566,561. The School District's proportionate share was \$0.

The OPEB Obligation was measured as of June 30, 2017, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The State's proportionate share of the OPEB Obligation associated with the District was based on projection of the State's long-term contributions to the OPEB plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2017, the State proportionate share of the OPEB Obligation attributable to the School District was 0.0383419494%, which was a decrease of 0.0000802164% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the State of New Jersey recognized an OPEB expense in the amount of \$1,099,658 for the State's proportionate share of the OPEB expense attributable to the School District. This OPEB expense was based on the OPEB plans June 30, 2017 measurement date.

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 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Total Nonemployer OPEB Liability to changes in discount rate:

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 9. Other Post-Retirement Benefits (continued):

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with the School District	\$ 24,413,991.71	\$ 20,566,561.00	\$ 17,514,742.40
State of New Jersey's Total Nonemployer OPEB Liability	\$ 63,674,362,200.00	\$ 53,639,841,858.00	\$ 45,680,364,953.00
	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with the School District	\$ 26,620,300.03	\$ 22,220,224.00	\$ 18,756,800.17
State of New Jersey's Total Nonemployer OPEB Liability	\$ 69,283,705,084.00	\$ 57,831,784,184.00	\$ 48,817,654,566.00

Sensitivity of Total Nonemployer OPEB Liability to changes in the healthcare trend rate:

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate *	1% Increase
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with the School District	\$ 16,914,008.25	\$ 20,566,561.00	\$ 25,417,108.07
State of New Jersey's Total Nonemployer OPEB Liability	\$ 44,113,584,560.00	\$ 53,639,841,858.00	\$ 66,290,599,457.00
	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate *	1% Increase
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with the School District	\$ 18,232,312.48	\$ 22,220,224.00	\$ 27,551,681.72
State of New Jersey's Total Nonemployer OPEB Liability	\$ 47,452,589,164.00	\$ 57,831,784,184.00	\$ 71,707,778,970.00

* See Healthcare Cost Trend Assumptions for details of rates.

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 9. Other Post-Retirement Benefits (continued):

Additional Information

Collective balances of the Local Group at June 30, 2017 are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Proportion	\$ 99,843,255.00	\$ (99,843,255.00)
Change in Assumptions	-	(6,343,769,032.00)
Contributions Made in Fiscal Year Year Ending 2018 After June 30, 2017 Measurement Date **	1,190,373,242.00	-
	\$ 1,290,216,497.00	\$ (6,443,612,287.00)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

** Employer Contributions made after June 30, 2017 are reported as a deferred outflow of resources, but are not amortized in expense.

Plan Membership

At June 30, 2016, the Program membership consisted of the following:

	June 30, 2016
Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
	366,078

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 9. Other Post-Retirement Benefits (continued):

Total OPEB Liability	
Service Cost	\$ 2,391,878,884
Interest Cost	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Contributions: Member	45,748,749
Gross Benefit Payments	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	(4,191,942,326)
Total OPEB Liability (Beginning)	<u>57,831,784,184</u>
Total OPEB Liability (Ending)	<u><u>\$ 53,639,841,858</u></u>
Total Covered Employee Payroll	13,493,400,208
Net OPEB Liability as a Percentage of Payroll	398%

Note 10. On-Behalf Payments for Fringe Benefits and Salaries

As previously mentioned, the School District receives on-behalf payments from the State of New Jersey for normal costs and post-retirement medical costs related to the Teachers' Pension and Annuity Fund (TPAF) pension plan. The School District is not legally responsible for these contributions. The on-behalf payments are recorded as revenues and expenditures in the government-wide and general fund financial statements. For the fiscal year ended June 30, 2017, the on-behalf payments for normal costs, post-retirement medical costs, and long-term disability were \$502,221, \$324,374 and \$525, respectively.

Note 11. Risk Management

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

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

<u>Fiscal Year</u>	<u>School District Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earnings</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ -	\$ -	\$ -	\$ -	\$ 30,630
2016-2017	-	-	-	-	30,630
2015-2016	-	-	-	-	30,630

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 11. Risk Management (continued):

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

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

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

Note 12. Contingencies

State and Federal Grantor Agencies - The School District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

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

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

Note 13. Deferred Compensation

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

Lincoln Investment Planning
MetLife Company
AXA Equitable

MEDFORD LAKES SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 (continued)**

Note 14. Compensated Absences

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

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

The liability for vested compensated absences of the governmental fund types is recorded in the Statement of Net Position. At June 30, 2018, the liability for compensated absences reported on the government-wide Statement of Net Position was \$123,763.

Note 15. Tax Abatements

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

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

Note 16. Calculation of Excess Surplus

The designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A.18A:7F-7. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year-end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2018 was \$264,704.

MEDFORD LAKES SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018 (continued)

Note 17. Fund Balances

General Fund – Of the \$1,170,331 General Fund fund balance at June 30, 2018, \$1 has been restricted for the Capital Reserve Account; \$136,509 has been restricted for the Maintenance Reserve Account; \$136,498 has been restricted for the Emergency Reserve Account; \$264,704 has been restricted for current year excess surplus; \$352,589 is restricted for prior year excess surplus – designated for subsequent year’s expenditures; \$117,926 has been assigned to other purposes and \$162,104 has been unassigned.

Capital Projects Fund – Of the \$2,337,802 Capital Projects Fund fund balance at June 30, 2018, \$927,967 is restricted for Capital Projects and \$1,409,835 is assigned for future capital projects approved by the School District.

Debt Service Fund – Of the \$14,114 Debt Service Fund fund balance at June 30, 2018, \$14,114 is restricted for future Debt Service.

Note 18. Deficit in Net Position

Unrestricted Net Position – The School District governmental activities had a deficit in unrestricted net position in the amount of \$1,394,930 at June 30, 2018. The primary causes of this deficit is the School District not recognizing the receivable for the last two state aid payments and the recording of the net pension liability for the Public Employee’s Retirement System (PERS) as of June 30, 2018. This deficit in unrestricted net position for governmental activities does not indicate that the School District is facing financial difficulties.

Note 19. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2018 and February 15, 2019, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statements, and no items have come to the attention of the School District that would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

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C. Budgetary Comparison Schedules

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**MEDFORD LAKES SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	ACCOUNT NUMBER	JUNE 30, 2018				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Revenues:						
Local Sources:						
Local Tax Levy	10-1210	\$ 5,917,019	\$ -	5,917,019	\$ 5,917,019	\$ -
Tuition from Individuals	10-1310	18,000	-	18,000	-	(18,000)
Tuition from Other LEAs Within the State	10-1320	53,060	-	53,060	61,602	8,542
Miscellaneous	10-1XXX	50,000	-	50,000	34,739	(15,261)
Total Local Sources		\$6,038,079	-	6,038,079	6,013,360	(24,719)
State Sources:						
Special Education Categorical Aid	10-3132	317,108	-	317,108	317,108	-
Equalization Aid	10-3176	792,714	75,666	868,380	868,380	-
Security Aid	10-3177	9,036	-	9,036	9,036	-
Under Adequacy Aid	10-3100	2,090	-	2,090	2,090	-
Transportation Aid	10-3121	8,189	-	8,189	8,189	-
Extraordinary Aid	10-3131	3,500	-	3,500	23,300	19,800
PARCC Readiness Aid	10-3181	5,170	-	5,170	5,170	-
Per Pupil Growth Aid	10-3182	5,170	-	5,170	5,170	-
Professional Learning Community Aid	10-3183	5,340	-	5,340	5,340	-
Lead Testing	10-3XXX	-	-	-	1,192	1,192
Nonpublic Transportation Aid	10-3XXX	-	-	-	7,540	7,540
Nonbudgeted:						
On-Behalf TPAF Pension Contributions		-	-	-	502,221	502,221
On-Behalf TPAF Post-Retirement Medical Contributions		-	-	-	324,374	324,374
On-Behalf TPAF Long-Term Disability Insurance		-	-	-	525	525
Reimbursed TPAF Social Security Contributions		-	-	-	253,407	253,407
Total State Sources		1,148,317	75,666	1,223,983	2,333,042	1,109,059
Total Revenues		7,186,396	75,666	7,262,062	8,346,402	1,084,340
Expenditures:						
Current Expense:						
Instruction - Regular Programs:						
Salaries of Teachers:						
Kindergarten	11-110-100-101	190,412	-	190,412	190,412	-
Grades 1 - 5	11-120-100-101	1,357,840	(26,818)	1,331,022	1,329,788	1,234
Grades 6 - 8	11-130-100-101	703,081	(6,198)	696,883	696,840	43
Home Instruction:						
Salaries of Teachers	11-150-100-101	3,000	2,116	5,116	5,116	-
Purchased Professional - Educational Services	11-150-100-320	3,600	(702)	2,898	1,386	1,512
Regular Programs - Undistributed Instruction:						
Other Salaries for Instruction	11-190-100-106	14,870	(3,384)	11,486	11,475	11
Purchased Professional - Educational Services	11-190-100-320	127,992	44,761	172,753	153,342	19,411
Purchased Technical Services	11-190-100-340	40,000	36,486	76,486	71,573	4,913
Other Purchased Services	11-190-100-500	67,203	(7,460)	59,743	51,446	8,297
General Supplies	11-190-100-610	128,087	(23,510)	104,577	98,804	5,773
Textbooks	11-190-100-640	15,195	(5,836)	9,359	5,859	3,500
Other Objects	11-190-100-890	13,000	7,901	20,901	-	20,901
Total Regular Programs - Instruction		2,664,280	17,356	2,681,636	2,616,041	65,595

