

**TOWN OF NEWTON
SCHOOL DISTRICT**

**Town of Newton School District
Newton, New Jersey**

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

**Comprehensive Annual
Financial Report**

of the

**Town of Newton School District
Board of Education**

Newton, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

**Town of Newton School District
Board Office**

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INTRODUCTORY SECTION

Newton Public Schools

57 Trinity Street ♦ Newton, NJ 07860-1831

973-383-7392 phone ♦ 973-383-5378 fax

www.newtonnj.org

Dr. G. Kennedy Greene
Superintendent

Dr. Alfred Savio
Business Administrator

January 18, 2019

The Honorable President and Members of
the Board of Education
Town of Newton School District
County of Sussex, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Town of Newton School District (the "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 (the "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 basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. 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*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels Preschool through 12. These include regular, vocational, as well as special education for handicapped youngsters. The District completed the 2017-2018 fiscal year with an average daily enrollment of 1,535 students, stable from the previous year.

2) ECONOMIC CONDITION AND OUTLOOK: As the County Seat, the Town of Newton continues to have increasing numbers of low-income and homeless families; social services are available in Newton, as is the ability to walk to government offices, the library for Internet access and schools. Homeless shelters throughout the County are full, and an increasing amount of staff time is spent trying to keep accurate track of students, determining which district bears the financial responsibility for educating them, creating contracts and tracking the finances. The stabilization of the local tax levy remains a constant source of concern for the Board of Education, as well as the municipality. Both entities continue to recognize the importance of offering quality programs and facilities while maintaining fiscal responsibility. The Board and Administration took an active role in a state-wide drive to receive a more equitable distribution of state aid funding. As a result, Senate Bill S-2 was signed into law providing more state aid to underfunded districts like Newton into the future.

The District continued the educational partnerships with Thorlabs and Picatinny as they supported the Robotics Team. As Thorlabs continues to grow, there should be further opportunities to expand the existing partnerships and develop new ones with the companies that will evolve to meet the needs of the research and development headquarters. To support this important opportunity, the District continues to look for ways to increase Science, Technology, Engineering and Mathematics (STEM) education throughout the District. Newton Public Schools continue to expand technology and software available for education, as well as for PARCC testing.

A major initiative during the 2013-14 school year was Project Launch, a 21st Century Learning Center grant program which provides an after-school and extended-year program for Grades 4-8, as well as family and parenting programs in both English and Spanish. This program was run by Project Self-Sufficiency in partnership with the school district and focused on a STEM curriculum. The program started the 2014-15 school year with a summer curriculum and trips, and continued to grow during the school year. The District aligned some of its programs with Launch so that more students could participate. The 2017-18 school year was the final year of the original grant with Project Self-Sufficiency as the grant recipient. The District was successful in receiving a 21st Century “Choose to Connect (C2C)” grant award to build upon the existing program.

In the 2017-18 school year, Newton High School received students from Andover Borough, Andover Township and Green Township, which constituted approximately 58.5% of the high school population, and realized approximately \$6.77 million in regular education tuition revenue for these students.

In order to continue to develop a budget that is both educationally and economically sound, the Board and Administration continue to work together to ensure the most effective use of resources to deal with the educational costs by accepting tuition students for special programs, returning out-of-district placements to the local schools, and constantly seeking cost-minimizing ways of providing supplies and services.

The 2017-18 budget included funds for a special education evacuation chair and new water heater at Halsted Middle School, renovation of the nurse’s office at Newton High School, new lawn mower, theater lighting upgrade at Newton High School, demolition of the district-owned house on West End Avenue, and architectural/engineering fees for capital projects for both the 2017-18 and 2018-19 school year.

3) MAJOR INITIATIVES:

(A) Strategic Plan for School Facilities—Due to the defeated referendum last September, the District must continue to maintain the aging facilities. Projects utilizing capital reserve will continue to provide needed building maintenance and improvements.

(B) Student-Centered Learning—A District goal was to develop and implement curriculum and provide professional development that strengthens student-centered learning to increase student achievement. Activities included staff book discussions, professional development, PLC's, development of curriculum in content areas, including digital citizenship. These efforts proved successful.

(C) Community Schools—A Newton-specific model for Community Schools was developed to increase student achievement. The Superintendent formed a steering committee which researched best practices. They then identified key members, developed and performed a needs assessment, reached out to partners and finalized the model which formalized existing relationships and established the basis for development of a full Community Schools program.

(D) School Funding—The District took an active role in advocating for equity in the distribution of state aid to schools. The signing of Senate Bill 2 on July 24, 2018 has made necessary changes to SFRA, and the District is proud of its role in this achievement.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. The Board of Education adopted a comprehensive Standard Operating Procedures Manual and Internal Controls Document at the end of 2009, which was updated in 2013.

As a recipient of federal and state awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management. As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to major federal and state award programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by a vote of 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 restrictions, commitments and/or assignments of fund balance at June 30, 2018.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the 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.

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

8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Board is a member of the School Alliance Insurance Fund ("SAIF"). SAIF is a risk-sharing public entity risk management pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage to their members. A schedule of insurance coverage is found on Exhibit J-20.

9) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The Auditors' Report on the basic financial statements and specific required supplementary information are included in the financial section of this report. The Auditors' Reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

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

Respectfully submitted,

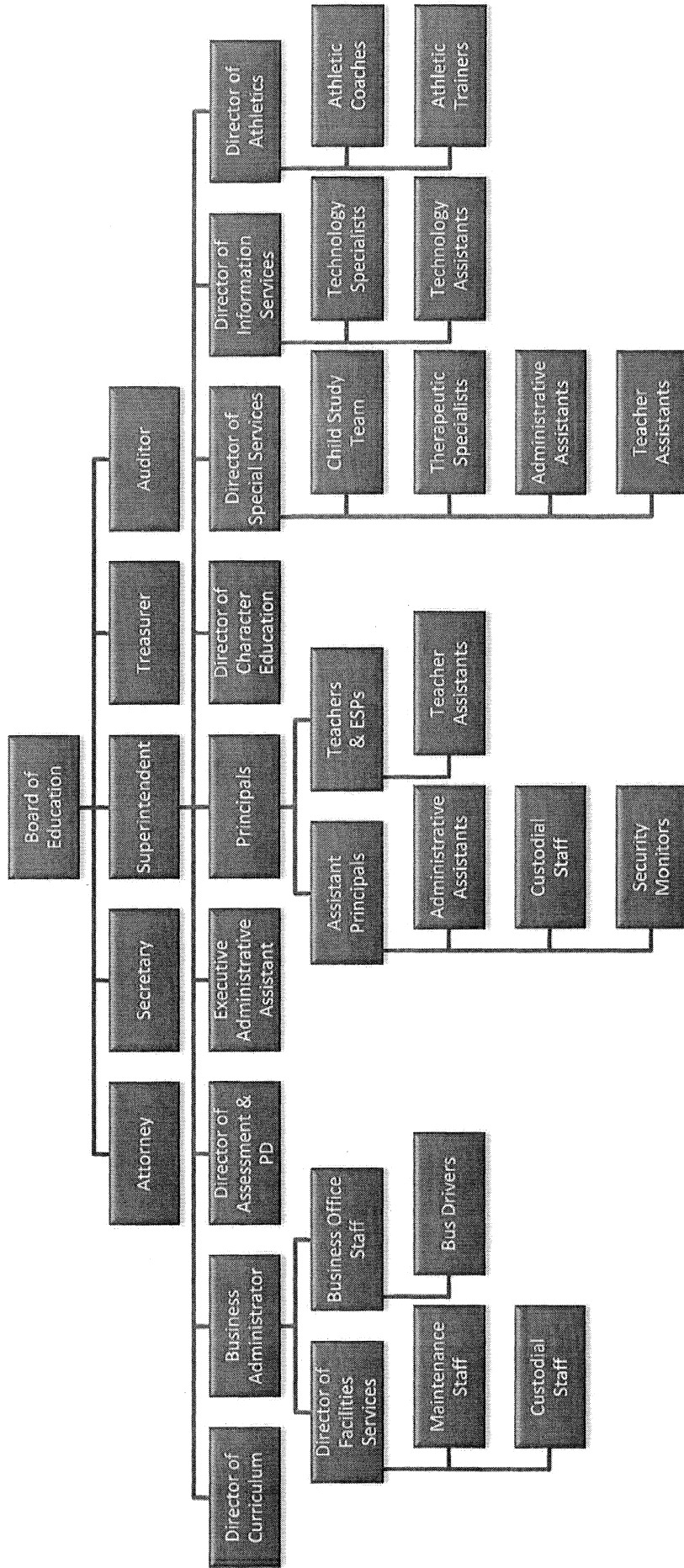


Dr. G. Kennedy Greene
Superintendent of Schools



Dr. Alfred Savio
Business Administrator/Board Secretary

Newton Public Schools Organization Chart 2017-18



**TOWN OF NEWTON SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Stella Dunn, President	2020
Jessica Egner, Vice President	2018
Ed Caffrey	2019
Joan Faye	2018
John Jackson	2018
Tina Larsen	2020
Raymond Morris	2019
Anthony Neggers II	2019
Lisa Qarmout	2020
Eric Danielson (Andover Regional Representative)	2018
Ann Marie Cooke (Green Township Representative)	2019

<u>Other Officers</u>	<u>Title</u>
Dr. G. Kennedy Greene	Superintendent of Schools
Donna C. Snyder	Business Administrator/Board Secretary (until 7/31/18)
Dr. Alfred Savio	Assistant Business Administrator/Board Secretary (from 7/16-7/31/18)
Dr. Alfred Savio	Business Administrator/Board Secretary (from 8/1/18)
Dawn Babcock	Treasurer of School Monies
Allan P. Dzwilewski	School Board Attorney

TOWN OF NEWTON BOARD OF EDUCATION
Consultants and Advisors

Audit Firm

Nisivoccia LLP, CPAs
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And
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Woodbridge, NJ 07095

Official Depository

Lakeland Bank
One Cochran Plaza
Newton, NJ 07860

FINANCIAL SECTION

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Town of Newton School District
County of Sussex, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe 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 Board of Education of the Town of Newton School District, in the County of Sussex, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are 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, which follows this report, the pension and postemployment benefits schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 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 District’s basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical section are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable President and Members
of the Board of Education
Town of Newton School District
Page 3

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


The accompanying other information such as the introductory and statistical sections has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

January 18, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP


Heidi A. Wohlleb
Licensed Public School Accountant #2140
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This section of Town of Newton School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending 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.

