

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**

Middletown, New Jersey  
County of Monmouth

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2018**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
MIDDLETOWN, NEW JERSEY**



**YEAR ENDED JUNE 30, 2018**

**PREPARED BY MIDDLETOWN TOWNSHIP PUBLIC SCHOOL DISTRICT  
BUSINESS OFFICE  
AMY P. GALLAGHER, CPA  
SCHOOL BUSINESS ADMINISTRATOR/BOARD SECRETARY**

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**INTRODUCTORY SECTION**

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## **MIDDLETOWN TOWNSHIP PUBLIC SCHOOLS**

*Office of the School Business Administrator/Board Secretary*

**PO Box 4170, Middletown, NJ 07748**

**(732) 671-3850**

**Fax (732) 291-1035**

[www.middletownk12.org](http://www.middletownk12.org)

February 15, 2019

Honorable President and Members

Of the Board of Education

Citizens of the Township of Middletown

Middletown Township School District

County of Monmouth

Middletown, NJ 07748

Dear Board Members and Citizens of the Township of Middletown:

The comprehensive annual financial report of the Middletown Township School District (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 Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information at June 30, 2018, and the respective changes in financial position and cash flows, where applicable, for the year then ended. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The introductory section includes this transmittal letter (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's organizational chart, a roster of officials, the list of independent auditors, and advisors. The financial section includes management's discussion and analysis (presented immediately after the report of independent auditors), basic financial statements, required supplementary information, and other supplementary information, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis and is unaudited. The 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.

## 1. Reporting Entity and its Service

The Middletown Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No. 14, amended by GASB Statements No. 39 and 61. All funds of the District are included in this report. The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular education programs, vocational programs, and special education programs and services for handicapped students. The Middletown Township School District is comprised of twelve elementary schools, three middle schools and two high schools. The District student count at October 13, 2017 was 9,572. There are not currently any Charter Schools located in Middletown Township.

## 2. Economic Condition and Outlook

The Township of Middletown completed a revaluation all of its properties in 2015 to adjust the net assessed valuations closer to market value, which resulted in an increase in valuations. Our bonded indebtedness is \$60,145,000 as compared to our school-borrowing margin of \$424,439,315.

The District's enrollment has been relatively stable over the last few years. An updated enrollment projection was completed in June 2016 that predicts an overall continuing downward trend in enrollment over the next five years. There are a few new residential developments planned in the Township, but they are not anticipated to have a significant impact on the student population.

The 17 schools in the district vary in age, with original construction dates ranging from 1928 through 1974. The District passed a bond referendum in March 2014 for roofing and improvements to the geothermal heating and cooling system.

In July 2018, the District was notified that its 2018-2019 state aid allocation was being reduced by \$1,177,977.00 Current projections indicate that the District will be subject to an additional \$4.8 million in state aid reductions through fiscal year 2024-2025 under the provisions of the School Funding Reform Act.

## 3. Long-Term Financial Planning/Major Initiatives

The District completed an updated Long Range Facilities Plan in March of 2016. Capital projects included in the 2017-2018 budget and the 2018-2019 budget address items included in this plan. Additionally, the District is in the process of completing an Energy Savings Improvement Program (ESIP), the goal of which will be to fund needed heating and cooling systems improvements with projects that will provide the district with energy savings over 15-20 years. The Board formed a Facilities and Long Range Planning Committee to bring together board members, administration and community members to discuss short and long term district needs. District administrators and the Board are also evaluating the long-term financial impact of state mandated initiatives and the allocation of state aid.

## 4. Internal Controls

Management of the District is responsible for establishing and maintaining internal controls that are designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) as they pertain to governmental entities. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

#### 5. Budgetary Controls and Process

In addition to internal controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue 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 canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as an assignment of fund balance at June 30, 2018.

Beginning with the 2012-2013 budget, the state of New Jersey allowed school districts to elect to eliminate the budget vote and adopt a budget approved by the Board of Education and the New Jersey Department of Education (NJDOE) providing that the tax levy increase does not exceed 2% plus any allowable waivers. The Middletown Township Board of Education elected to eliminate the budget vote at that time. In addition to the 2% limit on tax levy increases, there are restrictions on budget transfers during the year that can be made without NJDOE approval.

#### 6. Financial Policies

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

#### 7. Accounting System and Reports

The District's financial statements are presented in conformity with accounting principles generally accepted in the United States, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements," Note 1.

#### 8. Debt Administration

At June 30, 2018, the District's outstanding debt issues included bonds of \$60,145,000.00. The district's current bond rating is AA.

9. Other Information

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Holman Frenia Allison, P.C. was selected by the Board. 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 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". The auditor's report on the basic financial statements and combining individual fund 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.

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

10. Acknowledgments


We would like to express our appreciation to the members of the Middletown Township Board of Education for their concern in ensuring fiscal responsibility 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 been accomplished without the efficient and dedicated services of our financial and accounting staff.


11. Awards

The district received the Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Excellence, the district published an easily readable and efficiently organized CAFR.

This report satisfied both Generally Accepted Accounting Principles in the United States of America and applicable legal requirements. A Certificate of Excellence is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Excellence Program's requirements and we will be submitting it to ASBO to determine its eligibility for another certificate.

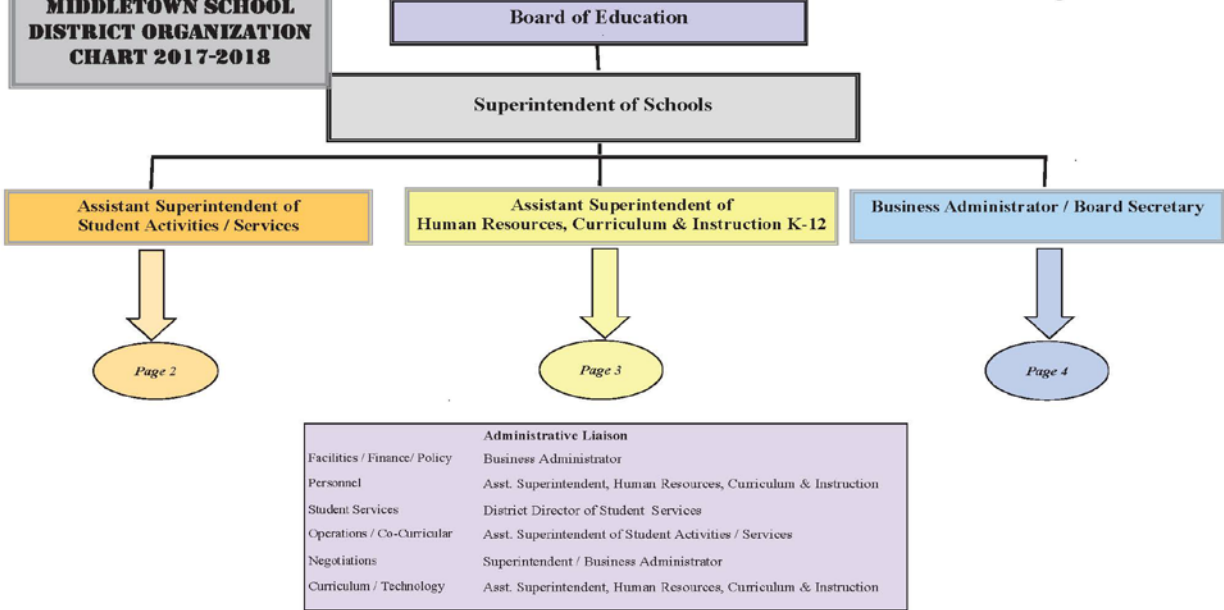
Respectfully submitted,

  
William O. George, III, Ed.D.  
Superintendent of Schools

  
Amy P. Gallagher, CPA  
Business Administrator/Board Secretary

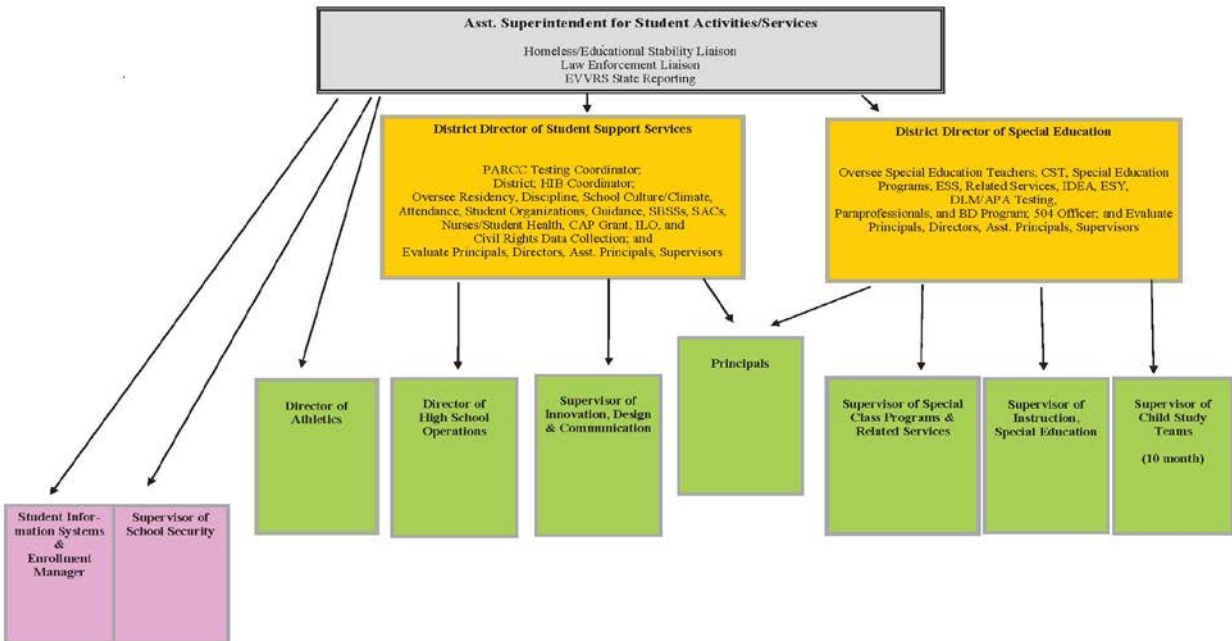
**MIDDLETOWN SCHOOL DISTRICT ORGANIZATION CHART 2017-2018**

Attachment Reorg-1

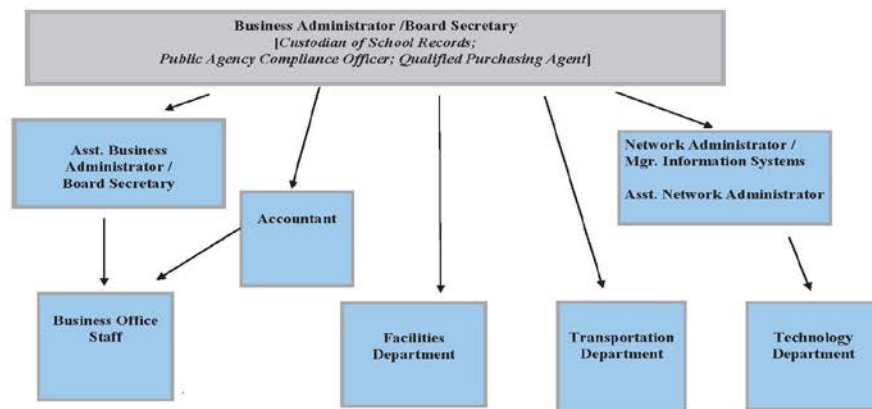
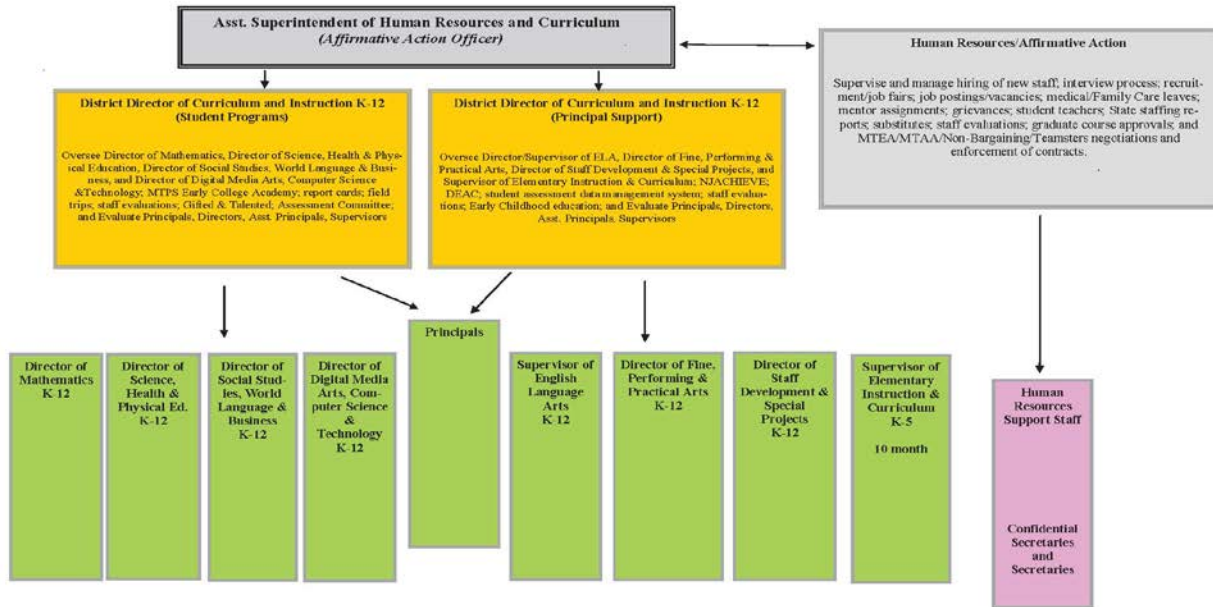


Approved by the Board of Education 5.23.17

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**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
MIDDLETOWN, NEW JERSEY  
ROSTER OF OFFICIALS  
JUNE 30, 2018**

Members of the Board of Education

**TERM EXPIRES**

Joan Minnuies, President	2018
Pamela Rogers, Vice President	2020
Leonora Caminiti	2019
James Cody	2018
Nicholas DiFranco	2020
Michael Donlon	2019
John Little	2019
Robin Stella	2020
Danielle Walsh	2018

Other Officials

William O. George, III, Ed. D. Superintendent of Schools

Amy P. Gallagher, CPA, School Business Administrator/Board Secretary

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
MIDDLETOWN, NEW JERSEY  
CONSULTANTS AND ADVISORS  
JUNE 30, 2018**

**AUDITOR/AUDIT FIRM**

Michael Holt, CPA, PSA  
Holman Frenia Allison, P. C.  
912 Highway 33, Suite 2  
Freehold, New Jersey 07728

**ATTORNEY**

Jeff Merlino, Esq.  
Sciarrillo, Cornell, Merlino, McKeever & Osborne LLC.  
238 Paul Street  
Westfield, NJ 07090

**OFFICIAL DEPOSITORY**

TD Bank  
207 Harmony Road  
Middletown, New Jersey 07748



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

The Certificate of Excellence in Financial Reporting  
is presented to

**Middletown Township  
Board of Education**

for its **Comprehensive Annual Financial Report (CAFR)**  
for the Fiscal Year Ended June 30, 2017.

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink that reads 'Charles E. Peterson, Jr.' The signature is written in a cursive style.

Charles E. Peterson, Jr., SFO, RSBA, MBA  
President

A handwritten signature in black ink that reads 'John D. Musso'. The signature is written in a cursive style.

John D. Musso, CAE  
Executive Director

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**FINANCIAL SECTION**

Second Section

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## INDEPENDENT AUDITORS REPORT

Honorable President and Members  
of the Board of Education  
Middletown Township School District  
County of Monmouth  
Middletown, New Jersey 07748

### 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 Middletown Township School District, County of Monmouth, 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 Middletown Township School District, County of Monmouth, 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 Middletown Township School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section 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 schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are also presented for purposes of additional analysis and are 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.

Michael Holt  
Certified Public Accountant  
Public School Accountant, No. 1148

Freehold, New Jersey  
February 15, 2019

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**REQUIRED SUPPLEMENTARY INFORMATION - PART I**

Management's Discussion and Analysis

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## MIDDLETOWN TOWNSHIP SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

UNAUDITED

This section of the Middletown Township Board of Education's Comprehensive Annual Financial Report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments* issued in June 1999 that is also required by the New Jersey State Department of Education. Certain comparative information between the current fiscal year (2017-2018) and the prior fiscal year (2016-2017) is required to be presented in the MD&A.

### FINANCIAL HIGHLIGHTS

Key financial highlights for 2018 are as follows:

- In total, net position of governmental activities decreased \$2,144,660.25, which represents a 16.16% decrease from 2017. Total net position of business-type activities decreased \$60,067.63, which represents an 8.96% decrease from 2017.
- General revenues accounted for \$164,604,900.84 in revenue or 71.18% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$66,659,042.66 or 28.82% of total revenues of \$231,263,943.50.
- Total assets of governmental activities increased by \$6,533,423.39 as cash and cash equivalents increased by \$1,421,697.34, receivables decreased by \$4,110,562.13, restricted cash and cash equivalents and cash on hand with fiscal agent increased by \$902,778.82, and total capital assets increased by \$8,319,509.36.
- Total liabilities of governmental activities decreased by \$5,831,895.36 as accounts payable decreased by \$298,171.92 and non-current liabilities due beyond one year decreased by \$8,761,225.33.
- The District had \$230,553,360.37 in governmental activity expenses; only \$63,803,799.28 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues and special items from governmental activities (primarily property taxes) of \$164,604,900.84 were not adequate to provide for these programs, resulting in a decrease in net position for governmental activities of \$2,144,660.25.
- In the governmental funds, the general fund had \$194,168,037.17 in revenues and \$195,158,645.16 in expenditures. The general fund's fund balance decreased by \$990,607.99 over 2017.

## **USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**

This annual report consists of a series of financial statements and notes to these financial statements. These statements are organized in a way to allow the reader to understand the Middletown Township Board of Education as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position (A-1) presents information on the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Changes in Net Position (A-2) presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found as Exhibits A-1 and A-2 in this report.

**Fund Financial Statements.** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund, special revenue fund, capital projects fund, and debt service fund, all of which are considered to be major funds.

The general and special revenue funds utilize a legally adopted annual budget. A budgetary comparison statement has been provided for the general fund and special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as Exhibits B-1 through B-3 in this report.

### ***Proprietary Funds***

The District maintains one proprietary fund type, an enterprise fund. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the District is that the costs of providing goods or services be financed through user charges. The food services enterprise fund provides for the operation of food services in all schools within the District. The proprietary fund has been included within business-type activities in the district-wide financial statements.

The food services fund detail financial statements can be found as Exhibits B-4 through B-6 in this report.

### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs.

The District uses trust and agency funds to account for resources held for student activities and groups, for payroll transactions, student scholarship fund and for the District's unemployment trust fund. The basic fiduciary fund financial statements can be found as Exhibits B-7 and B-8 in this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found after the fund financial statements in this report.

**Other Information.** The combining and individual fund statements referred to earlier in connection with governmental and enterprise funds are presented immediately following the notes to the financial statements.

### **Government-Wide Financial Analysis**

The District's financial position is the result of several types of financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

As noted earlier, net position may serve over time as a useful indicator of the District’s financial position. The following table provides a summary of net position for June 30, 2018 and 2017, respectively:

	<b>Net Position</b>			
	<b>June 30, 2018</b>			
	Governmental Activities		Business-Type Activities	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>				
Current and Other				
Assets	\$ 13,566,843.06	\$ 15,352,929.03	\$ 416,281.44	\$ 292,917.31
Capital Assets, Net	101,791,996.99	93,472,487.63	847,311.23	649,850.79
Total Assets	<u>115,358,840.05</u>	<u>108,825,416.66</u>	<u>1,263,592.67</u>	<u>942,768.10</u>
<b>Deferred Outflows of Resources</b>				
Deferred Outflows				
Relating to Pension	14,033,202.00	19,565,549.00	-	-
Deferred Charges on Refunding of Debt	1,610,373.00	1,710,776.00	-	-
Total Deferred Outflows of Resources	<u>15,643,575.00</u>	<u>21,276,325.00</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>				
Long-Term Liabilities	126,837,820.61	134,643,214.66	-	-
Other Liabilities	8,028,376.21	6,054,877.52	653,308.79	272,416.59
Total Liabilities	<u>134,866,196.82</u>	<u>140,698,092.18</u>	<u>653,308.79</u>	<u>272,416.59</u>
<b>Deferred Inflows of Resources</b>				
Deferred Inflows				
Relating to Pension	11,556,117.00	2,678,888.00	-	-
Total Deferred Inflows of Resources	<u>11,556,117.00</u>	<u>2,678,888.00</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Net Investment in				
Capital Assets	27,511,353.71	24,532,276.63	847,311.23	649,850.79
Restricted	5,542,544.81	8,306,882.46	-	-
Unrestricted	(48,473,797.29)	(46,114,397.61)	(237,027.35)	20,500.72
Total Net Position	<u>\$ (15,419,898.77)</u>	<u>\$ (13,275,238.52)</u>	<u>\$ 610,283.88</u>	<u>\$ 670,351.51</u>



The District's largest net position component is the Net Investment in Capital Assets portion as shown above. Net Investment in Capital Assets represents resources that are subject to external restrictions on how they may be used. Within this category, the investment amount of \$27,511,353.71 represents primarily the capital investment relating to the \$78,400,000 referendum approved December 10, 1996 and the \$10,500,000 referendum approved December 11, 2001. These funds are legally restricted to provide for the construction and renovations at the District's three middle schools and two high schools. The Net Investment in Capital Assets, also includes the portion of capital assets not yet fully depreciated at June 30, 2018.

Restricted net position decreased \$2,764,337.65 from the prior year to \$5,542,544.81 at June 30, 2018.

Unrestricted net position may be used to meet the District's ongoing operating obligations to vendors, debtors and employees. The unrestricted net position includes the unassigned General Fund balance netted with the amount of long-term obligations that are not invested in capital assets. The (\$48,473,797.29) is shown as unrestricted net position for Governmental Activities.

The following table provides a summary of revenues and expenses for the District's governmental and business-type activities and the change in net position for June 30, 2018 and 2017. Significant variances in revenues and expenditures from year to year, and explanations thereof, are detailed in the 'Financial Analysis of the District's Funds' section later in this report.

	<b><u>June 30, 2018</u></b>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>Revenues and Special Items:</b>			
Program Revenues:			
Charges for Services	\$ -	\$ 745,572.63	\$ 745,572.63
Operating Grants and Contributions	63,803,799.28	2,109,670.75	65,913,470.03
General Revenues:			
Property Taxes	144,713,907.00	-	144,713,907.00
Federal and State Aid	21,398,707.88	-	21,398,707.88
Miscellaneous	834,068.52	-	834,068.52
Special Items	(2,341,782.56)	-	(2,341,782.56)
Total Revenues and Special Items	<u>228,408,700.12</u>	<u>2,855,243.38</u>	<u>231,263,943.50</u>
<b>Expenses:</b>			
Instructional Services	149,357,849.79	-	149,357,849.79
Support Services	78,825,298.66	2,915,311.01	81,740,609.67
Interest and Other Charges	2,370,211.92	-	2,370,211.92
Total Expenses	<u>230,553,360.37</u>	<u>2,915,311.01</u>	<u>233,468,671.38</u>
Change in Net Position	(2,144,660.25)	(60,067.63)	(2,204,727.88)
Net Position, Beginning	(13,275,238.52)	670,351.51	(12,604,887.01)
Net Position, Ending	<u>\$ (15,419,898.77)</u>	<u>\$ 610,283.88</u>	<u>\$ (14,809,614.89)</u>

	<b><u>June 30, 2017</u></b>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>Revenues:</b>			
Program Revenues:			
Charges for Services	\$ -	\$ 689,773.39	\$ 689,773.39
Operating Grants and Contributions	24,590,639.20	2,000,770.22	26,591,409.42
General Revenues:			
Property Taxes	139,618,772.00	-	139,618,772.00
Federal and State Aid	21,471,777.24	-	21,471,777.24
Miscellaneous	739,079.13	-	739,079.13
<b>Total Revenues</b>	<b>186,420,267.57</b>	<b>2,690,543.61</b>	<b>189,110,811.18</b>
<b>Expenses:</b>			
Instructional Services	119,361,685.89	-	119,361,685.89
Support Services	66,274,958.11	2,596,303.92	68,871,262.03
Interest and Other Charges	2,566,311.17	-	2,566,311.17
<b>Total Expenses</b>	<b>188,202,955.17</b>	<b>2,596,303.92</b>	<b>190,799,259.09</b>
Change in Net Position	(1,782,687.60)	94,239.69	(1,688,447.91)
Net Position, Beginning	(11,492,550.92)	576,111.82	(10,916,439.10)
Net Position, Ending	\$ (13,275,238.52)	\$ 670,351.51	\$ (12,604,887.01)

### **Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unassigned fund balance is divided between designated balances and undesignated balances. The capital projects fund is restricted by state law to be spent for the purpose of the fund and is not available for spending at the District's discretion.

### **Financial Information at Fiscal Year-End**

The following schedule presents a summary of the general fund, special revenue fund, and debt service fund revenues for the fiscal year ended June 30, 2018 and 2017 and the amount and percentage of increases and (decreases) in relation to prior year revenues.

	<b><u>June 30, 2018</u></b>			
	Amount	Percent Of Total	Increase (Decrease) From 2017	Percent of Increase (Decrease)
Local Tax Levy	\$ 144,713,907.00	74.19%	\$ 5,095,135.00	3.65%
Tuition Charges	617,092.67	0.32%	(11,251.10)	-1.79%
Miscellaneous	249,344.65	0.13%	56,115.89	29.04%
State Sources	45,587,504.80	23.37%	3,335,587.57	7.89%
Federal Sources	3,883,304.56	1.99%	155,298.75	4.17%
<b>Total</b>	<b>\$ 195,051,153.68</b>	<b>100.00%</b>	<b>\$ 8,630,886.11</b>	<b>4.63%</b>

**June 30, 2017**

	Amount	Percent Of Total	Increase (Decrease) From 2016	Percent of Increase (Decrease)
Local Tax Levy	\$ 139,618,772.00	74.89%	\$ 2,614,142.00	1.91%
Tuition Charges	628,343.77	0.34%	396,293.77	170.78%
Miscellaneous	193,228.76	0.10%	(234,462.24)	-54.82%
State Sources	42,251,917.23	22.66%	2,182,693.23	5.45%
Federal Sources	3,728,005.81	2.00%	190,929.81	5.40%
Total	<u>\$ 186,420,267.57</u>	<u>100.00%</u>	<u>\$ 5,149,596.57</u>	<u>-5.80%</u>

The Increase in the local tax levy is due to the 3.65% tax levy increase necessary to support the District's 2017 - 2018 general fund budget. Tuition charges decreased in 2017 - 2018 due to a decrease in the number of students received from other districts into the District's special education programs.