**MEDFORD LAKES SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	ACCOUNT NUMBER	JUNE 30, 2018			ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
Special Education Instruction						
Multiple Disabilities:						
Salaries of Teachers	11-212-100-101	122,727	(4,529)	118,198	113,630	4,568
Other Salaries for Instruction	11-212-100-106	66,500	35,332	101,832	101,832	-
Purchased Prof.-Ed. Services	11-212-100-320	5,000	(3,850)	1,150	1,150	-
Other Purch. Serv.	11-212-100-500	-	-	-	-	-
General Supplies	11-212-100-610	1,250	(59)	1,191	1,191	-
Textbooks	11-212-100-640	500	(500)	-	-	-
Other Objects	11-212-100-800	2,800	(438)	2,362	2,362	-
Total Multiple Disabilities		198,777	25,956	224,733	220,165	4,568
Resource Room/Resource Center:						
Salaries of Teachers	11-213-100-101	600,365	68,445	668,810	668,446	364
Other Salaries for Instruction	11-213-100-106	123,836	11,002	134,838	134,379	459
Purchased Prof. Ed. Services	11-213-100-320	1,000	(1,000)	-	-	-
Purchased Technical Services	11-213-100-340	3,710	1,659	5,369	5,369	-
General Supplies	11-213-100-610	2,745	(954)	1,791	1,791	-
Textbooks	11-213-100-640	2,500	(2,500)	-	-	-
Total Resource Room/Resource Center		734,156	76,652	810,808	809,985	823
Preschool Disabilities - Part Time:						
Salaries of Teachers	11-215-100-101	88,455	(25,941)	62,514	62,514	-
Other Salaries for Instruction	11-215-100-106	34,003	(34)	33,969	33,783	186
Purchased Prof. Ed. Services	11-215-100-320	-	-	-	-	-
General Supplies	11-215-100-610	765	(3)	762	762	-
Other Objects	11-215-100-800	325	8	333	333	-
Total Preschool Disabilities - Part Time		123,548	(25,970)	97,578	97,392	186
Total Special Education		1,056,481	76,638	1,133,119	1,127,542	5,577
Basic Skills/Remedial:						
Salaries of Teachers	11-230-100-101	41,242	-	41,242	41,242	-
General Supplies	11-230-100-610	280	(280)	-	-	-
Other Objects	11-230-100-800	400	358	758	758	-
Total Basic Skills/Remedial		41,922	78	42,000	42,000	-
School Sponsored Cocurricular Activities - Instruction:						
Salaries	11-401-100-100	37,500	3,040	40,540	39,360	1,180
Supplies and Materials	11-401-100-600	2,000	500	2,500	2,500	-
Other Objects	11-401-100-800	1,000	-	1,000	-	1,000
Total School Sponsored Cocurricular Activities		40,500	3,540	44,040	41,860	2,180
Total Instruction		3,803,183	97,612	3,900,795	3,827,443	73,352
Undistributed Expenditures:						
Instruction:						
Tuition to Other LEA's Regular - Within State	11-000-100-561	47,000	4,560	51,560	37,874	13,686
Tuition to Other LEA's Special - Within State	11-000-100-562	50,700	11,073	61,773	43,158	18,615
Tuition to Private School for Disabled - Within State	11-000-100-566	10,266	(8,000)	2,266	-	2,266
Total Undistributed Expenditures - Instruction		107,966	7,633	115,599	81,032	34,567

**MEDFORD LAKES SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	ACCOUNT NUMBER	JUNE 30, 2018			ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
Attendance & Social Work:						
Salaries	11-000-211-100	-	-		-	-
Purchased Professional - Technical Services	11-000-211-300	13,285	4,827	18,112	18,112	-
Supplies and Materials	11-000-211-600	1,000	(1,000)		-	-
Total Attendance & Social Work		14,285	3,827	18,112	18,112	-
Health Services:						
Salaries	11-000-213-100	120,165	8,452	128,617	127,884	733
Purchased Professional & Technical Services	11-000-213-300	4,150	19,446	23,596	21,090	2,506
Other Purchased Services	11-000-213-500	50	-	50	50	-
Supplies and Materials	11-000-213-600	9,560	(4,353)	5,207	5,207	-
Total Health Services		133,925	23,545	157,470	154,231	3,239
Other Support Services - Students - Related Services:						
Salaries	11-000-216-100	90,206	-	90,206	90,130	76
Purchased Professional - Educational Services	11-000-216-320	103,000	74,493	177,493	162,288	15,205
Supplies and Materials	11-000-216-600	1,280	-	1,280	1,225	55
Total Other Support Services - Students - Related Services		194,486	74,493	268,979	253,643	15,336
Other Support Services - Students - Regular:						
Salaries of Other Professional Staff	11-000-218-104	63,496	1,902	65,398	65,398	-
Other Purchased Professional - Technical Services	11-000-218-390	-	-			-
Supplies and Materials	11-000-218-600	200	31	231	231	-
Total Other Support Services - Students - Regular		63,696	1,933	65,629	65,629	-
Other Support Services - Students - Special Services:						
Salaries of Other Professional Staff	11-000-219-104	176,700	(24,606)	152,094	152,094	-
Salaries of Secretarial & Clerical Assistants	11-000-219-105	45,922	(1,125)	44,797	43,935	862
Purchased Professional & Educational Services	11-000-219-320	6,275	81,846	88,121	69,741	18,380
Other Purchased Services (400-500 series)	11-000-219-500	500	(17)	483	483	-
Miscellaneous Purchased Services	11-000-219-592	3,307	(30)	3,277	3,277	-
Workshop Travel Costs	11-000-219-580		-			-
Supplies and Materials	11-000-219-600	550	72	622	622	-
Other Objects	11-000-219-800	500	(78)	422	422	-
Total Other Support Services - Students - Special Services		233,754	56,062	289,816	270,574	19,242

**MEDFORD LAKES SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	ACCOUNT NUMBER	JUNE 30, 2018			ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
Improvement of Instruction Services/Other Support Services - Instructional Staff:						
Salaries-Supervisors of Instruction	11-000-221-102	72,812	-	72,812	72,812	-
Other Salaries	11-000-221-110	-	-	-	-	-
Purchased Prof. Ed. Services	11-000-221-320	7,500	(1,944)	5,556	4,425	1,131
Other Purchased Services	11-000-221-500	-	-	-	-	-
Supplies and Materials	11-000-221-600	1,200	(403)	797	534	263
Other Objects	11-000-221-800	16,175	(2,890)	13,285	10,151	3,134
Total Improvement of Instruction Services/Other Support Services - Instructional Staff		97,687	(5,237)	92,450	87,922	4,528
Educational Media Services/School Library:						
Salaries	11-000-222-100	57,581	-	57,581	57,581	-
Supplies and Materials	11-000-222-600	6,057	1,103	7,160	6,390	770
Total Educational Media Services/School Library		63,638	1,103	64,741	63,971	770
Instructional Staff Training Services:						
Supplies and Materials	11-000-223-610	7,500	(3,100)	4,400	4,400	-
Total Instructional Staff Training Services		7,500	(3,100)	4,400	4,400	-
Support Services General Administration:						
Salaries	11-000-230-100	202,118	139	202,257	199,640	2,617
Legal Services	11-000-230-331	26,000	33,070	59,070	52,745	6,325
Audit Fees	11-000-230-332	17,300	638	17,938	17,938	-
Architectural/Engineering Services	11-000-230-334	30,000	(9,457)	20,543	18,889	1,654
Other Purchased Professional Services	11-000-230-339	2,000	675	2,675	2,272	403
Purchased Technical Services	11-000-230-340	-	1,639	1,639	1,639	-
Communications/Telephone	11-000-230-530	1,680	16,777	18,457	11,349	7,108
BOE Other Purchased Services	11-000-230-585	1,200	-	1,200	750	450
Other Purchased Services	11-000-230-590	17,055	4,063	21,118	18,627	2,491
Supplies and Materials	11-000-230-610	2,000	192	2,192	1,639	553
BOE In-house Training & Meeting Supplies	11-000-230-630	30	-	30	-	30
Judgements Against the District	11-000-230-820	10,000	(9,409)	591	-	591
Miscellaneous Expenditures	11-000-230-890	8,600	7,267	15,867	14,009	1,858
BOE Membership Dues	11-000-230-895	4,000	-	4,000	3,952	48
Total Support Services General Administration		321,983	45,594	367,577	343,449	24,128
Support Services School Administration:						
Salaries of Principals & Assistant Principals	11-000-240-103	48,542	-	48,542	48,541	1
Salaries of Secretarial & Clerical Assistants	11-000-240-105	56,838	2,635	59,473	58,984	489
Other Purchased Services	11-000-240-500	-	-	-	-	-
Supplies and Materials	11-000-240-600	5,586	121	5,707	3,791	1,916
Other Objects	11-000-240-800	5,510	(1,049)	4,461	3,660	801
Total Support Services School Administration		116,476	1,707	118,183	114,976	3,207
Regular Maintenance School Facilities:						
Cleaning, Repair & Maintenance Services	11-000-261-420	52,000	1,250	53,250	51,509	1,741
General Supplies	11-000-261-610	16,500	(5,720)	10,780	7,654	3,126
Total Regular Maintenance School Facilities		68,500	(4,470)	64,030	59,163	4,867