Financial Highlights

- The District's financial status decreased significantly on a district-wide basis.
- Overall revenue was \$39.26 million.
- Overall expenses were \$39.44 million.
- Enrollment in the District has remained stable from the prior year.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of the School District's Financial Report

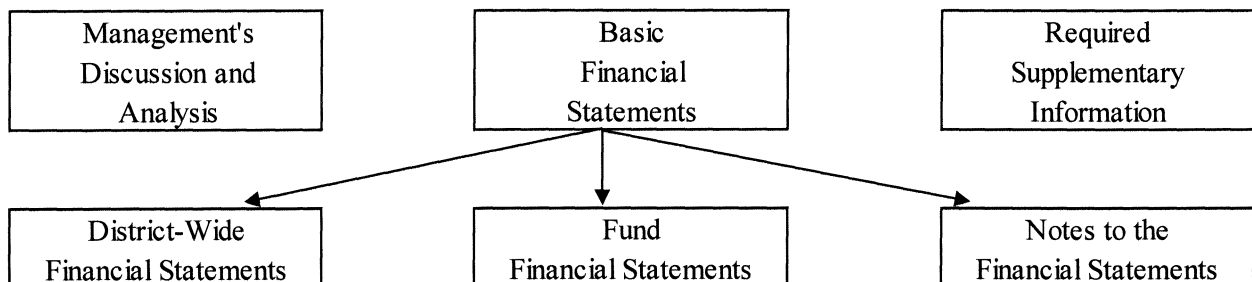


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and after care program	Instances in which the District administers resources on behalf of someone else, such as student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred inflows and outflows and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes, tuition and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service and after care programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District

excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Notes to Basic Financial Statements: Provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position decreased by \$176,626. Net position from governmental activities decreased by \$186,264 and net position from business-type activities increased by \$9,638. Net investment in capital assets increased by \$374,739, restricted net position decreased by \$92,252, and unrestricted net position decreased by \$459,113.

Figure A-3

	Condensed Statement of Net Position						Percentage Change 2017/18
	Government Activities		Business-Type Activities		Total School District		
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	
Current and							
Other Assets	\$ 1,617,217	\$ 1,791,765	\$ 261,782	\$ 263,770	\$ 1,878,999	\$ 2,055,535	-8.59%
Capital Assets, Net	14,510,174	14,466,996	69,083	53,444	14,579,257	14,520,440	0.41%
Total Assets	<u>16,127,391</u>	<u>16,258,761</u>	<u>330,865</u>	<u>317,214</u>	<u>16,458,256</u>	<u>16,575,975</u>	-0.71%
Deferred Outflows of Resources	<u>2,294,176</u>	<u>3,176,053</u>			<u>2,294,176</u>	<u>3,176,053</u>	-27.77%
Other Liabilities	553,773	443,724	48,481	44,468	602,254	488,192	23.36%
Long-Term Liabilities							
Outstanding	15,452,198	18,088,802			15,452,198	18,088,802	-14.58%
Total Liabilities	<u>16,005,971</u>	<u>18,532,526</u>	<u>48,481</u>	<u>44,468</u>	<u>16,054,452</u>	<u>18,576,994</u>	-13.58%
Deferred Inflows of Resources	<u>2,076,802</u>	<u>377,230</u>			<u>2,076,802</u>	<u>377,230</u>	450.54%
Net Position:							
Net Investment in							
Capital Assets	8,565,756	8,206,656	69,083	53,444	8,634,839	8,260,100	4.54%
Restricted	1,219,697	1,311,949			1,219,697	1,311,949	-7.03%
Unrestricted/(Deficit)	<u>(9,446,659)</u>	<u>(8,993,547)</u>	<u>213,301</u>	<u>219,302</u>	<u>(9,233,358)</u>	<u>(8,774,245)</u>	-5.23%
Total Net Position	<u>\$ 338,794</u>	<u>\$ 525,058</u>	<u>\$ 282,384</u>	<u>\$ 272,746</u>	<u>\$ 621,178</u>	<u>\$ 797,804</u>	-22.14%

Changes in Net Position. The District's combined net position was \$621,178 on June 30, 2018, a decrease of \$176,626 or 22.14% less than the year before. (See Figure A-3). Net Investment in Capital Assets increased due to the current year maturity of serial bonds payable of \$325,000, as well as current year capital assets additions (net of deletions) of \$615,682 offset by current year depreciation expense of \$556,865 and a net decrease in deferred amount on refunding of \$9,078. Restricted net position decreased by \$92,252 mainly due to the net decrease in Capital Reserve of \$74,838 and decrease in excess surplus of \$11,419. Unrestricted net position decreased by \$459,113 due to an increase in the change in pension proportion of \$128,791, a \$7,884 change in the difference between expected and actual pension experience, a decrease in changes in pension assumptions of \$2,134,491, a change in the difference between projected and actual earnings in pension investments of \$340,689, a net increase in compensated absences of \$232,515, a \$166,221 net decrease in unassigned and assigned (including encumbrances) General Fund fund balance and a decrease of \$6,001 in business-type activities; offset by a decrease in net pension liability of \$2,506,698, a decrease in accrued interest of \$2,979, an increase in Capital Projects committed fund balance of \$10,381 and a decrease in unamortized bond issuance premium of 37,421.

Figure A-4**Changes in Net Position from Operating Results**

	Governmental Activities 2017/18	Business- Type Activities 2017/18	Governmental Activities 2016/17	Business- Type Activities 2016/17	Total School District 2017/18	Total School District 2016/17	Percentage Change 2017/18
Revenue:							
Program Revenue:							
Charges for Services	\$ 7,455,713	\$ 320,024	\$ 7,834,226	\$ 304,937	\$ 7,775,737	\$ 8,139,163	-4.47%
Operating Grants and Contributions	12,067,297	340,323	10,451,916	352,864	12,407,620	10,804,780	14.83%
Capital Grants and Contributions	84,525				84,525		100.00%
General Revenue:							
Property Taxes	13,183,736		13,231,894		13,183,736	13,231,894	-0.36%
Unrestricted State and Federal Aid	5,552,797		5,335,338		5,552,797	5,335,338	4.08%
Other	257,639	403	113,466	393	258,042	113,859	126.63%
Total Revenue	38,601,707	660,750	36,966,840	658,194	39,262,457	37,625,034	4.35%
Expenses:							
Instruction	23,597,094		22,076,035		23,597,094	22,076,035	6.89%
Pupil and Instruction Services	6,499,392		6,136,293		6,499,392	6,136,293	5.92%
Administrative and Business	4,284,104		4,209,857		4,284,104	4,209,857	1.76%
Maintenance and Operations	3,199,995		3,471,505		3,199,995	3,471,505	-7.82%
Transportation	874,197		648,838		874,197	648,838	34.73%
Other	333,189	651,112	293,280	630,809	984,301	924,089	6.52%
Total Expenses	38,787,971	651,112	36,835,808	630,809	39,439,083	37,466,617	5.26%
Increase/(Decrease) in Net Position	\$ (186,264)	\$ 9,638	\$ 131,032	\$ 27,385	\$ (176,626)	\$ 158,417	-211.49%

Revenue Sources. The District's total revenue for the 2017-2018 school year was \$39,262,457. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$13,183,736 of the total, or 33.58 percent. (See Figure A-5). Another 45.96 percent came from state and federal aid and the remainder from miscellaneous sources and charges for services.

Figure A-5**Sources of Revenue for Fiscal Year 2018**

	Amount	Percentage
Sources of Income:		
Grants and Contributions	\$ 12,492,145	31.82%
Property Taxes	13,183,736	33.58%
Unrestricted Federal and State Aid	5,552,797	14.14%
Charges for Services	7,775,737	19.80%
Other	258,042	0.66%
	\$ 39,262,457	100.00%

The total cost of all programs and services was \$39,439,083. The District's expenses are predominantly related to instructing and providing pupil services (76.31 percent). (See Figure A-6). The District's administrative and business activities accounted for 10.86 percent of total costs. The Town of Newton School District operates 3 schools, an administration building and a maintenance building which results in higher maintenance costs (8.11 percent). It is important to note that expenses for the year include \$556,865 of depreciation.

Figure A-6**Expenses for Fiscal Year 2018**

Expense Category:	Amount	Percentage
Instruction	\$ 23,597,094	59.83%
Pupil and Instruction Services	6,499,392	16.48%
Administrative and Business	4,284,104	10.86%
Maintenance and Operations	3,199,995	8.11%
Transportation	874,197	2.22%
Other	984,301	2.50%
	<u>\$ 39,439,083</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District declined significantly. Maintaining existing programs with a slight decrease in enrollment and the provision of special programs and services for disabled pupils, combined with rising salary and benefit costs, school security, out of district tuitions, state mandates on testing and energy costs place great demands on the District's resources.

Careful management of expenses and increases in revenues remains essential for the District to sustain its financial health. The District continues to receive the benefit of cost saving measures from the past few years, especially the energy conservation measures and insurance changes.

It is crucial that the District examine its expenses carefully. Staff, parental and student demands for salary increases, activities, small class sizes and programs must be evaluated thoroughly. Figure A-7 presents the cost of seven major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, capital outlay and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

Figure A-7**Net Cost of Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2017/18</u>	<u>2017/18</u>	<u>2016/17</u>	<u>2016/17</u>
Instruction	\$ 23,597,094	\$ 10,966,857	\$ 22,076,035	\$ 10,482,135
Pupil and Instruction Services	6,499,392	3,295,786	6,136,293	3,005,777
Administrative and Business	4,284,104	2,259,473	4,209,857	2,287,151
Maintenance and Operations	3,199,995	1,765,130	3,471,505	2,100,843
Transportation	874,197	560,001	648,838	380,480
Other	333,189	333,189	293,280	293,280
	<u>\$ 38,787,971</u>	<u>\$ 19,180,436</u>	<u>\$ 36,835,808</u>	<u>\$ 18,549,666</u>

Business-Type Activities

Net position from the District’s business-type activity increased by \$9,638 (Refer to Figure A-4). The increase in net position was primarily due to the following:

- A \$40,087 increase in other income mainly due to a guarantee received from the District’s food service management company.
- A \$12,541 decrease in subsidy reimbursements.
- An increase of \$20,303 in operating expenses, mainly due to the purchase of chromebooks and the increase in staff for the Merriam Avenue School after care program.

Financial Analysis of the District’s Funds

The District’s financial position declined significantly on a fund basis. A decrease in tuition enrollment and a decrease in Extraordinary Aid had a direct impact on the District’s financial position.

The District has utilized creative staffing and scheduling to avoid eliminating instructional and co-curricular programs. Not only has the District not cut programs, but increases in technology and programming have been implemented.

To maintain a stable financial position, the District must continue to practice sound fiscal management, including efficiency/cost containment practices, evaluation of services and programs, energy conservation, and seeking additional sources of revenues.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments were due to:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Assets and Long-term Liabilities Administration

Figure A-8

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Percentage Change 2017/18
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	
Sites and Site Improvements	\$ 1,917,633	\$ 2,041,603			\$ 1,917,633	\$ 2,041,603	-6.07%
Buildings and Building Improvements	11,893,760	11,832,393			11,893,760	11,832,393	0.52%
Machinery and Equipment	698,781	593,000	\$ 69,083	\$ 53,444	767,864	646,444	18.78%
Total	\$ 14,510,174	\$ 14,466,996	\$ 69,083	\$ 53,444	\$ 14,579,257	\$ 14,520,440	0.41%

Long-term Liabilities

The District's long term liabilities decreased by \$2,636,604 or 14.58% from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Figure A-9

Outstanding Long-Term Liabilities

	Total School District		Percentage
	2017/18	2016/17	Change 2017/18
General Obligation Bonds (Financed with Property Taxes)	\$ 6,070,000	\$ 6,395,000	-5.08%
Unamortized Bond Issuance Premium	511,418	548,839	-6.82%
Net Pension Liability	7,825,460	10,332,158	-24.26%
Other Long-Term Liabilities	1,045,320	812,805	28.61%
	<u>\$ 15,452,198</u>	<u>\$ 18,088,802</u>	-14.58%

- The District continued to pay down its bonded debt, retiring \$325,000 of outstanding bonds.
- Unamortized bond issuance premium decreased by \$37,421.
- Compensated absences payable increased by a net amount of \$232,515.
- Net pension liability decreased by \$2,506,698.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The State of New Jersey continues to go through significant changes in school funding and these changes impact the District. Long-term financial planning has always been difficult; it is now impossible. The current definition of prudent fiscal planning means being flexible, knowing what your needs are if revenue increases and also knowing what programs or expenses will be reduced if revenue decreases.