The following schedule presents a summary of the general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2018 and 2017 and the amount and percentage of increases and (decreases) in relation to prior year expenditures.

**June 30, 2018**

	Amount	Percent Of Total	Increase (Decrease) From 2017	Percent of Increase (Decrease)
Current Expenditures:				
Instruction	\$ 79,866,216.25	38.42%	\$ 863,981.33	1.09%
Undistributed	105,483,662.09	50.75%	8,915,155.18	9.23%
Capital Outlay	15,432,925.52	7.42%	10,150,281.38	192.14%
Debt Service:				
Principal	4,475,000.00	2.15%	(980,000.00)	-17.97%
Interest	2,599,292.50	1.25%	(176,100.50)	-6.35%
Total	<u>\$ 207,857,096.36</u>	<u>100.00%</u>	<u>\$ 18,773,317.39</u>	<u>9.93%</u>

**June 30, 2017**

	Amount	Percent Of Total	Increase (Decrease) From 2016	Percent of Increase (Decrease)
Current Expenditures:				
Instruction	\$ 79,002,234.92	41.78%	\$ 3,409,576.92	4.51%
Undistributed	96,568,506.91	51.07%	182,200.91	0.19%
Capital Outlay	5,282,644.14	2.79%	2,325,985.14	78.67%
Debt Service:				
Principal	5,455,000.00	2.88%	1,616,000.00	42.09%
Interest	2,775,393.00	1.47%	(448,186.00)	-13.90%
Total	<u>\$ 189,083,778.97</u>	<u>100.00%</u>	<u>\$ 7,085,576.97</u>	<u>3.89%</u>

Instruction costs increased primarily due to negotiated salary increases and additional instructional positions being added. Capital Outlay increased in conjunction with the additional projects budgeted for in 2017 - 2018.

### **General Fund Budgetary Highlights**

Throughout the year, as necessary, budget transfers were effectuated between budget accounts to re-align the 2017-2018 budget. Budget transfers were effectuated based on expected positive and negative budget variances. The budget is continually managed and revised with budget transfers as necessary or practical to do so.

Significant Budget Transfers and Variations:

- TPAF, which is the state's contribution to the pension fund, is an "on-behalf" revenue and expenditure item to the district and is required to be reflected in the financial statements.
- Reallocations were made among the various salary budget accounts to reflect changes in the personnel budget for the 2017-2018 year.
- Transfers were made into purchased services for special education programs to provide funds for required additional services.

Based on the financial results of 2017-2018 unassigned fund balance decreased by \$305,942.86 to \$1,861,900.07 (2% required per S-1701, net of allowable adjustments).

**Proprietary Funds.** The District's proprietary fund provides the same type of information found in the district-wide financial statements, but in more detail.

The Food Services Enterprise Fund showed a change in net position of (\$60,067.63) in 2017-2018 as compared to a change in net position of \$94,239.69 in 2016-2017. The Board has made significant investments in equipment for the food service operations over the last few years for the implementation of the block lunch schedule at the high schools and the transition from a plated satellite program to a bulk satellite/serving line food service program at the elementary schools. Operating revenues increased by 5.44% in 2017-2018 while operating expenses increased 12.29%. However, the food service fund still incurred an operating loss of \$(805,640.26) in 2017-2018, as compared to an operating loss of \$(595,533.70) in 2016-2017. Funding from the State and Federal Government under the State and National Programs increased \$43,255.48 from 2016-2017 to 2017-2018. The unrestricted net position of the food service program was (\$237,027.35) and the restricted amount of Net Investment in Capital Assets totaled \$847,311.23 at June 30, 2018. Although the food service operation is still not profitable, the district feels that the investments it is making in the program to improve service, combined with the changes in the operations recommended by its food service consultant, will make the program's financial results positive over time.

### **Capital Assets**

At June 30, 2018 the District has capital assets of \$101,791,996.99, net of depreciation, which includes land, construction in progress, land improvements, buildings/construction, machinery and equipment.

	<u>June 30, 2018</u>	
	Governmental Activities	Business-Type Activities
Land	\$ 16,909,500.00	\$ -
Construction In Progress	12,293,610.31	-
Land Improvements	4,814,528.60	-
Buildings/Construction	63,872,030.93	394,320.39
Machinery and Equipment	3,902,327.15	452,990.84
<b>Total</b>	<u><u>\$ 101,791,996.99</u></u>	<u><u>\$ 847,311.23</u></u>

	<u>June 30, 2017</u>	
	Governmental Activities	Business-Type Activities
Land	\$ 16,909,500.00	\$ -
Construction In Progress	924,771.33	-
Land Improvements	3,882,596.78	-
Buildings/Construction	67,603,160.75	190,438.20
Machinery and Equipment	4,152,458.77	459,412.59
<b>Total</b>	<u><u>\$ 93,472,487.63</u></u>	<u><u>\$ 649,850.79</u></u>

The largest balance within the capital assets above, Buildings/Construction, is comprised of the referendum program for the renovations/additions at the District's three middle schools and two high schools, as well as the construction for the Elementary HVAC Project.

Additional information on the District's capital assets can be found in Note 5 to the basic financial statements.

### **Debt Administration and Other Obligations**

At June 30, 2018 and 2017, the District's outstanding debt issues included \$60,145,000.00 and \$64,620,000.00 respectively of general obligation bonds (2014 issue, 2013 refunding bonds, 2010 refunding bonds, and 2002 bonds), \$12,962,756.28 and \$3,002,683.00 respectively of capital leases (Savin Copiers, Technology Leases and ESIP Lease) and \$3,927,907.33 and \$4,034,374.66 respectively in compensated absences payable.

Additional information on the District's debt administration and other obligations can be found in Note 7 to the basic financial statements.

### **Economic Factors and Subsequent Year's Budgets**

- The District anticipates that the approved 2018-2019 budget will be adequate to satisfy all 2018-2019 financial needs, barring any significant unexpected situations or conditions unforeseen at this time.
- At this time it appears that it will be a challenge to sustain the level of surplus utilization the District has used in funding budgets in recent years. The excess surplus available for use in the 2019-2020 budget is \$-0-, \$534,377.20 less than the \$534,377.20 utilized in the 2018-2019 budget.

- It is expected the State of New Jersey will again delay the final state aid payments to school districts for 2018-2019.
- The District was notified in July 2018 that its 2018-2019 state aid was being reduced by \$1,177,977.00. Additional reductions in state aid are projected to total approximately \$4.8 million over the next six years under the 2018 School Funding Reform Act.
- The District continues to be negatively impacted by legislation known as S-1701, and notably the surplus provisions, which require districts to keep surplus at 2% of their operating budgets or less. This fund balance threshold is precariously low, and forcing a reduction to 2% every year can cause significant fluctuations in school taxes from year to year.
- The District had an updated enrollment projection done in June 2016 which projects that the District's overall enrollment will decline approximately 3% over the next five years.

### **Requests for Information**

This financial report is designed to provide a general overview of the Middletown School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Administrator/Board Secretary's Office, Middletown Board of Education, PO Box 4170, Middletown, NJ 07748.

**BASIC FINANCIAL STATEMENTS**

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**A. Government-Wide Financial Statements**

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**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>GOVERNMENTAL</b>		<b>BUSINESS-TYPE</b>	<b>TOTAL</b>
	<b>ACTIVITIES</b>	<b>ACTIVITIES</b>	<b>ACTIVITIES</b>	
<b>ASSETS:</b>				
Cash & Cash Equivalents	\$ 7,777,607.91	\$ 316,952.47	\$ 8,094,560.38	
Receivables, Net (Note 4)	2,671,950.29	68,990.17	2,740,940.46	
Inventory	-	30,338.80	30,338.80	
Restricted Cash & Cash Equivalents	3,117,284.86	-	3,117,284.86	
Capital Assets, Net (Note 5)				
Non-Depreciable	29,203,110.31	-	29,203,110.31	
Depreciable	72,588,886.68	847,311.23	73,436,197.91	
Total Assets	115,358,840.05	1,263,592.67	116,622,432.72	
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Related to Pensions (Note 8)	14,033,202.00	-	14,033,202.00	
Related to Loss on Debt Refunding	1,610,373.00	-	1,610,373.00	
Total Deferred Outflow of Resources	15,643,575.00	-	15,643,575.00	
<b>LIABILITIES:</b>				
Accounts Payable	1,858,707.29	594,712.04	2,453,419.33	
Due to Other Governments	2,146,269.61	-	2,146,269.61	
Unearned Revenue	165,436.86	58,596.75	224,033.61	
Accrued Interest	1,052,436.81	-	1,052,436.81	
Accrued Salaries and Wages	2,805,525.64	-	2,805,525.64	
Noncurrent Liabilities (Note 7):				
Due Within One Year	6,915,800.28	-	6,915,800.28	
Due in More Than One Year	119,922,020.33	-	119,922,020.33	
Total Liabilities	134,866,196.82	653,308.79	135,519,505.61	
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Related to Pensions (Note 8)	11,556,117.00	-	11,556,117.00	
Total Deferred Inflow of Resources	11,556,117.00	-	11,556,117.00	
<b>NET POSITION:</b>				
Net Investment in Capital Assets	27,511,353.71	847,311.23	28,358,664.94	
Restricted for:				
Capital Projects	3,531,734.19	-	3,531,734.19	
Debt Service	8,643.38	-	8,643.38	
Emergency Reserve	-	-	-	
Maintenance Reserve	704,670.04	-	704,670.04	
Legal Reserve	763,120.00	-	763,120.00	
Excess Surplus	534,377.20	-	534,377.20	
Unrestricted (Deficit)	(48,473,797.29)	(237,027.35)	(48,710,824.64)	
Total Net Position	\$ (15,419,898.77)	\$ 610,283.88	\$ (14,809,614.89)	

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
Instruction:							
Regular Instruction	\$ 112,860,041.23	\$ -	\$ 41,133,869.10	\$ -	\$ (71,726,172.13)	\$ -	\$ (71,726,172.13)
Special Education Instruction	32,282,886.31	-	10,896,907.49	-	(21,385,978.82)	-	(21,385,978.82)
Other Instruction	4,214,922.24	-	1,422,723.40	-	(2,792,198.84)	-	(2,792,198.84)
Support Services:							
Tuition	6,547,792.98	-	716,548.53	-	(5,831,244.46)	-	(5,831,244.46)
Student & Instruction Related Services	23,766,587.30	-	2,600,863.09	-	(21,165,724.21)	-	(21,165,724.21)
General Administrative	3,222,954.07	-	352,699.45	-	(2,870,254.62)	-	(2,870,254.62)
School Administrative Services	9,084,406.42	-	2,724,873.84	-	(6,359,532.57)	-	(6,359,532.57)
Central Services	1,907,677.51	-	208,764.01	-	(1,698,913.50)	-	(1,698,913.50)
Administrative Info. Technology	1,013,061.47	-	110,862.96	-	(902,198.51)	-	(902,198.51)
Plant Operations & Maintenance	18,873,309.49	-	2,058,802.99	-	(16,814,506.50)	-	(16,814,506.50)
Pupil Transportation	14,409,509.43	-	1,576,884.42	-	(12,832,625.01)	-	(12,832,625.01)
Interest & Other Charges	2,370,211.92	-	-	-	(2,370,211.92)	-	(2,370,211.92)
Total Governmental Activities	230,553,360.37	-	63,803,799.28	-	(166,749,561.09)	-	(166,749,561.09)
Business-Type Activities:							
Food Service	2,915,311.01	2,109,670.75	745,572.63	-	-	(60,067.63)	(60,067.63)
Total Business-Type Activities	2,915,311.01	2,109,670.75	745,572.63	-	-	(60,067.63)	(60,067.63)
Total Primary Government	\$ 233,468,671.38	\$ 2,109,670.75	\$ 64,549,371.91	\$ -	(166,749,561.09)	(60,067.63)	(166,809,628.72)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					139,079,885.00	-	139,079,885.00
Property Taxes, Levied for Debt Service					5,634,022.00	-	5,634,022.00
Federal & State Aid Restricted					1,679,765.72	-	1,679,765.72
Federal & State Aid Not Restricted					19,718,942.16	-	19,718,942.16
Tuition Charges					617,092.67	-	617,092.67
Miscellaneous					216,975.85	-	216,975.85
Special Items - Cancellation of Prior Year Receivables					(2,341,782.56)	-	(2,341,782.56)
Total General Revenues and Special Items					164,604,900.84	-	164,604,900.84
Change In Net Position					(2,144,660.25)	(60,067.63)	(2,204,727.88)
Net Position - Beginning					(13,275,238.52)	670,351.51	(12,604,887)
Net Position - Ending					(15,419,898.77)	\$ 610,283.88	\$ (14,809,614.89)

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

## **B. Fund Financial Statements**

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## **Governmental Funds**

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**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

	MAJOR FUNDS				TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	
<b>ASSETS</b>					
Cash & Cash Equivalents	\$ 5,642,846.12	\$ -	\$ 2,126,118.41	\$ 8,643.38	\$ 7,777,607.91
Receivables, Net:					
Interfund Receivable	43,999.43	-	-	-	43,999.43
Due from Other Governments:					
Federal	-	519,282.41	-	-	519,282.41
State	1,987,050.91	-	-	-	1,987,050.91
Other Receivables	118,962.00	46,406.89	-	-	165,368.89
Restricted Cash & Cash Equivalents	3,117,284.86	-	-	-	3,117,284.86
<b>Total Assets</b>	<b>\$ 10,910,143.32</b>	<b>\$ 565,689.30</b>	<b>\$ 2,126,118.41</b>	<b>\$ 8,643.38</b>	<b>\$ 13,610,594.41</b>
<b>LIABILITIES &amp; FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 1,548,022.74	\$ 101,979.73	\$ 208,704.82	\$ -	\$ 1,858,707.29
Intergovernmental Payable:					
Federal	-	159,282.00	-	-	159,282.00
State	-	91,550.61	-	-	91,550.61
Interfund Payable	-	43,751.35	-	-	43,751.35
Unearned Revenue	-	165,436.86	-	-	165,436.86
Accrued Salaries and Wages	2,801,836.89	3,688.75	-	-	2,805,525.64
<b>Total Liabilities</b>	<b>4,349,859.63</b>	<b>565,689.30</b>	<b>208,704.82</b>	<b>-</b>	<b>5,124,253.75</b>
Fund Balances:					
Restricted for:					
Capital Reserve	1,649,494.82	-	-	-	1,649,494.82
Maintenance Reserve	704,670.04	-	-	-	704,670.04
Legal Reserve	763,120.00	-	-	-	763,120.00
Excess Surplus Designated for Subsequent Year	534,377.20	-	-	-	534,377.20
Capital Projects	-	-	1,882,239.37	-	1,882,239.37
Debt Service	-	-	-	8,643.38	8,643.38
Assigned to:					
Other Purposes	1,046,721.56	-	35,174.22	-	1,081,895.78
Unassigned	1,861,900.07	-	-	-	1,861,900.07
<b>Total Fund Balances</b>	<b>6,560,283.69</b>	<b>-</b>	<b>1,917,413.59</b>	<b>8,643.38</b>	<b>8,486,340.66</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 10,910,143.32</b>	<b>\$ 565,689.30</b>	<b>\$ 2,126,118.41</b>	<b>\$ 8,643.38</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$206,156,882.33 and the accumulated depreciation is \$104,364,885.34.	101,791,996.99
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refunding are applicable to future reporting periods and therefore are not reported in the funds.	
Deferred Outflows Related to Pensions	14,033,202.00
Deferred Inflows Related to Pensions	(11,556,117.00)
Deferred Outflow Related to the Loss on Bond Refunding of Debt	1,610,373.00
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(1,052,436.81)
Accrued pension contributions for the June 30, 2018 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.	(1,895,437.00)
Long-term liabilities, including net pension liability and bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(126,837,820.61)
<b>Net Position of Governmental Activities</b>	<b>\$ (15,419,898.77)</b>

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2018**

	MAJOR FUNDS				TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	
Revenues:					
Local Sources:					
Local Tax Levy	\$ 139,079,885.00	\$ -	\$ -	\$ 5,634,022.00	\$ 144,713,907.00
Tuition Charges	617,092.67	-	-	-	617,092.67
Miscellaneous	216,975.85	32,368.80	-	-	249,344.65
Total Local Sources	139,913,953.52	32,368.80	-	5,634,022.00	145,580,344.32
State Sources	42,932,167.49	1,242,266.31	-	1,413,071.00	45,587,504.80
Federal Sources	121,916.16	3,761,388.40	-	-	3,883,304.56
Total Revenues	182,968,037.17	5,036,023.51	-	7,047,093.00	195,051,153.68
Expenditures:					
Instruction:					
Regular Instruction	57,311,126.10	3,038,594.20	-	-	60,349,720.30
Special Education Instruction	17,262,647.95	-	-	-	17,262,647.95
Other Instruction	2,253,848.00	-	-	-	2,253,848.00
Support Services:					
Tuition	4,706,949.40	-	-	-	4,706,949.40
Attendance & Social Work Services	306,764.51	-	-	-	306,764.51
Health Services	2,947,693.95	-	-	-	2,947,693.95
Student & Instruction Related Services	12,099,666.55	1,730,734.59	-	-	13,830,401.14
General Administrative	2,316,854.21	-	-	-	2,316,854.21
School Administrative Services	6,530,420.47	-	-	-	6,530,420.47
Central Services	1,371,353.91	-	-	-	1,371,353.91
Administrative Information Technology	728,249.82	-	-	-	728,249.82
Plant Operations & Maintenance	13,524,110.59	-	-	-	13,524,110.59
Pupil Transportation	10,358,426.41	-	-	-	10,358,426.41
Unallocated Benefits	25,527,296.19	-	-	-	25,527,296.19
On Behalf TPAF Pension and Social Security Contributions	23,335,141.49	-	-	-	23,335,141.49
Capital Outlay	14,550,895.61	266,694.72	615,335.19	-	15,432,925.52
Debt Service:					
Principal	-	-	-	4,475,000.00	4,475,000.00
Interest & Other Charges	27,200.00	-	-	2,572,092.50	2,599,292.50
Total Expenditures	195,158,645.16	5,036,023.51	615,335.19	7,047,092.50	207,857,096.36
Excess/(Deficiency) of Revenues Over Expenditures	(12,190,607.99)	-	(615,335.19)	0.50	(12,805,942.68)
Other Financing Sources (Uses):					
Cancellation of Prior Year Account Receivable	-	-	(2,341,782.56)	-	(2,341,782.56)
Capital Lease (Non-Budgeted)	11,200,000.00	-	-	-	11,200,000.00
Total Other Financing Sources (Uses)	11,200,000.00	-	(2,341,782.56)	-	8,858,217.44
Net Changes in Fund Balances	(990,607.99)	-	(2,957,117.75)	0.50	(3,947,725.24)
Fund Balance, July 1	7,550,891.68	-	4,874,531.34	8,642.88	12,434,065.90
Fund Balance, June 30	\$ 6,560,283.69	\$ -	\$ 1,917,413.59	\$ 8,643.38	\$ 8,486,340.66

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

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

Total Net Changes in Fund Balances - Governmental Funds (B-2)		\$ (3,947,725.24)
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 depreciation exceeded capital outlays in the period.		
	Depreciation Expense	(5,813,442.83)
	Capital Outlays	14,132,952.19
	Retirement of Fully Depreciated Capital Asset	<u>(3,990.00)</u>
		8,319,509.36
Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School District's pension contributions in the current period.		
		(1,366,919.00)
Repayment of long-term debt principal and obligation of lease purchase agreements are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		
		5,714,926.72
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 assets.		
	Proceeds of Long-Term Debt	-
	Capital Lease Proceeds	<u>(11,200,000.00)</u>
		(11,200,000.00)
Governmental funds report the effect of premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these transactions is as follows:		
	Amortization of Premium on Bonds	245,044.00
	Amortization of Loss on Bond Refunding	<u>(100,403.00)</u>
		144,641.00
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation (+).		
		84,439.58
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 funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		<u>106,467.33</u>
Change in Net Position of Governmental Activities		<u><u>\$ (2,144,660.25)</u></u>

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## **Proprietary Funds**

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**EXHIBIT B-4**

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2018**

	<b>MAJOR FUNDS</b>
	<b>BUSINESS-TYPE</b>
	<b>ACTIVITIES -</b>
	<b>ENTERPRISE</b>
	<b>FUNDS</b>
	<b>FOOD</b>
	<b>SERVICE</b>
<b>ASSETS</b>	
Current Assets:	
Cash & Cash Equivalents	\$ 316,952.47
Accounts Receivable:	
Federal	52,532.23
State	2,404.23
Other Receivables	14,053.71
Inventories	30,338.80
Total Current Assets	416,281.44
Noncurrent Assets:	
Capital Assets	1,248,562.68
Less: Accumulated Depreciation	(401,251.45)
Total Capital Assets, Net	847,311.23
Total Noncurrent Assets	847,311.23
Total Assets	1,263,592.67
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	594,712.04
Unearned Revenue	58,596.75
Total Current Liabilities	653,308.79
<b>NET POSITION</b>	
Net Investment in Capital Assets	847,311.23
Unrestricted	(237,027.35)
Total Net Position	\$ 610,283.88

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

**EXHIBIT B-5**

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 YEAR ENDED JUNE 30, 2018**

	<b>MAJOR FUNDS</b>
	<b>BUSINESS-TYPE</b>
	<b>ACTIVITIES -</b>
	<b>ENTERPRISE</b>
	<b>FUNDS</b>
	<b>FOOD</b>
	<b>SERVICE</b>
Operating Revenues:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 1,164,483.16
Daily Sales - Non-Reimbursable Programs	917,159.72
Special Functions	18,283.16
Miscellaneous	9,744.71
Total Operating Revenues	2,109,670.75
Operating Expenses:	
Cost of Sales - Reimbursable Programs	525,173.41
Cost of Sales - Non-Reimbursable Programs	422,108.00
Salaries	895,924.39
Employee Benefits	247,041.60
Supplies and Materials	412,352.48
Depreciation	62,888.58
Management and Administrative Fees	203,503.35
Other	146,319.20
Total Operating Expenses	2,915,311.01
Operating Income/(Loss)	(805,640.26)
Nonoperating Revenues (Expenses):	
State Sources:	
State School Lunch Program	25,175.69
Federal Sources:	
National School Lunch Program	523,262.75
National School Breakfast Program	42,887.93
Food Distribution Program	154,246.26
Total Nonoperating Revenues/(Expenses)	745,572.63
Change in Net Position	(60,067.63)
Total Net Position - Beginning	670,351.51
Total Net Position - Ending	\$ 610,283.88

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



**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2018**

	<b>MAJOR FUNDS</b>
	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>
	<b>FOOD SERVICE</b>
Cash Flows From Operating Activities:	
Receipts from Customers	\$ 2,104,696.61
Payments to Employees	(895,924.39)
Payments for Employee Benefits	(247,041.60)
Payments to Suppliers	(1,174,176.74)
Net Cash Provided by/(Used for) Operating Activities	(212,446.12)
Cash Flows From Noncapital Financing Activities:	
State Sources	25,175.69
Federal Sources	566,150.68
Net Cash Provided by/(Used for) Noncapital Financing Activities	591,326.37
Cash Flows From Capital & Related Financing Activities:	
Purchases of Capital Assets	(260,349.02)
Net Cash Provided by/(Used for) Capital & Related Financing Activities	(260,349.02)
Net Increase/(Decrease) in Cash & Cash Equivalents	118,531.23
Balances - Beginning of Year	198,421.24
Balances - End of Year	\$ 316,952.47
<b>Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:</b>	
Operating Income/(Loss)	\$ (805,640.26)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:	
Depreciation	62,888.58
Food Distribution Program	154,246.26
(Increase)/Decrease in Accounts Receivable, Net	(10,265.32)
(Increase)/Decrease in Inventories	5,432.42
Increase/(Decrease) in Other Current Liabilities	(10.60)
Increase/(Decrease) in Unearned Revenue	5,291.18
Increase/(Decrease) in Accounts Payable	375,611.62
Total Adjustments	593,194.14
Net Cash Provided/(Used) by Operating Activities	\$ (212,446.12)

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

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## **Fiduciary Fund**

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**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2018**

	<b>UNEMPLOYMENT COMPENSATION TRUST</b>	<b>PRIVATE- PURPOSE SCHOLARSHIP FUND</b>	<b>AGENCY FUNDS</b>
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 435,641.71	\$ 622,872.68	\$ 3,983,054.10
Total Assets	<u>435,641.71</u>	<u>622,872.68</u>	<u>\$ 3,983,054.10</u>
<b>LIABILITIES</b>			
Accounts Payable	6,195.41	-	\$ -
Payable for Student Related Activities	-	-	572,144.68
Interfund Payable	-	-	248.08
Payroll Deductions & Withholdings	-	-	3,410,661.34
Total Liabilities	<u>6,195.41</u>	<u>-</u>	<u>\$ 3,983,054.10</u>
<b>NET POSITION</b>			
Restricted - Held in Trust for Unemployment Claims & Other Purposes	429,446.30	-	
Restricted - Scholarships	-	622,872.68	
Total Net Position	<u>\$ 429,446.30</u>	<u>\$ 622,872.68</u>	

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

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 YEAR ENDED JUNE 30, 2018**

	<u>UNEMPLOYMENT COMPENSATION TRUST</u>	<u>PRIVATE PURPOSE SCHOLARSHIP FUND</u>
<b>ADDITIONS</b>		
Contributions:		
Plan Member	\$ 152,168.45	\$ -
Other	<u>-</u>	<u>47,750.00</u>
Total Contributions	<u>152,168.45</u>	<u>47,750.00</u>
Investment Earnings:		
Interest	<u>70.04</u>	<u>1,152.18</u>
Net Investment Earnings	<u>70.04</u>	<u>1,152.18</u>
Total Additions	<u>152,238.49</u>	<u>48,902.18</u>
<b>DEDUCTIONS</b>		
Unemployment Claims	107,333.32	-
Scholarships Awarded	<u>-</u>	<u>116,397.00</u>
Total Deductions	<u>107,333.32</u>	<u>116,397.00</u>
Change in Net Position	44,905.17	(67,494.82)
Net Position - Beginning	<u>384,541.13</u>	<u>690,367.50</u>
Net Position - Ending	<u>\$ 429,446.30</u>	<u>\$ 622,872.68</u>

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

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**MIDDLETOWN TOWNSHIP 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 Middletown Township 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 School District is a Type II district located in the County of Monmouth, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members appointed to three-year terms. These terms are staggered so that three members’ terms expire each year. The District provides a full range of educational services appropriate to grades levels K through 12. These include regular, vocational, as well as special education for handicapped youngsters. The School District has an approximate enrollment at June 30, 2018 of 9,572 students.