**MEDFORD LAKES SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	ACCOUNT NUMBER	JUNE 30, 2018			ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
Custodial Services:						
Salaries	11-000-262-100	252,224	(4,857)	247,367	238,011	9,356
Salaries of Non-Instructional Aides	11-000-262-107	37,953	(5,129)	32,824	21,554	11,270
Purchased Professional & Technical Services	11-000-262-300	3,000	6,900	9,900	4,315	5,585
Cleaning, Repair & Maintenance Services	11-000-262-420	6,600	(1,400)	5,200	1,703	3,497
Other Purchased Property Services	11-000-262-490	3,000	2,866	5,866	5,826	40
Insurance	11-000-262-520	32,068	5	32,073	31,073	1,000
Travel	11-000-262-580		723	723	586	137
Miscellaneous Purchased Services	11-000-262-590	1,700	1,688	3,388	2,228	1,160
General Supplies	11-000-262-610	26,000	(136)	25,864	23,528	2,336
Energy (Natural Gas)	11-000-262-621	71,222	(3,447)	67,775	55,955	11,820
Energy (Electricity)	11-000-262-622	133,623	(23,296)	110,327	93,516	16,811
Energy (Gasoline)	11-000-262-626	750	45	795	419	376
Other Objects	11-000-262-800	500	49	549	549	-
Total Custodial Services		568,640	(25,989)	542,651	479,263	63,388
Care & Upkeep of Grounds:						
Cleaning, Repair & Maintenance Services	11-000-263-420	3,500	-	3,500	2,626	874
General Supplies	11-000-263-610	2,500	-	2,500	1,218	1,282
Total Care & Upkeep of Grounds		6,000	-	6,000	3,844	2,156
Security:						
Cleaning, Repair & Maintenance Services	11-000-266-420	9,000	11,780	20,780	20,445	335
General Supplies	11-000-266-610	2,500	-	2,500	209	2,291
Total Security		11,500	11,780	23,280	20,654	2,626
Student Transportation Services:						
Contracted Services (Other Than Between Home & School)	11-000-270-512	2,500	3,249	5,749	5,512	237
Contracted Services (Between Home & School)	11-000-270-513	16,000	-	16,000	14,374	1,626
Contracted Services - Joint Agreements	11-000-270-515	14,500	-	14,500	12,767	1,733
Management Fee-ESC & CTS Transportation Program	11-000-270-350	650	-	650	350	300
Contracted Services - ESC & CTS: Regular Students	11-000-270-517	36,000	722	36,722	36,722	-
Special Education Students	11-000-270-518	70,000	(9,991)	60,009	50,047	9,962
Contracted Services - Aid in Lieu of Payments	11-000-270-503	9,500	-	9,500	7,000	2,500
Total Student Transportation Services		149,150	(6,020)	143,130	126,772	16,358
Business & Other Support Services:						
Salaries	11-000-251-100	213,173	(114)	213,059	210,053	3,006
Purchased Professional Services	11-000-251-330	4,100	-	4,100	4,092	8
Purchased Technical Services	11-000-251-340	19,320	24,707	44,027	42,540	1,487
Miscellaneous Purchased Services	11-000-251-592	6,807	(825)	5,982	5,463	519
Supplies and Materials	11-000-251-600	6,250	600	6,850	6,850	-
Miscellaneous Expenditures	11-000-251-890	2,000	3,204	5,204	4,590	614
Total Business & Other Support Services		251,650	27,572	279,222	273,588	5,634

**MEDFORD LAKES SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

ACCOUNT NUMBER	JUNE 30, 2018				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL	
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL		
Administration Information Technology:						
Salaries	11-000-252-100	3,668	(3,668)	-	-	
Total Administration Information Technology		3,668	(3,668)	-	-	
Unallocated Benefits Employee Benefits:						
Social Security Contributions -						
Other	11-000-291-220	96,430	(135)	96,295	86,309	9,986
PERS Contributions	11-000-291-241	66,643	2,732	69,375	69,375	-
Other Retirement Contributions	11-000-291-249	14,307	(954)	13,353	12,912	441
Unemployment Compensation	11-000-291-250	40,000	(37,094)	2,906	1,051	1,855
Other Employee Benefits	11-000-291-290	3,300	-	3,300	2,708	592
Workmen's Compensation	11-000-291-260	43,172	7	43,179	43,179	-
Health Benefits	11-000-291-270	1,049,975	(44,362)	1,005,613	914,080	91,533
Tuition Reimbursements	11-000-291-280	32,500	(6,370)	26,130	14,720	11,410
Total Unallocated Benefits - Employee Benefits		1,346,327	(86,176)	1,260,151	1,144,334	115,817
Nonbudgeted:						
On-Behalf TPAF Pension Contributions		-	-	-	502,221	(502,221)
On-Behalf TPAF Post-Retirement Medical Contributions		-	-	-	324,374	(324,374)
On-Behalf TPAF Long-Term Disability Insurance		-	-	-	525	(525)
Reimbursed TPAF Social Security Contributions		-	-	-	253,407	(253,407)
Total Undistributed Expenditures		3,760,831	120,589	3,881,420	4,646,084	(764,664)
Total Expenditures - Current Expense		7,564,014	218,201	7,782,215	8,473,527	(691,312)
Capital Outlay:						
Undistributed Expenditures:						
Instruction	12-000-100-730		4,300	4,300	-	4,300
Total Equipment			4,300	4,300	-	4,300
Facilities Acquisition & Construction Services:						
Assessment for Debt Service on SDA Funding	12-000-400-931	20,260	2,026	22,286	20,260	2,026
Total Facilities Acquisition & Construction Services		20,260	2,026	22,286	20,260	2,026
Total Capital Outlay		20,260	6,326	26,586	20,260	6,326
Total Expenditures		7,584,274	224,527	7,808,801	8,493,787	(684,986)
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures		(397,878)	(148,861)	(546,739)	(147,385)	399,354

**MEDFORD LAKES SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

ACCOUNT NUMBER	JUNE 30, 2018				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Other Financing Sources/(Uses):					
Transfer from Capital Projects	-	-	-	6,614	6,614
Total Other Financing Sources/(Uses)	-	-	-	6,614	6,614
Excess/(Deficiency) of Revenues & Other Financing Sources/(Uses) Over/(Under) Expenditures & Other Financing Uses	(397,878)	(148,861)	(546,739)	(140,771)	405,968
Fund Balances, July 1	1,426,338	-	1,426,338	1,426,338	-
Fund Balances, June 30	<u>\$ 1,028,460</u>	<u>\$ (148,861)</u>	<u>879,599</u>	<u>\$ 1,285,567</u>	<u>\$ 405,968</u>

RECAPITULATION OF BUDGET TRANSFERS

Prior Year Encumbrances	<u>\$ 148,861</u>
Total	<u><u>\$ 148,861</u></u>

RECAPITULATION OF FUND BALANCE:

Restricted Fund Balance:	
Excess Surplus	\$ 264,704
Capital Reserve	1
Maintenance Reserve	136,509
Emergency Reserve	136,498
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	352,589
Assigned Fund Balance:	
Designated for Subsequent Year's Expenditures	4,002
Year-End Encumbrances	113,924
Unassigned Fund Balance	<u>277,340</u>
Subtotal	1,285,567
Reconciliation to Governmental Fund Schedules (GAAP):	
Last Two State Aid Payments Not Recognized on GAAP Basis	<u>(115,236)</u>
Fund Balance Per Governmental Funds (GAAP)	<u><u>\$ 1,170,331</u></u>

**MEDFORD LAKES SCHOOL DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	JUNE 30, 2018				VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
REVENUES:					
Federal Sources	\$ 103,852	\$ 31,972	\$ 135,824	\$ 135,824	\$ -
Local Sources	-	35,406	35,406	35,406	-
Total Revenues	103,852	67,378	171,230	171,230	-
EXPENDITURES:					
Instruction:					
Tuition	29,993	83,472	113,465	113,465	-
General Supplies	51,500	(16,094)	35,406	35,406	-
Total Instruction	81,493	67,378	148,871	148,871	-
Support Services:					
Purchased Professional-Educational Services	22,359	-	22,359	22,359	-
Total Support Services	22,359	-	22,359	22,359	-
Total Expenditures	103,852	67,378	171,230	171,230	-
Excess/(Deficiency) of Revenues Over/(Under) Expenditures & Other Financing Sources/(Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART II

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**MEDFORD LAKES SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR FISCAL YEAR ENDED JUNE 30, 2018**

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

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$ 8,346,402	\$ 171,230
Difference - Budget to GAAP:		
<p>Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.</p> <p>State aid revenue adjustment due to last state aid payment not being recognized in accordance with GASB No. 33</p>		
Prior Year	109,589	-
Current Year	(115,236)	-
Total Revenues as Reported on the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. (B-2)	\$ 8,340,755	\$ 171,230
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 8,493,787	\$ 171,230
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	-	-
Total Expenditures as Reported on the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	\$ 8,493,787	\$ 171,230

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REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.00740%	0.00695%	0.00662%	0.00625%	0.00613%
District's proportionate share of the net pension liability (asset)	\$ 1,722,373	\$ 2,059,064	\$ 1,485,189	\$ 1,170,782	\$ 1,171,557
District's covered-employee payroll	466,956	459,925	502,133	467,756	414,398
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	368.85%	447.70%	295.78%	250.30%	282.71%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%	52.08%	48.72%

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

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

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>	
Contractually required contribution	\$	68,544	\$	61,763	\$	56,881	\$	51,551	\$	46,188
Contributions in relation to the contractually required contribution		68,544		61,763		56,881		51,551		46,188
Contribution deficiency (excess)	\$	-	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	466,956	\$	459,925	\$	467,756	\$	414,398		**N/A
Contributions as a percentage of covered-employee payroll		14.68%		13.43%		12.16%		12.44%		#VALUE!

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%	0.00%	0.00%
State's proportionate share of the net pension liability (asset) associated with the District	\$ 22,590,675	\$ 26,517,402	\$ 18,554,680	\$ 16,665,311	\$ 17,062,151
District's covered-employee payroll	3,726,632	3,596,456	3,457,755	3,428,497	3,244,142
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%	52.08%	48.72%

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

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

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

SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR OTHER POST EMPLOYMENT BENEFITS (GASB 75)

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MEDFORD LAKES SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (OPEB)
LAST FISCAL YEAR*

	2018
District's Total OPEB Liability	
Service Cost	\$ 737,167
Interest Cost	647,793
Changes of Assumptions	(2,579,799)
Contributions: Member	17,541
Gross Benefit Payments	(476,365)
Net Change in District's Total OPEB Liability	(1,653,663)
District's Total OPEB Liability (Beginning)	22,220,224
District's Total OPEB Liability (Ending)	\$ 20,566,561
District's Covered Employee Payroll	\$ 4,193,588
District's Net OPEB Liability as a Percentage of Payroll	490%

Note - The amounts presented for each fiscal year were determined as of the previous fiscal year end (the measurement date).

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

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III

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**MEDFORD LAKES SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Teachers Pension and Annuity Fund (TPAF)

Changes in Benefit Terms - None.