- Project Self-Sufficiency and the Newton Board of Education received a 21st Century Learning Center grant that completed its fifth and final year of operation. Annually, over 150 students were able to take advantage of the academically based after school and extended year program. The district applied for a continuation of the program and received approval to implement the new grant in-house. At least 150 students can be served in the new program, and up to 300 students can be enrolled.

- The District's Elementary After School Care program continued to generate a profit in spite of the fact that Project Launch (the 21st Century Learning Center) was open to 4th and 5th graders. The School Business Administrator began assigning other costs to this program.

- The Board and Administration took an active role in a state-wide drive to receive a more equitable distribution of state aid funding. As a result, the budget adopted by the State in July confirmed the increase in state aid for the Newton Public Schools. The 2018-19 budget originally adopted in April required no revisions; however, Senate bill S-2 was approved by the legislature and signed into law by the Governor. This bill moves the state closer to its obligation of fully funding the SFRA funding formula, and helps overtaxed school districts like Newton by providing additional state aid.

- The Bond Referendum that was presented to the voters last September failed. The Board now faces continued maintenance of the Halsted Middle School, a building that is over 100 years old.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 57 Trinity Street, Newton, New Jersey 07860.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

TOWN OF NEWTON SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 51,460	\$ 180,477	\$ 231,937
Receivables from State Government	316,796	368	317,164
Receivables from Federal Government	53,195	24,193	77,388
Other Receivables	905	44,286	45,191
Internal Balances	(3,231)	3,231	
Inventories		9,227	9,227
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,198,092		1,198,092
Capital Assets, Net:			
Sites (Land)	330,620		330,620
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	14,179,554	69,083	14,248,637
Total Assets	<u>16,127,391</u>	<u>330,865</u>	<u>16,458,256</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Amount on Refunding	125,582		125,582
Changes in Assumptions - Pensions	1,576,561		1,576,561
Difference between Expected and Actual Experience - Pensions	184,263		184,263
Difference between Projected and Actual Earnings on Investments - Pensions	53,286		53,286
District Contribution Subsequent to the Measurement Date - Pensions	354,484		354,484
Total Deferred Outflows of Resources	<u>2,294,176</u>		<u>2,294,176</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	436,519	42,480	478,999
Accrued Interest Payable	93,174		93,174
Unearned Revenue	24,080	6,001	30,081
Noncurrent Liabilities:			
Due Within One Year	376,789		376,789
Due Beyond One Year	15,075,409		15,075,409
Total Liabilities	<u>16,005,971</u>	<u>48,481</u>	<u>16,054,452</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Changes in Assumptions - Pensions	1,570,781		1,570,781
Changes in Proportion - Pensions	506,021		506,021
Total Deferred Inflows of Resources	<u>2,076,802</u>		<u>2,076,802</u>
<u>NET POSITION/(DEFICIT)</u>			
Net Investment in Capital Assets	8,565,756	69,083	8,634,839
Restricted for:			
Capital Projects	1,198,092		1,198,092
Debt Service	2,830		2,830
Other Purposes	18,775		18,775
Unrestricted/(Deficit)	(9,446,659)	213,301	(9,233,358)
Total Net Position	<u>\$ 338,794</u>	<u>\$ 282,384</u>	<u>\$ 621,178</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF NEWTON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 17,291,100	\$ 3,419,975	\$ 5,392,172		\$ (8,478,953)		\$ (8,478,953)
Special Education	4,406,706	861,584	2,133,414		(1,411,708)		(1,411,708)
Other Special Instruction	103,449	22,186	15,756		(65,507)		(65,507)
School Sponsored/Other Instruction	1,795,839	360,096	425,055		(1,010,688)		(1,010,688)
Support Services:							
Tuition	914,562		375,885		(538,677)		(538,677)
Student and Instruction Related Services	5,584,830	1,106,330	1,721,389		(2,757,111)		(2,757,111)
General Administrative Services	807,091	164,714	147,465		(494,912)		(494,912)
School Administrative Services	2,424,351	478,612	727,257		(1,218,482)		(1,218,482)
Central Services	715,733	141,318	214,364		(360,051)		(360,051)
Administrative Information Technology	336,929	67,522	83,379		(186,028)		(186,028)
Plant Operations and Maintenance	3,199,995	646,281	704,060	\$ 84,525	(1,765,129)		(1,765,129)
Pupil Transportation	874,197	187,095	127,101		(560,001)		(560,001)
Transfer of Funds to Charter School	157,974				(157,974)		(157,974)
Interest on Long-Term Debt	175,215				(175,215)		(175,215)
Total Governmental Activities	38,787,971	7,455,713	12,067,297	84,525	(19,180,436)		(19,180,436)
Business-Type Activities:							
Food Service	572,442	262,880	340,323			\$ 30,761	30,761
After Care	78,670	57,144				(21,526)	(21,526)
Total Business-Type Activities	651,112	320,024	340,323			9,235	9,235
Total Primary Government	\$ 39,439,083	\$ 7,775,737	\$ 12,407,620	\$ 84,525	(19,180,436)	9,235	(19,171,201)

TOWN OF NEWTON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Net (Expense) Revenue and Changes in Net Position			
	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes, Net		\$ 12,658,194		\$ 12,658,194
Taxes Levied for Debt Service		525,542		525,542
Federal, State and Local Aid not Restricted		5,552,797		5,552,797
Interest Earnings		6,849	\$ 403	7,252
Miscellaneous Income		250,790		250,790
Total General Revenues		18,994,172	403	18,994,575
Change in Net Position		(186,264)	9,638	(176,626)
Net Position - Beginning		525,058	272,746	797,804
Net Position - Ending		\$ 338,794	\$ 282,384	\$ 621,178

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

TOWN OF NEWTON SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 48,630			\$ 2,830	\$ 51,460
Interfund Receivable	92,728				92,728
Receivables From State Government	232,271		\$ 84,525		316,796
Receivables From Federal Government		\$ 53,195			53,195
Other Accounts Receivables	600	305			905
Restricted Cash and Cash Equivalents	<u>1,198,092</u>				<u>1,198,092</u>
Total Assets	<u>\$ 1,572,321</u>	<u>\$ 53,500</u>	<u>\$ 84,525</u>	<u>\$ 2,830</u>	<u>\$ 1,713,176</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable	\$ 3,231	\$ 8,203	\$ 84,525		\$ 95,959
Accounts Payable	60,818	21,217			82,035
Unearned Revenue		<u>24,080</u>			<u>24,080</u>
Total Liabilities	<u>64,049</u>	<u>53,500</u>	<u>84,525</u>		<u>202,074</u>
Fund Balances:					
Restricted:					
Capital Reserve Account	1,198,092				1,198,092
Excess Surplus - 2018-2019	18,775				18,775
Debt Service				\$ 2,830	2,830
Assigned:					
Designated for Subsequent Year's Expenditures	143,220				143,220
Other Purposes	<u>148,185</u>				<u>148,185</u>
Total Fund Balances	<u>1,508,272</u>			<u>2,830</u>	<u>1,511,102</u>
Total Liabilities and Fund Balances	<u>\$ 1,572,321</u>	<u>\$ 53,500</u>	<u>\$ 84,525</u>	<u>\$ 2,830</u>	<u>\$ 1,713,176</u>

TOWN OF NEWTON SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Total
 Governmental
 Funds

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are Different Because:

Total Fund Balances from previous page	\$ 1,511,102
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The Cost of the Assets is \$22,996,963 and the Accumulated Depreciation is \$8,486,789.	14,510,174
Bond Issuance Premiums are Reported as Revenue in the Governmental Funds in the Year the Bonds are Sold. The Amount is \$598,734 and the Accumulated Amortization is \$87,316.	(511,418)
The Deferred Amount on Refunding is not Reported as an Expenditure in the Governmental Funds in the Year of the Expenditure.	125,582
Interest on Long-Term Debt is not Accrued in Governmental Funds, but Rather is Recognized as an Expenditure When Due.	(93,174)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(7,825,460)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions	1,576,561
Difference between Expected and Actual Experience	184,263
Difference Between Projected and Actual Investment Earnings on Pension	53,286
Changes in Assumptions - Pensions	(1,570,781)
Changes in Proportions - Pensions	(506,021)
Long-Term Liabilities, Including Bonds Payable, are not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds.	<u>(7,115,320)</u>
Net Position of Governmental Activities	<u>\$ 338,794</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL
 STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF NEWTON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 12,658,194			\$ 525,542	\$ 13,183,736
Tuition from Other LEAs	7,404,798				7,404,798
Tuition from Individuals	46,115				46,115
Transportation Fees from LEAs	4,800				4,800
Rents and Royalties	10,000				10,000
Interest Earned on Capital Reserve Funds	1,343				1,343
Miscellaneous	246,296	\$ 10,384			256,680
Total - Local Sources	20,371,546	10,384		525,542	20,907,472
State Sources	10,307,977		\$ 84,525		10,392,502
Federal Sources	40,412	697,042			737,454
Total Revenues	30,719,935	707,426	84,525	525,542	32,037,428
EXPENDITURES:					
Current:					
Regular Instruction	9,156,729	207,659			9,364,388
Special Education Instruction	2,189,008	8,347			2,197,355
Other Special Instruction	70,283				70,283
School-Sponsored/Other Instruction	1,129,960				1,129,960
Support Services and Undistributed Costs:					
Tuition	538,677	375,885			914,562
Student and Other Instruction Related Services	3,046,514	112,585			3,159,099
General Administrative Services	580,413				580,413
School Administrative Services	1,257,229				1,257,229
Central Services	426,511				426,511
Administrative Information Technology	194,609				194,609
Plant Operations and Maintenance	1,837,003				1,837,003
Student Transportation	611,206				611,206
Unallocated Benefits	9,143,916				9,143,916
Debt Service:					
Principal				325,000	325,000
Interest and Other Charges				206,537	206,537
Capital Outlay	578,083	2,950	128,442		709,475
Transfer of Funds to Charter School	157,974				157,974
Total Expenditures	30,918,115	707,426	128,442	531,537	32,285,520
Deficit of Revenue Under Expenditures	(198,180)		(43,917)	(5,995)	(248,092)
Other Financing Uses:					
Transfers	(54,298)		54,298		
Total Other Financing Uses	(54,298)		54,298		
Net Change in Fund Balances	(252,478)		10,381	(5,995)	(248,092)
Fund Balance /(Deficit) - July 1	1,760,750		(10,381)	8,825	1,759,194
Fund Balance - June 30	\$ 1,508,272	\$ -0-	\$ -0-	\$ 2,830	\$ 1,511,102