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

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

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

**Component Units**

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

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018 (Continued)**

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

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

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

**A. Government-Wide Financial Statements**

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

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

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

**B. Governmental Fund Financial Statements**

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

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

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

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The School District’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the School District, are property tax and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018 (Continued)**

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

The School District reports the following major governmental funds:

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

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

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

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

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

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

**C. Proprietary Fund Financial Statements**

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

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018 (Continued)**

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

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

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

The School District reports the following major proprietary funds:

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

**D. Fiduciary Fund Financial Statements**

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

The School District reports the following fiduciary funds:

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

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

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

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

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018 (Continued)**

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

**Budgets/Budgetary Control**

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

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

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

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

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounts as presented in the general fund budgetary comparison schedules and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds. Note that the School District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the last state aid payments.

**Encumbrances**

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

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018 (Continued)**

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

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

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

**Cash, Cash Equivalents and Investments**

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

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB). New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

*N.J.S.A.17:9-41* et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

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

**Tuition Receivable/Payable**

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

**Inventories**

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

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

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

**Interfund Receivables/Payables**

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

**Capital Assets**

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

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

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

**Compensated Absences**

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

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



**MIDDLETOWN TOWNSHIP 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 School District is eligible to realize the revenue.

**Accrued Liabilities and Long-Term Obligations**

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

**Accounting Estimates**

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

**Interfund Activity**

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

**Deferred Outflows and Deferred Inflows of Resources**

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

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

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018 (Continued)**

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

**Deferred Loss on Refunding Debt**

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

**Bond Premiums, Discounts and Issuance Costs**

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

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

**Pensions**

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

**Fund Balance**

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

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

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018 (Continued)**

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

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process.

Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

**Net Position**

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

Net Investment in Capital Assets – This components represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.

Restricted – This component of net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted – This component of net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

**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.

**MIDDLETOWN TOWNSHIP 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 has not yet determined the potential 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.

**MIDDLETOWN TOWNSHIP 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.

**Property Tax Information**

Property Tax Reveune's are collected in quarterly installments. 2017/2018 tax bills were mailed out July 17, 2017. 2018/2019 tax bills were mailed out July 25, 2018. Each quarter is due February 1, May 1, August 1 and November 1. The amount of tax levied includes not only the amount required in support of the District's annual budget, but also the amounts required in support of the budgets of the County of Monmouth and the Township of Middletown. Unpaid property taxes are subject to tax sale in accordance with statutes. The 2017 Tax Sale was conducted on December 27,2017 & the 2018 Tax Sale was held on December 27,2018.

**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 \$18,765,694.38 was exposed to custodial credit risk as follows:

Insured under FDIC and GUDPA	\$ 13,295,217.80
Uninsured and Uncollateralized	<u>5,470,476.58</u>
Total	<u><u>\$ 18,765,694.38</u></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 \$1,275,000 in June of 2002 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.

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

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

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:

Beginning Balance, July 1, 2017	<u>\$</u>	<u>1,509,836.00</u>
Increased by:		
Deposits Approved by Board		<u>139,658.82</u>
Ending Balance, June 30, 2018	<u>\$</u>	<u><u>1,649,494.82</u></u>

The June 30, 2018 LRFP balance of local support costs of uncompleted capital projects at June 30, 2018 is \$274,936,376. 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 by inclusion of \$1,000,000 in June of 2011 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.

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

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

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	\$	704,670.04
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Legal Reserve

The District established a legal reserve for funds not paid out during the school year for a settlement reached in regards to the early retirement incentive program.

Beginning Balance, July 1, 2017	\$	-
Increased by:		
Deposits Approved by Board		763,120.00
Ending Balance, June 30, 2018	\$	763,120.00

**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>	Governmental Funds			<u>Total Governmental Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
Federal Awards	\$ -	\$ 519,282.41	\$ -	\$ 519,282.41
State Awards	1,987,050.91	-	-	1,987,050.91
Tuition	118,962.00	-	-	118,962.00
Other	248.08	46,406.89	-	46,654.97
Total	\$ 2,106,260.99	\$ 565,689.30	\$ -	\$ 2,671,950.29

<u>Description</u>	Proprietary Funds		<u>Total Business-Type Activities</u>
	<u>Food Service Fund</u>		
Federal Awards	\$ 52,532.23	\$	52,532.23
State Awards	2,404.23		2,404.23
Other	14,053.71		14,053.71
Total	\$ 68,990.17	\$	68,990.17

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018 (Continued)**

**Note 5. Capital Assets**

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

	Governmental Activities			
	Balance July 1, <u>2017</u>	<u>Additions</u>	Retirements <u>and Transfers</u>	Balance June 30, <u>2018</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 16,909,500.00	\$ -	\$ -	\$ 16,909,500.00
Construction in Progress	924,771.33	11,368,838.98	-	12,293,610.31
Total Capital Assets not being depreciated	<u>17,834,271.33</u>	<u>11,368,838.98</u>	<u>-</u>	<u>29,203,110.31</u>
Capital Assets being depreciated:				
Land Improvements	8,142,593.00	1,264,712.41	-	9,407,305.41
Buildings and Improvements	157,230,541.36	134,688.08	921,783.33	158,287,012.77
Equipment	8,816,524.45	1,368,702.72	(925,773.33)	9,259,453.84
Total Capital Assets being depreciated	<u>174,189,658.81</u>	<u>2,768,103.21</u>	<u>(3,990.00)</u>	<u>176,953,772.02</u>
Less: Accumulated Depreciation:				
Land Improvements	(4,259,996.22)	(332,780.59)	-	(4,592,776.81)
Buildings and Improvements	(89,627,380.61)	(4,787,601.23)	-	(94,414,981.84)
Equipment	(4,664,065.68)	(693,061.01)	-	(5,357,126.69)
Total Accumulated Depreciation	<u>(98,551,442.51)</u>	<u>(5,813,442.83)</u>	<u>-</u>	<u>(104,364,885.34)</u>
Total Capital Assets being depreciated, net	<u>75,638,216.30</u>	<u>(3,045,339.62)</u>	<u>(3,990.00)</u>	<u>72,588,886.68</u>
Total Governmental Activities Capital Assets, net	<u>\$ 93,472,487.63</u>	<u>\$ 8,323,499.36</u>	<u>\$ (3,990.00)</u>	<u>\$ 101,791,996.99</u>
	Business-Type Activities			
	Balance July 1, <u>2017</u>	<u>Additions</u>	Retirements <u>and Transfers</u>	Balance June 30, <u>2018</u>
<b>Business-Type Activities:</b>				
Buildings	\$ 195,321.24	\$ 219,126.41	\$ -	\$ 414,447.65
Equipment	792,892.42	41,222.61	-	834,115.03
Total Capital Assets being depreciated	<u>988,213.66</u>	<u>260,349.02</u>	<u>-</u>	<u>1,248,562.68</u>
Less: Accumulated Depreciation:				
Buildings	(4,883.04)	(15,244.22)	-	(20,127.26)
Equipment	(333,479.83)	(47,644.36)	-	(381,124.19)
Total Capital Assets being depreciated, net	<u>(338,362.87)</u>	<u>(62,888.58)</u>	<u>-</u>	<u>(401,251.45)</u>
Total Business-Type Activities Capital Assets, net	<u>\$ 649,850.79</u>	<u>\$ 197,460.44</u>	<u>\$ -</u>	<u>\$ 847,311.23</u>



**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

**Note 5. Capital Assets (Continued)**

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

<u>Governmental Activities</u>	
Instruction:	
Regular Instruction	\$ 2,570,490.35
Special Education Instruction	735,272.17
Other Instruction	95,998.70
Support Services:	
Tuition	200,484.24
Student & Instruction Related Services	727,699.59
General Administrative	98,682.34
School Administrative Services	278,151.79
Central Services	58,410.41
Administrative Info. Technology	31,018.52
Plant Operations & Maintenance	576,035.74
Pupil Transportation	441,198.98
	<hr/>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 5,813,442.83</u></u>

**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	\$ 43,999.43	\$ -
Special Revenue Fund	-	43,751.35
Agency Funds	-	248.08
	<hr/>	<hr/>
	<u><u>\$ 43,999.43</u></u>	<u><u>\$ 43,999.43</u></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:

There were no interfund transfers for the year ended June 30, 2018.

**MIDDLETOWN TOWNSHIP 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 <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2018</u>	Balance Due Within <u>One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 64,620,000.00	\$ -	\$ 4,475,000.00	\$ 60,145,000.00	\$ 4,660,000.00
Capital Leases	3,002,683.00	11,200,000.00	1,239,926.72	12,962,756.28	2,010,756.28
Unamortized Bond					
Premiums	3,028,304.00	-	245,044.00	2,783,260.00	245,044.00
Compensated Absences	4,034,374.66	219,658.42	326,125.75	3,927,907.33	-
Net Pension Liability	59,957,853.00	18,054,748.00	30,993,704.00	47,018,897.00	-
	<u>\$ 134,643,214.66</u>	<u>\$ 29,474,406.42</u>	<u>\$ 37,279,800.47</u>	<u>\$ 126,837,820.61</u>	<u>\$ 6,915,800.28</u>

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

**Bonds Payable**

The voters of the municipality through referendums authorize bonds in accordance with State Law. All bonds are retired in serial installments within the statutory period of usefulness.

During May 2014, the School District issued \$19,379,000 of General Obligation Bonds. The General Obligation Bonds were issued at interest rates varying from 2.00% to 3.00% and mature on August 1, 2029.

During January 2013, the School District issued \$7,767,000 of Refunding Bonds to refund the callable portion of the outstanding 2002 Bond Issue. The Refunding Bonds generated \$764,846 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 \$653,867, or a net annual present value savings of 2.1120%. The Refunding Bonds were issued at interest rates varying from 1.50% to 4.00% and mature on August 1, 2027.

During May 2010, the School District issued \$55,665,000 of Refunding Bonds to refund the callable portion of the outstanding 2001 Bond Issue. The Refunding Bonds generated \$8,413,160 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 \$6,417,302, or a net annual present value savings of 3.2880%. The Refunding Bonds were issued at interest rates varying from 2.50% to 5.00% and mature on August 1, 2027.

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

**Note 7. Long-Term Obligations (Continued)**

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 4,660,000.00	\$ 2,388,067.00	\$ 7,048,067.00
2020	4,860,000.00	2,192,967.00	7,052,967.00
2021	5,070,000.00	1,986,218.00	7,056,218.00
2022	5,295,000.00	1,769,868.50	7,064,868.50
2023	5,535,000.00	1,543,293.50	7,078,293.50
2024-2028	31,565,000.00	3,969,426.75	35,534,426.75
2029	3,160,000.00	94,950.00	3,254,950.00
	<u>\$ 60,145,000.00</u>	<u>\$ 13,944,790.75</u>	<u>\$ 74,089,790.75</u>

**Capital Lease Payable**

The School District is leasing capital items and equipment under capital leases. All capital leases are for terms of five to fifteen years. The following is a schedule of the remaining future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2018:

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2019	\$ 2,563,104.16
2020	1,708,855.60
2021	1,182,956.00
2022	885,314.00
2023	905,726.00
2024-2028	4,313,024.00
2029-2032	<u>4,894,222.40</u>
Total Minimum Lease Payments	16,453,202.16
Less: Amount Representing Interest	<u>(3,490,445.88)</u>
Present Value of Minimum Lease Payments	<u>\$ 12,962,756.28</u>

Amortization of the leased equipment and improvements under capital assets is included with depreciation expense.

**Bonds Authorized but not Issued**

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

**MIDDLETOWN TOWNSHIP 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 <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

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

The following represents the membership tiers for PERS:

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

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

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

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

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

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 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 \$47,018,897 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 0.2019850748%, which was a decrease of 0.004580719% 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 \$3,253,889 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ 1,107,133.00	\$ -
Changes of Assumptions	9,472,687.00	9,437,959.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	320,167.00	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	1,237,778.00	2,118,158.00
School District contributions subsequent to measurement date	1,895,437.00	-
	<b>\$ 14,033,202.00</b>	<b>\$ 11,556,117.00</b>

\$1,895,437 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, 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:

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

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

<b>Year Ending June 30,</b>	
2019	\$ 997,332.00
2020	1,613,688.00
2021	717,974.00
2022	(1,726,228.00)
2023	(1,021,118.00)
	<u>\$ 581,648.00</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:

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
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		
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

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

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

**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 Rate	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%

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.

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:

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<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.

**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:



**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

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

	<b>At 1% Decrease <u>(4.00%)</u></b>	<b>At Current Discount Rate <u>(5.00%)</u></b>	<b>At 1% Increase <u>(6.00%)</u></b>
School District's Proportionate Share of the Net Pension Liability	\$ 58,330,133.00	\$ 47,018,897.00	\$ 37,595,236.00

**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	\$ 5,396,431,901.00	\$ 7,815,204,785.00
Collective Deferred Inflows of Resources	4,672,602,040.00	-
Collective Net Pension Liability	23,278,401,588.00	29,617,131,759.00
School District's portion	0.20199%	0.20244%

**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.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.shtml).

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

The following represents the membership tiers for TPAF:

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

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018 (Continued)**

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for 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 nonemployer contributing entity. Since the School District does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers.

**Pension Liability and Pension Expense** - The State's proportionate share of the TPAF net pension liability, attributable to the School District as of June 30, 2017 was \$474,762,052.00. 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 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 0.7041481185%, which was a decrease of 0.02020449% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the State of New Jersey recognized a pension expense in the amount of \$32,889,111 for the State's proportionate share of the TPAF pension expense attributable to the School District. This pension expense was based on the pension plans June 30, 2017 measurement date.

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

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

**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:

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<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:

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

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

	<b>At 1% Decrease <u>(3.25%)</u></b>	<b>At Current Discount Rate <u>(4.25%)</u></b>	<b>At 1% Increase <u>(5.25%)</u></b>
State of New Jersey's Proportionate Share of Net Pension Liability associated with the School District	\$ 564,032,210.00	\$ 474,762,052.00	\$ 401,220,908.00

**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,

	<u>6/30/2018</u>	<u>6/30/2017</u>
Collective Deferred Outflows of Resources	\$14,353,461,035.00	\$17,581,004,496.00
Collective Deferred Inflows of Resources	\$11,992,821,439.00	\$ 300,836,088.00
Collective Net Pension Liability	\$67,670,209,171.00	\$79,028,907,033.00
School District's portion	0.70415%	0.72435%

**B. Defined Contribution Retirement 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;
- 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.

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018 (Continued)**

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

**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 \$167,234.50, and the School District recognized an expense for payments made to the Defined Contribution Retirement program in the amount of \$91,464.57.

**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 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.

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2018 (Continued)**

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

**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:

<b>Inflation Rate</b>	2.50%			
		<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases:				
Through 2026		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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial

**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 \$362,702,295.00. 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 0.6761807687%, which was a decrease of 0.0017156814% 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 \$20,777,762.00 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.

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

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

**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:

	<b>June 30, 2017</b>		
	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	\$ 430,553,791.78	\$ 362,702,295.00	\$ 308,881,842.88
State of New Jersey's Total Nonemployer OPEB Liability	\$ 63,674,362,200.00	\$ 53,639,841,858.00	\$ 45,680,364,953.00
	<b>June 30, 2016</b>		
	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	\$ 469,671,777.25	\$ 392,039,612.00	\$ 330,933,147.31
State of New Jersey's Total Nonemployer OPEB Liability	\$ 69,283,705,084.00	\$ 57,831,784,184.00	\$ 48,817,654,566.00



**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

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

**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:

	<b>June 30, 2017</b>		
	1% Decrease	Healthcare Cost Trend Rate *	1% Increase
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with the School District	\$ 298,287,575.17	\$ 362,702,295.00	\$ 448,244,284.98
State of New Jersey's Total Nonemployer OPEB Liability	\$ 44,113,584,560.00	\$ 53,639,841,858.00	\$ 66,290,599,457.00
	<b>June 30, 2016</b>		
	1% Decrease	Healthcare Cost Trend Rate *	1% Increase
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with the School District	\$ 321,679,417.41	\$ 392,039,612.00	\$ 486,104,488.07
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.

**Additional Information**

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

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
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	-
	<u>\$ 1,290,216,497.00</u>	<u>\$ (6,443,612,287.00)</u>

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

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

**Additional Information (continued):**

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	\$ (742,830,097.00)
2019	(742,830,097.00)
2020	(742,830,097.00)
2021	(742,830,097.00)
2022	(742,830,097.00)
Thereafter	(2,629,618,547.00)
	\$ (6,343,769,032.00)

\*\* 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	223,747.00
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331.00
	366,078.00

**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:

<b>Total OPEB Liability</b>	
Service Cost	\$ 2,391,878,884.00
Interest Cost	1,699,441,736.00
Changes of Assumptions	(7,086,599,129.00)
Contributions: Member	45,748,749.00
Gross Benefit Payments	(1,242,412,566.00)
Net Change in Total OPEB Liability	(4,191,942,326.00)
Total OPEB Liability (Beginning)	57,831,784,184.00
Total OPEB Liability (Ending)	\$ 53,639,841,858.00
Total Covered Employee Payroll	13,493,400,208.00
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, 2018, the on-behalf payments for normal costs, post-retirement medical costs, and long-term disability were \$10,916,688.00, \$7,050,856.00 and \$14,896.00, respectively.

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

**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>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ -	\$ 152,238.49	\$ 107,333.32	\$ 429,446.30
2016-2017	-	147,734.01	192,985.24	384,541.13
2015-2016	-	141,863.36	172,986.00	429,792.36

**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 Monmouth-Ocean Shared Services Insurance 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 Districts’ attorney that resolution of these matters will not have a material adverse effect on the financial condition of the School District.

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (Continued)**

**Note 12. Contingencies (Continued)**

**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:

Metropolitan Life	AIG	Security Benefit
Lincoln Financial Life	Security Benefit/NEA Value Builder	USAA
AXA Equitable	Lincoln Investment Planning, Inc.	403(b) ASP
	AXA Equitable/Penserve	

**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 was \$3,927,907.33.

**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.

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018 (Continued)**

**Note 15. Tax Abatements (Continued)**

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 \$534,377.20, all of which has been designated for use in the subsequent year budget.

**Note 17. Fund Balances**

**General Fund** – Of the \$6,560,283.69 General Fund fund balance at June 30, 2018, \$1,649,494.82 has been restricted for the Capital Reserve Account; \$704,670.04 has been restricted for the Maintenance Reserve Account; \$763,120.00 has been restricted for legal reserve; \$534,377.20 is restricted for prior year excess surplus – designated for subsequent year's expenditures; \$1,046,721.56 has been assigned to other purposes; and \$1,861,900.07 has been unassigned.

**Capital Projects Fund** – Of the \$1,917,413.59 Capital Projects Fund fund balance at June 30, 2018, \$1,882,239.37 is restricted for future capital projects approved by the School District and \$35,174.22 has been assigned to other purposes.

**Debt Service Fund** – Of the \$8,643.38 Debt Service Fund fund balance at June 30, 2018, \$8,643.38 is restricted for future debt service payments.

**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 \$48,473,797.29 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.

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**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

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### **C. Budgetary Comparison Schedules**

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MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2018

ACCOUNT NUMBERS	JUNE 30, 2018			VARIANCE FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
10-1210	\$ 139,079,885.00	\$ -	\$ 139,079,885.00	\$ -
10-1320	125,000.00	-	125,000.00	275,659.33
10-1340	200,000.00	-	200,000.00	16,433.34
10-1350	25,000.00	-	25,000.00	(25,000.00)
10-1910	50,000.00	-	50,000.00	(20,080.00)
10-1950	300,000.00	-	300,000.00	(112,944.15)
Total Local Sources	139,779,885.00	-	139,779,885.00	134,068.52
State Sources:				
10-3121	2,899,811.00	-	2,899,811.00	-
10-3131	1,000,000.00	356,772.00	1,356,772.00	274,073.00
10-3132	6,138,424.00	-	6,138,424.00	-
10-3176	966,925.00	-	966,925.00	-
10-3177	839,030.00	-	839,030.00	-
10-3178	6,694,364.00	(356,772.00)	6,337,592.00	-
10-3181	96,610.00	-	96,610.00	-
10-3182	96,610.00	-	96,610.00	-
10-3183	94,450.00	-	94,450.00	-
10-3184	12,371.00	-	12,371.00	-
10-3190	-	356,772.00	356,772.00	91,014.00
Nonbudgeted:				
TPAF - Post Retirement Medical (Noncash Assistance)	-	-	-	7,050,856.00
TPAF - Pension Contributions (Noncash Assistance)	-	-	-	10,916,688.00
TPAF - Long-Term Disability Insurance (Noncash Assistance)	-	-	-	14,896.00
Reimbursed TPAF Social Security Contributions	-	-	-	5,352,701.49
Total State Sources	18,838,595.00	356,772.00	19,195,367.00	23,700,228.49
Federal Sources:				
10-4200	111,623.00	-	111,623.00	10,293.16
Medicaid Reimbursement	111,623.00	-	111,623.00	10,293.16
Total Federal Sources	158,730,103.00	356,772.00	159,086,875.00	23,844,590.17

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2018

	ACCOUNT NUMBERS	JUNE 30, 2018			VARIANCE FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	11-110-100-101	2,760,772.00	(415,232.08)	2,345,539.92	-
Grades 1-5 - Salaries of Teachers	11-120-100-101	19,676,457.00	(253,808.44)	19,422,648.56	-
Grades 6-8 - Salaries of Teachers	11-130-100-101	12,307,858.00	504,142.80	12,812,000.80	-
Grades 9-12 - Salaries of Teachers	11-140-100-101	15,689,090.00	170,397.53	15,859,487.53	-
Regular Programs - Home Instruction:					
Salaries of Teachers	11-150-100-101	100,000.00	68,443.66	168,443.66	-
Purchased Professional - Educational Services	11-150-100-320	85,485.84	(38,990.70)	46,495.14	20,628.48
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	11-190-100-106	1,749,857.00	153,017.02	1,902,874.02	-
Unused Vacation Payment to Staff	11-190-100-199	105,000.00	(105,000.00)	-	-
Unused Vacation Payment to Terminated/Retired Staff	11-190-100-299	105,000.00	(105,000.00)	-	-
Purchased Professional - Educational Services	11-190-100-320	330,982.00	(19,046.75)	311,935.25	-
Purchased Technical Services	11-190-100-340	334,083.00	14,062.28	348,145.28	-
Other Purchased Services	11-190-100-500	124,200.47	(63,916.92)	60,283.55	19,212.58
General Supplies	11-190-100-610	3,606,620.48	170,640.98	3,777,261.46	27,881.98
Textbooks	11-190-100-640	437,452.00	(149,454.03)	287,997.97	-
Other Objects	11-190-100-800	45,100.00	(9,364.00)	35,736.00	-
<b>Total Regular Programs - Instruction</b>		<b>57,457,957.79</b>	<b>(79,108.65)</b>	<b>57,378,849.14</b>	<b>67,723.04</b>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	11-204-100-101	1,563,326.00	175,408.33	1,738,734.33	-
Other Salaries for Instruction	11-204-100-106	1,211,312.00	(188,527.25)	1,022,784.75	-
General Supplies	11-204-100-610	11,000.00	(7,400.40)	3,599.60	-
Textbooks	11-204-100-640	2,000.00	(2,000.00)	-	-
<b>Total Learning and/or Language Disabilities</b>		<b>2,787,638.00</b>	<b>(22,519.32)</b>	<b>2,765,118.68</b>	<b>-</b>
Behavioral Disabilities:					
Salaries of Teachers	11-209-100-101	535,097.00	121,631.21	656,728.21	-
Other Salaries for Instruction	11-209-100-106	285,893.00	77,529.77	363,422.77	-
General Supplies	11-209-100-610	6,451.12	(4,562.05)	1,889.07	-
Textbooks	11-209-100-640	26,720.00	(26,720.00)	-	-
<b>Total Behavioral Disabilities</b>		<b>854,161.12</b>	<b>167,878.93</b>	<b>1,022,040.05</b>	<b>-</b>

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2018

	ACCOUNT NUMBERS	JUNE 30, 2018			VARIANCE FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Multiple Disabilities:					
Salaries of Teachers	11-212-100-101	347,767.00	30,353.77	378,120.77	-
Other Salaries for Instruction	11-212-100-106	516,033.00	127,646.02	643,679.02	-
General Supplies	11-212-100-610	3,500.00	(1,391.88)	2,108.12	0.22
Textbooks	11-212-100-640	2,000.00	(2,000.00)	-	-
Other Objects	11-212-100-800	10,000.00	(10,000.00)	-	-
Total Multiple Disabilities		879,300.00	144,607.91	1,023,907.91	0.22
Resource Room/Resource Center:					
Salaries of Teachers	11-213-100-101	9,214,733.00	(7,002.31)	9,207,730.69	-
Other Salaries	11-213-100-106	101,785.00	(12,959.15)	88,825.85	-
General Supplies	11-213-100-610	15,941.50	(10,282.39)	5,659.11	486.85
Textbooks	11-213-100-640	3,000.00	(3,000.00)	-	-
Total Resource Room/Resource Center		9,335,459.50	(33,243.85)	9,302,215.65	486.85
Autism:					
Salaries of Teachers	11-214-100-101	771,676.00	(69,276.27)	702,399.73	-
Other Salaries for Instruction	11-214-100-106	996,399.00	51,811.02	1,048,210.02	-
General Supplies	11-214-100-610	5,633.98	(2,354.84)	3,279.14	667.82
Textbooks	11-214-100-640	500.00	(500.00)	-	-
Other Objects	11-214-100-800	4,000.00	(4,000.00)	-	-
Total Autism		1,778,208.98	(24,320.09)	1,753,888.89	667.82
Preschool Disabilities - Full-Time:					
Salaries of Teachers	11-216-100-101	759,395.00	45,835.82	805,230.82	-
Other Salaries for Instruction	11-216-100-106	322,416.00	27,202.54	349,618.54	-
General Supplies	11-216-100-600	1,000.00	3,478.78	4,478.78	-
Total Preschool Disabilities - Full-Time		1,082,811.00	76,517.14	1,159,328.14	-
Home Instruction:					
Salaries of Teachers	11-219-100-101	100,000.00	81,519.10	181,519.10	-
Purchased Professional - Educational Services	11-219-100-320	119,923.98	(32,123.56)	87,800.42	32,016.00
Total Home Instruction		219,923.98	49,395.54	269,319.52	32,016.00
Total Special Education - Instruction		16,937,502.58	358,316.26	17,295,818.84	33,170.89