Changes in Assumptions - The discount rate changed from 3.22% as of June 30, 2016, to 4.25% as of June 30, 2017.

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None.

Changes in Assumptions - The discount rate changed from 3.98% as of June 30, 2016, to 5.00% as of June 30, 2017.

State Health Benefit Local Education Retired Employees Plan (OPEB)

Changes in Benefit Terms - None.

Changes in Assumptions - The discount rate changed from 2.85% as of June 30, 2016, to 3.58% as of June 30, 2017.

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OTHER SUPPLEMENTARY INFORMATION

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D. School Based Budget Schedules

Not Applicable

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E. Special Revenue Fund

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**MEDFORD LAKES SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES
AND EXPENDITURES - BUDGETARY BASIS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	NO CHILD LEFT BEHIND TITLE IIA	MEDFORD LAKES EDUCATION FOUNDATION	I.D.E.A. PART B BASIC	I.D.E.A. PART B PRESCHOOL INCENTIVE	TOTALS
Revenues:					
Federal Sources	\$ 16,819	\$ -	\$ 113,465	\$ 5,540	\$ 135,824
Local Sources	-	35,406	-	-	35,406
Total Revenues	\$ 16,819	\$ 35,406	\$ 113,465	\$ 5,540	\$ 171,230
Expenditures:					
Instruction:					
Tuition	\$ -	\$ -	\$ 113,465	\$ -	\$ 113,465
General Supplies	-	35,406	-	-	35,406
Total Instruction	-	35,406	113,465	-	148,871
Support Services:					
Purchased Professional Services	16,819	-	-	5,540	22,359
Total Support Services	16,819	-	-	5,540	22,359
Total Expenditures	\$ 16,819	\$ 35,406	\$ 113,465	\$ 5,540	\$ 171,230

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F. Capital Projects Fund

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**MEDFORD LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2018**

PROJECT TITLE/ISSUE	ORIGINAL DATE	APPROPRIATIONS	EXPENDITURES TO DATE CURRENT YEAR	UNEXPENDED BALANCE JUNE 30, 2018
Nokomis Elementary Capital Improvements	2/1/2018	\$ 938,427	\$ 196,919	\$ 741,508
Neeta Elementary Capital Improvements	2/1/2018	1,525,543	441,306	1,084,237
Nokomis Elementary Roof Project	2/1/2018	530,030	17,973	512,057
	Total		<u>\$ 656,198</u>	<u>\$ 2,337,802</u>

**MEDFORD LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-BUDGETARY BASIS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

Revenues:	
Bond Proceeds	\$ 2,994,000
Interest Earnings	14,114
	<hr/>
Total Revenue	3,008,114
	<hr/>
Expenditures & Other Financing Uses:	
Purchased Professional & Technical Services	151,328
Construction Services	504,870
Transfer to General Fund	6,614
Transfer to Debt Service	14,114
	<hr/>
Total Expenditures	676,926
	<hr/>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	2,331,188
	<hr/>
Fund Balance - Beginning	6,614
	<hr/>
Fund Balance - Ending	\$ 2,337,802
	<hr/> <hr/>

**MEDFORD LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
NOKOMIS ELEMENTARY SCHOOL CAPITAL IMPROVEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:			
Bond Proceeds	\$ 938,427	\$ 938,427	\$ 938,427
Total Revenues	<u>938,427</u>	<u>938,427</u>	<u>938,427</u>
Expenditures & Other Financing Uses:			
Construction Services	<u>196,919</u>	<u>196,919</u>	<u>938,427</u>
Total Expenditures	<u>196,919</u>	<u>196,919</u>	<u>938,427</u>
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	<u>\$ 741,508</u>	<u>\$ 741,508</u>	<u>\$ -</u>

ADDITIONAL PROJECT INFORMATION

Bond Authorization Date	2/1/2018
Bonds Authorized	938,429
Bonds Issued	938,429
Original Authorized Cost	\$ 938,427
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 938,427
Percentage Increase Over Original Authorized Cost	
Percentage Completion	21%
Original Target Completion Date	6/30/2019
Revised Target Completion Date	N/A

**MEDFORD LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
NEETA ELEMENTARY SCHOOL CAPITAL IMPROVEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:			
Bond Proceeds	\$ 1,525,543	\$ 1,525,543	\$ 1,525,543
Total Revenues	<u>1,525,543</u>	<u>1,525,543</u>	<u>1,525,543</u>
Expenditures & Other Financing Uses:			
Purchased Professional & Technical Services	151,328	151,328	154,214
Construction Services	289,978	289,978	1,371,329
Total Expenditures	<u>441,306</u>	<u>441,306</u>	<u>1,525,543</u>
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	<u>\$ 1,084,237</u>	<u>\$ 1,084,237</u>	<u>\$ -</u>

ADDITIONAL PROJECT INFORMATION

Bond Authorization Date	2/1/2018
Bonds Authorized	1,525,543
Bonds Issued	1,525,543
Original Authorized Cost	\$ 1,525,543
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 1,525,543
Percentage Increase Over Original Authorized Cost	
Percentage Completion	29%
Original Target Completion Date	6/30/2019
Revised Target Completion Date	N/A

**MEDFORD LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
NOKOMIS ELEMENTARY SCHOOL ROOF
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:			
Bond Proceeds	\$ 530,030	\$ 530,030	\$ 530,030
Total Revenues	<u>530,030</u>	<u>530,030</u>	<u>530,030</u>
Expenditures & Other Financing Uses:			
Construction Services	<u>17,973</u>	<u>17,973</u>	<u>530,030</u>
Total Expenditures	<u>17,973</u>	<u>17,973</u>	<u>530,030</u>
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	<u>\$ 512,057</u>	<u>\$ 512,057</u>	<u>\$ -</u>

ADDITIONAL PROJECT INFORMATION

Bond Authorization Date	2/1/2018
Bonds Authorized	530,030
Bonds Issued	530,030
Original Authorized Cost	\$ 530,030
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 530,030
Percentage Increase Over Original Authorized Cost	
Percentage Completion	3%
Original Target Completion Date	6/30/2019
Revised Target Completion Date	N/A

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G. Proprietary Funds

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Enterprise Funds
Not Applicable
See B-4 Through B-6

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Internal Service Fund

Not Applicable

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H. Fiduciary Fund

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**MEDFORD LAKES SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2018**

ASSETS	PRIVATE PURPOSE			AGENCY FUNDS			TOTALS
	SCHOLARSHIP	FLEXIBLE SPENDING TRUST	NEW JERSEY UNEMPLOYMENT TRUST	STUDENT ACTIVITY	PAYROLL AGENCY	NET PAYROLL	
Cash & Cash Equivalents	\$ 8,339	\$ 4,803	\$ 29,430	\$ 7,516	\$ 117,026	\$ 8,913	\$ 176,027
Interfund Receivable	-	-	1,200	-	-	-	1,200
Total Assets	8,339	4,803	30,630	7,516	117,026	8,913	177,227
LIABILITIES							
Payroll Deductions & Withholdings	-	-	-	-	99,220	-	99,220
Interfund Payable Due to Student Groups	-	2,112	-	-	17,806	8,913	28,831
	-	-	-	7,516	-	-	7,516
Total Liabilities	-	2,112	-	7,516	117,026	8,913	135,567
NET POSITION							
Restricted for:							
Scholarships	8,339	-	-	-	-	-	8,339
Unemployment Claims	-	-	30,630	-	-	-	30,630
Other Purposes	-	2,691	-	-	-	-	2,691
Total Net Position	\$ 8,339	\$ 2,691	\$ 30,630	\$ -	\$ -	\$ -	\$ 41,660

**MEDFORD LAKES SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	PRIVATE PURPOSE			TOTALS
	SCHOLARSHIP	FLEXIBLE SPENDING TRUST	UNEMPLOYMENT COMPENSATION TRUST FUND	
Additions:				
Local Sources:				
Interest on Investments	\$ 1	\$ -	\$ -	\$ 1
Contributions	-	9,110	-	9,110
Total Additions	1	9,110	-	9,111
Deductions:				
Scholarship Payments	100	-	-	100
Miscellaneous Expenditures	-	9,219	-	9,219
Total Deductions	100	9,219	-	9,319
Change in Net Position	(99)	(109)	-	(208)
Net Position, July 1	8,438	2,800	30,630	41,868
Net Position, June 30	\$ 8,339	\$ 2,691	\$ 30,630	\$ 41,660

**MEDFORD LAKES SCHOOL DISTRICT
FIDUCIARY FUND
SCHEDULE OF STUDENT ACTIVITY RECEIPTS AND DISBURSEMENT
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	BALANCE JUNE 30, 2017	CASH RECEIPTS	DISBURSEMENTS	BALANCE JUNE 30, 2018
Elementary School	\$ 7,534	\$ 11,386	\$ 11,404	\$ 7,516
Total	\$ 7,534	\$ 11,386	\$ 11,404	\$ 7,516

**FIDUCIARY FUND
SCHEDULE OF CHANGES IN PAYROLL AGENCY ASSETS AND LIABILITIES
FOR FISCAL YEAR ENDED JUNE 30, 2018**

ASSETS	BALANCE JUNE 30, 2017	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2018
Cash & Cash Equivalents	\$ 96,794	\$ 2,549,407	\$ 2,529,175	\$ 117,026
Total Assets	\$ 96,794	\$ 2,549,407	\$ 2,529,175	\$ 117,026
LIABILITIES:				
Payroll Deductions & Withholdings	\$ 78,988	\$ 2,549,407	\$ 2,529,175	\$ 99,220
Interfund Payable - Unemployment	1,200	-	-	1,200
Interfund Payable - General Fund	16,606	-	-	16,606
Total Liabilities	\$ 96,794	\$ 2,549,407	\$ 2,529,175	\$ 117,026