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF NEWTON SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (248,092)

Amounts Reported for Governmental Activities in the Statement of Activities (A-2)
are Different Because:

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

Depreciation Expense	\$ (548,007)	
Deletion of Capital Assets, net of Accumulated Depreciation	(16,694)	
Capital Outlays	<u>607,879</u>	43,178

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. When accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). 2,979

Repayment of serial bonds is 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. 325,000

The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 37,421

The governmental funds report the effect of the deferred amount on refunding when debt is first issued, whereas this amount is deferred and amortized in the statement of activities. (9,078)

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability	2,506,698	
Deferred Outflows:		
Changes in Assumptions	(563,710)	
Difference between Expected and Actual Experience	(7,884)	
Net Difference Between Projected and Actual Investment Earnings on Pension	(340,689)	
Deferred Inflows:		
Changes in Assumptions	(1,570,781)	
Changes in Proportion	(128,791)	

In the statement of activities, certain operating expenses, e.g., compensated absences 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 (+). (232,515)

Change in Net Position of Governmental Activities \$ (186,264)

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF NEWTON SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	Total Enterprise
	Food Service	After Care Program	
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 130,754	\$ 49,723	\$ 180,477
Interfund Receivable - General Fund	1,753	1,478	3,231
Intrafund Receivable		250	250
Intergovernmental Accounts Receivable:			
State	368		368
Federal	24,193		24,193
Other Accounts Receivable	41,756	2,530	44,286
Inventories	9,227		9,227
Total Current Assets	<u>208,051</u>	<u>53,981</u>	<u>262,032</u>
Non-Current Assets:			
Capital Assets	210,000		210,000
Less: Accumulated Depreciation	(140,917)		(140,917)
Total Non-Current Assets	<u>69,083</u>		<u>69,083</u>
Total Assets	<u>277,134</u>	<u>53,981</u>	<u>331,115</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable - Vendors	42,480		42,480
Intrafund Payable	250		250
Unearned Revenue - Donated Commodities	1,493		1,493
Unearned Revenue	4,383	125	4,508
Total Current Liabilities	<u>48,606</u>	<u>125</u>	<u>48,731</u>
<u>NET POSITION:</u>			
Investment in Capital Assets	69,083		69,083
Unrestricted	159,445	53,856	213,301
Total Net Position	<u>\$ 228,528</u>	<u>\$ 53,856</u>	<u>\$ 282,384</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

TOWN OF NEWTON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	Total Enterprise
	Food Service	After Care Program	
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 127,040		\$ 127,040
Daily Sales - Non-Reimbursable Programs	79,869		79,869
Other Income	44,265	\$ 57,144	101,409
Special Events	11,706		11,706
Total Operating Revenue	262,880	57,144	320,024
Operating Expenses:			
Cost of Sales - Reimbursable Programs	192,791		192,791
Cost of Sales - Non-Reimbursable Programs	31,384		31,384
Salaries, Benefits & Payroll Taxes	227,433	53,801	281,234
Other Purchased Services	4,500	1,300	5,800
Supplies, Insurance and Other Costs	43,498	23,569	67,067
Management Fee	45,900		45,900
Miscellaneous Expenditures	18,078		18,078
Depreciation Expense	8,858		8,858
Total Operating Expenses	572,442	78,670	651,112
Operating Loss	(309,562)	(21,526)	(331,088)
Non-Operating Revenue:			
Local Sources:			
Interest Income	237	166	403
State Sources:			
State School Lunch Program	5,288		5,288
Federal Sources:			
National School Lunch Program	209,498		209,498
School Breakfast Program	113,016		113,016
Food Distribution Program	12,521		12,521
Total Non-Operating Revenue	340,560	166	340,726
Change in Net Position	30,998	(21,360)	9,638
Net Position - Beginning of Year	197,530	75,216	272,746
Net Position - End of Year	\$ 228,528	\$ 53,856	\$ 282,384

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF NEWTON SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
	<u>Food Service</u>	<u>After Care Program</u>	
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 222,061	\$ 60,268	\$ 282,329
Payments to Food Service Contractor	(533,877)		(533,877)
Payments to/for Employees		(53,801)	(53,801)
Payments for Suppliers	(11,206)	(24,869)	(36,075)
Net Cash Used for Operating Activities	<u>(323,022)</u>	<u>(18,402)</u>	<u>(341,424)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of Capital Assets	(24,497)		(24,497)
Net Cash Used for Capital and Related Financing Activities	<u>(24,497)</u>		<u>(24,497)</u>
Cash Flows from Investing Activities:			
Interest Income	237	166	403
Net Cash Provided by Investing Activities	<u>237</u>	<u>166</u>	<u>403</u>
Cash Flows from Noncapital Financing Activities:			
Interfund Returned - General Fund		(1,228)	(1,228)
Intrafund Advanced	250	(250)	
State Sources	5,232		5,232
Federal Sources	319,882		319,882
Net Cash Provided by/(Used for) Noncapital Financing Activities	<u>325,364</u>	<u>(1,478)</u>	<u>323,886</u>
Net Decrease in Cash and Cash Equivalents	(21,918)	(19,714)	(41,632)
Cash and Cash Equivalents, July 1	<u>152,672</u>	<u>69,437</u>	<u>222,109</u>
Cash and Cash Equivalents, June 30	<u>\$ 130,754</u>	<u>\$ 49,723</u>	<u>\$ 180,477</u>

TOWN OF NEWTON SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total</u> <u>Enterprise</u>
	<u>Food</u> <u>Service</u>	<u>After Care</u> <u>Program</u>	
Reconciliation of Operating Loss to Net Cash			
Used for Operating Activities:			
Operating Loss	\$ (309,562)	\$ (21,526)	\$ (331,088)
Adjustment to Reconcile Operating Loss to Net Cash			
Used for Operating Activities:			
Depreciation	8,858		8,858
Food Distribution Program	12,521		12,521
Changes in Assets and Liabilities:			
(Decrease) in Unearned Revenue	(1,894)	(95)	(1,989)
Increase in Accounts Payable	6,002		6,002
(Increase)/Decrease in Other Accounts Receivable	(39,290)	3,219	(36,071)
Decrease in Inventory	343		343
Net Cash Used for Operating Activities	<u>\$ (323,022)</u>	<u>\$ (18,402)</u>	<u>\$ (341,424)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$12,156 and utilized U.S.D.A. Commodities valued at \$12,521.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN
INTEGRAL PART OF THIS STATEMENT

TOWN OF NEWTON SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency</u>	<u>Private Purpose Scholarship Trust</u>
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 243,173	\$ 51,767
Investments	13,000	
Total Assets	<u>256,173</u>	<u>51,767</u>
<u>LIABILITIES:</u>		
Payroll Deductions and Withholdings	42,493	
Due to Student Groups	213,680	
Total Liabilities	<u>256,173</u>	
<u>NET POSITION:</u>		
Restricted for Scholarships		<u>51,767</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 51,767</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

TOWN OF NEWTON SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Private Purpose Scholarship Trust</u>
ADDITIONS:	
Contributions:	
Donations	\$ 100
Total Contributions	<u>100</u>
Investment Earnings:	
Interest	84
Net Investment Earnings	<u>84</u>
Total Additions	<u>184</u>
DEDUCTIONS:	
Scholarships Awarded	<u>3,200</u>
Total Deductions	<u>3,200</u>
Change in Net Position	(3,016)
Net Position - Beginning of the Year	<u>54,783</u>
Net Position - End of the Year	<u><u>\$ 51,767</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other on exchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

District-Wide Financial Statements: (Cont'd)

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

Fund Financial Statements:

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund. These resources can be transferred from and to current expenses by board resolution.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally 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 expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The District reports the following proprietary fund:

Enterprise Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria operations and after care program. The Food Service Fund and After Care Program are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund and the Private Purpose Scholarship Trust.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The general fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 30,742,476	\$ 707,426
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements	585,090	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(607,631)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 30,719,935	\$ 707,426
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 30,918,115	\$ 707,426
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 30,918,115	\$ 707,426

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control (Cont'd)

	Capital Projects Fund Revenue
Revenue and Other Financing Sources (Budgetary Basis)	\$ 54,298
	54,298
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable Recognized on GAAP Basis	84,525
Revenue and Other Financing Sources per Governmental Funds (GAAP)	\$ 138,823

E. Cash and Cash Equivalents and Investments

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

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

New Jersey school districts are limited as to the type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A 17:9-41et 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 depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having market value of 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 the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions: (Cont'd)

Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities or governmental and agency funds, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

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

H. 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 restricted, committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet 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.

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at acquisition value.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets: (Cont'd)

The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment. The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	Estimated Useful Life
Buildings and Building Improvements	50 years
Site Improvements	20 years
Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

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

L. Long Term Liabilities:

In the district-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds. Bond premium and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2018.

N. Compensated Absences

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's various employee contracts/agreements. Upon termination, employees are paid for accrued vacation. The District's various employee contracts/agreements permit employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee contracts/agreements.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences (Cont'd)

In addition, the Board of Education has cooperated with the Education Association in the establishment of a Sick Leave Bank. Any Association member may participate in the Bank on a voluntary basis by donating a small number of personal days to the Sick Leave Bank.

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

O. Unearned Revenue

Unearned revenue in the special revenue and the enterprise funds represent cash which has been received but not yet earned.

P. Fund Balance Appropriated

General Fund: Of the \$1,508,272 General Fund fund balance at June 30, 2018, \$148,185 is assigned for encumbrances; \$1,198,092 is restricted in the capital reserve account; \$18,775 is restricted as prior year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2019; \$143,220 of assigned fund balance, which has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2019 which is \$57,042 less than on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2019; and \$-0- in unassigned fund balance, which is \$550,589 less than the budgetary unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2019.

Debt Service Fund: Of the \$2,830 restricted fund balance in the Debt Service Fund at June 30, 2018, \$2,829 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2019.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (s1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict 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 year's budget. The District has excess surplus as outlined above.

P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record the last state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments noted above.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Deficit Net Position and Fund Balance

The District has a deficit in unrestricted net position of \$9,446,659 in governmental activities, which is due to accrued interest payable of \$93,174, an unamortized bond premium of \$511,418, \$1,045,320 of compensated absences payable, changes in pension assumptions of \$1,570,781, changes in proportion in pensions of \$506,021 and net pension liability of \$7,825,460; net of \$143,220 of fund balance assigned for subsequent year's expenditures, \$148,185 assigned for encumbrances, changes in pension assumptions of \$1,576,561, the difference between expected and actual pension experience of 184,263 and the difference between projected and actual earnings in pension investments of \$53,286. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2018 for the deferred amount on refunding of debt related to the District's 2016 refunding bonds, changes in assumptions in pensions, the difference between expected and actual pension experience, the difference between projected and actual investment earnings on pension plan investments and the District contribution subsequent to the measurement date related to pensions. The District had deferred inflows of resources at June 30, 2018 for the changes in assumptions in pensions and the changes in proportion in pension.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. Fund Balance Restrictions, Commitments and Assignments (Cont'd)

Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for a capital reserve, excess surplus and debt service.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. There were no committed resources on a GAAP basis at June 30, 2018.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for the 2018/2019 budget and encumbrances in the General Fund at June 30, 2018.