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2018

ACCOUNT NUMBERS	JUNE 30, 2018			VARIANCE FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
School-Sponsored Curricular/Extra Curricular Activities - Instruction:				
Salaries	482,000.00	76,875.34	558,875.34	-
Total School-Sponsored Curricular/Extra Curricular Activities - Instruction	482,000.00	76,875.34	558,875.34	-
School-Sponsored Athletics - Instruction:				
Salaries	944,202.00	44,088.22	988,290.22	-
Purchased Services	-	200.00	200.00	-
Supplies and Materials	266,126.44	(98,584.50)	167,541.94	2,275.07
Other Objects	397,398.84	37,347.23	434,746.07	35,051.76
Total School-Sponsored Athletics - Instruction	1,607,727.28	(16,949.05)	1,590,778.23	37,326.83
Before/After School Programs - Instruction:				
Salaries of Teachers	90,000.00	(37,516.40)	52,483.60	-
Total Before/After School Programs - Instruction	90,000.00	(37,516.40)	52,483.60	-
Summer School - Instruction:				
Salaries of Teachers	92,500.00	(3,462.34)	89,037.66	-
Total Summer School - Instruction	92,500.00	(3,462.34)	89,037.66	-
Undistributed Expenditures - Instruction (Tuition):				
Tuition to Other LEAs Within State - Regular	51,225.00	(36,232.48)	14,992.52	4,967.12
Tuition to Other LEAs Within State - Special	860,178.50	(647,943.50)	212,235.00	13,582.00
Tuition to County Vocational School - Regular	1,600,000.00	(47,092.00)	1,552,908.00	-
Tuition to County Vocational School - Special	300,000.00	(198,550.00)	101,450.00	-
Tuition to County Special Services & Regular Day Schools	120,000.00	672,488.00	792,488.00	27,198.00
Tuition to Private School Disabled Within State	2,367,835.00	(293,723.45)	2,074,111.55	69,046.55
Tuition to Private School Disabled Outside State	100,000.00	(100,000.00)	-	-
Tuition - State Facilities	75,000.00	(1,442.00)	73,558.00	-
Total Undistributed Expenditures - Instruction (Tuition)	5,474,238.50	(652,495.43)	4,821,743.07	114,793.67
Undistributed Expenditures Attendance and Social Work:				
Salaries	239,616.00	36,682.01	276,298.01	-
Other Purchased Services	300.00	(300.00)	-	-
Other Objects	36,000.00	(5,533.50)	30,466.50	-
Total Undistributed Expenditures Attendance and Social Work	275,916.00	30,848.51	306,764.51	-

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2018

ACCOUNT NUMBERS	JUNE 30, 2018			VARIANCE FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Undistributed Expenditures - Health Services:				
Salaries	1,704,205.00	86,806.81	1,791,011.81	1,791,011.81
Purchased Professional & Technical Services	950,776.25	149,437.43	1,100,213.68	1,041,806.68
Other Purchased Services	1,500.00	(600.00)	900.00	900.00
Supplies and Materials	131,794.84	(49,195.36)	82,599.48	82,387.06
Other Objects	40,440.05	(6,064.41)	34,375.64	31,588.40
Total Undistributed Expenditures - Health Services	2,828,716.14	180,384.47	3,009,100.61	2,947,693.95
Undistributed Expenditures - Speech, OT, PT and Related Services:				
Salaries	1,491,629.00	33,948.53	1,525,577.53	1,525,577.53
Purchased Professional - Educational Services	1,052,855.25	(39,207.82)	1,013,647.43	964,720.23
Supplies and Materials	55,000.00	(7,694.06)	47,305.94	47,305.94
Total Undistributed Expenditures - Speech, OT, PT and Related Services	2,599,484.25	(12,953.35)	2,586,530.90	2,537,603.70
Undistributed Expenditures - Guidance:				
Salaries of Other Professional Staff	1,851,026.00	60,155.06	1,911,181.06	1,911,181.06
Salaries of Secretaries & Clerical Assistants	286,628.00	(25,494.26)	261,133.74	261,133.74
Purchased Professional - Educational Services	30,000.00	50,155.00	80,155.00	80,155.00
Total Undistributed Expenditures - Guidance	2,167,654.00	84,815.80	2,252,469.80	2,252,469.80
Undistributed Expenditures - Child Study Teams:				
Salaries of Other Professional Staff	4,050,228.00	335,976.55	4,386,204.55	4,386,204.55
Salaries of Secretaries & Clerical Assistants	356,059.00	18,827.26	374,886.26	374,886.26
Purchased Professional - Educational Services	728,676.00	464,637.30	1,193,313.30	1,189,678.30
Miscellaneous Purchased Services	15,119.33	(6,021.81)	9,097.52	5,016.60
Supplies and Materials	60,891.19	(710.09)	60,181.10	57,762.33
Other Objects	2,000.00	503.92	2,503.92	2,503.92
Total Undistributed Expenditures - Child Study Teams	5,212,973.52	813,213.13	6,026,186.65	6,016,051.96
Undistributed Expenditures - Improvement of Instruction Services:				
Salaries of Supervisors of Instruction	416,700.00	101,861.05	518,561.05	518,561.05
Supplies and Materials	25,976.32	(11,856.09)	14,120.23	13,153.47
Total Undistributed Expenditures - Improvement of Instruction Services	442,676.32	90,004.96	532,681.28	531,714.52
				966.76

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2018

	ACCOUNT NUMBERS	JUNE 30, 2018			VARIANCE FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Undistributed Expenditures - Educational Media Services/Library:					
Salaries	11-000-222-100	429,706.00	(75,560.17)	354,145.83	-
Salaries of Technology Coordinators	11-000-222-177	116,132.00	(116,132.00)	-	-
Supplies and Materials	11-000-222-600	53,285.34	(9,917.33)	43,368.01	229.90
<b>Total Undistributed Expenditures - Educational Media Services/Library</b>		<b>599,123.34</b>	<b>(201,609.50)</b>	<b>397,513.84</b>	<b>229.90</b>
Undistributed Expenditures - Instructional Staff Training Services:					
Other Salaries	11-000-223-110	286,522.00	2,660.83	289,182.83	-
Purchased Professional - Educational Services	11-000-223-320	139,982.00	(115,338.86)	24,643.14	60.85
Other Purchased Services	11-000-223-500	101,678.05	(48,792.54)	52,885.51	2,108.00
<b>Total Undistributed Expenditures - Instructional Staff Training Services</b>		<b>528,182.05</b>	<b>(161,470.57)</b>	<b>366,711.48</b>	<b>2,168.85</b>
Undistributed Expenditures - Support Services - General Administration:					
Salaries	11-000-230-100	1,081,452.00	169,349.91	1,250,801.91	-
Unused Vacation Payment to Staff	11-000-230-199	25,000.00	(25,000.00)	-	-
Unused Sick Payment to Staff	11-000-230-299	5,000.00	(5,000.00)	-	-
Legal Services	11-000-230-331	635,288.77	19,945.01	655,233.78	191,149.22
Audit Fees	11-000-230-332	93,000.00	(885.00)	92,115.00	46,000.00
Architectural/Engineering Services	11-000-230-334	52,669.00	9,144.10	61,813.10	56,079.09
Other Purchased Professional Services	11-000-230-339	22,183.58	4,040.99	26,224.57	5,734.01
Purchased Technical Services	11-000-230-340	72,659.57	34,776.18	107,435.75	16,400.00
Communications/Telephone	11-000-230-530	408,017.86	(110,667.41)	297,350.45	685.00
BOE Other Purchased Professional Services	11-000-230-585	3,000.00	383.00	3,383.00	-
Other Purchased Services	11-000-230-590	4,500.00	25,954.00	30,454.00	11,752.13
BOE In-House Training/Meeting Supplies	11-000-230-630	2,300.50	2,394.50	4,695.00	595.00
Judgements Against School District	11-000-230-820	50,000.00	(39,999.41)	10,000.59	0.59
Miscellaneous Expenditures	11-000-230-890	21,422.00	1,578.31	23,000.31	-
BOE Membership Dues and Fees	11-000-230-895	27,463.00	(800.30)	26,662.70	-
<b>Total Undistributed Expenditures - Support Services - General Administration</b>		<b>2,503,956.28</b>	<b>85,213.88</b>	<b>2,589,170.16</b>	<b>272,315.95</b>



MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2018

	ACCOUNT NUMBERS	JUNE 30, 2018			VARIANCE FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Undistributed Expenditures -					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	11-000-240-103	3,764,395.00	376,019.50	4,140,414.50	4,140,414.50
Salaries of Other Professional Staff	11-000-240-104	612,722.00	(191,742.24)	420,979.76	420,979.76
Salaries of Secretaries & Clerical Assistants	11-000-240-105	1,755,783.00	111,286.10	1,867,069.10	1,867,069.10
Unused Vacation Payment to Staff	11-000-240-199	25,000.00	41,400.31	66,400.31	66,400.31
Unused Sick Payment to Staff	11-000-240-299	25,000.00	(25,000.00)	-	-
Purchased Professional & Technical Services	11-000-240-300	16,000.00	(2,500.00)	13,500.00	13,500.00
Other Objects	11-000-240-800	26,110.00	14,236.80	40,346.80	22,056.80
Total Undistributed Expenditures -		6,225,010.00	323,700.47	6,548,710.47	6,530,420.47
Support Services - School Administration					18,290.00
Undistributed Expenditures - Central Services:					
Salaries	11-000-251-100	1,261,947.00	(61,729.90)	1,200,217.10	1,200,217.10
Unused Vacation Payment to Staff	11-000-251-199	10,000.00	(331.17)	9,668.83	9,668.83
Unused Sick Payment to Staff	11-000-251-299	2,500.00	(2,500.00)	-	-
Purchased Technical Services	11-000-251-340	91,000.00	2,014.78	93,014.78	93,014.78
Miscellaneous Purchased Services	11-000-251-592	28,717.85	10,342.18	39,060.03	36,299.68
Supplies and Materials	11-000-251-600	18,601.58	3,714.91	22,316.49	22,302.45
Interest on Lease Purchase Agreements	11-000-251-832	-	-	-	-
Other Objects	11-000-251-890	13,000.00	(3,148.93)	9,851.07	9,851.07
Total Undistributed Expenditures - Central Services		1,425,766.43	(51,638.13)	1,374,128.30	1,371,353.91
Administrative Information Technology:					2,774.39
Salaries	11-000-252-100	695,277.00	(48,320.00)	646,957.00	646,956.92
Unused Vacation Payment to Staff	11-000-252-199	-	-	-	-
Purchased Technical Services	11-000-252-340	86,523.30	(1,005.61)	85,517.69	77,713.62
Other Purchased Services	11-000-252-500	2,444.19	985.09	3,429.28	3,329.28
Other Objects	11-000-252-800	300.00	(50.00)	250.00	250.00
Total Undistributed Expenditures -		784,544.49	(48,390.52)	736,153.97	728,249.82
Administrative Information Technology					7,904.15
Operation and Maintenance of Plant Services:					
Unused Sick Payment to Staff	11-000-260-299	5,000.00	(5,000.00)	-	-
Total Operation and Maintenance of Plant Services		5,000.00	(5,000.00)	-	-

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2018

	ACCOUNT NUMBERS	JUNE 30, 2018			VARIANCE FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Undistributed Expenditures -					
Required Maintenance for School Facilities:					
Salaries	11-000-261-100	2,133,678.00	58,954.84	2,192,632.84	-
Unused Vacation Payment to Staff	11-000-261-199	2,500.00	3,799.54	6,299.54	-
Cleaning, Repair & Maintenance Services	11-000-261-420	585,852.26	237,721.23	823,573.49	45,964.38
Travel	11-000-261-580	-	1,732.12	1,332.12	400.00
General Supplies	11-000-261-610	507,231.07	22,611.58	529,842.65	70,147.37
Other Objects	11-000-261-800	2,000.00	(2,000.00)	-	-
Total Undistributed Expenditures -		3,231,261.33	322,819.31	3,554,080.64	116,511.75
Required Maintenance for School Facilities					
Undistributed Expenditures - Custodial Services:					
Salaries	11-000-262-100	3,547,850.00	9,888.86	3,557,738.86	-
Salaries of Non-Instructional Aids	11-000-262-107	325,071.00	428,401.29	753,472.29	-
Unused Vacation Payment to Staff	11-000-262-199	5,000.00	17,894.57	22,894.57	-
Purchased Professional & Technical Services	11-000-262-300	26,065.00	(23,974.96)	2,090.04	-
Cleaning, Repair & Maintenance Services	11-000-262-420	307,869.63	22,720.22	330,589.85	6,320.84
Other Purchased Property Services	11-000-262-490	225,000.00	(19,400.45)	205,599.55	-
Insurance	11-000-262-520	905,421.00	2,814.22	908,235.22	235.00
Travel	11-000-262-580	441.39	882.61	1,324.00	270.27
Miscellaneous Purchased Services	11-000-262-590	2,000.00	(2,000.00)	-	-
General Supplies	11-000-262-610	310,006.76	7,535.08	317,541.84	7,376.00
Energy (Natural Gas)	11-000-262-621	375,000.00	223,961.29	598,961.29	-
Energy (Electricity)	11-000-262-622	1,925,363.40	123,240.33	2,048,603.73	-
Energy (Gasoline)	11-000-262-626	95,000.00	-	95,000.00	15,036.82
Other Objects	11-000-262-800	10,000.00	3,185.87	13,185.87	1.00
Total Undistributed Expenditures - Custodial Services		8,060,088.18	795,148.93	8,855,237.11	29,239.93
Undistributed Expenditures -					
Care and Upkeep of Grounds:					
Salaries	11-000-263-100	651,847.00	(98,802.96)	553,044.04	-
Cleaning, Repair & Maintenance Services	11-000-263-420	102,984.95	(34,015.49)	68,969.46	1,949.85
General Supplies	11-000-263-610	106,342.89	(16,292.35)	90,050.54	10,236.77
Total Undistributed Expenditures -		861,174.84	(149,110.80)	712,064.04	12,186.62
Care and Upkeep of Grounds					

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2018

	ACCOUNT NUMBERS	JUNE 30, 2018			VARIANCE FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Security:					
Salaries	11-000-266-100	495,654.00	31,566.79	527,220.79	-
Cleaning, Repair & Maintenance	11-000-266-420	-	6,430.80	6,430.80	160.00
General Supplies	11-000-266-610	64,769.72	(10,470.26)	54,299.46	27,123.95
Other Objects	11-000-266-800	2,000.00	(2,000.00)	-	-
Total Security		562,423.72	25,527.33	587,951.05	27,283.95
Undistributed Expenditures -					
Student Transportation Services:					
Salaries of Pupil Transportation (Between Home & School) - Regular	11-000-270-160	171,747.00	11,252.27	182,999.27	-
Contract Services - Aid in Lieu Payments - Non Public Schools	11-000-270-503	154,960.70	(9,856.40)	145,104.30	-
Contract Services (Between Home & School) - Vendors	11-000-270-511	4,402,999.98	(572,885.31)	3,830,114.67	-
Contract Services (Other Than Between Home & School) - Vendors	11-000-270-512	415,451.08	935.06	416,386.14	6,275.00
Contract Services (Between Home & School) - Joint Agreement	11-000-270-513	500,000.00	329,752.41	829,752.41	-
Contract Services (Special Education) - Vendors	11-000-270-514	4,851,176.00	106,860.24	4,958,036.24	7,656.00
Travel	11-000-270-580	500.00	-	500.00	500.00
Miscellaneous Purchased Services - Transportation	11-000-270-593	800.00	(800.00)	-	-
General Supplies	11-000-270-610	750.00	(352.75)	397.25	-
Miscellaneous Expenditures	11-000-270-800	20,455.00	(10,352.87)	10,102.13	535.00
Total Undistributed Expenditures -		10,518,839.76	(145,447.35)	10,373,392.41	14,966.00
Student Transportation Services					
Unallocated Benefits:					
Social Security Contributions	11-000-291-220	1,725,000.00	75,445.61	1,800,445.61	-
TPAF Contributions - ERIP	11-000-291-232	763,120.00	(763,120.00)	-	-
Other Retirement Contributions - PERS	11-000-291-241	2,003,822.05	6,114.50	2,009,936.55	584.62
Workmen's Compensation	11-000-291-260	1,154,002.00	(164,120.15)	989,881.85	-
Health Benefits	11-000-291-270	20,466,822.00	(569,719.89)	19,897,102.11	-
Tuition Reimbursement	11-000-291-280	50,000.00	(662.00)	49,338.00	-
Other Employee Benefits	11-000-291-290	505,000.00	55,314.19	560,314.19	-
Unused Sick Payment to Staff	11-100-100-299	-	220,862.50	220,862.50	-
Total Unallocated Benefits		26,667,766.05	(1,139,885.24)	25,527,880.81	584.62
Nonbudgeted:					
TPAF - Post Retirement Medical (Noncash Assistance)		-	-	7,050,856.00	(7,050,856.00)
TPAF - Pension Contributions (Noncash Assistance)		-	-	10,916,688.00	(10,916,688.00)
TPAF - Long-Term Disability Insurance (Noncash Assistance)		-	-	14,896.00	(14,896.00)
Reimbursed TPAF Social Security Contributions		-	-	5,352,701.49	(5,352,701.49)
Total Undistributed Expenditures		80,974,795.20	183,675.90	81,158,471.10	(22,594,456.40)
Total Expenditures - Current Expense		157,642,482.85	481,831.06	158,124,313.91	(22,456,235.64)

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2018

ACCOUNT NUMBERS	JUNE 30, 2018				VARIANCE FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Equipment:					
Grades 1-5	5,643.00	22,580.81	28,223.81	15,628.81	12,595.00
Grades 6-8	15,349.00	14,550.17	29,899.17	29,899.17	-
Grades 9-12	21,306.68	24,258.11	45,564.79	45,564.79	-
Multiple Disabilities	27,433.60	(10,205.54)	17,228.06	15,787.55	1,440.51
School-Sponsored & Other Instructional Programs	22,000.00	50,342.48	72,342.48	44,210.48	28,132.00
Undistributed Expenditures:					
Instruction	-	5,400.00	5,400.00	5,399.92	0.08
Central Services	194,925.00	0.09	194,925.09	194,925.09	-
Undist. Exp. - Care & Upkeeps of Grounds	-	7,508.72	7,508.72	-	7,508.72
Undist. Exp. - Security	-	5,635.00	5,635.00	5,635.00	-
Non-Instructional Services	1,176,691.60	95,660.75	1,272,352.35	1,266,857.35	5,495.00
Total Equipment	1,463,348.88	215,730.59	1,679,079.47	1,623,908.16	55,171.31
Facilities Acquisition & Construction Services:					
Architectural/Engineering Services	14,412.26	15,869.29	30,281.55	28,745.73	1,535.82
Other Purchased Professional/Technical Services	-	3,400.00	3,400.00	3,400.00	-
Construction Services	2,206,836.52	(351,158.94)	1,855,677.58	1,694,841.72	160,835.86
Assessment for Debt Service on SDA Funding	27,200.00	-	27,200.00	27,200.00	-
Total Facilities Acquisition & Construction Services	2,248,448.78	(331,889.65)	1,916,559.13	1,754,187.45	162,371.68
Assets Acquired Under Capital Leases (Non-Budgeted):					
Technology Lease	-	-	-	11,200,000.00	(11,200,000.00)
Total Assets Acquired Under Capital Leases (Non-Budgeted)	-	-	-	11,200,000.00	(11,200,000.00)
Total Capital Outlay	3,711,797.66	(116,159.06)	3,595,638.60	14,578,095.61	(10,982,457.01)
Total Expenditures	161,354,280.51	365,672.00	161,719,952.51	195,158,645.16	(33,438,692.65)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures Before Other Financing Sources/(Uses)	(2,624,177.51)	(8,900.00)	(2,633,077.51)	(12,227,179.99)	(9,594,102.48)
Other Financing Sources/(Uses):					
Transfers In/(Out):					
Transfer of Funds to Charter Schools	(9,988.00)	8,900.00	(1,088.00)	-	1,088.00
Capital Leases (Non-Budgeted)	-	-	-	11,200,000.00	(11,200,000.00)
Total Other Financing Sources/(Uses)	(9,988.00)	8,900.00	(1,088.00)	11,200,000.00	11,201,088.00

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2018

ACCOUNT NUMBERS	JUNE 30, 2018			VARIANCE FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures After Other Financing Sources/(Uses) Fund Balances, July 1	(2,634,165.51) 9,303,120.68	- -	(2,634,165.51) 9,303,120.68	1,606,985.52 -
Fund Balances, June 30	\$ 6,668,955.17	\$ -	\$ 6,668,955.17	\$ 1,606,985.52

RECAPITULATION OF FUND BALANCE

Restricted Fund Balance:	
Capital Reserve	\$ 1,649,494.82
Maintenance Reserve	704,670.04
Legal Reserve	763,120.00
Excess Surplus Designated for Subsequent Year's Expenditures	534,377.20
Assigned Fund Balance:	
Year-End Encumbrances	1,046,721.56
Unassigned Fund Balance	3,577,557.07
Subtotal	8,275,940.69
Reconciliation to Governmental Funds Statements (GAAP):	
Last State Aid Payments not recognized on GAAP basis	(1,715,657.00)
Fund Balance per Governmental Funds (GAAP)	\$ 6,560,283.69

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2018

	JUNE 30, 2018			VARIANCE FINAL TO ACTUAL (OVER)/ UNDER
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Revenues:				
Local Sources	\$ 50,000.00	\$ 34,548.57	\$ 84,548.57	\$ 32,368.80
State Sources	1,219,667.00	119,541.10	1,339,208.10	1,242,266.31
Federal Sources	3,066,179.00	1,126,632.17	4,192,811.17	3,854,186.77
<b>Total Revenues</b>	<b>4,335,846.00</b>	<b>1,280,721.84</b>	<b>5,616,567.84</b>	<b>487,745.96</b>
Expenditures:				
Instruction:				
Salaries of Teachers	628,694.00	(94,888.00)	533,806.00	11,800.93
Purchased Professional - Educational Services	-	22,321.65	22,321.65	22,321.65
Other Purchased Services (400-500 Series)	2,422,162.00	1,524.36	2,423,686.36	30,549.64
General Supplies	65,323.00	266,603.41	331,926.41	259,801.63
Textbooks	159,547.00	(14,921.00)	144,626.00	500.00
<b>Total Instruction</b>	<b>3,275,726.00</b>	<b>180,640.42</b>	<b>3,456,366.42</b>	<b>324,973.85</b>
Support Services:				
Salaries of Other Professional Staff	-	23,777.00	23,777.00	1,823.00
Personal Services - Employee Benefits	-	159,282.00	159,282.00	(1.00)
Purchased Educational Services	-	672,398.82	672,398.82	55,978.68
Other Purchased Services (400-500 Series)	849,702.00	111,314.70	961,016.70	45,303.21
Supplies and Materials	-	30,298.61	30,298.61	14,271.65
Other Objects	-	6,662.74	6,662.74	5,325.74
<b>Total Support Services</b>	<b>849,702.00</b>	<b>1,003,733.87</b>	<b>1,853,435.87</b>	<b>122,701.28</b>
Facilities Acquisition & Construction Services:				
Instructional Equipment	210,418.00	84,479.00	294,897.00	38,094.24
Noninstructional Equipment	-	11,868.55	11,868.55	1,976.59
<b>Total Facilities Acquisition &amp; Construction Services</b>	<b>210,418.00</b>	<b>96,347.55</b>	<b>306,765.55</b>	<b>40,070.83</b>
<b>Total Expenditures</b>	<b>4,335,846.00</b>	<b>1,280,721.84</b>	<b>5,616,567.84</b>	<b>487,745.96</b>
<b>Total Outflows</b>	<b>4,335,846.00</b>	<b>1,280,721.84</b>	<b>5,616,567.84</b>	<b>487,745.96</b>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures &amp; Other Financing Sources/(Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET TO GAAP RECONCILIATION  
YEAR ENDED JUNE 30, 2018**

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

	<b>GENERAL FUND</b>	<b>SPECIAL REVENUE FUND</b>
<b>Sources/Inflows of Resources:</b>		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$ 182,931,465.17	\$ 5,128,821.88
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current Year	-	(92,798.37)
Prior Year	-	-
<p>The last state aid payments are recognized as revenue for budgetary purposes and differs from GAAP which does not recognize this revenue until the subsequent year when the state recognizes the related expense (GASB 33).</p>		
Current Year	(1,715,657.00)	-
Prior Year	1,752,229.00	-
<hr style="border: 1px solid black;"/>		
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. (B-2)	<u>\$ 182,968,037.17</u>	<u>\$ 5,036,023.51</u>
<b>Uses/outflows of resources:</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule. (C-1, C-2)	\$ 195,158,645.16	\$ 5,128,821.88
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.		
	-	(92,798.37)
<hr style="border: 1px solid black;"/>		
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 195,158,645.16</u>	<u>\$ 5,036,023.51</u>

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**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

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

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EXHIBIT L-1

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)  
 LAST FOUR FISCAL YEARS\*

	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.20198507480%	0.2024431467%	0.2119862254%	0.2209620171%	0.2038684327%
School District's proportionate share of the net pension liability	\$ 47,018,897.00	\$ 59,957,853.00	\$ 47,586,660.00	\$ 41,370,133.00	\$ 38,963,308.00
School District's covered payroll	\$ 14,315,456.23	\$ 14,296,605.99	\$ 14,212,560.00	\$ 14,206,452.00	\$ 14,417,826.00
School District's proportionate share of the net pension liability as a percentage of its covered payroll	328.45%	419.39%	334.82%	291.21%	270.24%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%	52.08%	48.72%

\*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.

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS  
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)  
 LAST FOUR FISCAL YEARS

	2018	2017	2016	2015	2014
School District's contractually required contribution	\$ 1,895,437.00	\$ 1,871,176.00	\$ 1,798,476.00	\$ 1,822,513.00	\$ 1,821,579.00
Contributions in relation to the contractually required contribution	(1,895,437.00)	(1,871,176.00)	(1,798,476.00)	(1,822,513.00)	(1,821,579.00)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 14,319,354.64	\$ 14,315,456.23	\$ 14,296,605.99	\$ 14,212,560.00	\$ 14,206,452.00
Contributions as a percentage of covered payroll	13.24%	13.07%	12.58%	12.82%	12.82%

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.