**FIDUCIARY FUND
SCHEDULE OF CHANGES IN NET PAYROLL ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

ASSETS	BALANCE JUNE 30, 2017	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2018
Cash & Cash Equivalents	\$ 8,518	\$ 2,962,376	\$ 2,961,981	\$ 8,913
Total Assets	\$ 8,518	\$ 2,962,376	\$ 2,961,981	\$ 8,913
LIABILITIES				
Interfund Payable	\$ 8,518	\$ 395	\$ -	\$ 8,913
Net Payroll	-	2,961,981	2,961,981	-
Total Liabilities	\$ 8,518	\$ 2,962,376	\$ 2,961,981	\$ 8,913

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I. Long-Term Debt

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**MEDFORD LAKES SCHOOL DISTRICT
LONG-TERM DEBT ACCOUNT GROUP
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITIES		INTEREST RATE	BALANCE JUNE 30, 2017	ISSUED	RETIRED	BALANCE JUNE 30, 2018
			DATE	AMOUNT					
2010 School Refunding Bonds	5/3/2010	\$3,845,000	5/15/19	\$ 370,000	5.00%	\$1,945,000	-	\$355,000	\$ 1,590,000
			5/15/20	385,000	5.00%				
			5/15/21	405,000	5.00%				
			5/15/22	430,000	5.00%				
2018 School Bonds	2/1/2018	2,994,000	1/15/19	120,000	1.50%	-	2,994,000	-	2,994,000
			1/15/20	120,000	2.00%				
			1/15/21	120,000	2.00%				
			1/15/22	120,000	2.00%				
			1/15/23	200,000	2.00%				
			1/15/24	200,000	2.00%				
			1/15/25	200,000	2.125%				
			1/15/26	240,000	2.250%				
			1/15/27	240,000	2.375%				
			1/15/28	240,000	3.00%				
			1/15/29	240,000	3.00%				
		1/15/30	240,000	3.00%					
		1/15/31	240,000	3.00%					
		1/15/32	240,000	3.00%					
		1/15/33	234,000	3.00%					
Total									
						\$1,945,000	\$ 2,994,000	\$355,000	\$ 4,584,000

**MEDFORD LAKES SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	JUNE 30, 2018				VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Revenues:					
Local Sources:					
Local Tax Levy	\$ 452,250	\$ -	\$ 452,250	\$ 452,250	\$ -
Interest Earnings	-	-	-	14,114	14,114
Total Revenues	452,250	-	452,250	466,364	14,114
Expenditures:					
Regular Debt Service:					
Interest	97,250	-	97,250	97,250	-
Redemption of Principal	355,000	-	355,000	355,000	-
Total Expenditures	452,250	-	452,250	452,250	-
Excess/(Deficiency) of Revenues & Other Financing Sources Over/ (Under) Expenditures	-	-	-	14,114	14,114
Fund Balance, July 1	-	-	-	-	-
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ 14,114	\$ 14,114

STATISTICAL SECTION (Unaudited)

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FINANCIAL TRENDS/INFORMATION SCHEDULES

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
FISCAL YEAR ENDING JUNE 30,										
Governmental Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 846,585	\$ 3,011,010	\$ 2,948,667	\$ 2,832,494	\$ 2,693,831	\$ 2,595,129	\$ 2,446,188	\$ 2,365,645	\$ 2,121,969	\$ 1,907,011
Restricted	3,242,217	1,030,089	703,887	349,140	495,647	501,203	424,832	205,358	152,989	303,204
Unrestricted	(1,394,930)	(1,279,462)	(1,254,889)	(1,144,541)	(108,845)	(18,549)	392,488	379,618	164,818	104,460
Total Governmental Activities Net Position	\$ 2,693,872	\$ 2,761,637	\$ 2,397,665	\$ 2,037,093	\$ 3,080,633	\$ 3,077,783	\$ 3,263,508	\$ 2,950,621	\$ 2,439,776	\$ 2,314,675
Business-Type Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 8,232	\$ 10,289	\$ 12,346	\$ 14,403	\$ 16,460	\$ 20,574	\$ 20,574	\$ -	\$ -	\$ -
Unrestricted	11,677	9,395	8,169	8,439	1,975	27,553	27,553	63,895	54,557	46,785
Total Business-Type Activities Net Position	\$ 19,909	\$ 19,684	\$ 20,515	\$ 22,842	\$ 18,435	\$ 48,127	\$ 48,127	\$ 63,895	\$ 54,557	\$ 46,785
Government-Wide:										
Net Investment in Capital Assets	\$ 854,817	\$ 3,021,299	\$ 2,961,013	\$ 2,846,897	\$ 2,710,291	\$ 2,615,703	\$ 2,446,188	\$ 2,365,645	\$ 2,121,969	\$ 1,907,011
Restricted	3,242,217	1,030,089	703,887	349,140	495,647	501,203	424,832	205,358	152,989	303,204
Unrestricted	(1,383,253)	(1,270,067)	(1,246,720)	(1,136,102)	(106,870)	9,004	420,041	443,513	219,375	151,245
Total Government Net Position	\$ 2,713,781	\$ 2,781,321	\$ 2,418,180	\$ 2,059,935	\$ 3,099,068	\$ 3,125,910	\$ 3,291,061	\$ 3,014,516	\$ 2,494,333	\$ 2,361,460

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses:										
Instruction:										
Regular	\$ 2,764,912	\$ 2,566,490	\$ 2,466,529	\$ 2,426,155	\$ 2,472,409	\$ 2,610,192	\$ 2,273,605	\$ 2,353,857	\$ 2,350,951	\$ 2,262,824
Special Education	1,127,542	1,073,386	1,056,285	1,027,398	969,466	904,275	794,094	708,664	797,433	713,836
Other Special Instruction	42,000	40,357	42,059	61,071	61,686	62,145	62,779	39,669	38,298	35,676
Other Instruction	41,860	27,532	39,198	23,495	35,530	25,593	20,808	30,883	84,443	72,739
Support Services & Undistributed Costs:										
Tuition	81,032	135,311	36,909	28,118	111,940	64,603	118,623	85,908	73,359	206,721
Health Services	172,343	138,104	133,716	132,430	166,750	191,526	204,382	171,790	152,271	143,930
Student & Instruction Related Services	700,127	583,452	559,820	615,758	549,536	499,905	497,854	479,334	536,484	434,037
Educational Media Services/School										
Library	63,971	65,481	61,214	57,061	62,935	65,708	54,677	61,713	76,173	116,546
Instructional Staff Training	4,400	-	14	1,800	-	970	1,622	5,246	5,989	7,214
School Administrative Services	114,976	119,561	148,276	121,955	121,815	151,809	132,878	137,301	124,163	153,274
General Administrative Services	343,449	312,810	296,379	281,374	271,259	280,362	271,407	269,289	299,899	256,071
Plant Operations & Maintenance	562,924	508,870	526,179	542,687	504,561	535,064	505,545	467,828	575,798	563,337
Pupil Transportation	126,772	126,135	98,052	100,099	111,304	142,710	128,679	133,478	133,992	232,972
Business & Other Support Services	273,588	228,404	233,226	217,384	190,845	198,871	183,895	199,505	195,859	183,650
Administration Information Technology							2,184	2,184	4,368	4,200
Unallocated Benefits	3,396,534	1,279,094	1,184,475	2,606,821	1,703,231	1,802,941	1,602,622	1,492,439	1,441,070	1,295,937
On Behalf TPAF Pension and Social Security Contribution:	1,818,375	937,219	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	145,901	115,510	125,863	137,378	135,963	158,489	183,095	169,390	206,923	219,538
Change in Compensated Absences	(29,830)	3,627	17,643	(7,292)	25,598	4,540	5,838	9,444	(20,360)	21,124
Adjustment to Fixed Assets	-	-	-	-	-	-	-	(111,391)	-	-
Unallocated Depreciation	183,966	195,526	213,827	213,827	211,298	211,298	209,457	209,457	243,195	238,101
Total Governmental Activities Expenses	11,934,842	8,476,869	7,239,664	8,587,519	7,706,126	7,911,001	7,254,044	6,915,988	7,320,308	7,161,727

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

	FISCAL YEAR ENDING JUNE 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Business-Type Activities:										
Food Service	12,499	13,401	16,754	12,425	21,371	9,783	10,154	9,324	10,144	8,875
Total Business-Type Activities Expense	12,499	13,401	13,401	12,425	21,371	9,783	10,154	9,324	10,144	8,875
Total District Expenses	\$ 11,947,341	\$ 8,490,270	\$ 7,253,065	\$ 8,599,944	\$ 7,727,497	\$ 7,920,784	\$ 7,264,198	\$ 6,925,312	\$ 7,330,452	\$ 7,170,602
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Operating Grants & Contributions	\$ 3,151,390	\$ 1,386,288	\$ 1,511,731	\$ 1,564,292	\$ 1,364,491	\$ 1,802,255	\$ 1,592,272	\$ 2,232,503	\$ 1,677,709	\$ 1,244,056
Total Governmental Activities Program Revenues	3,151,390	1,386,288	1,511,731	1,564,292	1,364,491	1,802,255	1,592,272	2,232,503	1,677,709	1,244,056
Business-Type Activities:										
Charges for Services:										
Food Service	8,073	8,226	9,565	10,682	11,522	11,881	13,205	11,208	11,240	12,248
Operating Grants & Contributions	4,651	4,344	4,862	6,150	5,654	5,292	6,355	7,155	6,400	8,304
Total Business Type Activities Program Revenues	12,724	12,570	14,427	16,832	17,176	17,173	19,560	18,363	17,640	20,552
Total District Program Revenues	\$ 3,164,114	\$ 1,398,858	\$ 1,666,158	\$ 1,581,124	\$ 1,536,667	\$ 1,974,228	\$ 1,788,832	\$ 2,418,666	\$ 1,853,349	\$ 1,444,608
Net (Expense)/Revenue:										
Governmental Activities	\$ (8,783,452)	\$ (7,090,581)	\$ (7,087,933)	\$ (7,023,227)	\$ (7,569,635)	\$ (7,730,746)	\$ (7,094,772)	\$ (6,692,485)	\$ (7,152,599)	\$ (7,037,671)
Business-Type Activities	225	(831)	1,026	4,407	(4,195)	7,390	9,406	9,039	7,496	11,677
Total Government-Wide Net Expense	\$ (8,783,227)	\$ (7,091,412)	\$ (7,086,907)	\$ (7,573,830)	\$ (7,723,356)	\$ (7,085,366)	\$ (6,683,446)	\$ (7,145,103)	\$ (7,025,994)	\$ (7,120,749)