T. Revenue - Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the respective Enterprise Fund. For the School District, these revenues are sales for food service and fees for after care services. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the respective Enterprise Fund.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

V. Management Estimates:

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

W. 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 fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following pages.

Custodial Credit Risk – The District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which New Jersey school districts are permitted to invest their funds.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Deposits:

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

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

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

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

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

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

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

	<u>Restricted Cash and</u> <u>Cash Equivalents</u> <u>Capital Reserve</u> <u>Account</u>	<u>Cash and</u> <u>Cash</u> <u>Equivalents</u>	<u>Investments</u>	<u>Total</u>
Checking Accounts	\$ 1,198,092	\$ 526,877		\$ 1,724,969
Certificates of Deposit			\$ 13,000	13,000
	<u>\$ 1,198,092</u>	<u>\$ 526,877</u>	<u>\$ 13,000</u>	<u>\$ 1,737,969</u>

During the period ended June 30, 2018, the District did not hold any investments other than certificate of deposits. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2018, was \$1,737,969 and the bank balance was \$2,377,422.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District by inclusion of \$100 on September 26, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Beginning Balance, July 1, 2017	\$ 1,272,930
Add: Transfer from Unassigned Fund Balance as per Board Resolution - June 2018	441,429
Interest Earnings	1,343
Unexpended Balance Returned from Capital Outlay	138,109
Less: Budgeted Withdrawal from Capital Reserve	(601,421)
Withdrawal as per Board Resolution	<u>(54,298)</u>
Ending Balance, June 30, 2018	<u>\$ 1,198,092</u>

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The balance in the capital reserve account at June 30, 2018 does not exceed the LRFPP balance of local support costs of uncompleted capital projects. Withdrawals from the capital reserve were for use in DOE approved facilities projects consistent with the District's LRFPP.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 330,620			\$ 330,620
Total Capital Assets Not Being Depreciated	<u>330,620</u>			<u>330,620</u>
Capital Assets Being Depreciated:				
Site Improvements	2,462,337			2,462,337
Buildings and Building Improvements	17,471,371	\$ 372,830		17,844,201
Machinery and Equipment	<u>2,158,656</u>	<u>235,049</u>	\$ (33,900)	<u>2,359,805</u>
Total Capital Assets Being Depreciated	<u>22,092,364</u>	<u>607,879</u>	<u>(33,900)</u>	<u>22,666,343</u>
Governmental Activities Capital Assets	<u>22,422,984</u>	<u>607,879</u>	<u>(33,900)</u>	<u>22,996,963</u>
Less Accumulated Depreciation for:				
Site Improvements	(751,354)	(123,970)		(875,324)
Buildings and Building Improvements	(5,638,978)	(311,463)		(5,950,441)
Machinery and Equipment	<u>(1,565,656)</u>	<u>(112,574)</u>	17,206	<u>(1,661,024)</u>
	<u>(7,955,988)</u>	<u>(548,007)</u>	<u>17,206</u>	<u>(8,486,789)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 14,466,996</u>	<u>\$ 59,872</u>	<u>\$ (16,694)</u>	<u>\$ 14,510,174</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 204,903	\$ 24,497	\$ (19,400)	\$ 210,000
Less: Accumulated Depreciation	<u>(151,459)</u>	<u>(8,858)</u>	<u>19,400</u>	<u>(140,917)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 53,444</u>	<u>\$ 15,639</u>	<u>\$ -0-</u>	<u>\$ 69,083</u>
Depreciation expense was charged to governmental functions as follows:				
Regular Instruction				\$ 360,399
School Sponsored/Other Instruction				63,429
School Administration				833
Operations and Maintenance of Plant				56,205
Student Transportation				<u>67,141</u>
				<u>\$ 548,007</u>

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. OPERATING LEASES

The District has a commitment to lease copying equipment under an operating lease which expires in January 2023. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2019	\$ 30,759
June 30, 2020	33,554
June 30, 2021	33,554
June 30, 2022	33,554
June 30, 2023	33,554
Total future minimum lease payments	<u>\$ 164,975</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/2017</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2018</u>
Serial Bonds Payable	\$ 6,395,000		\$ 325,000	\$ 6,070,000
Unamortized Bond Issuance Premium	548,839		37,421	511,418
Net Pension Liability	10,332,158		2,506,698	7,825,460
Compensated Absences Payable	812,805	331,377	98,862	1,045,320
	<u>\$ 18,088,802</u>	<u>\$ 331,377</u>	<u>\$ 2,967,981</u>	<u>\$ 15,452,198</u>

A. Unamortized Bond Issuance Premium

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$37,421 and is separated from the long-term liability balance of \$473,997.

B. Bonds Payable:

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

On April 21, 2016, the District issued refunding school bonds of \$6,535,000 with interest rates ranging from 1.00% 4.00% to refund \$6,850,000 of 2006 refunding school bonds with interest rates ranging from 4.0% to 4.5%. The bonds mature on July 15, 2016 through 2032 and are non-callable. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the 2006 refunding school bonds were called on July 15, 2016. The refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the School's government-wide financial statements.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

B. Bonds Payable: (Cont'd)

The District had bonds outstanding as of June 30, 2018 as follows:

<u>Purpose</u>	<u>Serial Bonds</u> Final Maturity Date	<u>Interest</u> Rate	<u>Amount</u>
Refunding Bonds of 2016	07/15/32	2.00-4.00%	<u>\$ 6,070,000</u>

Principal and interest due on serial bonds outstanding are as follows:

<u>Year Ending June 30,</u>	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 335,000	\$ 199,937	\$ 534,937
2020	340,000	193,188	533,188
2021	345,000	186,337	531,337
2022	350,000	179,388	529,388
2023	360,000	170,487	530,487
Thereafter 5 Years (2024-2028)	1,980,000	649,688	2,629,688
Thereafter 5 Years (2029-2033)	2,360,000	227,794	2,587,794
	<u>\$ 6,070,000</u>	<u>\$ 1,806,819</u>	<u>\$ 7,876,819</u>

The bond payments will be paid from the Debt Service Fund.

C. Bonds Authorized But Not Issued:

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

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$4,368 and is separated from the long-term liability balance of compensated absences of \$1,040,952. The General Fund will be used to liquidate the governmental funds Compensated Absences Payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2018, \$-0- is recorded for compensated absences in the Enterprise Funds.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2018 is \$-0- and the long-term portion is \$7,825,460. See Note 8 for further information on the PERS.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS

Substantially all of the Board’s employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers’ Pension and Annuity Fund (TPAF) or the Public Employee’s Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP), a tax qualified contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

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 the PERS, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/financial-reports.shtml.

Benefits Provided

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:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 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. 43:15A and requires contributions by active members and contributing members. 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.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions (Cont'd)

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. District contributions to PERS amounted to \$314,605 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2018, the District's liability was \$7,825,460 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability 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 District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.034%, which was a decrease of 0.001% from its proportion measured as of June 30, 2016.

For the fiscal year ended December 31, 2017, the District recognized pension expense of \$419,205. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 88,772	
	2015	5.72	373,930	
	2016	5.57	1,113,859	
	2017	5.48		\$ 1,570,781
				<u>1,576,561</u>
Difference Between Expected and Actual Experience	2015	5.72	103,745	
	2016	5.57	33,803	
	2017	5.48	46,715	
				<u>184,263</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(93,772)	
	2015	5.00	79,993	
	2016	5.00	335,399	
	2017	5.48	(268,334)	
				<u>53,286</u>

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Proportion	2014	6.44		\$ 143,727
	2015	5.72		3,861
	2016	5.57		132,266
	2017	5.48		226,167
				<u>506,021</u>
District Contribution Subsequent to the Measurement Date	2016	1.00	<u>\$ 354,484</u>	
			<u>\$ 2,168,594</u>	<u>\$ 2,076,802</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the District contribution subsequent to measurement date) related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2018	\$ 184,220
2019	277,991
2020	168,448
2021	(224,037)
2022	(163,293)
	<u>\$ 243,329</u>

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:

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%

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

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

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

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>June 30, 2017</u>		
	<u>1% Decrease (4.00%)</u>	<u>Current Discount Rate (5.00%)</u>	<u>1% Increase (6.00%)</u>
District's proportionate share of the Net Pension Liability	\$ 9,708,014	\$ 7,825,460	\$ 6,257,059

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

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. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/financial-reports.shtml.

Benefits Provided

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:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to 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 members 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.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. 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 included 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 2018, the State's pension contribution was less than the actuarial determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2018, the State of New Jersey contributed \$1,812,544 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$5,578,119.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2018, the State's proportionate share of the net pension liability associated with the District was \$80,521,462. 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 District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.119%, which was an increase of 0.003% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		80,521,462
Total	\$	80,521,462

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$5,578,119 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3		\$ 11,684,858,458
				<u>13,378,255,364</u>
Difference Between Expected and Actual Experience	2014	8.3		13,181,413
	2015	8.5	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	207,898,332	
			<u>441,116,389</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	(904,033,050)	
			<u>341,507,504</u>	
			<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

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

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

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 a generational basis based on a 60 years 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 pension 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, 2017 are summarized in the following table:

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

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 Market Equi	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

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

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

	<u>June 30, 2017</u>		
	<u>1% Decrease (3.25%)</u>	<u>Current Discount Rate (4.25%)</u>	<u>1% Increase (5.25%)</u>
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 95,662,023	\$ 80,521,462	\$ 68,048,602

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$33,535 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$44,056 for the fiscal year ended June 30, 2018.

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a "special funding situation", as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education 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 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Plan Description and Benefits Provided (Cont'd)

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 years or more 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, if any, is the responsibility of the individual education employers.

Employees Covered by Benefit Terms

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

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.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
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TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Actuarial Assumptions and Other Inputs (Cont'd)

	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases:			
Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.15% based on age	2.10 - 8.98% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age	3.10 - 9.98% based on age

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

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

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 rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term 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 rate as chosen by the State of New Jersey Division of Pensions and Benefits. 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.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$53,639,841,858

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District 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:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
	Total OPEB Liability Attributable to the District	\$ 83,737,884	\$ 70,541,529
	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 91,361,628	\$ 76,260,442	\$ 64,373,873

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

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

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 58,013,588	\$ 70,541,529	\$ 87,178,487

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 62,573,816	\$ 76,260,442	\$ 94,558,157

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

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$3,997,797 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the sources on the following page.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	\$ 1,190,373,242	\$ (6,343,769,032)

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,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains their health benefit coverage through the State of New Jersey Health Benefits Plan, their dental benefits insurance through Delta Dental Plan of New Jersey and their prescription drug coverage through Horizon Blue Cross/Blue Shield of New Jersey.