**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' PENSION AND ANNUITY FUND (TPAF)  
LAST FOUR FISCAL YEARS\***

	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	\$ 474,762,052.00	\$ 569,821,881.00	\$ 458,004,352.00	\$ 382,394,370.00	\$ 359,346,441.00
School District's covered payroll	\$ 79,805,632.35	\$ 79,786,461.78	\$ 71,362,648.00	\$ 71,840,310.00	\$ 71,840,260.00
School District's proportionate share of the net pension liability as a percentage of its covered 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%

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

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**MIDDLETOWN BOARD OF EDUCATION  
 SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
 STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (OPEB)  
 LAST FISCAL YEAR\***

	2018
<b>District's Total OPEB Liability</b>	
Service Cost	\$ 14,401,144
Interest Cost	11,469,066
Changes of Assumptions	(47,115,916)
Contributions: Member	309,344
Gross Benefit Payments	(8,400,955)
Net Change in District's Total OPEB Liability	(29,337,317)
District's Total OPEB Liability (Beginning)	392,039,612
District's Total OPEB Liability (Ending)	\$ 362,702,295
District's Covered Employee Payroll	\$ 101,885,872
District's Net OPEB Liability as a Percentage of Payroll	356%

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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**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III  
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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**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2018**

	Title I	Title IIA	Title III	Title III - Immigrant	I.D.E.A. - Basic
Revenues:					
Federal Sources	\$ 573,891.50	\$ 166,278.00	\$ 11,695.62	\$ 4,686.50	\$ 3,041,192.99
Total Revenues	<u>\$ 573,891.50</u>	<u>\$ 166,278.00</u>	<u>\$ 11,695.62</u>	<u>\$ 4,686.50</u>	<u>\$ 3,041,192.99</u>
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 427,319.07	\$ 69,353.00	\$ -	\$ -	\$ -
Purchased Professional - Educational Services	-	-	-	-	-
Other Purchased Services (400-500 Series)	-	-	-	-	2,393,136.72
General Supplies	10,163.64	-	1,485.96	2,161.50	29,561.13
Total Instruction	<u>437,482.71</u>	<u>69,353.00</u>	<u>1,485.96</u>	<u>2,161.50</u>	<u>2,422,697.85</u>
Support Services:					
Salaries of Other Professional Staff	-	21,954.00	-	-	-
Personal Services - Employee Benefits	123,601.00	27,701.00	-	-	-
Purchased Educational Services	-	28,275.00	4,975.00	2,525.00	580,645.14
Other Purchased Services (400-500 Series)	9,362.00	8,391.49	1,920.00	-	37,850.00
Supplies and Materials	3,445.79	9,266.51	3,314.66	-	-
Other Objects	-	1,337.00	-	-	-
Total Support Services	<u>136,408.79</u>	<u>96,925.00</u>	<u>10,209.66</u>	<u>2,525.00</u>	<u>618,495.14</u>
Total Expenditures	<u>\$ 573,891.50</u>	<u>\$ 166,278.00</u>	<u>\$ 11,695.62</u>	<u>\$ 4,686.50</u>	<u>\$ 3,041,192.99</u>

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2018**

	I.D.E.A. - Preschool	Non Public Ch. 192 Auxiliary	Non Public Textbook	Non Public Nursing	Non Public Ch. 193 Handicapped
Revenues:					
State Sources	\$ -	\$ 184,255.00	\$ 144,126.00	\$ 255,498.00	\$ 402,437.00
Federal Sources	6,899.25	-	-	-	-
Total Revenues	<u>\$ 6,899.25</u>	<u>\$ 184,255.00</u>	<u>\$ 144,126.00</u>	<u>\$ 255,498.00</u>	<u>\$ 402,437.00</u>
Expenditures:					
Instruction:					
General Supplies	\$ 6,899.25	\$ -	\$ -	\$ -	\$ -
Textbooks	-	-	144,126.00	-	-
Total Instruction	<u>6,899.25</u>	<u>-</u>	<u>144,126.00</u>	<u>-</u>	<u>-</u>
Support Services:					
Purchased Educational Services	-	-	-	-	-
Other Purchased Services (400-500 Series)	-	184,255.00	-	255,498.00	402,437.00
Total Support Services	<u>-</u>	<u>184,255.00</u>	<u>-</u>	<u>255,498.00</u>	<u>402,437.00</u>
Total Expenditures	<u>\$ 6,899.25</u>	<u>\$ 184,255.00</u>	<u>\$ 144,126.00</u>	<u>\$ 255,498.00</u>	<u>\$ 402,437.00</u>

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2018**

	Non Public Technology	Non Public Security Aid	Count Basie Village Grant	Fuel Up Grant	Target Grant
Revenues:					
Local Sources	\$ -	\$ -	\$ 2,500.00	\$ 907.08	\$ 4,717.52
State Sources	60,031.55	195,918.76	-	-	-
<b>Total Revenues</b>	<b>\$ 60,031.55</b>	<b>\$ 195,918.76</b>	<b>\$ 2,500.00</b>	<b>\$ 907.08</b>	<b>\$ 4,717.52</b>
Expenditures:					
Instruction:					
General Supplies	\$ -	\$ -	\$ 2,500.00	\$ 907.08	\$ 4,717.52
Total Instruction	-	-	2,500.00	907.08	4,717.52
Support Services:					
Salaries of Other Professional Staff	-	-	-	-	-
Total Support Services	-	-	-	-	-
Facilities Acquisition & Construction Services:					
Instructional Equipment	60,031.55	195,918.76	-	-	-
Total Facilities Acquisition & Construction Services	60,031.55	195,918.76	-	-	-
<b>Total Expenditures</b>	<b>\$ 60,031.55</b>	<b>\$ 195,918.76</b>	<b>\$ 2,500.00</b>	<b>\$ 907.08</b>	<b>\$ 4,717.52</b>

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2018**

	Strike Out for Autism Grant	AXA Achievement Grant	Stem Grant	Bayview Garden Grant	NJ DOE Stem Grant
Revenues:					
Local Sources	\$ 555.00	\$ 852.45	\$ 12,482.40	\$ 224.42	\$ -
Total Revenues	<u>\$ 555.00</u>	<u>\$ 852.45</u>	<u>\$ 12,482.40</u>	<u>\$ 224.42</u>	<u>\$ -</u>
Expenditures:					
Instruction:					
General Supplies	\$ 555.00	\$ -	\$ 12,482.40	\$ 224.42	\$ -
Total Instruction	<u>555.00</u>	<u>-</u>	<u>12,482.40</u>	<u>224.42</u>	<u>-</u>
Support Services:					
Supplies and Materials	-	852.45	-	-	-
Total Facilities Acquisition & Construction Services	<u>-</u>	<u>852.45</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 555.00</u>	<u>\$ 852.45</u>	<u>\$ 12,482.40</u>	<u>\$ 224.42</u>	<u>\$ -</u>

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2018**

	Sustainable NJ - HSN Grant	Title - SIA	Emergency Impact Aid	Sustainable Grant	Totals
<b>Revenues:</b>					
Local Sources	\$ 9,891.96	\$ -	\$ -	\$ 237.97	\$ 32,368.80
State Sources	-	-	-	-	1,242,266.31
Federal Sources	-	33,542.91	16,000.00	-	3,854,186.77
<b>Total Revenues</b>	<b>\$ 9,891.96</b>	<b>\$ 33,542.91</b>	<b>\$ 16,000.00</b>	<b>\$ 237.97</b>	<b>\$ 5,128,821.88</b>
<b>Expenditures:</b>					
<b>Instruction:</b>					
Salaries of Teachers	\$ -	\$ 25,333.00	\$ -	\$ -	\$ 522,005.07
Purchased Professional - Educational Services	-	-	-	-	-
Other Purchased Services (400-500 Series)	-	-	-	-	2,393,136.72
General Supplies	-	228.91	-	237.97	72,124.78
<b>Total Instruction</b>	<b>-</b>	<b>25,561.91</b>	<b>-</b>	<b>237.97</b>	<b>3,131,392.57</b>
<b>Support Services:</b>					
Salaries of Other Professional Staff	-	-	-	-	21,954.00
Personal Services - Employee Benefits	-	7,981.00	-	-	159,283.00
Purchased Educational Services	-	-	-	-	616,420.14
Other Purchased Services (400-500 Series)	-	-	16,000.00	-	915,713.49
Supplies and Materials	-	-	-	-	16,026.96
Other Objects	-	-	-	-	1,337.00
<b>Total Support Services</b>	<b>-</b>	<b>7,981.00</b>	<b>16,000.00</b>	<b>-</b>	<b>1,730,734.59</b>
<b>Facilities Acquisition &amp; Construction Services:</b>					
Instructional Equipment	-	-	-	-	256,802.76
Noninstructional Equipment	9,891.96	-	-	-	9,891.96
<b>Total Facilities Acquisition &amp; Construction Services</b>	<b>9,891.96</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>266,694.72</b>
<b>Total Expenditures</b>	<b>\$ 9,891.96</b>	<b>\$ 33,542.91</b>	<b>\$ 16,000.00</b>	<b>\$ 237.97</b>	<b>\$ 5,128,821.88</b>

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**F. Capital Projects Fund**

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**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
YEAR ENDED JUNE 30, 2018**

<u>Project Title / Issue</u>	<u>Original Date</u>	<u>Original Appropriations</u>	<u>Expenditures to Date</u>		<u>Cancellation of Project</u>	<u>Unexpended Balance June 30, 2018</u>
			<u>Prior Years</u>	<u>Current Year</u>		
Roofing Replacement Project	5/27/2014	\$ 17,333,839.00	\$ 13,405,090.00	\$ -	\$ 2,011,335.41	\$ 1,917,413.59
Replacement of Telephone System	5/27/2014	711,865.34	626,444.00	-	85,421.34	-
Upgrades to Geothermal System	5/27/2014	14,965,094.00	14,308,189.00	615,335.19	41,569.81	-
Boiler Replacement Project	5/27/2014	861,665.00	658,209.00	-	203,456.00	-
<b>Total</b>		<b>\$ 33,872,463.34</b>	<b>\$ 28,997,932.00</b>	<b>\$ 615,335.19</b>	<b>\$ 2,341,782.56</b>	<b>\$ 1,917,413.59</b>

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

Expenditures and Other Financing Uses:	
Construction Services	\$ 615,335.19
Cancellation of Prior Year Receivable	2,341,782.56
	<hr/>
Total Expenditures and Other Financing Uses	2,957,117.75
	<hr/>
Excess (Deficiency) of Revenues and Other Financing Sources	
Over (Under) Expenditures and Other Financing Uses	(2,957,117.75)
	<hr/>
Fund Balance, July 1	4,874,531.34
	<hr/>
Fund Balance, June 30	\$ 1,917,413.59
	<hr/> <hr/>

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGETARY BASIS  
ROOFING REPLACEMENT PROJECT  
YEAR ENDED JUNE 30, 2018**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources:				
State Sources -- SCC Grant	\$ 7,173,895.00	\$ -	\$ 7,173,895.00	\$ 7,173,895.00
Bond Proceeds	10,159,944.00	-	10,159,944.00	10,159,944.00
Total Revenues and Other Financing Sources	17,333,839.00	-	17,333,839.00	17,333,839.00
Expenditures and Other Financing Uses:				
Other Purchased Professional and Technical Services	726,576.00	-	726,576.00	726,576.00
Construction Services	12,678,514.00	-	12,678,514.00	16,607,263.00
Cancellation of Project	-	2,011,335.41	2,011,335.41	-
Total Expenditures and Other Financing Uses	13,405,090.00	2,011,335.41	15,416,425.41	17,333,839.00
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 3,928,749.00	\$ (2,011,335.41)	\$ 1,917,413.59	\$ -

Additional Project Information:

<u>Project Numbers</u>	Grant Date	5/27/2014
3160-050-14-1019	Bond Authorization Date	5/29/2014
3160-053-14-1020	Bonds Authorized	10,759,044.00
3160-055-14-1022	Bonds Issued	10,159,944.00
3160-057-14-1025	Original Authorized Cost	17,934,739.00
3160-059-14-1027	Additional Authorized Cost	(600,900.00)
3160-060-14-1028	Revised Authorized Cost	17,333,839.00
3160-080-14-1030	Percentage Increase over Original Authorized Cost	-3.35%
3160-090-14-1031	Percentage Completion	100.00%
3160-110-14-1032	Original Target Completion Date	8/31/2015
3160-120-14-1033	Revised Target Completion Date	N/A
3160-130-14-1034		
3160-140-14-1035		
3160-143-14-1037		
3160-145-14-1038		
3160-160-14-1039		

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGETARY BASIS  
REPLACEMENT OF TELEPHONE SYSTEM  
YEAR ENDED JUNE 30, 2018**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources:				
State Sources -- SCC Grant	\$ 335,999.00	\$ -	\$ 335,999.00	\$ 335,999.00
Transfer from Capital Reserve	375,866.34	-	375,866.34	375,866.34
Total Revenues and Other Financing Sources	711,865.34	-	711,865.34	711,865.34
Expenditures and Other Financing Uses:				
Construction Services	626,444.00	-	626,444.00	711,865.34
Cancellation of Project	-	85,421.34	85,421.34	-
Total Expenditures and Other Financing Uses	626,444.00	85,421.34	711,865.34	711,865.34
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 85,421.34	\$ (85,421.34)	\$ -	\$ -

Additional Project Information:

<u>Project Number</u>	Grant Date	
3160-050-14-1001	Bond Authorization Date	5/27/2014
3160-053-14-1002	Bonds Authorized	N/A
3160-055-14-1003	Bonds Issued	N/A
3160-057-14-1004	Original Authorized Cost	839,997.00
3160-059-14-1005	Additional Authorized Cost	(128,131.66)
3160-060-14-1006	Revised Authorized Cost	711,865.34
3160-090-14-1008	Percentage Increase over Original Authorized Cost	-15.25%
3160-095-14-1009	Percentage Completion	100.00%
3160-110-14-1010	Original Target Completion Date	8/31/14
3160-120-14-1011	Revised Target Completion Date	N/A
3160-130-14-1012		
3160-140-14-1013		
3160-143-14-1014		
3160-145-14-1015		
3160-080-14-1007		
3160-150-14-1016		
3160-160-14-1017		

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGETARY BASIS  
UPGRADES TO GEOTHERMAL SYSTEM  
YEAR ENDED JUNE 30, 2018**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources:				
State Sources -- SCC Grant	\$ 5,746,038.00	\$ -	\$ 5,746,038.00	\$ 5,746,038.00
Bond Proceeds	9,219,056.00	-	9,219,056.00	9,219,056.00
<b>Total Revenues and Other Financing Sources</b>	<b>14,965,094.00</b>	<b>-</b>	<b>14,965,094.00</b>	<b>14,965,094.00</b>
Expenditures and Other Financing Uses:				
Other Purchased Professional and Technical Services	1,031,278.00	-	1,031,278.00	1,031,278.00
Construction Services	13,276,911.00	615,335.19	13,892,246.19	13,933,816.00
Cancellation of Project	-	41,569.81	41,569.81	-
<b>Total Expenditures and Other Financing Uses</b>	<b>14,308,189.00</b>	<b>656,905.00</b>	<b>14,965,094.00</b>	<b>14,965,094.00</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<b>\$ 656,905.00</b>	<b>\$ (656,905.00)</b>	<b>\$ -</b>	<b>\$ -</b>

## Additional Project Information:

<u>Project Number</u>	Grant Date	5/27/2014
3160-050-14-1018	Bond Authorization Date	5/29/2014
3160-053-14-1021	Bonds Authorized	9,219,056.00
3160-055-14-1023	Bonds Issued	9,219,056.00
3160-057-14-1024	Original Authorized Cost	14,365,094.00
3160-059-14-1026	Additional Authorized Cost	600,000.00
	Revised Authorized Cost	14,965,094.00
	Percentage Increase over Original Authorized Cost	4.18%
	Percentage Completion	100.00%
	Original Target Completion Date	8/31/14
	Revised Target Completion Date	N/A

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGETARY BASIS  
BOILER REPLACEMENT PROJECT  
YEAR ENDED JUNE 30, 2018**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources:				
State Sources -- SCC Grant	\$ 466,740.00	\$ -	\$ 466,740.00	\$ 466,740.00
Transfer from Capital Reserve	394,925.00	-	394,925.00	394,925.00
<b>Total Revenues and Other Financing Sources</b>	<b>861,665.00</b>	<b>-</b>	<b>861,665.00</b>	<b>861,665.00</b>
Expenditures and Other Financing Uses:				
Other Purchased Professional and Technical Services	101,409.00	-	101,409.00	101,409.00
Construction Services	556,800.00	-	556,800.00	760,256.00
Cancellation of Project	-	203,456.00	203,456.00	-
<b>Total Expenditures and Other Financing Uses</b>	<b>658,209.00</b>	<b>203,456.00</b>	<b>861,665.00</b>	<b>861,665.00</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 203,456.00	\$ (203,456.00)	\$ -	\$ -

Additional Project Information:

<u>Project Number</u>	Grant Date	5/27/2014
3160-143-14-1036	Bond Authorization Date	N/A
3160-080-14-1029	Bonds Authorized	N/A
	Bonds Issued	N/A
	Original Authorized Cost	861,665.00
	Additional Authorized Cost	-
	Revised Authorized Cost	861,665.00
	Percentage Increase over Original Authorized Cost	0.00%
	Percentage Completion	100.00%
	Original Target Completion Date	8/31/15
	Revised Target Completion Date	N/A

## **H. Fiduciary Fund**

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**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2018**

	TRUST		AGENCY				
	UNEMPLOYMENT COMPENSATION	PRIVATE- PURPOSE SCHOLARSHIP FUND	TRUST TOTALS	PAYROLL FUND	STUDENT ACTIVITY FUND	ATHLETIC FUND	AGENCY TOTALS
<b>ASSETS</b>							
Cash & Cash Equivalents	\$ 435,641.71	\$ 622,872.68	\$ 1,058,514.39	\$ 3,410,909.42	\$ 564,744.96	\$ 7,399.72	\$ 3,983,054.10
Interfund Receivable	-	-	-	-	-	-	-
Total Assets	435,641.71	622,872.68	1,058,514.39	3,410,909.42	564,744.96	7,399.72	3,983,054.10
<b>LIABILITIES</b>							
Accounts Payable	6,195.41	-	6,195.41	-	-	-	\$ -
Payable for Student Related Activities	-	-	-	-	564,744.96	7,399.72	572,144.68
Interfund Payable	-	-	-	248.08	-	-	248.08
Payroll Deductions & Withholdings	-	-	-	3,410,661.34	-	-	3,410,661.34
Total Liabilities	6,195.41	-	6,195.41	3,410,909.42	564,744.96	7,399.72	3,983,054.10
<b>NET POSITION</b>							
Restricted - Held in Trust for Unemployment Claims & Other Purposes	429,446.30	-	429,446.30				
Restricted - Scholarships	-	622,872.68	622,872.68				
Total Net Position	\$ 429,446.30	\$ 622,872.68	\$ 1,052,318.98				

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2018**

	<b>UNEMPLOYMENT COMPENSATION TRUST</b>	<b>PRIVATE- PURPOSE SCHOLARSHIP FUND</b>	<b>TOTAL TRUST</b>
<b>ADDITIONS</b>			
Contributions:			
Plan Member	\$ 152,168.45	\$ -	\$ 152,168.45
Other	-	47,750.00	47,750.00
Total Contributions	152,168.45	47,750.00	199,918.45
Investment Earnings:			
Interest	70.04	1,152.18	1,222.22
Net Investment Earnings	70.04	1,152.18	1,222.22
Total Additions	152,238.49	48,902.18	201,140.67
<b>DEDUCTIONS</b>			
Unemployment Claims	107,333.32	-	107,333.32
Scholarships Awarded	-	116,397.00	116,397.00
Total Deductions	107,333.32	116,397.00	223,730.32
Change in Net Position	44,905.17	(67,494.82)	(22,589.65)
Net Position - Beginning	384,541.13	690,367.50	1,074,908.63
Net Position - Ending	\$ 429,446.30	\$ 622,872.68	\$ 1,052,318.98

## EXHIBIT H-3

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2018**

	BALANCE JUNE 30, 2017	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2018
<b>Elementary Schools:</b>				
Bayview	\$ 1,696.00	\$ 4,274.00	\$ 5,202.00	\$ 768.00
Fairview	1,917.00	5,475.00	5,154.00	2,238.00
Harmony	2,365.00	14,114.00	12,894.00	3,585.00
Leonardo	2,152.00	4,428.00	6,047.00	533.00
Lincroft	769.00	9,063.00	9,448.00	384.00
Middletown Village	3,798.00	9,439.00	9,862.06	3,374.94
Navesink	985.00	19,955.00	18,689.00	2,251.00
New Monmouth	2,847.00	10,072.00	9,443.00	3,476.00
Nutswamp	41,267.00	31,504.00	35,958.00	36,813.00
Ocean Avenue	3,059.00	8,279.00	7,895.00	3,443.00
Port Monmouth	272.00	300.00	274.00	298.00
River Plaza	2,816.00	11,116.00	10,503.98	3,428.02
<b>Total Elementary Schools</b>	<b>63,943.00</b>	<b>128,019.00</b>	<b>131,370.04</b>	<b>60,591.96</b>
<b>Middle Schools</b>				
Bayshore	29,910.00	80,429.00	73,702.00	36,637.00
Thompson	51,355.00	109,726.00	98,868.00	62,213.00
Thorne	8,874.00	95,451.00	90,402.00	13,923.00
<b>Total Middle Schools</b>	<b>90,139.00</b>	<b>285,606.00</b>	<b>262,972.00</b>	<b>112,773.00</b>
<b>High Schools:</b>				
North	230,736.00	372,231.00	378,298.00	224,669.00
South	158,683.00	342,410.00	334,382.00	166,711.00
<b>Total High Schools</b>	<b>389,419.00</b>	<b>714,641.00</b>	<b>712,680.00</b>	<b>391,380.00</b>
<b>Total All Schools</b>	<b>\$ 543,501.00</b>	<b>\$ 1,128,266.00</b>	<b>\$ 1,107,022.04</b>	<b>\$ 564,744.96</b>

## EXHIBIT H-4

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2018**

	BALANCE JUNE 30, 2017	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2018
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 3,227,942.06	\$ 48,789,056.60	\$ 48,606,089.24	\$ 3,410,909.42
<b>Total Assets</b>	<b>\$ 3,227,942.06</b>	<b>\$ 48,789,056.60</b>	<b>\$ 48,606,089.24</b>	<b>\$ 3,410,909.42</b>
<b>LIABILITIES</b>				
Payroll Deductions & Withholdings	\$ 3,227,942.06	\$ 48,606,089.24	\$ 48,788,808.52	\$ 3,410,661.34
Interfunds Payable	-	-	248.08	248.08
<b>Total Liabilities</b>	<b>\$ 3,227,942.06</b>	<b>\$ 48,606,089.24</b>	<b>\$ 48,789,056.60</b>	<b>\$ 3,410,909.42</b>

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
ATHLETIC AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2018**

	<b>BALANCE JUNE 30, 2017</b>	<b>CASH RECEIPTS</b>	<b>CASH DISBURSEMENTS</b>	<b>BALANCE JUNE 30, 2018</b>
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 3,810.69	\$ 259,575.03	\$ 255,986.00	\$ 7,399.72
Total Assets	<u>\$ 3,810.69</u>	<u>\$ 259,575.03</u>	<u>\$ 255,986.00</u>	<u>\$ 7,399.72</u>
<b>LIABILITIES</b>				
Payable for Student Related Activities	\$ 3,810.69	\$ 259,575.03	\$ 255,986.00	\$ 7,399.72
Total Liabilities	<u>\$ 3,810.69</u>	<u>\$ 259,575.03</u>	<u>\$ 255,986.00</u>	<u>\$ 7,399.72</u>

## **I. Long-Term Debt**

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MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 LONG-TERM DEBT  
 SCHEDULE OF SERIAL BONDS PAYABLE  
 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					
Buildings, Alterations & Renovations (Refunding Issue - 2010)	05/11/10	\$ 55,665,000.00	8/1/2018	\$ 2,995,000.00	5.000%	\$ 40,070,000.00	\$ -	\$ 2,855,000.00	\$ 37,215,000.00
	8/1/2019	3,140,000.00	8/1/2019	3,140,000.00	5.000%				
	8/1/2020	3,290,000.00	8/1/2020	3,290,000.00	5.000%				
	8/1/2021	3,440,000.00	8/1/2021	3,440,000.00	5.000%				
	8/1/2022	3,605,000.00	8/1/2022	3,605,000.00	5.000%				
	8/1/2023	3,770,000.00	8/1/2023	3,770,000.00	5.000%				
	8/1/2024	3,955,000.00	8/1/2024	3,955,000.00	5.000%				
	8/1/2025	4,140,000.00	8/1/2025	4,140,000.00	5.000%				
8/1/2026	4,335,000.00	8/1/2026	4,335,000.00	5.000%					
8/1/2027	4,545,000.00	8/1/2027	4,545,000.00	5.000%					
Buildings, Alterations & Renovations (Refunding Issue - 2013)	01/30/13	7,670,000.00	8/1/2018	505,000.00	3.000%	7,095,000.00	-	480,000.00	6,615,000.00
	8/1/2019	535,000.00	8/1/2019	535,000.00	4.000%				
	8/1/2020	565,000.00	8/1/2020	565,000.00	4.000%				
	8/1/2021	610,000.00	8/1/2021	610,000.00	4.000%				
	8/1/2022	650,000.00	8/1/2022	650,000.00	4.000%				
	8/1/2023	685,000.00	8/1/2023	685,000.00	4.000%				
	8/1/2024	715,000.00	8/1/2024	715,000.00	2.200%				
	8/1/2025	745,000.00	8/1/2025	745,000.00	3.000%				
8/1/2026	780,000.00	8/1/2026	780,000.00	3.000%					
8/1/2027	825,000.00	8/1/2027	825,000.00	3.000%					
Buildings, Alterations & Renovations	05/29/14	19,379,000.00	8/1/2018	1,160,000.00	2.000%	17,455,000.00	-	1,140,000.00	16,315,000.00
	8/1/2019	1,185,000.00	8/1/2019	1,185,000.00	2.000%				
	8/1/2020	1,215,000.00	8/1/2020	1,215,000.00	2.000%				
	8/1/2021	1,245,000.00	8/1/2021	1,245,000.00	2.000%				
	8/1/2022	1,280,000.00	8/1/2022	1,280,000.00	2.000%				
	8/1/2023	1,320,000.00	8/1/2023	1,320,000.00	2.250%				
	8/1/2024	1,365,000.00	8/1/2024	1,365,000.00	2.250%				
	8/1/2025	1,410,000.00	8/1/2025	1,410,000.00	3.000%				
	8/1/2026	1,460,000.00	8/1/2026	1,460,000.00	3.000%				
	8/1/2027	1,515,000.00	8/1/2027	1,515,000.00	3.000%				
8/1/2028	1,575,000.00	8/1/2028	1,575,000.00	3.000%					
8/1/2029	1,585,000.00	8/1/2029	1,585,000.00	3.000%					
Total						\$ 64,620,000.00	\$ -	\$ 4,475,000.00	\$ 60,145,000.00

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 LONG-TERM DEBT  
 SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
 YEAR ENDED JUNE 30, 2018

PURPOSE	DATE OF LEASE	TERM OF LEASE	AMOUNT OF ORIGINAL LEASE		INTEREST RATE	AMOUNT OUTSTANDING JUNE 30, 2017	ISSUED	RETIRED	AMOUNT OUTSTANDING JUNE 30, 2018
			PRINCIPAL	INTEREST					
Savin Copiers	5/30/2014	5 Years	\$ 942,750.97	84,972.93	3.449%	\$ 396,683.00	\$ -	\$ 194,926.72	\$ 201,756.28
Technology Lease	1/15/2014	5 Years	1,350,000.00	38,346.04	1.147%	285,000.00	-	285,000.00	-
Technology Lease	7/29/2014	5 Years	1,500,000.00	52,573.68	1.410%	612,000.00	-	303,000.00	309,000.00
Technology Lease	1/15/2016	5 Years	820,000.00	31,572.67	1.560%	499,000.00	-	163,000.00	336,000.00
Technology Lease	7/12/2016	5 Years	1,500,000.00	51,877.20	1.360%	1,210,000.00	-	294,000.00	916,000.00
ESIP Lease	3/20/2018	15 Years	11,200,000.00	3,121,250.70	3.320%	-	11,200,000.00	-	11,200,000.00
Total						\$ 3,002,683.00	\$ 11,200,000.00	\$ 1,239,926.72	\$ 12,962,756.28



MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2018

	JUNE 30, 2018			VARIANCE FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Revenues:				
Local Sources:				
Local Tax Levy	\$ 5,634,022.00	\$ -	\$ 5,634,022.00	\$ -
State Sources:				
Debt Service Aid Type II	1,413,071.00	-	1,413,071.00	-
Total Revenues	7,047,093.00	-	7,047,093.00	-
Expenditures:				
Regular Debt Service:				
Interest	2,572,092.50	-	2,572,092.50	-
Redemption of Principal	4,475,000.00	-	4,475,000.00	-
Total Regular Debt Service	7,047,092.50	-	7,047,092.50	-
Total Expenditures	7,047,092.50	-	7,047,092.50	-
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	0.50	-	0.50	0.50
Fund Balance, July 1,	8,642.00	-	8,642.00	8,642.00
Fund Balance, June 30,	\$ 8,642.50	\$ -	\$ 8,642.50	\$ 8,642.50

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**STATISTICAL SECTION (Unaudited)**

Third Section

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**Financial Trends Information**

Financial trends information is intended to assist the user in understanding and assessing how the School District's financial position has changed over time. Please refer to the following exhibits for a historical view of the School District's financial performance. The Exhibits are presented for the last ten fiscal years.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>FISCAL YEAR ENDING JUNE 30,</b>										
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 27,511,353.71	\$ 24,532,276.63	\$ 21,166,495.00	\$ 20,437,301.00	\$ 23,901,566.00	\$ 37,699,838.00	\$ 35,242,009.00	\$ 36,684,135.00	\$ 37,477,962.00	\$ 30,953,572.00
Restricted	5,542,544.81	8,306,882.46	10,716,131.00	9,983,246.00	26,609,926.00	12,763,853.00	14,329,414.58	8,920,219.00	5,472,203.76	6,437,558.92
Unrestricted (Deficit)	(48,473,797.29)	(46,114,397.61)	(43,375,177.00)	(42,201,258.00)	(237,189.00)	(501,515.00)	(1,963,301.58)	(2,728,178.00)	(3,068,214.76)	2,458,413.08
<b>Total Governmental Activities Net Position</b>	<b>\$ (15,419,898.77)</b>	<b>\$ (13,275,238.52)</b>	<b>\$ (11,492,551.00)</b>	<b>\$ (11,780,711.00)</b>	<b>\$ 50,274,303.00</b>	<b>\$ 49,962,176.00</b>	<b>\$ 47,608,122.00</b>	<b>\$ 42,876,176.00</b>	<b>\$ 39,881,951.00</b>	<b>\$ 39,849,544.00</b>
<b>Business-Type Activities:</b>										
Net Investment in Capital Assets	\$ 847,311.23	\$ 649,850.79	\$ 496,320.00	\$ 530,506.00	\$ 422,012.00	\$ 57,159.00	\$ 96,528.00	\$ 130,933.00	\$ 186,407.00	\$ 55,912.00
Unrestricted (Deficit)	(237,027.35)	20,500.72	79,792.00	-	-	-	14,826.00	68,484.00	30,382.00	46,706.00
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 610,283.88</b>	<b>\$ 670,351.51</b>	<b>\$ 576,112.00</b>	<b>\$ 530,506.00</b>	<b>\$ 422,012.00</b>	<b>\$ 57,159.00</b>	<b>\$ 111,354.00</b>	<b>\$ 199,417.00</b>	<b>\$ 216,789.00</b>	<b>\$ 102,618.00</b>
<b>District-Wide:</b>										
Net Investment in Capital Assets	\$ 28,358,664.94	\$ 25,182,127.42	\$ 21,662,815.00	\$ 20,967,807.00	\$ 24,323,578.00	\$ 37,756,997.00	\$ 35,338,537.00	\$ 36,815,068.00	\$ 37,664,369.00	\$ 31,009,484.00
Restricted	5,542,544.81	8,306,882.46	10,716,131.00	9,983,246.00	26,609,926.00	12,763,853.00	14,329,414.58	8,920,219.00	5,472,203.76	6,437,558.92
Unrestricted (Deficit)	(48,710,824.64)	(46,093,896.89)	(43,295,385.00)	(42,201,258.00)	(237,189.00)	(501,515.00)	(1,948,475.58)	(2,659,694.00)	(3,037,832.76)	2,505,119.08
<b>Total District Net Position</b>	<b>\$ (14,809,614.89)</b>	<b>\$ (12,604,887.01)</b>	<b>\$ (10,916,439.00)</b>	<b>\$ (11,250,205.00)</b>	<b>\$ 50,696,315.00</b>	<b>\$ 50,019,335.00</b>	<b>\$ 47,719,476.00</b>	<b>\$ 43,075,593.00</b>	<b>\$ 40,098,740.00</b>	<b>\$ 39,952,162.00</b>

Source: CAFR Schedule A-1

MIDDLETOWN TOWNSHIP 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
Expenses:										
Governmental Activities										
Instruction:										
Regular	\$ 112,860,041.23	\$ 90,757,281.76	\$ 57,731,723.00	\$ 88,135,821.00	\$ 76,477,300.00	\$ 76,994,308.00	\$ 50,982,770.00	\$ 50,650,154.00	\$ 55,004,182.00	\$ 51,696,029.00
Special Education	32,282,886.31	25,113,427.46	15,904,464.00	23,992,602.00	20,138,172.00	19,611,534.00	14,179,046.00	14,636,606.00	14,100,471.00	14,978,785.00
Other Special Education	-	-	-	-	-	-	-	148,770.00	205,385.00	205,385.00
Other Instruction	4,214,922.24	3,490,976.67	2,141,302.00	2,848,696.00	2,346,528.00	2,278,530.00	1,564,961.00	1,747,408.00	2,354,807.00	1,887,986.00
Support Services:										
Tuition	6,547,792.98	6,598,433.08	6,097,142.00	5,890,712.00	5,807,659.00	4,494,803.00	4,416,101.00	3,567,540.00	2,720,210.00	3,608,930.00
Attendance & Social Work Services	-	-	200,015.00	32,087.00	66,383.00	71,022.00	45,305.00	45,093.00	44,917.00	43,990.00
Health Services	-	-	2,578,284.00	3,447,238.00	3,329,827.00	3,096,074.00	2,335,154.00	2,109,521.00	2,137,857.00	2,051,480.00
Student & Instruction Related Services	23,766,587.30	19,858,168.18	12,537,797.00	16,781,233.00	14,453,445.00	14,875,142.00	11,017,091.00	10,554,067.00	11,247,959.00	10,844,232.00
Educational Media Services/School Library	-	-	484,439.00	683,348.00	502,571.00	479,579.00	367,428.00	372,482.00	545,493.00	629,293.00
Instructional Staff/Training	-	-	361,975.00	661,419.00	777,654.00	561,870.00	413,988.00	167,153.00	379,620.00	524,221.00
Other Administrative Services	3,222,954.07	2,701,491.05	2,047,846.00	3,125,984.00	2,850,864.00	2,821,903.00	1,559,656.00	1,566,517.00	1,570,465.00	1,792,100.00
Central Services	1,907,677.51	1,794,745.18	1,472,607.00	2,234,863.00	1,909,690.00	1,970,562.00	1,448,439.00	1,518,040.00	1,577,706.00	1,539,224.00
Administration Information Technology Services	1,013,061.47	999,835.63	1,355,156.00	1,491,562.00	1,117,188.00	1,146,578.00	821,539.00	772,975.00	819,694.00	787,982.00
School Administrative Services	9,084,406.42	7,631,869.16	5,586,092.00	9,383,428.00	8,148,695.00	8,328,836.00	6,090,739.00	5,960,494.00	6,819,282.00	6,444,702.00
Plant Operations & Maintenance	18,873,309.49	14,213,423.83	16,787,638.00	21,768,103.00	20,594,609.00	17,644,897.00	12,104,765.00	12,237,023.00	13,742,032.00	13,029,719.00
Pupil Transportation	14,409,509.43	12,476,992.00	10,761,129.00	9,990,561.00	10,042,967.00	9,477,122.00	9,330,590.00	9,303,552.00	9,526,916.00	9,760,696.00
Unallocated Benefits	-	-	64,951,941.00	-	-	-	36,617,894.00	33,570,743.00	32,096,838.00	29,930,094.00
Interest & Other Charges	2,370,211.92	2,566,311.17	2,654,719.00	2,679,964.00	2,726,746.00	3,117,269.00	2,793,035.00	2,736,767.00	2,597,887.00	3,723,019.00
Adjustment/Reduction of Fixed Assets	-	-	-	-	-	-	1,237,424.00	(84,119.00)	1,118,749.00	97,701.00
Unallocated Depreciation	-	-	-	-	-	-	3,688,594.00	3,142,273.00	2,923,768.00	2,865,895.00
Amortization of Bond Issuance Costs	-	-	-	-	-	-	40,488.00	40,488.00	6,748.00	23,377.00
Total Governmental Activities Expenses	230,553,360.37	188,202,955.17	203,654,269.00	193,147,621.00	171,290,298.00	166,970,029.00	161,055,007.00	154,763,547.00	161,541,349.00	156,465,308.00
Business-Type Activities:										
Food Service	2,915,311.01	2,596,303.92	2,513,939.00	2,530,782.00	2,322,914.00	2,316,118.00	2,467,618.00	2,413,356.00	2,398,096.00	2,503,332.00
Total Business-Type Activities Expense	2,915,311.01	2,596,303.92	2,513,939.00	2,530,782.00	2,322,914.00	2,316,118.00	2,467,618.00	2,413,356.00	2,398,096.00	2,503,332.00
Total District Expenses	\$ 233,468,671.38	\$ 190,799,259.09	\$ 206,168,208.00	\$ 195,678,403.00	\$ 173,613,212.00	\$ 169,286,147.00	\$ 163,522,625.00	\$ 157,176,903.00	\$ 163,939,445.00	\$ 159,968,640.00
Program Revenues:										
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,100.00	\$ -	\$ -	\$ -	\$ -
Capital Grants & Contributions	-	-	-	-	3,218,099.00	-	-	-	-	-
Operating Grants & Contributions	63,803,799.28	24,590,639.20	46,609,372.00	37,764,528.00	5,752,832.00	6,627,722.00	6,307,771.00	7,286,223.00	8,030,281.00	6,893,070.00
Total Governmental Activities Program Revenues	63,803,799.28	24,590,639.20	46,609,372.00	37,764,528.00	8,970,931.00	6,728,822.00	6,307,771.00	7,286,223.00	8,030,281.00	6,893,070.00
Business-Type Activities:										
Charges for Services:										
Food Service	2,109,670.75	2,000,770.22	1,876,792.00	1,836,651.00	1,638,063.00	1,544,900.00	1,695,023.00	1,725,994.00	1,793,480.00	1,901,977.00
Operating Grants & Contributions	745,572.63	689,773.39	682,802.00	607,731.00	539,246.00	596,849.00	684,378.00	669,797.00	718,351.00	536,654.00
Total Business Type Activities Program Revenues	2,855,243.38	2,690,543.61	2,559,594.00	2,444,382.00	2,177,309.00	2,141,749.00	2,379,401.00	2,395,791.00	2,511,831.00	2,438,631.00
Total District Program Revenues	\$ 66,659,042.66	\$ 27,281,182.81	\$ 49,168,966.00	\$ 40,208,910.00	\$ 11,148,240.00	\$ 8,870,571.00	\$ 8,687,172.00	\$ 9,682,014.00	\$ 10,542,112.00	\$ 9,331,701.00
Net (Expense)/Revenue:										



MIDDLETOWN TOWNSHIP 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
Governmental Activities	\$(166,749,561.09)	\$(163,612,315.97)	\$(157,044,897.00)	\$(155,383,093.00)	\$(162,319,367.00)	\$(160,241,207.00)	\$(154,747,236.00)	\$(147,477,324.00)	\$(153,511,068.00)	\$(149,572,238.00)
Business-Type Activities	(60,067.63)	94,239.69	45,655.00	(86,400.00)	(145,605.00)	(174,369.00)	(88,217.00)	(17,565.00)	113,735.00	(64,701.00)
Total District-Wide Net Expense	\$(166,809,628.72)	\$(163,518,076.28)	\$(156,999,242.00)	\$(155,469,493.00)	\$(162,464,972.00)	\$(160,415,576.00)	\$(154,835,453.00)	\$(147,494,889.00)	\$(153,397,333.00)	\$(149,636,939.00)
General Revenues & Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 139,079,885.00	\$ 133,982,086.00	\$ 131,354,986.00	\$ 128,779,398.00	\$ 126,254,312.00	\$ 125,004,269.00	\$ 123,791,116.00	\$ 122,253,218.00	\$ 119,793,275.00	\$ 115,646,345.00
Taxes Levied for Debt Service	5,634,022.00	5,636,686.00	5,649,644.00	4,080,945.00	3,677,710.00	4,104,906.00	4,224,494.00	3,976,245.00	4,158,093.00	4,122,931.00
Grants & Contributions	21,398,707.88	21,471,777.24	19,353,200.00	19,073,690.00	32,422,995.00	33,610,352.00	30,053,437.00	25,346,126.00	28,371,241.00	30,059,527.00
Tuition Received	617,092.67	628,343.77	232,050.00	400,795.00	148,950.00	-	97,300.00	88,600.00	78,950.00	68,138.00
Miscellaneous Income	216,975.85	110,735.36	237,259.00	296,972.00	452,912.00	606,608.00	1,973,568.00	1,564,780.00	1,085,323.00	1,921,910.00
Change in Compensated Absences	-	-	-	(212,238.00)	(300,277.00)	(120,174.00)	-	(107,162.00)	56,593.00	(34,386.00)
Transfers In/Out	-	-	-	505,918.00	-	-	-	-	-	-
Increase in Capital Reserve	-	-	-	-	-	-	-	-	-	-
Cancellation of Prior Year AR	(2,341,782.56)	-	-	-	-	-	-	-	-	-
Changes in IBNR/Miscellaneous	-	-	-	-	(25,108.00)	-	(1,363.00)	-	-	-
Total Governmental Activities	164,604,900.84	161,829,628.37	157,333,057.00	152,419,562.00	162,631,494.00	163,205,961.00	160,138,532.00	153,121,807.00	153,543,475.00	151,784,465.00
Business-Type Activities:										
Transfers In/Out	-	-	(49.00)	212,238.00	300,277.00	120,174.00	-	-	-	-
Investment Earnings	-	-	-	(17,344.00)	210,181.00	-	154.00	193.00	436.00	1,873.00
Total Business-Type Activities	-	-	(49.00)	194,894.00	510,458.00	120,174.00	154.00	193.00	436.00	1,873.00
Total District-Wide	\$ 164,604,900.84	\$ 161,829,628.37	\$ 157,333,008.00	\$ 152,614,456.00	\$ 163,141,952.00	\$ 163,326,135.00	\$ 160,138,706.00	\$ 153,122,000.00	\$ 153,543,911.00	\$ 151,786,338.00
Change in Net Position:										
Governmental Activities	\$ (2,144,660.25)	\$(1,782,687.60)	\$ 288,160.00	\$(2,963,531.00)	\$ 312,127.00	\$ 2,964,754.00	\$ 5,391,316.00	\$ 5,644,483.00	\$ 32,407.00	\$ 2,212,227.00
Business-Type Activities	(60,067.63)	94,239.69	45,606.00	(108,494.00)	364,853.00	(54,195.00)	(88,063.00)	(17,372.00)	114,171.00	(62,828.00)
Total District	\$(2,204,727.88)	\$(1,688,447.91)	\$ 333,766.00	\$(2,855,037.00)	\$ 676,980.00	\$ 2,910,559.00	\$ 5,303,253.00	\$ 5,627,111.00	\$ 146,578.00	\$ 2,149,399.00

Source: CAFR Schedule A-2

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 FUND BALANCES AND GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (Modified Accrual Basis of Accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund:										
Restricted	\$ 3,651,662.06	\$ 3,423,708.24	\$ 4,727,390.00	\$ 5,247,123.00	\$ 6,471,176.00	\$ 12,755,211.00	\$ 14,592,472.00	\$ 9,583,263.00	\$ -	\$ -
Committed	-	-	1,200,642.00	59,114.00	55,152.00	68,609.00	116,960.00	229,292.00	-	-
Assigned	1,046,721.56	1,959,340.51	1,091,573.00	1,135,223.00	1,446,486.00	1,345,558.00	868,826.00	400,568.00	-	-
Unassigned	1,861,900.07	2,167,842.93	1,790,548.00	1,825,603.00	2,119,248.00	1,864,570.00	1,690,411.00	1,872,541.00	-	-
Reserved	-	-	-	-	-	-	-	-	6,089,232.76	7,671,474.92
Unreserved	-	-	-	-	-	-	-	-	1,355,835.24	1,863,111.08
Total General Fund	\$ 6,560,283.69	\$ 7,550,891.68	\$ 8,810,153.00	\$ 8,267,063.00	\$ 10,092,062.00	\$ 16,033,948.00	\$ 17,268,669.00	#####	\$ 7,445,068.00	\$ 9,534,586.00
All Other Governmental Funds:										
Restricted										
Debt Service Fund	\$ 8,643.38	\$ 8,642.88	\$ 8,642.00	\$ 8,642.00	\$ 8,642.00	\$ 8,642.00	\$ 1.00	\$ 13.00	\$ -	\$ -
Capital Projects Fund	1,917,413.59	4,874,531.34	4,778,782.00	4,727,481.00	20,130,108.00	-	-	-	-	-
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, Reported in:										
Capital Projects Fund	-	-	-	-	-	-	-	-	-	-
Debt Service Fund	-	-	-	-	-	-	-	-	2,686.00	15,273.00
Total All Other Governmental Funds	\$ 1,926,056.97	\$ 4,883,174.22	\$ 4,787,424.00	\$ 4,736,123.00	\$ 20,138,750.00	\$ 8,642.00	\$ 1.00	\$ 13.00	\$ 2,686.00	\$ 15,273.00

Source: CAFR Schedule B-1

MIDDLETOWN TOWNSHIP BOARD OF EDUCATION  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,  
 LAST TEN FISCAL YEARS  
 (Modified Accrual Basis of Accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues</b>										
Tax Levy	\$ 144,713,907.00	\$ 139,618,772.00	\$ 137,004,630.00	\$ 132,860,343.00	\$ 129,932,022.00	\$ 129,109,175.00	\$ 128,015,610.00	\$ 126,229,463.00	\$ 123,951,368.00	\$ 119,769,276.00
Tuition Charges	617,092.67	628,343.77	232,050.00	400,795.00	148,950.00	101,100.00	97,300.00	88,600.00	78,950.00	68,138.00
Miscellaneous	249,344.65	193,228.76	427,691.00	423,803.00	527,863.00	606,648.00	1,973,289.00	1,085,116.00	1,909,788.00	1,909,788.00
State Sources	45,587,504.80	42,251,917.23	40,069,224.00	36,749,385.00	37,997,634.00	36,072,842.00	31,538,558.00	27,867,772.00	31,175,887.00	32,919,176.00
Federal Sources	3,883,304.56	3,728,005.81	3,537,076.00	3,303,272.00	3,321,341.00	4,165,039.00	4,822,650.00	4,764,577.00	5,225,635.00	4,033,421.00
<b>Total Revenues</b>	<b>195,051,153.68</b>	<b>186,420,267.57</b>	<b>181,270,671.00</b>	<b>173,737,598.00</b>	<b>171,927,810.00</b>	<b>170,054,804.00</b>	<b>166,447,407.00</b>	<b>160,515,138.00</b>	<b>161,516,956.00</b>	<b>158,699,799.00</b>
<b>Expenditures</b>										
Instruction:										
Regular Instruction	60,349,720.30	60,069,762.26	57,568,220.00	57,621,320.00	56,949,667.00	55,785,779.00	50,982,770.00	50,650,154.00	55,004,182.00	51,696,029.00
Special Education Instruction	17,262,647.95	16,621,890.69	15,883,136.00	15,345,997.00	14,604,743.00	13,599,811.00	14,179,046.00	14,636,606.00	14,100,471.00	14,978,785.00
Other Special Instruction	-	-	-	-	-	-	-	148,770.00	205,748.00	205,853.00
Other Instruction	2,253,848.00	2,310,581.97	2,141,302.00	2,055,455.00	1,838,887.00	1,735,033.00	1,564,961.00	1,747,408.00	2,354,807.00	1,887,986.00
Support Services:										
Tuition	4,706,949.40	5,243,698.84	6,093,146.00	5,890,712.00	5,807,659.00	4,494,803.00	4,416,101.00	3,567,540.00	2,720,210.00	3,608,930.00
Attendance & Social Work Services	306,764.51	241,348.18	200,015.00	331,110.00	47,968.00	49,127.00	45,305.00	45,093.00	44,917.00	43,990.00
Health Services	2,947,693.95	2,699,506.73	2,578,284.00	2,443,908.00	2,687,737.00	2,336,287.00	2,335,154.00	2,109,521.00	2,137,857.00	2,051,480.00
Student & Instruction Related Services	13,830,401.14	12,840,202.83	12,537,797.00	11,885,334.00	11,320,271.00	11,296,878.00	11,017,091.00	10,554,067.00	11,247,959.00	10,844,232.00
Educational Media Services/ School Library	-	-	484,439.00	484,011.00	375,004.00	347,073.00	367,428.00	372,482.00	545,493.00	629,293.00
Instructional Staff Training	-	-	361,975.00	353,965.00	580,897.00	409,396.00	413,988.00	167,153.00	379,620.00	524,221.00
Other Administrative Services	2,316,854.21	2,146,843.85	2,047,846.00	2,168,065.00	2,238,176.00	2,040,475.00	1,559,656.00	1,566,517.00	1,570,465.00	1,792,100.00
Central Services	1,371,353.91	1,426,263.34	1,472,607.00	1,519,925.00	1,452,159.00	1,461,756.00	1,448,439.00	1,518,040.00	1,577,706.00	1,539,224.00
Administration Information										
Technology Services	728,249.82	794,557.87	846,043.00	1,007,029.00	807,131.00	811,518.00	821,539.00	772,975.00	819,694.00	787,982.00
School Administrative Services	6,530,420.47	6,064,958.60	5,586,092.00	5,859,386.00	5,893,453.00	5,764,937.00	6,090,739.00	5,960,494.00	6,819,282.00	6,444,702.00
Plant Operations & Maintenance	13,524,110.59	12,376,280.57	12,117,609.00	12,400,034.00	12,168,418.00	11,600,767.00	12,104,765.00	12,271,559.00	13,742,032.00	13,029,719.00
Pupil Transportation	10,358,426.41	9,915,321.97	10,761,129.00	9,894,739.00	9,981,645.00	9,477,122.00	9,330,590.00	9,303,552.00	9,526,916.00	9,760,696.00
Unallocated Benefits	48,862,437.68	42,819,524.13	41,299,324.00	38,279,625.00	35,562,799.00	38,895,076.00	36,617,894.00	33,570,743.00	32,096,838.00	29,930,094.00
Capital Outlay	15,432,925.52	5,282,644.14	2,956,659.00	20,503,667.00	10,372,975.00	6,251,968.00	3,580,654.00	1,599,585.00	5,141,907.00	6,422,318.00
Debt Service:										
Principal	4,475,000.00	5,455,000.00	3,839,000.00	2,910,000.00	2,805,000.00	2,650,000.00	2,545,000.00	3,315,000.00	2,440,000.00	2,335,000.00
Interest & Other Charges	2,599,292.50	2,775,593.00	3,223,579.00	2,569,255.00	2,673,722.00	2,878,750.00	2,982,650.00	2,206,433.00	3,544,737.00	3,651,163.00
<b>Total Expenditures</b>	<b>207,857,096.36</b>	<b>189,083,778.97</b>	<b>181,998,202.00</b>	<b>193,195,738.00</b>	<b>178,168,311.00</b>	<b>171,886,556.00</b>	<b>162,403,770.00</b>	<b>156,083,692.00</b>	<b>166,020,841.00</b>	<b>162,163,797.00</b>
<b>Other Financing Sources/(Uses):</b>										
Capital Leases (Non-budgeted)	11,200,000.00	1,500,000.00	820,000.00	2,442,752.00	1,350,000.00	710,000.00	1,139,356.00	206,477.00	2,401,780.00	2,791,171.00
Cancellation of Prior Year AP	-	-	505,918.00	-	-	-	-	-	-	-
Cancellation of Prior Year AR	(2,341,782.56)	-	-	-	-	-	-	-	-	-
HEMA Reimbursement	-	-	-	-	-	15,846.00	-	-	-	-
Transfers in	-	-	-	394,925.00	19,379,000.00	-	-	-	11.00	2,674.00
Transfers Out	-	-	(3,996.00)	(607,163.00)	(300,277.00)	(120,174.00)	-	-	(11.00)	(2,674.00)
<b>Total Other Financing Sources/(Uses)</b>	<b>8,858,217.44</b>	<b>1,500,000.00</b>	<b>1,321,922.00</b>	<b>2,230,514.00</b>	<b>20,428,723.00</b>	<b>605,672.00</b>	<b>1,139,356.00</b>	<b>206,477.00</b>	<b>2,401,780.00</b>	<b>2,791,171.00</b>
<b>Net Change in Fund Balances</b>	<b>\$ (3,947,725.24)</b>	<b>\$ (1,163,511.40)</b>	<b>\$ 594,391.00</b>	<b>\$ (17,227,626.00)</b>	<b>\$ 14,188,222.00</b>	<b>\$ (1,226,080.00)</b>	<b>\$ 5,182,993.00</b>	<b>\$ 4,637,923.00</b>	<b>\$ (2,102,105.00)</b>	<b>\$ (672,827.00)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>3.82%</b>	<b>4.69%</b>	<b>4.11%</b>	<b>3.28%</b>	<b>3.38%</b>	<b>3.45%</b>	<b>3.61%</b>	<b>3.71%</b>	<b>3.86%</b>	<b>4.00%</b>

Source: CAFR Schedule B-2

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

FISCAL YEAR ENDING JUNE 30,	INTEREST ON INVESTMENTS	SALE OF EQUIPMENT	INSURANCE/ LEGAL SETTLEMENT	RENTALS	PRIOR YEAR REFUNDS	HEALTH INSURANCE CONTRIBUTIONS	SALE OF PLANS/ SPECS	MISCELLANEOUS	TOTAL
2018	\$ 64,555.07	\$ -	\$ -	\$ 29,920.00	\$ 120,909.20	\$ -	\$ -	\$ 1,591.58	\$ 216,975.85
2017	26,970.30	1,550.00	-	22,245.00	51,153.60	-	-	8,816.46	110,735.36
2016	16,030.00	-	-	27,630.00	61,350.00	-	-	132,248.00	237,258.00
2015	37,962.00	-	-	29,057.00	217,905.00	-	-	189,193.00	474,117.00
2014	15,990.00	23,378.00	-	29,902.00	87,752.00	-	-	295,890.00	1,886,927.00
2013	24,225.00	-	-	30,250.00	151,357.00	-	-	228,007.00	1,382,412.00
2012	39,862.00	-	67,699.00	37,773.00	356,961.00	1,238,000.00	-	146,632.00	1,030,953.00
2011	96,837.00	1,000.00	242,262.00	25,632.00	396,683.00	565,033.00	-	54,965.00	1,854,066.91
2010	151,934.00	-	92,778.00	54,201.00	166,530.00	544,824.00	-	20,686.00	2,598,191.00
2009	284,223.91	-	61,305.00	47,021.00	898,824.00	556,092.00	1,200.00	5,401.00	2,299,552.00
Total	\$ 758,589.28	\$ 25,928.00	\$ 464,044.00	\$ 333,631.00	\$ 2,509,424.80	\$ 2,903,949.00	\$ 1,200.00	\$ 1,083,430.04	\$ 12,091,188.12

Source: District Records

### **Revenue Capacity Information**

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the School District's ability to generate revenues. Please refer to the following exhibits for a historical view of these factors and how they relate to the School District's ability to generate revenues.