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Revenues & Other Changes in Net Position:	5,917,019	5,800,999	5,687,254	5,492,856	5,284,086	5,171,005	5,120,136	5,070,796	4,949,681	4,759,309
Governmental Activities:										
Taxes:										
Property Taxes, Levied for General Purposes, Net	452,250	449,000	453,074	455,075	454,374	427,796	452,457	472,430	462,880	470,973
Taxes Levied for Debt Service	2,262,159	1,111,264	1,103,320	1,117,312	1,722,464	1,782,505	1,644,821	1,428,593	1,609,848	1,561,499
Federal & State Aid Not Restricted	84,259	93,290	82,569	86,001	98,403	163,715	165,595	231,511	255,291	199,414
Miscellaneous Revenue	-	-	122,288	-	-	-	-	-	-	-
Tuition Received	-	-	-	-	-	-	(670)	-	-	-
Cancellation of Grants	-	-	-	-	-	-	-	-	-	-
Cancellation of Prior Year's Accounts Payable	-	-	-	-	32,635	-	-	-	-	-
Transfer In	-	-	-	-	33,154	-	-	-	-	-
Total Governmental Activities	8,715,687	7,454,553	7,448,505	7,448,505	7,625,116	7,545,021	7,382,339	7,203,330	7,277,700	6,991,195
Business-Type Activities:										
Investment Earnings	-	-	-	-	134	133	146	299	276	118
Transfer Out	-	-	-	-	(33,154)	-	-	-	-	-
Total Business-Type Activities	-	-	-	-	(33,020)	133	146	299	276	118
Total District-Wide	\$ 8,715,687	\$ 7,454,553	\$ 7,448,505	\$ 7,448,505	\$ 7,592,096	\$ 7,545,154	\$ 7,382,485	\$ 7,203,629	\$ 7,277,976	\$ 6,991,313
Change in Net Position:										
Governmental Activities	\$ (67,765)	\$ 363,972	\$ 360,572	\$ 425,278	\$ 55,481	\$ (185,725)	\$ 287,567	\$ 510,845	\$ 125,101	\$ (46,476)
Business-Type Activities	225	(831)	1,026	4,407	(37,215)	7,523	9,552	9,338	7,772	11,795
Total District	\$ (67,540)	\$ 363,141	\$ 361,598	\$ 429,685	\$ 18,266	\$ (178,202)	\$ 297,119	\$ 520,183	\$ 132,873	\$ (34,681)

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

	FISCAL YEAR ENDING JUNE 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund:										
Restricted	\$ 890,301	\$ 1,023,475	\$ 722,888	\$ 369,653	\$ 518,160	\$ 536,427	\$ 432,535	\$ 306,392	\$ 196,477	\$ 352,728
Assigned	117,926	148,861	78,879	132,671	7,157	32,282	412,222	292,664	227,402	-
Unassigned	162,104	144,413	142,927	141,377	142,004	144,906	181,462	180,913	131,673	188,998
Total General Fund	\$ 1,170,331	\$ 1,316,749	\$ 944,694	\$ 643,701	\$ 667,321	\$ 713,615	\$ 1,026,219	\$ 779,969	\$ 555,552	\$ 541,726
All Other Governmental Funds:										
Assigned, Reported in:										
Capital Projects Fund	2,337,802	6,614	6,614	6,614	6,614	6,614	6,614	7,284	-	-
Debt Service Fund	14,114	-	(1)	-	-	1	28,062	28,061	85	6,678
Total All Other Governmental Funds	\$ 2,351,916	\$ 6,614	\$ 6,613	\$ 6,614	\$ 6,614	\$ 6,615	\$ 34,676	\$ 35,345	\$ 85	\$ 6,678

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Tax Levy	\$ 6,369,269	\$ 6,249,999	\$ 6,140,328	\$ 5,947,931	\$ 5,738,460	\$ 5,598,801	\$ 5,572,593	\$ 5,543,226	\$ 5,412,561	\$ 5,230,282
Tuition Charges	61,602	256,035	122,288	-	-	-	-	-	-	-
Miscellaneous	84,259	93,290	82,569	86,001	98,403	163,715	165,595	231,511	255,291	199,414
State Sources	2,327,395	2,166,447	1,981,479	1,811,781	1,731,937	1,827,684	1,609,132	1,432,020	1,469,194	1,577,014
Federal Sources	135,824	125,070	136,617	131,786	127,018	135,076	194,961	220,076	308,363	108,541
Total Revenue	8,978,349	8,890,841	8,463,281	7,977,499	7,695,818	7,725,276	7,542,281	7,426,833	7,445,409	7,115,251
Expenditures										
Current Expense:										
Instruction	3,976,314	3,707,765	3,604,071	3,538,119	3,539,091	3,602,205	3,151,286	3,133,073	3,271,125	3,085,075
Undistributed										
Expenditures	4,668,443	4,291,760	4,078,233	3,953,406	3,794,176	3,934,469	3,682,257	3,502,074	3,606,030	3,597,889
Capital Outlay	676,458	20,260	26,910	54,519	20,260	73,410	35,351	83,450	91,548	69,017
Debt Service	452,250	449,000	453,075	455,075	454,374	455,857	452,456	448,559	469,473	470,975
Total Expenditures	9,773,465	8,468,785	8,162,289	8,001,119	7,807,901	8,065,941	7,321,350	7,167,156	7,438,176	7,222,956
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(795,116)	422,056	300,992	(23,620)	(112,083)	(340,665)	220,931	259,677	7,233	(107,705)
Other Financing Sources/(Uses):										
Cancellation of SDA Grant	-	-	-	-	-	-	(670)	-	-	-
Cancellation of Prior Year	-	-	-	-	32,635	-	-	-	-	-
Accounts Payable	-	-	-	-	-	-	-	-	-	-
Bond Proceeds	2,994,000	-	-	-	-	-	-	-	-	-
Transfers in	20,728	1	-	-	33,154	-	25,320	30,000	-	-
Transfers Out	(20,728)	(1)	-	-	-	-	-	(30,000)	-	-
Total Other Financing Sources/(Uses)	2,994,000	-	-	-	65,789	-	24,650	-	-	-
Net Change in Fund Balances	\$ 2,198,884	\$ 422,056	\$ 300,992	\$ (23,620)	\$ (46,294)	\$ (340,665)	\$ 245,581	\$ 259,677	\$ 7,233	\$ (107,705)
Debt Service as a Percentage of Noncapital Expenditures	4.97%	5.31%	5.57%	5.73%	5.83%	5.70%	6.21%	6.33%	6.39%	6.58%

Source: District records

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

FISCAL YEAR ENDED JUNE 30,	CLASSROOM RENTAL	INTEREST ON INVESTMENTS	TUITION	MISCELLANEOUS	TOTAL
2018	\$ -	\$ -	\$ 61,602	\$ 34,739	\$ 96,341
2017	-	-	256,035	45,326	301,361
2016	-	-	122,288	47,837	170,125
2015	-	-	30,645	28,818	59,463
2014	-	-	22,675	66,255	88,930
2013	-	-	47,175	71,361	118,536
2012	-	14,591	71,889	56,524	143,004
2011	142,885	12,508	-	58,330	213,723
2010	142,885	12,508	-	62,187	217,580
2009	138,398	10,759	-	31,548	180,705

Source: District records

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REVENUE CAPACITY INFORMATION

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

FISCAL YEAR ENDED JUNE 30,	VACANT LAND	RESIDENTIAL	COMMERCIAL	TOTAL ASSESSED VALUE	PUBLIC UTILITIES	NET VALUATION TAXABLE	TOTAL DIRECT SCHOOL TAX RATE	ESTIMATED ACTUAL (COUNTY EQUALIZED) VALUE
2018	\$ 630,200	\$ 440,576,900	\$ 8,339,900	\$ 449,547,000	\$ 314,997	\$ 449,861,997	2.173	\$ 472,046,581
2017	1,154,500	439,717,700	8,473,400	449,345,600	330,890	449,676,490	2.047	453,972,602
2016	872,900	440,105,200	8,473,400	449,451,500	335,593	449,787,093	1.992	450,141,350
2015	954,800	440,338,200	8,473,400	449,766,400	336,134	450,102,534	1.970	456,460,836
2014	1,078,100	441,031,300	8,473,400	450,582,800	407,702	450,990,502	1.885	450,990,502
2013	1,159,500	442,688,300	8,473,400	452,321,200	389,070	452,710,270	1.830	477,484,641
2012	1,159,500	443,517,100	8,574,200	453,250,800	415,050	453,665,850	1.789	480,451,451
2011	1,028,500	446,100,800	8,574,200	455,703,500	577,611	456,281,111	1.757	491,581,256
2010	476,000	228,453,100	4,363,400	233,292,500	277,038	233,569,538	3.302	493,962,463
2009	521,000	227,566,900	4,390,300	232,478,200	220,690	232,698,890	3.276	483,086,999

Source: Burlington County Abstract of Ratables

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

FISCAL YEAR ENDED JUNE 30,	SCHOOL DISTRICT DIRECT RATE			OVERLAPPING RATES		
	LOCAL SCHOOL	REGIONAL SCHOOL	TOTAL DIRECT	BOROUGH OF MEDFORD LAKES	BURLINGTON COUNTY	TOTAL
						DIRECT AND OVERLAPPING TAX RATE
2018	1.470	0.703	2.173	0.647	0.420	3.240
2017	1.416	0.631	2.047	0.636	0.411	3.094
2016	1.390	0.602	1.992	0.617	0.408	3.017
2015	1.365	0.605	1.970	0.649	0.379	2.998
2014	1.272	0.613	1.885	0.601	0.391	2.877
2013	1.237	0.593	1.830	0.587	0.326	2.743
2012	1.228	0.561	1.789	0.587	0.327	2.703
2011	1.215	0.542	1.757	0.590	0.334	2.681
2010	2.317	0.985	3.302	1.153	0.656	5.111
2009	2.247	1.029	3.276	1.141	0.808	5.225