Property and Liability Insurance

The District is a member of the School Alliance Insurance Fund (the “Fund”). This public entity risk management pool provides general liability, property and automobile coverage and workers’ compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of this Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

The June 30, 2018 audit report for the Fund is not available as of the date of this report. Selected, summarized financial information for the Fund as of June 30, 2017 is as follows:

Total Assets	<u>\$ 41,637,320</u>
Net Position	<u>\$ 10,127,373</u>
Total Revenue	<u>\$ 41,896,275</u>
Total Expenses	<u>\$ 41,231,917</u>
Change in Net Position	<u>\$ 664,358</u>
Members Dividends	<u>\$ -0-</u>

Financial statements for the Fund are available at the Fund's Executive Director's Office:

Public Entity Group Administrative Services
51 Everett Drive
Suite B-40
West Windsor, NJ 08550
(609) 275-1155

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District's claims are paid by the State.

NOTE 11. ECONOMIC DEPENDENCY

The Board of Education 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, may have an effect on the Board of Education's programs and activities.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 92,728	\$ 3,231
Special Revenue Fund		8,203
Capital Projects Fund		84,525
Proprietary Funds:		
Food Service Fund	1,753	
After Care Program	1,478	
	\$ 95,959	\$ 95,959

The interfunds between the General Fund and the Special Revenue and Capital Projects Funds are due to a deficit in cash and cash equivalents in the Special Revenue and Capital Projects Funds. These deficits are due to timing between expenditure and reimbursement from the State of New Jersey. The interfund receivable in the Food Service Fund is due to a Food Service receipt collected in the General Fund. The interfund receivable in the After Care Program is due to after care fees collected in the General Fund.

NOTE 13. DEFERRED COMPENSATION

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

The plan administrators are as follows:

- Variable Annuity Life (VALIC)
- Equitable Life Assurance
- Met Life
- Ameriprise

Equitable Life Assurance is the plan administrator for the District's Internal Revenue Code Section 457 plan.

NOTE 14. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10. Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined mutually agreed-upon schedule.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 15. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2018, the District transferred \$16,703 to the capital outlay accounts. The entire amount was transferred for equipment and therefore did not require approval from the County Superintendent.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

The District is periodically involved in pending lawsuits. The District estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2018, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 148,185	\$ -0-	\$ -0-	\$ 148,185

NOTE 17. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental and Business-Type Activities as of June 30, 2018 consisted of the following:

	Governmental Funds		District Contri- bution Subsequent to the Measure- ment Date	Total Governmental Activities	Business-Type Activities
	General Fund	Special Revenue Fund			Proprietary Funds
Vendors	\$ 60,818	\$ 21,217		\$ 82,035	\$ 42,480
State of New Jersey			\$ 354,484	354,484	
	\$ 60,818	\$ 21,217	\$ 354,484	\$ 436,519	\$ 42,480

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 18. TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

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.

The Town of Newton recognized revenue in the amount of \$1,136,821 from five payment in lieu of taxes ("PILOT") agreements. The taxes which would have been paid on these properties for 2017 without the abatements would have been \$3,239,962 of which \$1,675,420 would have been for the local school tax.

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

TOWN OF NEWTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's proportion of the net pension liability	0.0359669078%	0.0359246917%	0.0348857478%
District's proportionate share of the net pension liability	\$ 6,733,989	\$ 8,064,373	\$ 10,332,158
District's covered employee payroll	\$ 2,360,211	\$ 2,399,913	\$ 2,382,232
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	285.31%	336.03%	433.72%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%
			48.10%
			0.0336168274%
			\$ 7,825,460
			\$ 2,400,136
			\$ 326.04%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

TOWN OF NEWTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 296,506	\$ 308,856	\$ 313,882	\$ 314,605
Contributions in relation to the contractually required contribution	(296,506)	(308,856)	(313,882)	(314,605)
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 2,477,929	\$ 2,360,211	\$ 2,399,913	\$ 2,382,232
Contributions as a percentage of covered employee payroll	11.97%	13.09%	13.08%	13.21%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

TOWN OF NEWTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY ASSOCIATED WITH THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.1148342805%	0.1155748610%	0.1156150713%
State's proportionate share of the net pension liability attributable to the District	\$ 61,375,185	\$ 73,048,248	\$ 90,950,176
District's covered employee payroll	\$ 11,700,126	\$ 12,148,503	\$ 12,579,678
State's proportionate share of the net pension liability as a percentage of its covered employee payroll	524.57%	601.29%	722.99%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%
			25.41%
			620.42%
			12,978,597
			80,521,462
			0.1194262175%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

TOWN OF NEWTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 3,302,561	\$ 4,460,253	\$ 6,833,640
Contributions in relation to the contractually required contribution	<u>(624,840)</u>	<u>(925,660)</u>	<u>(1,296,340)</u>
Contribution deficiency/(excess)	<u>\$ 2,677,721</u>	<u>\$ 3,534,593</u>	<u>\$ 5,537,300</u>
District's covered employee payroll	\$ 12,148,503	\$ 12,579,678	\$ 12,978,597
Contributions as a percentage of covered employee payroll	5.14%	7.36%	9.99%
			13.97%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

SCHOOL DISTRICT OF THE TOWN OF NEWTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Years Ending	
	June 30, 2016	June 30, 2017
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	(1,223,298,019)	(1,242,412,566)
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	46,849,651,824	57,831,784,184
Total OPEB Liability - Ending	\$ 57,831,784,184	\$ 53,639,841,858
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

State Health Benefit Local Education Retired Employees OPEB Plan

Benefit Changes

There were none.

Changes of Actuarial Assumptions

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

BUDGETARY COMPARISON SCHEDULES

TOWN OF NEWTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 12,658,194		\$ 12,658,194	\$ 12,658,194	\$
Tuition from Other LEA's	7,284,389		7,284,389	7,404,798	120,409
Tuition from Individuals	47,500		47,500	46,115	(1,385)
Transportation Fees from LEA's	5,000		5,000	4,800	(200)
Rents and Royalties	10,000		10,000	10,000	
Interest Earned on Capital Reserve Funds				1,343	1,343
Unrestricted Miscellaneous Revenue	131,527		131,527	246,296	114,769
Total - Local Sources	20,136,610		20,136,610	20,371,546	234,936
State Sources:					
School Choice Aid	18,600		18,600	18,600	
Extraordinary Aid	50,000		50,000	59,441	9,441
Excess Nonpublic School Transportation Costs				1,643	1,643
Special Education Aid	596,193		596,193	596,193	
Equalization Aid	5,406,257		5,406,257	5,406,257	
Security Aid	57,943		57,943	57,943	
Transportation Aid	34,112		34,112	34,112	
Adjustment Aid	18,601		18,601	18,601	
PARCC Readiness Aid	10,810		10,810	10,810	
Per Pupil Growth Aid	10,810		10,810	10,810	
Professional Learning Community Aid	11,060		11,060	11,060	
Host District Support Aid	871		871	871	
Homeless Tuition Reimbursement				107,020	107,020
On-Behalf TPAF Post Retirement Contributions (Non-Budgeted)				1,199,093	1,199,093
On-Behalf TPAF Pension Contributions (Non-Budgeted)				1,812,544	1,812,544
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				43,986	43,986
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				3,045	3,045
TPAF Social Security (Reimbursed - Non-Budgeted)				938,489	938,489
Total State Sources	6,215,257		6,215,257	10,330,518	4,115,261

TOWN OF NEWTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources:					
Medicaid Assistance Program	\$ 37,329		\$ 37,329	\$ 40,412	\$ 3,083
Total - Federal Sources	<u>37,329</u>		<u>37,329</u>	<u>40,412</u>	<u>3,083</u>
Total Revenues	26,389,196		26,389,196	30,742,476	4,353,280
EXPENDITURES:					
Current Expense:					
REGULAR PROGRAMS - INSTRUCTION:					
Preschool - Salaries of Teachers	104,221	\$ 12,972	117,193	117,192	1
Kindergarten - Salaries of Teachers	334,084	39,509	373,593	372,033	1,560
Grades 1-5 - Salaries of Teachers	2,133,835	(142,443)	1,991,392	1,987,275	4,117
Grades 6-8 - Salaries of Teachers	1,475,965	33,527	1,509,492	1,509,032	460
Grades 9-12 - Salaries of Teachers	4,430,025	55,131	4,485,156	4,479,167	5,989
Regular Programs - Home Instruction:					
Salaries of Teachers	18,681	(1,648)	17,033	17,033	
Purchased Professional-Educational Services	8,000	5,875	13,875	13,585	290
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	98,049	(12,827)	85,222	85,222	
Purchased Professional - Educational Services	30,000	2,940	32,940	31,071	1,869
Purchased Technical Services	60,439	(4,865)	55,574	52,149	3,425
Other Purchased Services (400-500 series)	84,930	1,683	86,613	83,339	3,274
General Supplies	355,688	83,328	439,016	316,920	122,096
Textbooks	109,950	(10,122)	99,828	90,272	9,556
Other Objects	4,533	(739)	3,794	2,439	1,355
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>9,248,400</u>	<u>62,321</u>	<u>9,310,721</u>	<u>9,156,729</u>	<u>153,992</u>
SPECIAL EDUCATION - INSTRUCTION:					
Learning and/or Language Disabilities:					
Salaries of Teachers	226,207	88,938	315,145	315,145	
Other Salaries for Instruction	62,475	44,778	107,253	107,039	214
General Supplies	1,500	(5)	1,495		1,495
Other Objects	900	5	905	552	353
Total Learning and/or Language Disabilities	<u>291,082</u>	<u>133,716</u>	<u>424,798</u>	<u>422,736</u>	<u>2,062</u>

TOWN OF NEWTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
SPECIAL EDUCATION - INSTRUCTION:					
Behavioral Disabilities:					
Salaries of Teachers	\$ 55,779	\$ 1,115	\$ 56,894	\$ 54,763	\$ 2,131
Other Salaries for Instruction	16,266	16,558	32,824	30,635	2,189
Total Behavioral Disabilities	72,045	17,673	89,718	85,398	4,320
Multiple Disabilities:					
Salaries of Teachers	101,625	(9,330)	92,295	88,487	3,808
Other Salaries for Instruction	49,058	3,233	52,291	52,133	158
General Supplies	2,000		2,000	1,327	673
Other Objects	2,500	(495)	2,005	1,539	466
Total Multiple Disabilities	155,183	(6,592)	148,591	143,486	5,105
Resource Room/Resource Center:					
Salaries of Teachers	1,195,422	(134,700)	1,060,722	1,054,443	6,279
Other Salaries for Instruction	374,909	(42,169)	332,740	332,740	
General Supplies	3,050	638	3,688	3,317	371
Textbooks	250		250		250
Total Resource Room/Resource Center	1,573,631	(176,231)	1,397,400	1,390,500	6,900
Preschool Disabilities - Part-Time:					
Salaries of Teachers	105,307	(4,051)	101,256	101,096	160
Other Salaries for Instruction	50,236	(4,399)	45,837	45,558	279
General Supplies	250	(16)	234	234	
Total Preschool Disabilities - Part-Time	155,793	(8,466)	147,327	146,888	439
Home Instruction:					
Salaries of Teachers	3,528	(2,929)	599		599
Total Home Instruction	3,528	(2,929)	599		599
TOTAL SPECIAL EDUCATION - INSTRUCTION	2,251,262	(42,829)	2,208,433	2,189,008	19,425