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MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,  
 LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30	VACANT LAND	RESIDENTIAL	FARM REG.	QFARM	COMMERCIAL	INDUSTRIAL	APARTMENT	TOTAL ASSESSED VALUE	LESS: TAX EXEMPT PROPERTY	PUBLIC UTILITIES	NET VALUATION TAXABLE	TOTAL DIRECT SCHOOL TAX RATE	ACTUAL (COUNTY EQUALIZED) VALUE
2018	\$ 115,035,600.00	\$ 9,501,529,900.00	\$ 129,031,900.00	\$ 665,500.00	\$ 991,181,200.00	\$ 5,710,500.00	\$ 108,311,100.00	\$ 10,851,465,700.00	\$ -	\$ 13,448,084.00	\$ 10,864,913,784.00	\$ 1.348	\$ 10,910,289,515.00
2017	120,366,000.00	9,320,821,850.00	126,773,900.00	645,200.00	992,487,400.00	2,681,700.00	108,541,700.00	10,672,317,750.00	-	13,237,803.00	10,685,555,553.00	1.354	10,734,601,164.00
2016	88,507,800.00	9,056,002,156.00	134,496,600.00	677,500.00	1,018,274,900.00	2,681,700.00	101,993,700.00	10,382,634,356.00	-	13,168,685.00	10,395,803,041.00	1.343	10,668,489,931.00
2015	66,485,100.00	8,867,273,420.00	132,735,800.00	693,200.00	1,090,553,800.00	2,681,700.00	101,994,900.00	10,262,417,920.00	-	12,823,003.00	9,838,132,733.00	1.333	10,262,417,920.00
2014	74,037,100.00	8,403,629,300.00	126,767,000.00	700,500.00	1,074,628,400.00	2,446,000.00	97,547,500.00	9,779,755,800.00	-	12,045,356.00	9,779,755,800.00	1.357	10,148,242,488.00
2013	75,921,300.00	8,408,698,900.00	126,988,500.00	697,400.00	1,090,669,400.00	2,446,000.00	99,390,700.00	9,858,027,300.00	-	13,874,518.00	9,871,901,818.00	1.323	10,412,940,361.00
2012	76,095,900.00	8,422,778,400.00	124,309,300.00	687,700.00	1,129,125,900.00	2,446,000.00	102,584,100.00	9,882,156,000.00	-	15,274,187.00	9,873,301,487.00	1.308	9,858,027,300.00
2011	74,469,600.00	8,410,857,000.00	119,842,300.00	754,300.00	1,170,814,200.00	2,777,700.00	102,640,900.00	11,367,310,900.00	-	16,808,581.00	9,898,964,581.00	1.293	9,898,964,580.00
2010	85,622,700.00	9,636,409,200.00	149,035,500.00	697,900.00	1,384,038,100.00	2,792,700.00	108,714,800.00	11,408,508,500.00	-	16,143,398.00	11,383,454,298.00	1.109	11,928,886,176.00
2009	95,524,100.00	9,668,867,900.00	135,825,600.00	671,300.00	1,396,112,100.00	2,792,700.00	108,714,800.00	4,981,310,838.00	-	16,720,537.00	11,425,229,037.00	1.085	11,955,302,056.00

Source: Mommouth County Board of Taxation  
 Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.  
 Reassessment occurs when ordered by the County Board of Taxation  
 a. Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies  
 b. Tax rates are per \$100  
 Note: There was a property revaluation in 2009

MIDDLETOWN TOWNSHIP BOARD OF EDUCATION  
 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		TOWNSHIP OF MIDDLETOWN		OVERLAPPING RATES		TOTAL DIRECT AND OVERLAPPING TAX RATE
	BASIC RATE	GENERAL OBLIGATION DEBT SERVICE	TOTAL DIRECT	MONMOUTH COUNTY	COUNTY OPEN SPACE		
2018	1.296	0.052	1.348	0.542	0.249	0.028	2.167
2017	1.301	0.053	1.354	0.498	0.257	0.015	2.124
2016	1.289	0.054	1.343	0.512	0.261	0.015	2.131
2015	1.278	0.055	1.333	0.511	0.276	0.016	2.136
2014	1.315	0.042	1.357	0.530	0.286	0.016	2.189
2013	1.286	0.037	1.323	0.515	0.286	0.016	2.140
2012	1.266	0.042	1.308	0.503	0.281	0.016	2.108
2011	1.250	0.043	1.293	0.491	0.286	0.017	2.087
2010	1.074	0.035	1.109	0.418	0.252	0.016	1.795
2009	1.049	0.036	1.085	0.370	0.253	0.017	1.725

Source: Municipal Tax Collector, Monmouth County Board of Taxation.  
 Note: There was a property revaluation in 2009



**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS,  
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2018		
	TAXABLE ASSESSED VALUE	RANK	% OF TOTAL DISTRICT NET ASSESSED VALUE
At Middletown NJ Landlord LLC	\$ 160,000,000.00	1	1.473%
One River Associates (Mack-Cali Realty Corp.)	37,654,900.00	2	0.347%
Middletown VF, LLC (V.R. Trust)	33,410,300.00	3	0.308%
Centro NP Middletown Plaza Owner, LL	32,786,500.00	4	0.302%
Toll NJ III, LP	29,459,700.00	5	0.271%
Thousand Oaks, LLC	29,141,000.00	6	0.268%
Hensyn, Inc.	26,440,100.00	7	0.243%
Middletown Shopping Center	19,615,000.00	8	0.181%
Seritage SRC Finance LLC	17,729,900.00	9	0.163%
C2 Land, L.P. %ING Clarion Partners	16,900,000.00	10	0.156%
Total	<u>\$ 403,137,400.00</u>		<u>3.710%</u>

Taxpayer	2009		
	TAXABLE ASSESSED VALUE	RANK	% OF TOTAL DISTRICT NET ASSESSED VALUE
200 Laurel (AT&T Lease Admin)	\$ 300,977,800.00	1	2.634%
Four Ponds( Avaya, Inc.)	56,482,400.00	2	0.494%
One River Associates (Mack-Cali Realty Corp.)	50,899,100.00	3	0.445%
Investors Warranty of America, LLC	40,265,200.00	4	0.352%
Middletown VF, LLC (V.R. Trust)	33,410,300.00	5	0.292%
Super Intermediate Co. LLC (Thomson)	31,797,600.00	6	0.278%
Hensyn, Inc.	26,873,000.00	7	0.235%
Thousand Oaks, LLC ( Wachovia Security)	26,143,200.00	8	0.229%
One River Associates (Mack-Cali Realty Corp.)	21,780,300.00	9	0.191%
Sears Roebuck & Company	21,025,800.00	10	0.184%
Total	<u>\$ 609,654,700.00</u>		<u>5.336%</u>

**Source:** Municipal Tax Assessor

**MIDDLETOWN TOWNSHIP 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		COLLECTIONS IN SUBSEQUENT YEARS
		AMOUNT	PERCENTAGE OF LEVY	
2018	\$ 144,713,907.00	144,713,907.00	100.00%	-
2017	139,618,772.00	139,618,772.00	100.00%	-
2016	137,004,630.00	137,004,630.00	100.00%	-
2015	132,860,343.00	132,860,343.00	100.00%	-
2014	129,932,022.00	129,932,022.00	100.00%	-
2013	129,109,175.00	129,109,175.00	100.00%	-
2012	128,015,610.00	128,015,610.00	100.00%	-
2011	126,229,463.00	126,229,463.00	100.00%	-
2010	123,951,368.00	123,951,368.00	100.00%	-
2009	119,769,276.00	119,769,276.00	100.00%	-

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

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

**Debt Capacity Information**

Debt capacity information is intended to assist users in understanding and assessing the School District's debt burden and its ability to issue additional debt. Please refer to the following exhibits for historical view of the School District's outstanding debt and its debt capacity.

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**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	GOVERNMENTAL ACTIVITIES		TOTAL DISTRICT	PERCENTAGE OF PERSONAL INCOME	
	GENERAL OBLIGATION BONDS	CAPITAL LEASES		PER CAPITA	
2018	\$ 60,145,000.00	\$ 12,962,756.28	\$ 73,107,756.28	N/A	1,057
2017	64,620,000.00	3,002,683.00	67,622,683.00	N/A	1,033
2016	68,920,000.00	4,018,010.00	72,938,010.00	N/A	1,105
2015	72,759,000.00	5,540,967.00	78,299,967.00	N/A	1,177
2014	75,669,000.00	5,216,008.00	80,885,008.00	N/A	978
2013	59,095,000.00	5,957,313.00	65,052,313.00	N/A	978
2012	61,490,000.00	7,016,107.00	68,506,107.00	N/A	1,030
2011	64,035,000.00	6,785,623.00	70,820,623.00	N/A	1,065
2010	67,350,000.00	8,457,456.00	75,807,456.00	N/A	1,140
2009	74,275,000.00	8,915,384.00	83,190,384.00	2.20%	1,249

**Note:** Details regarding the district's outstanding debt can be found in the notes to the financial statements.  
See Exhibit J-14 for personal income and population data.

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

<b>FISCAL YEAR ENDED JUNE 30,</b>	<b>ESTIMATED SCHOOL DISTRICT POPULATION</b>	<b>NET ASSESSED VALUATION TAXABLE</b>	<b>NET GENERAL BONDED DEBT OUTSTANDING</b>	<b>PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY</b>	<b>PER CAPITA</b>
2018	65,612	\$ 10,864,913,784.00	\$ 60,145,000.00	0.55%	917
2017	65,490	10,685,555,553.00	64,620,000.00	0.60%	987
2016	66,018	10,395,803,041.00	68,920,000.00	0.66%	1,044
2015	66,522	9,838,132,733.00	72,759,000.00	0.74%	1,094
2014	66,522	9,838,132,733.00	75,095,000.00	0.60%	888
2013	66,522	9,818,686,718.00	59,095,000.00	0.60%	888
2012	66,522	9,873,301,487.00	61,490,000.00	0.62%	924
2011	66,522	11,383,454,298.00	67,350,000.00	0.59%	1,012
2010* Census	66,603	11,383,454,298.00	67,350,000.00	0.59%	1,011
2009	66,591	11,425,229,037.00	74,275,000.00	0.65%	1,114

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

See Exhibit J-6 for property tax data.

Population data can be found in Exhibit J-14.

\* 2010 Census

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
JUNE 30, 2018**

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE	SHARE OF OVERLAPPING DEBT
Debt Repaid With Property Taxes:			
Township of Middletown	\$ 54,201,839.00	100.0%	\$ 54,201,839.00
Other Debt:			
County of Monmouth - Township's Share (%)	502,512,598.00	8.8949%	44,697,993.08
Township of Middletown Sewerage Authority	13,661,467.00	100.0%	<u>13,661,467.00</u>
Subtotal, Overlapping Debt			112,561,299.08
Middletown Township School District Direct Debt			<u>60,145,000.00</u>
Total Direct & Overlapping Debt			<u><u>\$ 172,706,299.08</u></u>

Sources: Monmouth County Office of the Treasurer, Township of Middletown, Township of Middletown Sewerage Authority, Township of Middletown Housing Authority

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

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

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 LEGAL DEBT MARGIN INFORMATION  
 LAST TEN FISCAL YEARS  
 (Dollars in Thousands)

	FISCAL YEAR									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt Limit	\$ 424,439,314.91	\$ 417,776,497.00	\$ 411,210,910.00	\$ 412,170,654.00	\$ 418,760,059.00	\$ 435,003,780.00	\$ 455,345,661.87	\$ 477,682,563.00	\$ 492,359,311.91	\$ 492,359,311.91
Total Net Debt Applicable to Limit	60,145,000.00	64,620,000.00	68,920,000.00	72,759,000.00	75,669,000.00	59,095,000.00	61,490,000.00	64,035,000.00	67,350,000.00	74,275,000.00
Legal Debt Margin	\$ 364,294,314.91	\$ 353,156,497.00	\$ 342,290,910.00	\$ 339,411,654.00	\$ 343,091,059.00	\$ 375,908,780.00	\$ 393,855,661.87	\$ 413,647,563.00	\$ 425,009,311.91	\$ 418,084,311.91
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	14.17%	15.47%	16.76%	17.65%	18.07%	13.58%	13.50%	13.41%	13.68%	15.09%

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

	Equalized Valuation Basis
2017	\$ 10,836,667,814.00
2016	10,655,321,246.00
2015	10,340,959,558.00
	<u>\$ 31,832,948,618.00</u>
Average Equalized Valuation of Taxable Property	<u>\$ 10,610,982,872.67</u>
Debt Limit (4% of Average Equalization Value) Net Bonded School Debt	<u>\$ 424,439,314.91</u> <u>60,145,000.00</u>
Legal Debt Margin	<u>\$ 364,294,314.91</u>

Source: Equalized valuation bases were obtained from the Monmouth County Board of Taxation



### **Demographic and Economic Information**

Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within the School District operates and (2) to provide information that facilitates comparisons of financial statement information over time and among school districts.

Please refer to the following exhibits for a historical view of the demographic and economic statistics and factors prevalent in the location in which the School District operates.

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**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>YEAR</b>	<b>POPULATION (a)</b>	<b>PERSONAL INCOME (b)</b>	<b>PER CAPITA PERSONAL INCOME (c)</b>	<b>UNEMPLOYMENT RATE (d)</b>
2018	65,612	N/A	N/A	5.70%
2017	65,490	N/A	N/A	5.70%
2016	66,018	N/A	N/A	5.70%
2015	66,522	N/A	N/A	6.50%
2014	66,522	N/A	N/A	5.50%
2013	66,522	N/A	N/A	8.90%
2012	66,522	N/A	N/A	9.10%
2011	66,522	N/A	N/A	8.30%
2010	* Census 66,603	N/A	N/A	8.20%
2009	66,591	3,779,372,205.00	56,755.00	4.10%

\* 2010 Census

**Source:** U.S. Department of Commerce, Bureau of Economic Analysis. These numbers are estimated by the Bureau and may be revised from year to year.

a Population information provided by the NJ Dept of Labor and Workforce Development. These numbers are estimated by the Department and may be revised from year to year.

b Personal income has been estimated based upon the county population and per capita personal income presented.

c Per capita personal income by county estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

d Unemployment data provided by the NJ Dept of Labor and Workforce Development. Note that that there is recent revised data for the years 2004 through 2001 due to the new unemployment estimation procedure.

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO

	2018		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
Middletown Township Board of Education	1,488	1	4.52%
Brookdale Community College	750	2	2.28%
Township of Middletown	621	3	1.89%
Bailey Financial Consulting	300	4	0.91%
ShopRite	280	5	0.85%
Academy Bus	200	6	0.61%
Middletown Yellow Taxi Cab	200	7	0.61%
Target	196	8	0.60%
Kohl's	150	9	0.46%
Whole Foods Market	148	10	0.45%
Total	<u>4,333</u>		<u>13.16%</u>
Total Employment - 2018 (Estimated)	<u>32,930</u>		

	2009		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
AT&T Laurel Avenue	1,530	1	4.67%
Middletown Township Board of Education	860	2	2.63%
Food Circus Super Markets, Inc.	748	3	2.28%
AT&T Middletown Lincroft Road	676	4	2.06%
Brookdale Community College	247	5	0.75%
Township of Middletown	N/A	6	N/A
Academy Bus Lines	N/A	7	N/A
Marriott Senior Living Services	N/A	8	N/A
Sears Roebuck & Co.	N/A	9	N/A
Courtyard Management Group	N/A	10	N/A
Total	<u>4,061</u>		<u>12.40%</u>
Total Employment - 2009 (Estimated)	<u>32,754</u>		

Source: Monmouth County Department of Economic Development and Tourism;  
 The Township of Middletown, Official Statements

### **Operating Information**

Operating information is intended to provide contextual information about the School District's operations and resources to assist readers in using financial statement information to understand and assess the School District's economic condition. Please refer to the following exhibits for a historical view of the factors and statistics pertinent to the School District's operations.

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MIDDLETOWN TOWNSHIP BOARD OF EDUCATION  
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction:										
Regular	635.73	594.88	601.88	623.49	627.76	594.90	587.70	581.70	613.76	617.64
Special Education	148.00	172.00	174.00	159.17	158.00	155.00	147.50	146.50	160.76	148.68
Other Special Instruction				-	-	-	3.80	5.05	10.82	15.59
Classroom Paraprofessionals	257.00	273.00	290.00	305.00	311.00	267.20	247.66	232.80	255.08	232.93
Support Services:										
Attendance Services	4.00	-	-	-	1.00	1.00	1.00	1.00	1.00	1.00
Health Services	22.00	22.00	22.00	23.00	23.00	23.00	23.00	23.00	24.00	24.00
Student & Instruction Related Services	105.00	104.00	105.00	104.00	105.00	105.00	103.00	100.80	116.00	115.60
Educational Media Services/School Library	5.00	4.00	5.00	5.00	5.00	5.00	3.00	3.00	6.00	6.00
School Administrative Services	77.00	78.00	104.00	85.00	86.00	83.00	83.00	82.00	90.40	89.50
Central Services	21.00	20.00	27.00	19.00	18.00	17.00	17.00	17.00	18.00	18.00
Administrative Information Technology Service	10.00	13.00	15.00	14.00	13.00	12.00	12.00	12.00	12.00	12.00
Other Administrative Service	14.00	8.00	9.00	2.00	2.00	7.00	7.00	7.00	7.00	8.00
Plant Operations & Maintenance	156.00	152.50	341.00	156.00	153.00	146.10	143.40	143.70	171.00	168.90
Pupil Transportation	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
<b>Total</b>	<b>1,457.73</b>	<b>1,444.38</b>	<b>1,696.88</b>	<b>1,498.66</b>	<b>1,505.76</b>	<b>1,419.20</b>	<b>1,382.06</b>	<b>1,358.55</b>	<b>1,488.82</b>	<b>1,460.84</b>

Source: District Personnel Records

MIDDLETOWN TOWNSHIP 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 (d)	AVERAGE DAILY ENROLLMENT (ADE) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
2018	9,502	162,014,736.85	17,050.59	5.75%	925	12.1	9,571	9,196	-1.16%	96.08%
2017	9,652	155,621,889.57	16,123.28	-2.34%	922	12.2	9,684	9,253	-0.15%	95.55%
2016	9,647	159,273,974.00	16,510.21	4.99%	922	12.6	9,698	9,261	-0.30%	95.49%
2015	9,668	152,036,864.00	15,725.78	2.12%	905	12.6	9,727	9,303	-0.74%	95.64%
2014	9,678	149,037,626.00	15,399.63	6.76%	885	14.2	9,800	9,418	-2.79%	96.10%
2013	10,057	145,066,695.00	14,424.45	6.99%	867	14.2	10,081	9,450	-0.42%	93.74%
2012	10,165	137,039,679.00	13,481.52	-1.65%	858	14.2	10,124	9,589	-1.67%	94.72%
2011	10,142	139,028,283.00	13,708.17	-3.04%	843	13.3	10,296	9,631	-0.75%	93.54%
2010	10,248	144,885,807.00	14,137.96	2.39%	906	13.3	10,374	9,863	2.87%	95.07%
2009	10,160	140,282,616.00	13,807.34	2.51%	903	13.1	10,085	9,607	-2.08%	95.26%
2008	10,208	137,489,212.00	13,468.77	6.95%	901	11.5	10,299	9,766	1.10%	94.82%

Sources: District records

Note: Enrollment based on annual October district count from the year prior.

- a Operating expenditures equal total expenditures less debt service, capital outlay, and on-behalf TPAF Pension and reimbursed TPAF social security contributions. J-4
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d Pupil/Teacher ratio was obtained from the Comparative Spending Guide



MIDDLETOWN TOWNSHIP BOARD OF EDUCATION  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS

<u>DISTRICT BUILDINGS</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Elementary Schools:										
Bayview Elementary (1956):										
Square Feet	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000
Capacity	665	665	665	665	665	665	665	665	665	665
Enrollment	372	387	387	405	419	435	421	444	481	395
Fairview Elementary (1931):										
Square Feet	32,960	32,960	32,960	32,960	32,960	32,960	32,960	32,960	32,960	32,960
Capacity	530	530	530	530	530	530	530	530	530	530
Enrollment (a)	308	279	279	304	313	328	328	329	340	323
Harmony Elementary (1960):										
Square Feet	51,405	51,405	51,405	51,405	51,405	51,405	51,405	51,405	51,405	51,405
Capacity	863	863	863	863	863	863	863	863	863	863
Enrollment	495	506	506	501	486	529	490	478	461	470
Leonardo Elementary (1931)										
Square Feet	32,255	32,255	32,255	32,255	32,255	32,255	32,255	32,255	32,255	32,255
Capacity	366	366	366	366	366	366	366	366	366	366
Enrollment	251	233	233	232	232	235	238	258	279	275
Lincroft Elementary (1956)										
Square Feet	39,560	39,560	39,560	39,560	39,560	39,560	39,560	39,560	39,560	39,560
Capacity	485	485	485	485	485	485	485	485	485	485
Enrollment	442	456	456	491	509	520	533	521	504	473
Middletown Village (1940)										
Square Feet	35,640	35,640	35,640	35,640	35,640	35,640	35,640	35,640	35,640	35,640
Capacity	611	611	611	611	611	611	611	611	611	611
Enrollment	382	391	391	413	418	433	446	459	463	423
Navesink Elementary (1941)										
Square Feet	29,113	29,113	29,113	29,113	29,113	29,113	29,113	29,113	29,113	29,113
Capacity	326	326	326	326	326	326	326	326	326	326
Enrollment	273	282	282	294	295	279	283	294	287	247
New Monmouth Elementary (1968)										
Square Feet	60,840	60,840	60,840	60,840	60,840	60,840	60,840	60,840	60,840	60,840
Capacity	699	699	699	699	699	699	699	699	699	699
Enrollment	380	412	412	431	453	469	511	511	544	438
Nut Swamp Elementary (1964)										
Square Feet	47,820	47,820	47,820	47,820	47,820	47,820	47,820	47,820	47,820	47,820
Capacity	822	822	822	822	822	822	822	822	822	822
Enrollment	579	565	565	575	550	560	538	549	579	524
Ocean Avenue Elementary (1931)										

MIDDLETOWN TOWNSHIP BOARD OF EDUCATION  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS

<u>DISTRICT BUILDINGS</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Square Feet	31,540	31,540	31,540	31,540	31,540	31,540	31,540	31,540	31,540	31,540
Capacity	454	454	454	454	454	454	454	454	454	454
Enrollment	298	313	313	304	304	296	283	278	293	303
Port Monmouth Elementary (1928)										
Square Feet	25,750	25,750	25,750	25,750	25,750	25,750	25,750	25,750	25,750	25,750
Capacity	392	392	392	392	392	392	392	392	392	392
Enrollment	218	249	249	247	268	262	254	259	256	233
River Plaza Elementary (1928)										
Square Feet	32,040	32,040	32,040	32,040	32,040	32,040	32,040	32,040	32,040	32,040
Capacity	403	403	403	403	403	403	403	403	403	403
Enrollment	281	314	314	325	322	315	325	311	322	318
Middle Schools:										
Bayshore Middle School (1931):										
Square Feet	144,069	144,069	144,069	144,069	144,069	144,069	144,069	144,069	144,069	144,069
Capacity	792	792	792	792	792	792	792	792	792	792
Enrollment	655	672	672	642	667	670	709	704	712	740
Thompson Middle School (1960)										
Square Feet	129,069	129,069	129,069	129,069	129,069	129,069	129,069	129,069	129,069	129,069
Capacity	930	930	930	930	930	930	930	930	930	930
Enrollment	1,062	1,032	1,032	945	945	917	965	888	930	932
Thorne Middle School (1960)										
Square Feet	129,069	129,069	129,069	129,069	129,069	129,069	129,069	129,069	129,069	129,069
Capacity	930	930	930	930	930	930	930	930	930	930
Enrollment	710	748	748	731	715	744	781	778	804	788
High Schools:										
Middletown High School North (1952):										
Square Feet	255,800	255,800	255,800	255,800	255,800	255,800	255,800	255,800	255,800	255,800
Capacity	1,849	1,849	1,849	1,849	1,849	1,849	1,849	1,849	1,849	1,849
Enrollment	1,367	1,390	1,390	1,425	1,382	1,605	1,592	1,637	1,688	1,718
Middletown High School South (1974):										
Square Feet	237,156	237,156	237,156	237,156	237,156	237,156	237,156	237,156	237,156	237,156
Capacity	1,793	1,793	1,793	1,793	1,793	1,793	1,793	1,793	1,793	1,793
Enrollment	1,429	1,418	1,418	1,403	1,400	1,460	1,468	1,444	1,430	1,486
Other Buildings:										
Athletic Tensile Structure (2000):										
Square Feet	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Athletic Tensile Structure (2000):										
Square Feet	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000

MIDDLETOWN TOWNSHIP BOARD OF EDUCATION  
 SCHOOL BUILDING INFORMATION  
 LAST TEN FISCAL YEARS

<u>DISTRICT BUILDINGS</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Central Administration (1952):	-	-	-	-	-	-	8,544	8,544	8,544	8,544
Square Feet	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Warehouse	-	-	-	-	-	-	-	-	-	-
Square Feet	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500

Number of Schools at June 30, 2018:

- Elementary = 12
- Middle School = 3
- Senior High School = 2
- Other = 3

**Source:** District Facilities Office, District Records

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions. Enrollment is based on the annual October district count. Central Administration building was demolished during the 2012-13 school year.