Source: Burlington County Abstract of Ratables

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

TAXPAYER	2018		
	TAXABLE ASSESSED VALUE	RANK (OPTIONAL)	% OF TOTAL DISTRICT NET ASSESSED VALUE
Medford Lakes Country Club	\$ 3,008,000	1	0.67%
61 Stokes Road, LLC	1,722,800	2	0.38%
US Bank Trust	831,400	3	0.18%
Taxpayer #1	756,900	4	0.17%
Taxpayer #2	742,900	5	0.17%
Taxpayer #3	734,100	6	0.16%
Taxpayer #4	703,400	7	0.16%
Taxpayer #5	700,000	8	0.16%
Taxpayer #6	689,700	9	0.15%
Taxpayer #7	682,500	10	0.15%
Total	<u>\$ 10,571,700</u>		<u>2.35%</u>

TAXPAYER	2009		
	TAXABLE ASSESSED VALUE	RANK (OPTIONAL)	% OF TOTAL DISTRICT NET ASSESSED VALUE
Medford Lakes Country Club	\$ 3,008,000	1	0.62%
Taxpayer #1	1,722,800	2	0.17%
Taxpayer #2	831,400	3	0.16%
Taxpayer #3	756,900	4	0.14%
Taxpayer #4	738,600	5	0.13%
Taxpayer #5	734,100	6	0.13%
Taxpayer #6	689,700	7	0.12%
Taxpayer #7	682,500	8	0.12%
Taxpayer #8	664,600	9	0.12%
Taxpayer #9	664,300	10	0.12%
Total	<u>\$ 10,492,900</u>		<u>1.83%</u>

Source: Municipal Tax Assessor

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

FISCAL YEAR ENDED JUNE 30,	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY	
		AMOUNT	PERCENTAGE OF LEVY
2018	\$ 6,369,269	\$ 6,369,269	100.00%
2017	6,249,999	6,249,999	100.00%
2016	6,140,328	6,140,328	100.00%
2015	5,947,931	5,947,931	100.00%
2014	5,738,460	5,738,460	100.00%
2013	5,598,801	5,598,801	100.00%
2012	5,572,593	5,572,593	100.00%
2011	5,543,226	5,543,226	100.00%
2010	5,412,561	5,230,282	100.00%
2009	5,230,282	4,902,699	100.00%

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

DEBT CAPACITY INFORMATION

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

FISCAL YEAR ENDED JUNE 30,	<u>GOVERNMENTAL ACTIVITIES</u>			TOTAL DISTRICT	PER CAPITA
	GENERAL OBLIGATION BONDS	CAPITAL LEASES			
2018	\$ 4,584,000	\$ -	\$	4,584,000	1,105.64
2017	1,945,000	-		1,945,000	471.63
2016	2,289,000	-		2,289,000	552.63
2015	2,610,000	-		2,610,000	635.04
2014	2,930,000	-		2,930,000	709.61
2013	2,935,000	-		2,935,000	707.74
2012	3,545,000	-		3,545,000	856.28
2011	3,835,000	-		3,835,000	925.66
2010	4,120,000	-		4,120,000	1,002.43
2009	4,500,000	-		4,500,000	1,092.50

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

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

FISCAL YEAR ENDED JUNE 30,	GENERAL BONDED DEBT OUTSTANDING			PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
	GENERAL OBLIGATION BONDS	DEDUCTIONS	NET GENERAL BONDED DEBT OUTSTANDING		
2018	\$ 4,584,000	\$ -	\$ 4,584,000	1.02%	1,105.64
2017	1,945,000	-	1,945,000	0.43%	471.63
2016	2,280,000	-	2,280,000	0.51%	552.63
2015	2,610,000	-	2,930,000	0.65%	635.04
2014	2,930,000	-	2,935,000	0.65%	709.61
2013	2,935,000	-	3,545,000	0.78%	707.74
2012	3,545,000	-	3,835,000	0.85%	856.28
2011	3,835,000	-	4,120,000	0.90%	925.66
2010	4,120,000	-	4,500,000	1.93%	1,002.43
2009	4,500,000	-	4,750,000	2.04%	1,092.50

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

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE	SHARE OF OVERLAPPING DEBT
Debt Repaid With Property Taxes:			
Borough of Medford Lakes	\$ 11,542,984	100.00%	\$ 11,542,984
Lenape Regional School District	55,940,000	2.560%	1,432,064
Burlington County	338,286,327	0.987%	<u>3,338,886</u>
Subtotal, Overlapping Debt			16,313,934
Medford Lakes School District			<u>4,584,000</u>
Total Direct & Overlapping Debt			<u><u>\$ 20,897,934</u></u>

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

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

	FISCAL YEAR									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt Limit	\$ 13,754,813	\$ 13,569,680	\$ 13,821,526	\$ 14,097,429	\$ 14,264,835	\$ 14,727,640	\$ 14,633,447	\$ 14,223,672	\$ 13,435,095	\$ 12,270,181
Total Net Debt Applicable to Limit	4,584,000	1,945,000	2,290,000	2,930,000	3,240,000	3,835,000	4,120,000	4,500,000	4,750,000	4,990,000
Legal Debt Margin	\$ 9,170,813	\$ 11,531,526	\$ 11,167,429	\$ 11,024,835	\$ 10,892,640	\$ 10,513,447	\$ 9,723,672	\$ 8,685,095	\$ 7,280,181	\$ 5,616,333
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	33.33%	14.33%	16.57%	20.78%	22.71%	26.04%	28.15%	31.64%	35.36%	40.67%

Legal Debt Margin Calculation for Fiscal Year 2017

Equalized Valuation Basis	
2017	\$ 472,046,581
2016	453,533,300
2015	449,901,370
	<u>\$ 1,375,481,251</u>
Average Equalized Valuation of Taxable Property	<u>\$ 458,493,750</u>
Debt Limit (3 % of Average Equalization Value) Net Bonded School Debt	<u>\$ 13,754,813</u> <u>4,584,000</u>
Legal Debt Margin	<u>\$ 9,170,813</u>

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

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DEMOGRAPHIC AND ECONOMIC STATISTICS
& OPERATING INFORMATION

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

YEAR	POPULATION	BURLINGTON COUNTY PER CAPITA INCOME	UNEMPLOYMENT RATE
2018	4,146	N/A	4.8%
2017	4,124	N/A	3.6%
2016	4,142	N/A	6.3%
2015	4,110	53,747	5.2%
2014	4,129	53,785	6.3%
2013	4,147	51,638	4.2%
2012	4,140	51,149	4.4%
2011	4,143	49,471	4.1%
2010	4,110	47,586	2.3%
2009	4,119	47,384	2.2%

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

	<u>2018</u>	<u>2009</u>
	EMPLOYEES	EMPLOYEES
Medford Lakes Board of Education	<u>105</u>	<u>109</u>
Total	<u><u>105</u></u>	<u><u>109</u></u>

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

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

INFORMATION NOT CURRENTLY AVAILABLE

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

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO	AVERAGE DAILY ENROLLMENT (ADE) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
2018	532	\$7,738,159	14,545	14.54%	46	13/1	533.5	505.7	-1.80%	95.06%
2017	546	7,204,097	13,194	3.90%	43	13/1	540.5	513.7	-0.52%	94.08%
2016	544	6,971,746	12,699	-2.81%	43	13/1	543.3	517.8	1.97%	94.32%
2015	543	6,971,746	12,699	-2.81%	43	13/1	543.3	517.8	1.97%	94.32%
2014	524	6,831,093	13,137	0.54%	43	13/1	524.4	501.5	-1.58%	96.44%
2013	532	6,977,204	13,066	13.73%	43	13/1	532.8	506.4	-0.30%	94.83%
2012	534	6,134,741	11,488	4.50%	43	13/1	534.4	511.8	-1.33%	95.84%
2011	544	5,980,616	10,994	-1.54%	44	13/1	543.8	518.7	-2.94%	95.35%
2010	564	6,297,450	11,166	-0.08%	43	13/1	558.3	534.4	0.19%	94.75%
2009	552	6,168,396	11,175	3.42%	43	13/1	559.1	533.4	4.61%	96.63%

Sources: District records

Note: Enrollment based on annual October district count.

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

MEDFORD LAKES SCHOOL DISTRICT
 SCHOOL BUILDING INFORMATION
 LAST TEN FISCAL YEARS

DISTRICT BUILDINGS	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Elementary Schools:										
Neeta School:										
Square Feet	65,573	65,573	65,573	65,573	65,573	65,573	65,573	65,573	65,573	65,573
Capacity (Students)	489	489	489	489	489	489	489	489	489	489
Enrollment	358	373	380	372	334	355	344	358	356	351
Nokomis School:										
Square Feet	20,030	20,030	20,030	20,030	20,030	20,030	20,030	20,030	20,030	20,030
Capacity (Students)	160	160	160	160	160	160	160	160	160	160
Enrollment	174	167	169	177	186	179	190	189	208	201

Number of Schools at June 30, 2018:

Elementary = 1

Middle School = 1

Source: District Facilities Office

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

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

	*	NEETA SCHOOL	NOKOMIS SCHOOL	TOTAL
2018	\$	35,852	\$ 23,311	\$ 59,163
2017		33,379	23,191	56,570
2016		33,346	13,272	46,618
2015		24,094	19,368	43,462
2014		23,837	10,479	34,316
2013		18,921	14,240	33,161
2012		23,124	9,685	32,809
2011		21,780	11,925	33,705
2010		27,532	17,210	44,742
2009		24,316	12,777	37,093

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

Source: District records

**INSURANCE SCHEDULE
JUNE 30, 2018**

School Package Policy - Burlington County Insurance Pool - Joint Insurance Fund - BCIPJIF:	COVERAGE	DEDUCTIBLE
Specialty National Insurance Co.:		
Property - Blanket Building and Contents	\$ 175,000,000	\$ 500
Crime	250,000	500
General & Automobile Liability	20,000,000	-
Worker's Compensation	Statutory	-
Educator's Legal Liability	20,000,000	-
Travelers Insurance Company:		
Boiler & Machinery	125,000,000	1,000
AIG Insurance Company:		
Pollution Legal Liability	3,000,000	25,000

Source: District records.