TOWN OF NEWTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Bilingual Education - Instruction:					
Salaries of Teachers	\$ 69,835	\$ 3,146	\$ 72,981	\$ 70,283	\$ 2,698
General Supplies	1,000	(1,000)			
Total Bilingual Education - Instruction	70,835	2,146	72,981	70,283	2,698
School Sponsored Cocurricular Activities:					
Salaries	178,675	(6,316)	172,359	163,930	8,429
Purchased Services (300-500 Series)	19,750	(7,033)	12,717	11,154	1,563
Supplies and Materials	3,000	356	3,356	2,610	746
Other Objects	6,500	(700)	5,800	3,304	2,496
Total School-Sponsored Cocurricular Activities	207,925	(13,693)	194,232	180,998	13,234
School-Sponsored Athletics:					
Salaries	475,335	34,743	510,078	509,991	87
Purchased Services (300-500 Series)	41,720	1,238	42,958	39,715	3,243
Supplies and Materials	80,953	(9,882)	71,071	54,955	16,116
Other Objects	26,000		26,000	25,593	407
Transfers to Cover Deficit (Agency Funds)	42,000	(5,000)	37,000	20,000	17,000
Total School-Sponsored Athletics	666,008	21,099	687,107	650,254	36,853
Other Supplemental/At-Risk Programs - Instruction:					
Salaries of Reading Specialists	316,239	(15,657)	300,582	298,708	1,874
Total Other Supplemental/ At-Risk Programs - Instruction	316,239	(15,657)	300,582	298,708	1,874
Total Instruction	12,760,669	13,387	12,774,056	12,545,980	228,076

TOWN OF NEWTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Regular		\$ 53,957	\$ 53,957	\$ 51,273	\$ 2,684
Tuition to Other LEAs Within the State - Special	\$ 155,000	(9,833)	145,167	144,957	210
Tuition to County Vo. School District-Regular	52,416	1,528	53,944	53,944	
Tuition to Private Schools for the Handicapped Within State	127,202	120,413	247,615	246,711	904
Tuition - Other	41,000	792	41,792	41,792	
Total Undistributed Expenditures - Instruction	375,618	166,857	542,475	538,677	3,798
Undistributed Expenditures - Attendance and Social Work Services:					
Salaries	125,012	(144)	124,868	124,769	99
Supplies and Materials	700	(196)	504	485	19
Total Undistributed Expenditures - Attendance and Social Work Services	125,712	(340)	125,372	125,254	118
Undistributed Expenditures - Health Services:					
Salaries	250,848	7,090	257,938	257,938	
Purchased Professional and Technical Services	17,200	(1,985)	15,215	14,983	232
Supplies and Materials	6,200	(2,377)	3,823	3,722	101
Total Undistributed Expenditures - Health Services	274,248	2,728	276,976	276,643	333
Undist. Expend. - Speech, OT, PT and Related Services:					
Salaries	218,942	903	219,845	219,845	
Purchased Professional - Educational Services	194,658	1,256	195,914	195,814	100
Supplies and Materials	2,300		2,300	2,285	15
Total Undist. Expend. - Speech, OT, PT and Related Services	415,900	2,159	418,059	417,944	115
Undist. Expend. - Other Supp. Serv. Students - Extraordinary Services:					
Salaries	456,049	55,641	511,690	511,195	495
Purchased Professional - Educational Services	64,653	(49,641)	15,012	13,143	1,869
Supplies and Materials	2,300		2,300	507	1,793
Total Undist. Expend. - Other Supp. Serv. Students - Extraordinary Serv.	523,002	6,000	529,002	524,845	4,157

TOWN OF NEWTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Guidance:					
Salaries of Other Professional Staff	\$ 609,141	\$ 7,478	\$ 616,619	\$ 614,384	\$ 2,235
Salaries of Secretarial and Clerical Assistants	34,803	512	35,315	35,314	1
Purchased Professional - Educational Services	5,800	(1,000)	4,800	4,357	443
Other Purchased Professional and Technical Services	9,645	950	10,595	6,527	4,068
Other Purchased Services	2,000	2,250	4,250	4,250	
Supplies and Materials	6,050	177	6,227	2,041	4,186
Other Objects	840	50	890	880	10
Total Undist. Expend. - Guidance	668,279	10,417	678,696	667,753	10,943
Undist. Expend. - Child Study Teams:					
Salaries of Other Professional Staff	459,060	6,610	465,670	461,655	4,015
Salaries of Secretarial and Clerical Assistants	104,280	1,428	105,708	105,708	
Purchased Professional - Educational Services	16,000		16,000	15,550	450
Other Purchased Professional and Technical Services	3,000		3,000	2,875	125
Miscellaneous Purchased Services	9,050	(545)	8,505	8,104	401
Supplies and Materials	6,740	1,137	7,877	6,812	1,065
Other Objects	1,100		1,100	970	130
Total Undist. Expend. - Child Study Teams	599,230	8,630	607,860	601,674	6,186
Undist. Expend. - Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	98,241	(9,379)	88,862	84,920	3,942
Salaries of Other Professional Staff	24,245	(5,000)	19,245	13,033	6,212
Purchased Professional - Educational Services	5,000	(4,999)	1		1
Other Objects	1,000	(1,000)			
Total Undist. Expend. - Improvement of Instructional Services	128,486	(20,378)	108,108	97,953	10,155

TOWN OF NEWTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Educational Media Services/School Library:					
Salaries	\$ 253,315	\$ (42,226)	\$ 211,089	\$ 208,926	\$ 2,163
Salaries of Technology Coordinators	58,548	754	59,302	59,265	37
Supplies and Materials	25,500	(3,444)	22,056	18,866	3,190
Total Undist. Expend. - Educational Media Services/School Library	337,363	(44,916)	292,447	287,057	5,390
Undist. Expend. - Instructional Staff Training Services:					
Salaries of Other Professional Staff	22,400		22,400	22,400	
Purchased Professional - Educational Services	10,250	13,790	13,790	13,200	590
Other Purchased Services	400	657	10,907	10,242	665
Supplies and Materials		948	1,348	1,005	343
Other Objects		544	544	544	
Total Undist. Expend. - Instructional Staff Training Services	33,050	15,939	48,989	47,391	1,598
Undist. Expend. - Support Services - General Administration:					
Salaries	246,012	6,615	252,627	252,627	
Legal Services	41,250	3,351	44,601	44,601	
Audit Fees	38,000		38,000	38,000	
Other Purchased Professional Services	30,450	(25,965)	4,485	4,485	
Communications/Telephone	61,826	(7,208)	54,618	53,945	673
BOE Other Purchased Services	5,500	243	5,743	5,644	99
Other Purchased Services	125,678	12,969	138,647	137,980	667
General Supplies	3,500	342	3,842	3,622	220
BOE In-House Training/Meeting Supplies	500	(28)	472	322	150
Judgments Against the School District		8,577	8,577	8,577	
Miscellaneous Expenditures	3,000		3,000	3,000	
BOE Membership Dues and Fees	11,500	16,110	27,610	27,610	
Total Undist. Expend. - Support Services - General Administration	567,216	15,006	582,222	580,413	1,809

TOWN OF NEWTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Support Serv. - School Administration:					
Salaries of Principals/Assistant Principals	\$ 826,904	\$ (12,615)	\$ 814,289	\$ 814,288	\$ 1
Salaries of Other Professional Staff	128,657		128,657	128,657	
Salaries of Secretarial and Clerical Assistants	260,437	(7,349)	253,088	252,709	379
Unused Vacation Payment to Terminated / Retired Staff	25,193	8,056	33,249	32,147	1,102
Purchased Professional and Technical Services	14,100	(10,450)	3,650	2,100	1,550
Other Purchased Services	1,450	(50)	1,400	946	454
Supplies and Materials	8,000	1,900	9,900	9,399	501
Other Objects	18,474	(324)	18,150	16,983	1,167
Total Undist. Expend. - Support Serv. - School Administration	1,283,215	(20,832)	1,262,383	1,257,229	5,154
Undist. Expend. - Central Services:					
Salaries	361,051	852	361,903	361,903	
Unused Vacation Payment to Terminated / Retired Staff		36,784	36,784	36,784	
Purchased Professional Services	3,600	2,838	6,438	6,438	
Miscellaneous Purchased Services	11,050	(2,741)	8,309	8,116	193
Supplies and Materials	4,000	1,204	5,204	5,204	
Miscellaneous Expenditures	4,500	3,566	8,066	8,066	
Total Undist. Expend. - Central Services	384,201	42,503	426,704	426,511	193
Undist. Expend. - Administrative Information Technology:					
Salaries	136,004	(671)	135,333	135,333	
Unused Vacation Payment to Terminated / Retired Staff		5,432	5,432	5,432	
Purchased Technical Services	57,627	(11,591)	46,036	46,035	1
Supplies and Materials	7,000	359	7,359	7,359	
Other Objects		450	450	450	
Total Undist. Expend. - Administrative Information Technology	200,631	(6,021)	194,610	194,609	1

TOWN OF NEWTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Required Maintenance for School Facilities:					
Salaries	\$ 293,915	\$ (12,235)	\$ 281,680	\$ 268,898	\$ 12,782
Cleaning, Repair and Maintenance Services	120,703	(45,047)	75,656	75,556	100
General Supplies	106,857	(48,667)	58,190	56,977	1,213
Other Objects	2,500	566	3,066	3,066	
Total Required Maintenance for School Facilities	523,975	(105,383)	418,592	404,497	14,095
Undist. Expend. - Custodial Services:					
Salaries	799,795	(43,148)	756,647	753,822	2,825
Unused Vacation Payment to Terminated/Retired Staff	2,000	2,930	4,930	4,930	
Purchased Professional and Technical Services	10,711	(7,266)	3,445	3,445	
Cleaning, Repair and Maintenance Services	23,840	1,614	25,454	25,318	136
Other Purchased Property Services	37,450	(8,908)	28,542	26,440	2,102
Insurance	84,433	(1,151)	83,282	83,282	
General Supplies	81,400	(25,327)	56,073	46,775	9,298
Energy (Natural Gas)	130,900	(12,674)	118,226	117,416	810
Energy (Electricity)	185,000	(287)	184,713	177,011	7,702
Other Objects	10,000	(64)	9,936	9,706	230
Total Undist. Expend. - Custodial Services	1,365,529	(94,281)	1,271,248	1,248,145	23,103
Undist. Expend. - Care and Upkeep of Grounds:					
Salaries	58,151	2,990	61,141	60,153	988
Cleaning, Repair, and Maintenance Services	20,450	(7,845)	12,605	11,302	1,303
General Supplies	21,700	(9,412)	12,288	12,073	215
Total Undist. Expend. - Care and Upkeep of Grounds	100,301	(14,267)	86,034	83,528	2,506