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
 GENERAL FUND  
 SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
 LAST TEN FISCAL YEARS  
 UNAUDITED

SCHOOL FACILITIES	PROJECT #(s)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
High Schools:											
High School North	N/A	\$ 647,477.50	\$ 594,341.12	\$ 615,678.00	\$ 540,712.83	\$ 540,712.83	\$ 35,766.00	\$ 35,766.10	\$ 76,485.00	\$ 144,182.00	\$ 149,961.00
High School South	N/A	600,286.06	551,022.53	570,805.00	501,302.94	501,302.94	120,203.00	120,203.12	58,382.00	109,326.00	131,877.00
Middle Schools:											
Bayside Middle	N/A	364,665.50	334,738.59	346,756.00	304,534.62	304,534.62	21,252.00	21,252.46	41,184.00	77,285.00	58,642.00
Thompson	N/A	326,697.70	299,886.69	310,653.00	272,827.46	272,827.46	117,674.00	117,674.12	30,775.00	57,884.00	67,213.00
Thorne	N/A	326,697.70	299,886.69	310,653.00	272,827.46	272,827.46	97,001.00	97,000.66	49,331.00	93,136.00	62,298.00
Elementary Schools:											
Bayview	N/A	111,372.20	102,232.25	105,902.00	93,007.68	93,007.68	14,235.00	14,234.64	14,482.00	27,093.00	23,564.00
Fairview	N/A	83,427.91	76,581.25	79,331.00	69,671.21	69,671.21	7,489.00	7,488.82	15,388.00	29,196.00	35,107.00
Harmony	N/A	130,115.64	119,437.47	123,725.00	108,660.45	108,660.45	51,247.00	51,246.74	14,030.00	26,473.00	43,207.00
Leonardo	N/A	81,643.42	74,943.21	77,634.00	68,180.97	68,180.97	14,219.00	14,218.64	8,599.00	15,913.00	30,967.00
Lincroft	N/A	100,133.74	91,916.09	95,216.00	83,622.36	83,622.36	5,814.00	5,813.82	32,133.00	60,717.00	35,074.00
Middletown Village	N/A	90,211.49	82,808.12	85,781.00	75,336.22	75,336.22	5,214.00	5,213.82	23,986.00	45,321.00	13,182.00
Navesink	N/A	73,690.43	67,642.90	70,071.00	61,539.38	61,539.38	21,007.00	21,007.46	7,694.00	14,399.00	22,118.00
New Monmouth	N/A	153,997.38	141,359.32	146,434.00	128,604.26	128,604.26	7,785.00	7,784.82	25,344.00	47,502.00	64,255.00
Nutt Swamp	N/A	121,041.34	111,107.87	115,097.00	101,082.44	101,082.44	71,635.00	71,635.20	19,913.00	37,564.00	20,188.00
Ocean Avenue	N/A	79,833.62	73,281.94	75,913.00	66,669.60	66,669.60	21,441.00	21,441.46	5,883.00	11,361.00	14,255.00
Port Monmouth	N/A	65,178.05	59,829.10	61,977.00	54,430.63	54,430.63	5,214.00	5,213.82	10,862.00	20,422.00	9,890.00
River Plaza	N/A	81,099.21	74,443.67	77,116.00	67,726.50	67,726.50	108,757.00	108,757.30	18,103.00	34,206.00	15,640.00
Grand Total		\$ 3,437,568.89	\$ 3,155,458.81	\$ 3,268,742.00	\$ 2,870,737.00	\$ 2,870,737.00	\$ 725,953.00	\$ 725,953.00	\$ 452,574.00	\$ 851,980.00	\$ 797,438.00

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2018  
UNAUDITED**

<b>Commercial Package Policy - New Jersey Schools Insurance Group:</b>	<b>COVERAGE</b>	<b>DEDUCTIBLE</b>
Real & Personal Property (per occurrence)	\$500,000,000.00	\$5,000.00
Blanket Extra Expense	50,000,000.00	5,000.00
Blanket Valuable Paper & Records	10,000,000.00	5,000.00
Demolition & Increased Cost of Construction	25,000,000.00	5,000.00
Loss of Business Income/Tuition	10,000.00	
Fire Dept. Service Charge	10,000.00	
Arson Reward	10,000.00	
Pollution Cleanup & Removal	250,000.00	
<b>Flood/Earthquake:</b>		
Flood Zone A & V	25,000,000.00	500,000.00
All Other Flood Zones	75,000,000.00	10,000.00
Earthquake	50,000,000.00	5,000.00
Terrorism	1,000,000.00	5,000.00
<b>General Liability:</b>		
Bodily Injury & Property Damage	6,000,000.00	1,000.00
Personal Injury	6,000,000.00	1,000.00
Employee Benefit Liability	6,000,000.00	1,000.00
Sexual Abuse/Child Molestation	6,000,000.00	1,000.00
Premises Medical Payments	10,000.00	5,000.00
Terrorism	1,000,000.00	1,000.00
<b>Automotive Coverage:</b>		
Combined Single Limit for Bodily Injury & Property Damage	6,000,000.00	1,000.00
Personal Injury Protection	250,000.00	1,000.00
Medical Payments	10,000.00	1,000.00
Underinsured	1,000,000.00	1,000.00
Terrorism	1,000,000.00	1,000.00
Garagekeepers	Included	
<b>Electronic Data Processing:</b>		
Blanket Hardware/Software	4,110,000.00	1,000.00
Blanket Extra Expense	Included	
Transit	Included	
Loss of Income	10,000.00	
Flood (Deductible for Zone A & Z)		500,000.00
(Deductible All Other Flood Zones)		10,000.00
<b>Crime Coverage:</b>		
Public Employee Dishonesty	100,000.00	500.00
Theft, Disapp. & Destruction/Money Orders & Counterfeit	10,000.00	500.00
Currency		
Forgery or Alteration	25,000.00	500.00
Board Secretary Bond	600,000.00	1,000.00
Treasurer Bond	600,000.00	1,000.00
<b>Equipment Breakdown</b>		
Combined Single Limit/Accident for Property Damage & Extra Exp.	100,000,000.00	5,000.00

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2018  
UNAUDITED**

	Included	
Property Damage		
Off Premises Property Damage	100,000.00	5,000.00
Extra Expenses	10,000,000.00	5,000.00
Service Interruption	10,000,000.00	5,000.00
Perishable Goods	500,000.00	5,000.00
Data Restoration	100,000.00	5,000.00
Demolition	1,000,000.00	5,000.00
Ordinance or Law	1,000,000.00	5,000.00
Expediting Expense	500,000.00	5,000.00
Hazardous Substances	500,000.00	5,000.00
Newly Acquired Locations	250,000.00	5,000.00
<b>School Board Legal Liability</b>		
Board of Education Liability/School Leaders Errors & Omissions	2,000,000.00	30,000.00
Employee Related Practices Violations	150,000.00	30,000.00
<b>Workers' Compensation - NJSIG:</b>		
Part 1	Statutory	
Part 2		
Bodily Injury by Accident	2,000,000.00	-
Bodily Injury by Disease	2,000,000.00	-
<b>Travel Accident - National Union Fire Insurance Company:</b>		
Accidental Death Dismemberment	250,000.00	-
Aggregate limit of Indemnity	1,250,000.00	-

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  
Middletown Township School District  
County of Monmouth  
Middletown, New Jersey 07748

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 Middletown Township School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Middletown Township 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 Middletown Township School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Middletown Township 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 Middletown Township 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.

Michael Holt  
Certified Public Accountant  
Public School Accountant, No. 1148

Freehold, 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 THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08**

Honorable President and Members  
of the Board of Education  
Middletown Township School District  
County of Monmouth  
Middletown, New Jersey 07748

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Middletown Township School District’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); 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, the Uniform Guidance 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 federal or 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 federal and state program. However, our audit does not provide a legal determination of the School District’s compliance.

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

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

## Report on Internal Control Over Compliance

Management of the Middletown Township 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 federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and 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 federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt  
Certified Public Accountant  
Public School Accountant, No. 1148

Freehold, New Jersey  
February 15, 2019

MIDDLETOWN TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL AWARD NUMBER	FEDERAL CHD NUMBER	FEDERAL IDENTIFICATION NUMBER	PASS THROUGH ENTITY NUMBER	PROGRAM OR AWARD NUMBER	GRANT PERIOD	BALANCE JUNE 30, 2017	CARRYOVER (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	REPAYMENT OF PRIOR YEARS' BALANCES	PASSED THROUGH TO SUBRECIPIENTS	ADJUSTMENTS	BALANCE JUNE 30, 2018	
													UNEARNED REVENUE	DUETO GRANITOR
93.778	1805N5MAP	100-054-7540-211	100-054-7540-211	121.9 16.16	7/1/17-6/30/18	\$ -	\$ -	\$ 121,916.16	\$ (121,916.16)	\$ -	\$ -	\$ -	\$ -	\$ -
<b>U.S. Department of Health and Human Services</b>														
Passed Through New Jersey Department of Human Services:														
Medical Assistance Program (SEMI)														
<b>Total U.S. Department of Health and Human Services</b>														
<b>U.S. Department of Agriculture</b>														
Passed Through New Jersey Department of Agriculture:														
Child Nutrition Cluster														
10.553	181NJ304N1099	100-010-3350-028	100-010-3350-028	42,887.93	7/1/17-6/30/18	(1,489.08)	-	40,483.70	(42,887.93)	-	-	-	-	(2,404.23)
10.553	171NJ304N1099	100-010-3350-028	100-010-3350-028	15,922.44	7/1/16-6/30/17	(1,489.08)	-	41,972.78	(42,887.93)	-	-	-	-	(2,404.23)
10.555	181NJ304N1099	100-010-3350-028	100-010-3350-028	523,262.75	7/1/17-6/30/18	-	-	470,730.52	(523,262.75)	-	-	-	-	(52,532.23)
10.555	171NJ304N1099	100-010-3350-028	100-010-3350-028	510,372.84	7/1/16-6/30/17	(42,921.76)	-	42,921.76	-	-	-	-	-	-
10.555	16161NJ304N1099	Unavailable	Unavailable	17,357.63	7/1/16-6/30/17	(1,599.63)	-	1,599.63	-	-	-	-	-	-
10.555	171NJ304N1099	Unavailable	Unavailable	154,246.26	7/1/17-6/30/18	(44,531.39)	-	699,938.17	(607,509.01)	-	-	-	-	(52,532.23)
Total Child Nutrition Cluster														
84.938C														
<b>Total U.S. Department of Agriculture</b>														
<b>U.S. Department of Education</b>														
Emergency Impact Aid														
<b>Total U.S. Department of Education</b>														
Passed Through New Jersey Department of Education:														
No Child Left Behind (N.C.L.B.):														
Title I - Part A														
84.010	S010A160030	100-034-5064-194	100-034-5064-194	559,134.00	7/1/17-6/30/18	-	-	324,705.05	(559,134.00)	-	-	-	-	(234,428.95)
84.010	S010A160030	100-034-5064-194	100-034-5064-194	63,187.00	7/1/17-6/30/18	(171,869.56)	-	14,534.00	(33,542.91)	-	-	-	-	(18,988.91)
84.010	S010A160030	100-034-5064-194	100-034-5064-194	601,000.00	7/1/15-6/30/16	(2,390.63)	-	16,066.66	(14,751.50)	-	-	-	-	-
84.367	S367A160029	100-034-5063-290	100-034-5063-290	175,654.00	7/1/17-6/30/18	-	-	528,385.76	(607,434.41)	-	-	-	-	(253,417.86)
84.367	S367A150029	100-034-5063-290	100-034-5063-290	228,648.00	7/1/16-6/30/17	(48,102.04)	-	91,072.91	(166,278.00)	-	-	-	-	(75,205.09)
84.367	S367A140029	100-034-5063-290	100-034-5063-290	242,478.00	7/1/15-6/30/16	(2,600.00)	-	2,600.00	-	-	-	-	-	-
Title II - Part A, Supporting Effective Instruction														
84.365	S365A160030	100-034-5064-187	100-034-5064-187	14,448.00	7/1/17-6/30/18	-	-	9,314.00	(11,695.62)	-	-	-	-	(2,381.62)
84.365	S365A150030	100-034-5064-187	100-034-5064-187	19,604.00	7/1/16-6/30/17	(3,399.87)	-	3,399.87	-	-	-	-	-	-
84.365	S365A160030	100-034-5064-187	100-034-5064-187	5,525.00	7/1/17-6/30/18	(2,490.33)	-	2,490.33	(4,686.50)	-	-	-	-	(6,500.50)
84.365	S365A150030	100-034-5064-187	100-034-5064-187	7,939.00	7/1/16-6/30/17	(3,292.12)	-	13,292.12	(16,382.12)	-	-	-	-	(2,382.12)
Special Education Cluster:														
84.027	H027A160100	100-034-5065-016	100-034-5065-016	2,641,870.00	7/1/17-6/30/18	(452,435.55)	-	2,381,427.09	(2,641,870.00)	-	-	-	-	(260,442.91)
84.027	H027A150100	100-034-5065-020	100-034-5065-020	2,924,083.30	7/1/16-6/30/17	(652,435.55)	-	851,758.54	(399,322.99)	-	-	-	-	(260,442.91)
Title III - English Language Acquisition														
84.173	H173A160114	100-034-5065-020	100-034-5065-020	79,182.00	7/1/17-6/30/18	(6,460.91)	-	2,266.34	(6,899.25)	-	-	-	-	(4,632.91)
84.173	H173A150114	100-034-5065-020	100-034-5065-020	118,078.00	7/1/16-6/30/17	(6,460.91)	-	6,460.91	-	-	-	-	-	-
Title III - Immigrant														
Total Special Education Cluster														
<b>Total U.S. Department of Education</b>														
<b>Total Expenditures of Federal Awards</b>														
<b>Total Expenditures of Federal Awards</b>														

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

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2018

STATE GRANTOR/ PROGRAM TITLE	GRANT OR PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE JUNE 30, 2017	CARRYOVER (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS	REPAYMENT BALANCES PRIOR YEARS'	ADJUSTMENT	BALANCE JUNE 30, 2018		MEMO CUMULATIVE TOTAL EXPENDITURES
											UNEARNED REVENUE	ACCOUNTS RECEIVABLE	
<b>New Jersey Department of Education</b>													
General Fund:													
State Aid Public:													
Administration Categorical Aid	495-034-5120-089	\$ 6,138,424.00	7/1/17-6/30/18	-	-	\$ 6,138,424.00	\$ (6,138,424.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 589,772.39
Security Aid	495-034-5120-084	839,030.00	7/1/17-6/30/18	-	-	839,030.00	(839,030.00)	-	-	-	-	-	80,095.13
Adjustment Aid	495-034-5120-085	6,706,735.00	7/1/17-6/30/18	-	-	6,706,735.00	(6,706,735.00)	-	-	-	-	-	644,031.56
Equalization Aid	495-034-5120-078	966,925.00	7/1/17-6/30/18	-	-	966,925.00	(966,925.00)	-	-	-	-	-	92,995.64
PARCC Readiness Aid	495-034-5120-098	96,610.00	7/1/17-6/30/18	-	-	96,610.00	(96,610.00)	-	-	-	-	-	9,291.63
Per Pupil Growth Aid	495-034-5120-097	96,610.00	7/1/17-6/30/18	-	-	96,610.00	(96,610.00)	-	-	-	-	-	9,291.63
Professional Learning Community Aid	495-034-5120-101	94,430.00	7/1/17-6/30/18	-	-	94,430.00	(94,430.00)	-	-	-	-	-	9,028.89
Total State Aid Public						14,938,784.00	(14,938,784.00)	-	-	-	-	-	14,938,784.00
Transportation Aid	495-034-5120-014	2,899,811.00	7/1/17-6/30/18	-	-	2,899,811.00	(2,899,811.00)	-	-	-	-	-	278,894.22
Extracurricular Aid	495-034-5120-044	1,620,845.00	7/1/17-6/30/18	-	-	1,620,845.00	(1,620,845.00)	-	-	-	-	-	1,630,845.00
Extracurricular Aid	495-034-5120-070	1,730,660.00	7/1/17-6/30/18	(1,730,660.00)	-	1,730,660.00	(9,104.00)	-	-	-	(1,600,845.00)	-	9,104.00
Additional Non-Public Transportation Aid	495-034-5120-044	74,640.00	7/1/16-6/30/17	(74,640.00)	-	-	-	-	-	-	(9,104.00)	-	-
Additional Non-Public Transportation Aid	495-034-5120-014	74,640.00	7/1/16-6/30/17	(74,640.00)	-	-	-	-	-	-	-	-	-
Reimbursed TPAF Social Security Contributions	495-034-5094-003	5,413,310.26	7/1/16-6/30/17	(270,172.22)	-	270,172.22	(5,352,701.49)	-	-	-	(265,191.90)	-	5,352,701.49
Reimbursed TPAF Social Security Contributions	495-034-5094-003	5,352,701.49	7/1/17-6/30/18	-	-	5,087,509.59	(7,050,856.00)	-	-	-	-	-	7,050,856.00
TPAF - Post Retirement	495-034-5094-001	7,050,856.00	7/1/17-6/30/18	-	-	7,050,856.00	(7,050,856.00)	-	-	-	-	-	10,916,688.00
TPAF - Long-Term Disability	495-034-5094-002	10,916,688.00	7/1/17-6/30/18	-	-	10,916,688.00	(10,916,688.00)	-	-	-	-	-	10,916,688.00
TPAF - Long-Term Disability	495-034-5094-002	14,896.00	7/1/17-6/30/18	-	-	14,896.00	(14,896.00)	-	-	-	-	-	14,896.00
TPAF - Insurance (Noncash Assistance)	495-034-5094-004	14,896.00	7/1/17-6/30/18	-	-	42,984,022.81	(42,984,022.81)	-	-	-	(1,987,050.90)	-	42,984,022.81
Total General Fund				(2,075,478.22)	-	42,984,022.81	(42,984,022.81)	-	-	-	1,715,657.00	-	42,984,022.81
<b>Special Revenue Fund:</b>													
Non-Public Aid:													
Textbooks	18-100-034-5120-064	144,126.00	7/1/17-6/30/18	-	-	144,126.00	(139,726.46)	-	-	-	-	4,399.54	139,726.46
Textbooks	17-100-034-5120-064	159,547.00	7/1/16-6/30/17	9,827.95	-	-	-	(9,827.95)	-	-	-	-	224,959.38
Nursing Services	18-100-034-5120-070	255,498.00	7/1/16-6/30/17	26,895.63	-	-	(26,895.63)	-	-	-	-	-	600,145
Nursing Services	17-100-034-5120-070	209,100.00	7/1/16-6/30/17	209,100.00	-	-	-	-	-	-	-	-	37,315.45
Technology Initiative	18-100-034-5120-373	71,968.00	7/1/16-6/30/17	37,315.45	-	-	(37,315.45)	-	-	-	-	-	187,289.59
Technology Initiative	17-100-034-5120-373	76,856.00	7/1/15-6/30/16	5,053.88	-	-	(5,053.88)	-	-	-	-	-	58,924.80
Technology Initiative	15-100-034-5120-373	89,408.00	7/1/14-6/30/15	6,317.54	-	-	(6,317.54)	-	-	-	-	-	12,900.93
Technology Initiative	15-100-034-5120-373	89,408.00	7/1/14-6/30/15	12,900.93	-	-	(12,900.93)	-	-	-	-	-	17,651.19
Technology Initiative	14-100-034-5120-373	56,300.00	7/1/13-6/30/14	1,765.19	-	-	(1,765.19)	-	-	-	-	-	427.31
Technology Initiative	13-100-034-5120-373	55,524.00	7/1/12-6/30/13	427.31	-	-	(427.31)	-	-	-	-	-	197,580.00
Security Aid	17-100-034-5120-509	138,450.00	7/1/16-6/30/17	1,427.76	-	-	(1,427.76)	-	-	-	-	-	15,288.47
Auxiliary Services Aid (Chapter 192):													
Home Instruction	100-034-5120-067	6,882.77	7/1/16-6/30/17	(6,882.26)	-	6,882.26	-	-	-	-	-	-	1,990.19
Home Instruction	100-034-5120-067	1,990.19	7/1/17-6/30/18	-	-	1,990.19	-	-	-	-	(1,990.19)	-	181,597.48
Compensatory Education	100-034-5120-067	184,253.00	7/1/17-6/30/18	-	-	184,253.00	(181,597.48)	-	-	-	2,657.52	-	42,997.33
Compensatory Education	100-034-5120-067	240,074.00	7/1/16-6/30/17	42,997.33	-	-	-	(42,997.33)	-	-	-	-	1,773.79
Handicapped Services (Chapter 193):													
Examination and Classification	100-034-5120-066	190,208.00	7/1/17-6/30/18	-	-	190,208.00	(187,289.59)	-	-	-	-	2,918.41	187,289.59
Examination and Classification	100-034-5120-066	190,208.00	7/1/16-6/30/17	2,880.73	-	-	(2,880.73)	-	-	-	-	-	58,924.80
Corrective Speech	100-034-5120-066	66,960.00	7/1/17-6/30/18	-	-	66,960.00	(58,924.80)	-	-	-	-	-	8,035.20
Corrective Speech	100-034-5120-066	74,410.00	7/1/16-6/30/17	11,706.00	-	-	(11,706.00)	-	-	-	-	-	145,269.00
Supplementary Instruction	100-034-5120-066	145,269.00	7/1/17-6/30/18	-	-	145,269.00	(145,269.00)	-	-	-	-	-	1,244,256.50
Total Special Revenue Fund				(115,317.99)	-	1,340,099.18	(1,244,256.50)	-	-	-	(1,990.19)	91,550.61	1,244,256.50
<b>Capital Projects Fund:</b>													
New Jersey School Development Authority:													
Boiler Replacement - Various Schools	Various	7,173,895.60	5/27/14-Completion	(2,628,407.35)	-	427,071.94	-	-	-	2,011,335.41	-	-	-
Boiler Replacement - Various Schools	Various	335,990.00	5/27/14-Completion	(1,481,421.40)	-	-	-	-	-	41,569.81	-	-	-
Boiler Replacement - Various Schools	Various	5,746,038.00	5/27/14-Completion	(1,313,474.10)	-	1,887,239.54	(615,335.19)	-	-	20,545,840	-	-	615,335.19
Boiler Replacement - Various Schools	Various	466,740.00	5/27/14-Completion	(203,456.40)	-	-	-	-	-	20,545,840	-	-	-
Total Capital Projects Fund				(4,000,759.31)	-	2,314,341.48	(615,335.19)	-	-	2,341,785.02	-	-	615,335.19
<b>Debt Service Fund:</b>													
Debt Service Fund	495-034-5120-075	1,413,071.00	7/1/17-6/30/18	-	-	1,413,071.00	(1,413,071.00)	-	-	-	-	-	1,413,071.00
Total Debt Service Fund													
<b>New Jersey Department of Agriculture:</b>													
Boiler Replacement - Various Schools	100-010-3350-023	25,175.69	7/1/17-6/30/18	-	-	22,771.46	(25,175.69)	-	-	-	(2,404.23)	-	25,175.69
National School Lunch Program	100-010-3350-023	20,689.13	7/1/16-6/30/17	(1,773.79)	-	1,773.79	-	-	-	-	-	-	-
National School Lunch Program	100-010-3350-023	20,689.13	7/1/16-6/30/17	(1,773.79)	-	24,584.25	(25,175.69)	-	-	-	(2,404.23)	-	25,175.69
Total Enterprise Fund				(1,773.79)	-	24,584.25	(25,175.69)	-	-	-	(2,404.23)	-	25,175.69
<b>Total State Financial Assistance</b>													
State Financial Assistance Programs not Subject to Calculation for Major Program Determination:													
TPAF - Post Retirement	495-034-5094-001	\$ 7,050,856.00	7/1/17-6/30/18	-	-	\$ -	\$ 7,050,856.00	-	-	-	-	-	7,050,856.00
TPAF - Pension	495-034-5094-002	10,916,688.00	7/1/17-6/30/18	-	-	10,916,688.00	(10,916,688.00)	-	-	-	-	-	10,916,688.00
TPAF - Long-Term Disability	495-034-5094-004	14,896.00	7/1/17-6/30/18	-	-	14,896.00	(14,896.00)	-	-	-	-	-	14,896.00
TPAF - Insurance (Noncash Assistance)													
Total State Financial Assistance Subject to Calculation for Major Program Determination				(6,002,693.33)	-	48,073,689.72	(46,193,433.87)	-	-	(122,200.25)	\$ -	(9,580.61)	46,193,433.87
The accompanying Notes to Schedule Expenditures of Federal Awards and Financial Assistance are an integral part of this Schedule.													

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE**  
**FINANCIAL ASSISTANCE**  
**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 Middletown Township 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.

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE**  
**FINANCIAL ASSISTANCE**  
**YEAR ENDED JUNE 30, 2018 (Continued)**

**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.

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 (\$36,572.00) for the general fund and 92,798.37 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	\$ 121,916.16	\$ 42,932,167.49	\$ 43,054,083.65
Special Revenue Fund	3,761,388.40	1,242,266.31	5,003,654.71
Capital Projects Fund	-	615,335.19	615,335.19
Debt Service Fund	-	1,413,071.00	1,413,071.00
Food Service Fund	720,396.94	25,175.69	745,572.63
Total Awards & Financial Assistance	<u>\$ 4,603,701.50</u>	<u>\$ 46,228,015.68</u>	<u>\$ 50,831,717.18</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 Middletown Township School District had no loan balances outstanding at June 30, 2018.



**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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	_____ <u>X</u> no
2) Significant deficiency(ies) identified?	_____ yes	_____ <u>X</u> none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

**Federal Awards**

Internal control over major programs:		
1) Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
2) Significant deficiency(ies) identified?	_____ yes	_____ <u>X</u> none reported

Type of auditor's report issued on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of Uniform Guidance?	_____ yes	_____ <u>X</u> no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
_____ 84.027	_____ H027A160100	Special Education Cluster: _____ I.D.E.A. Part B
_____ 84.173	_____ H173A160114	_____ I.D.E.A. Preschool
_____	_____	_____
_____	_____	_____
_____	_____	_____

Dollar threshold used to determine Type A programs	\$ _____	_____ 750,000.00
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Auditee qualified as low-risk auditee?	_____ <u>X</u> yes	_____ no
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**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

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

**State Financial Assistance**

Dollar threshold used to determine Type A programs	\$	846,270.11
Auditee qualified as low-risk auditee?	<u>  X  </u> yes	<u>      </u> no
Internal control over major programs:		
1) Material weakness(es) identified?	<u>      </u> yes	<u>  X  </u> no
2) Significant deficiency(ies) identified?	<u>      </u> yes	<u>  X  </u> none reported
Type of auditor's report issued on compliance for major programs		Unmodified

Identification of major programs:

<b><u>State Grant/Project Number(s)</u></b>	<b><u>Name of State Program</u></b>
495-034-5094-003	Reimbursed TPAF Social Security Contributions
495-034-5120-044	Extraordinary Aid
495-034-5120-075	Debt Service Aid

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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.

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**

None.

**STATE FINANCIAL ASSISTANCE**

None.

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
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

No Prior Year Findings.

State Financial Assistance

No Prior Year Findings.