SINGLE AUDIT SECTION

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EXHIBIT K-1

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Medford Lakes School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Medford Lakes School District’s basic financial statements, and have issued our report thereon dated February 15, 2019.

Internal Control Over Financial Reporting

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

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

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

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

Medford, New Jersey
February 15, 2019



EXHIBIT K-2

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

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

Report on Compliance for Each Major State Program

We have audited the Medford Lakes School District’s compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the School District’s major state programs for the fiscal year ended June 30, 2018. The Medford Lakes School District’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

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

Medford, New Jersey
February 15, 2019

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**MEDFORD LAKES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR/PASS - THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CDFA NUMBER	FEDERAL FAIN NUMBER	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2017	CASH RECEIVED	BUDGETARY EXPENDITURES	SUB RECIPIENT EXPENDITURES	(ACCOUNTS RECEIVABLE) JUNE 30, 2018	DUE TO GRANTOR 2018
U.S. Department of Agriculture											
Passed Through New Jersey Department of Agriculture:											
Child Nutrition Cluster:											
Special Milk Program	10.556	181N304N1099	100-010-3350-026	\$ 4,651	7/1/17-6/30/18	\$ -	\$ 4,327	\$ (4,651)	\$ -	\$ (324)	\$ -
Special Milk Program	10.556	171N304N1099	100-010-3350-026	4,344	7/1/16-6/30/17	(755)	755	-	-	-	-
Total Child Nutrition Cluster						(755)	5,082	(4,651)	-	(324)	-
Total U.S. Department of Agriculture						(755)	5,082	(4,651)	-	(324)	-
U.S. Department of Education											
Passed Through New Jersey Department of Education:											
Title II Part A	84.281A	S367A170029	100-034-5063-290	16,819	7/1/17-6/30/18	-	16,819	(16,819)	-	-	-
Title II Part A	84.281A	S367A160029	100-034-5063-290	12,770	7/1/16-6/30/17	(3,520)	3,520	-	-	-	-
Subtotal						(3,520)	20,339	(16,819)	-	-	-
Special Education Cluster:											
I.D.E.A. Part B, Basic Regular	84.027	H027A170100	100-034-5065-016	113,465	7/1/17-6/30/18	-	113,465	(113,465)	-	-	-
I.D.E.A. Part B, Basic Regular	84.027	H027A160100	100-034-5065-016	114,319	7/1/16-6/30/17	(15,054)	15,054	-	-	-	-
Subtotal						(15,054)	128,519	(113,465)	-	-	-
I.D.E.A. Preschool	84.173	H173A170114	100-034-5065-020	5,540	7/1/17-6/30/18	-	5,540	(5,540)	-	-	-
Subtotal						-	5,540	(5,540)	-	-	-
Total Special Education Cluster						(15,054)	134,059	(119,005)	-	-	-
Total U.S. Department of Education						(18,574)	154,398	(135,824)	-	-	-
Total Expenditures of Federal Awards						\$ (19,329)	\$ 159,480	\$ (140,475)	\$ -	\$ (324)	\$ -

**MEDFORD LAKES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR FISCAL YEAR ENDED JUNE 30, 2018**

STATE GRANTOR/ PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2017	CASH RECEIVED	BUDGETARY EXPENDITURES	SUBRECIPIENT EXPENDITURES	MEMO		
								JUNE 30, 2018 (ACCOUNTS RECEIVABLE)	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
STATE DEPARTMENT OF EDUCATION:										
General Fund:										
Equalization Aid	495-034-5120-078	\$ 868,380	7/1/17-6/30/18	\$ -	\$ 868,380	\$ (868,380)	\$ -	\$ -	\$ 81,991	\$ 868,380
Special Education Categorical Aid	495-034-5120-089	317,108	7/1/17-6/30/18	-	317,108	(317,108)	-	-	29,941	317,108
Security Aid	495-034-5120-084	9,036	7/1/17-6/30/18	-	9,036	(9,036)	-	-	854	9,036
Under Adequacy Aid	495-034-5120-096	2,090	7/1/17-6/30/18	-	2,090	(2,090)	-	-	197	2,090
Per Pupil Growth Aid	495-034-5120-097	5,170	7/1/17-6/30/18	-	5,170	(5,170)	-	-	488	5,170
PARCC Readiness	495-034-5120-098	5,170	7/1/17-6/30/18	-	5,170	(5,170)	-	-	488	5,170
Professional Learning Community Aid	495-034-5120-101	5,340	7/1/17-6/30/18	-	5,340	(5,340)	-	-	504	5,340
Total State Aid- Public				-	1,212,294	(1,212,294)	-	-	114,463	1,212,294
Transportation Aid	495-034-5120-014	8,189	7/1/17-6/30/18	-	8,189	(8,189)	-	-	773	8,189
Lead Testing	495-034-5120-104	1,192	7/1/17-6/30/18	-	1,192	(1,192)	-	-	-	1,192
Nonpublic Transportation Aid- Current Year	100-034-5120-014	7,540	7/1/17-6/30/18	-	-	(7,540)	-	(7,540)	-	7,540
Nonpublic Transportation Aid- Prior Year	100-034-5120-014	4,002	7/1/16-6/30/17	(4,002)	4,002	-	-	-	-	-
Extraordinary Aid- Current Year	495-034-5120-044	23,300	7/1/17-6/30/18	-	-	(23,300)	-	(23,300)	-	23,300
Extraordinary Aid- Prior Year	495-034-5120-044	9,859	7/1/16-6/30/17	(9,859)	9,859	-	-	-	-	-
Reimbursed TPAF Social Security										
Contribution- Current Year	495-034-5095-003	253,407	7/1/17-6/30/18	-	237,970	(253,407)	-	(15,437)	-	253,407
Reimbursed TPAF Social Security										
Contribution- Prior Year	495-034-5095-003	265,783	7/1/16-6/30/17	(13,780)	13,780	-	-	-	-	-
Noncash Assistance:										
On-Behalf TPAF Pension										
Contributions	100-034-5095-002	502,221	7/1/17-6/30/18	-	502,221	(502,221)	-	-	-	502,221
On-Behalf TPAF Post-Retirement										
Medical	100-034-5095-001	324,374	7/1/17-6/30/18	-	324,374	(324,374)	-	-	-	324,374
On-Behalf TPAF Long Term										
Disability Insurance Contribution	100-034-5095-004	525	7/1/17-6/30/18	-	525	(525)	-	-	-	525
Total General Fund				(27,641)	2,314,406	(2,333,042)	-	(46,277)	115,236	2,333,042
Total State Financial Assistance				\$ (27,641)	\$ 2,314,406	\$ (2,333,042)	\$ -	\$ (46,277)	\$ 115,236	\$ 2,333,042
State Financial Assistance Programs not subject to Calculation for Major Program Determination:										
On Behalf TPAF Pension										
Contributions (Non-Budgeted)	100-034-5095-002	502,221	7/1/17-6/30/18	-	-	-	502,221	-	-	502,221
On Behalf TPAF Post-Retirement										
Medical (Non-Budgeted)	100-034-5095-001	324,374	7/1/17-6/30/18	-	-	-	324,374	-	-	324,374
On-Behalf TPAF Long Term										
Disability Insurance Contribution	100-034-5095-004	525	7/1/17-6/30/18	-	-	-	525	-	-	525
Total State Financial Assistance subject to Calculation for Major Program Determination										\$ (1,505,922)

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

MEDFORD LAKES SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal awards and state financial assistance programs of the Medford Lakes School District. The School District is defined in Note 1 of the basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

Note 2. Summary of Significant Accounting Policies

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the following exception: programs recorded in the enterprise fund are presented using the accrual basis of accounting and programs recorded in the capital projects fund are presented using the modified accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

Note 3. Relationship to Basic Financial Statements

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

**MEDFORD LAKES SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(5,647) for the general fund and \$0 for the special revenue fund. See Exhibit C-3 Note A of the basic financial statements, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures reported in the School District's basic financial statements on a GAAP basis are presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 2,327,395	\$ 2,327,395
Special Revenue Fund	135,824	-	135,824
Food Service Fund	4,651	-	4,651
	<hr/>	<hr/>	<hr/>
Total Awards & Financial Assistance	<u>\$ 140,475</u>	<u>\$ 2,327,395</u>	<u>\$ 2,467,870</u>

Note 4. Relationship to Federal and State Financial Reports

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

Note 5. Federal and State Loans Outstanding

The Medford Lakes School District had no loan balances outstanding at June 30, 2018.

**MEDFORD LAKES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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) Material weakness(es) identified? _____ yes X no

2) Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

SECTION IS N/A - NOT REQUIRED

Internal control over major programs:

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

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

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200 section .516(a) of Uniform Guidance? _____ yes _____ no

Identification of major programs:

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

Dollar threshold used to determine Type A programs _____

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

**MEDFORD LAKES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

State Financial Assistance

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

Auditee qualified as low-risk auditee? X yes no

Internal control over major programs:

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

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

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

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

Identification of major programs:

State Grant/Project Number(s)

Name of State Program

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

**MEDFORD LAKES SCHOOL DISTRICT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings

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

None.

**MEDFORD LAKES SCHOOL DISTRICT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08.

FEDERAL AWARDS

N/A – Federal single audit not required

STATE FINANCIAL ASSISTANCE

None.

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

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular 15-08.

Financial Statement Findings

No Prior Year Findings.

Federal Awards

N/A – No Federal Single Audit in Prior Year.

State Financial Assistance

No Prior Year Findings.