TOWN OF NEWTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Security:					
Salaries	\$ 93,932	\$ 7,183	\$ 101,115	\$ 100,833	\$ 282
General Supplies	750	(750)			
Total Undist. Expend. - Security	94,682	6,433	101,115	100,833	282
Undist. Expend. - Student Transportation Services:					
Salaries for Pupil Transportation:					
Non-Instructional Aides		2,382	2,382	2,369	13
Between Home and School - Regular	93,396	(4,576)	88,820	88,819	1
Between Home and School - Special Education	29,110	1,195	30,305	30,305	
Other than Between Home and School	37,033	(4,313)	32,720	32,720	
Management Fees - ESC Transportation Programs	10,000	(3,847)	6,153	6,153	
Cleaning, Repair and Maintenance Services	45,000	8,534	53,534	53,534	
Contracted Services:					
Aid in Lieu of Payments for Nonpublic School Students	15,000	3,584	18,584	18,584	
Other than Between Home and School - Vendors	21,270	1,472	22,742	22,742	
Between Home and School - Joint Agreements	55,000	(5,150)	49,850	44,245	5,605
Special Education Students - Vendors	90,000	184,304	274,304	258,199	16,105
Miscellaneous Purchased Services - Transportation	25,920	(1,920)	24,000	24,000	
Supplies and Materials	25,222	(5,697)	19,525	19,525	
Other Objects	7,000	3,717	10,717	10,011	706
Total Undist. Expend. - Student Transportation Services	453,951	179,685	633,636	611,206	22,430
Unallocated Benefits:					
Social Security Contributions	405,767	(28,237)	377,530	377,530	
Other Retirement Contribution - PERS	315,000	(395)	314,605	314,605	
Other Retirement Contribution - Regular	41,500	(7,965)	33,535	33,535	
Unemployment Compensation	67,341	3,657	70,998	70,998	
Workmen's Compensation	208,914	(11,794)	197,120	197,120	
Health Benefits	4,179,236	(235,227)	3,944,009	3,927,742	16,267

TOWN OF NEWTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Unallocated Benefits:					
Tuition Reimbursement	\$ 28,000		\$ 28,000	\$ 28,000	
Other Employee Benefits	111,562	2,499	114,061	114,061	
Unused Sick Payment to Terminated/ Retired Staff	55,035	28,133	83,168	83,168	
Total Unallocated Benefits	5,412,355	(249,329)	5,163,026	5,146,759	\$ 16,267
ON-BEHALF CONTRIBUTIONS:					
On-Behalf TPAF Post Retirement Contributions (Non-Budgeted)				1,199,093	(1,199,093)
On-Behalf TPAF Pension Contributions (Non-Budgeted)				1,812,544	(1,812,544)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				43,986	(43,986)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				3,045	(3,045)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				938,489	(938,489)
TOTAL ON-BEHALF CONTRIBUTIONS				3,997,157	(3,997,157)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	5,412,355	(249,329)	5,163,026	9,143,916	(3,980,890)
TOTAL UNDISTRIBUTED EXPENDITURES	13,866,944	(99,390)	13,767,554	17,636,078	(3,868,524)
TOTAL GENERAL CURRENT EXPENSE	26,627,613	(86,003)	26,541,610	30,182,058	(3,640,448)
CAPITAL OUTLAY:					
Equipment:					
Undistributed:					
Supp. Services - Related & Extraordinary		3,011	3,011	3,011	
Required Maint for School Facilities		5,753	5,753	5,718	35
Care & Upkeep of Grounds		7,939	7,939	7,939	
School Buses - Regular	92,928		92,928	92,928	
Total Equipment	92,928	16,703	109,631	101,657	7,974

TOWN OF NEWTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY:					
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	\$ 541,421	\$ 64,500	\$ 64,500	\$ 38,000	\$ 26,500
Construction Services	60,000	(4,500)	536,921	400,812	136,109
Supplies and Materials	37,614	(60,000)	37,614	37,614	
Other Objects - Assessment for Debt Service on SDA Funding					
Total Facilities Acquisition and Construction Services	639,035		639,035	476,426	162,609
TOTAL CAPITAL OUTLAY	731,963	16,703	748,666	578,083	170,583
Transfer of Funds to Charter Schools	88,674	69,300	157,974	157,974	
TOTAL EXPENDITURES	27,448,250		27,448,250	30,918,115	(3,469,865)
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(1,059,054)		(1,059,054)	(175,639)	883,415
Other Financing Uses:					
Capital Reserve - Transfer to Capital Projects Fund				(54,298)	(54,298)
Total Other Financing Uses				(54,298)	(54,298)
Excess/(Deficit) of Revenues Over/(Under) Expenditures and Other Financing Uses	(1,059,054)		(1,059,054)	(229,937)	829,117
Fund Balance, July 1	2,345,840		2,345,840	2,345,840	
Fund Balance, June 30	\$ 1,286,786	\$ -0-	\$ 1,286,786	\$ 2,115,903	\$ 829,117

TOWN OF NEWTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation:					
Restricted Fund Balance:					
Capital Reserve				\$ 1,198,092	
Excess Surplus to be Utilized for 2018-2019 school year				18,775	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				200,262	
Year End Encumbrances				148,185	
Unassigned Fund Balance				550,589	
				2,115,903	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP basis				(607,631)	
Fund Balance per Governmental Funds (GAAP)				\$ 1,508,272	

TOWN OF NEWTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ 32,377	\$ 32,377	\$ 32,377	\$ 10,384	\$ (21,993)
Federal Sources	144,586	144,586	732,601	697,042	(35,559)
Total Revenues	588,015	176,963	764,978	707,426	(57,552)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	193,358	(24,661)	168,697	163,450	5,247
Purchased Professional and Technical Services	13,000	13,000	13,000	12,000	1,000
Tuition	300,000	77,570	377,570	375,885	1,685
General Supplies	21,775	16,888	38,663	29,772	8,891
Other Objects	32,221	32,221	32,221	10,784	21,437
Total Instruction	515,133	115,018	630,151	591,891	38,260
Support Services:					
Salaries of Other Professional Staff		9,625	9,625	9,625	
Other Salaries		2,625	2,625	2,625	
Personal Services - Employee Benefits	2,007	27,666	29,673	28,550	1,123
Purchased Professional and Technical Services	16,500	12,978	29,478	25,779	3,699
Purchased Professional-Educational Services	33,000	(25,458)	7,542	7,542	
Other Purchased Services	16,418	3,760	20,178	16,603	3,575
Supplies and Materials	4,957	27,799	32,756	21,861	10,895
Total Support Services	72,882	58,995	131,877	112,585	19,292
Facilities Acquisition:					
Instructional Equipment		2,950	2,950	2,950	
Total Facilities Acquisition		2,950	2,950	2,950	
Total Expenditures	\$ 588,015	\$ 176,963	\$ 764,978	\$ 707,426	\$ 57,552

TOWN OF NEWTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 30,742,476	\$ 707,426
Difference - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	585,090	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(607,631)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 30,719,935	\$ 707,426
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 30,918,115	\$ 707,426
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 30,918,115	\$ 707,426

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The general fund budgetary revenue differs from the GAAP revenue due to a difference in the recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

TOWN OF NEWTON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private Donations	Carl D. Perkins - Secondary	Basic	I.D.E.A.	Preschool
REVENUES:					
Local Sources	\$ 10,384				
Federal Sources		\$ 18,040	\$ 384,507	\$ 7,372	
Total Revenues	<u>10,384</u>	<u>18,040</u>	<u>384,507</u>	<u>7,372</u>	
EXPENDITURES:					
Instruction:					
Salaries of Teachers					
Purchased Professional and Technical Services			375,885		
Tuition		1,704	3,590		4,757
General Supplies	7,434	3,350			
Other Objects					
Total Instruction	<u>7,434</u>	<u>5,054</u>	<u>379,475</u>		<u>4,757</u>
Support Services:					
Salaries of Other Professional Staff				9,625	
Other Salaries				2,625	
Personal Services - Employee Benefits				736	
Purchased Professional and Technical Services					
Purchased Professional - Educational Services				749	
Other Purchased Services					
Supplies and Materials				4,283	2,615
Total Support Services		<u>12,986</u>		<u>5,032</u>	<u>2,615</u>
Facilities Acquisition:					
Instructional Equipment	2,950				
Total Facilities Acquisition	<u>2,950</u>				
Total Expenditures	<u>\$ 10,384</u>	<u>\$ 18,040</u>	<u>\$ 384,507</u>	<u>\$ 7,372</u>	

TOWN OF NEWTON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	No Child Left Behind				
	Title I	Title IIA	Title III	Title IV	Totals
REVENUES:					
Local Sources					\$ 10,384
Federal Sources	240,284	\$ 40,554	\$ 1,457	\$ 4,828	697,042
Total Revenues	<u>240,284</u>	<u>40,554</u>	<u>1,457</u>	<u>4,828</u>	<u>707,426</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	161,920		690	840	163,450
Purchased Professional and Technical Services	12,000				12,000
Tuition					375,885
General Supplies	19,007		714		29,772
Other Objects					10,784
Total Instruction	<u>192,927</u>		<u>1,404</u>	<u>840</u>	<u>591,891</u>
Support Services:					
Salaries of Other Professional Staff					9,625
Other Salaries					2,625
Personal Services - Employee Benefits	27,697		53	64	28,550
Purchased Professional and Technical Services	7,101	18,678			25,779
Purchased Professional - Educational Services		6,793			7,542
Other Purchased Services	6,053	10,550			16,603
Supplies and Materials	6,506	4,533		3,924	21,861
Total Support Services	<u>47,357</u>	<u>40,554</u>	<u>53</u>	<u>3,988</u>	<u>112,585</u>
Facilities Acquisition:					
Instructional Equipment					2,950
Total Facilities Acquisition					<u>2,950</u>
Total Expenditures	<u>\$ 240,284</u>	<u>\$ 40,554</u>	<u>\$ 1,457</u>	<u>\$ 4,828</u>	<u>\$ 707,426</u>

TOWN OF NEWTON SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOT APPLICABLE

CAPITAL PROJECTS FUND

TOWN OF NEWTON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Revenue and Other Financing Sources:	
Transfer from Capital Reserve	\$ 54,298
<hr/>	
Total Revenue and Other Financing Sources	54,298
<hr/>	
Expenditures and Other Financing Uses:	
Construction Services	128,442
Cancellation of SDA Grant Receivable	1,421
<hr/>	
Total Expenditures	129,863
<hr/>	
Deficit of Revenue and Other Financing Sources Under Expenditures	(75,565)
Fund Balance - Beginning of Year	75,565
<hr/>	
Fund Balance - End of Year	\$ -0-
<hr/> <hr/>	

TOWN OF NEWTON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
HIGH SCHOOL ELECTRICAL UPGRADES AND NEW BACK-UP GENERATOR
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 42,014	\$ (1,421)	\$ 40,593	\$ 40,593
Transfer from Capital Reserve	49,986	(1,690)	48,296	48,296
Total Revenue and Other Financing Sources	92,000	(3,111)	88,889	88,889
Expenditures:				
Construction Services		48,383	48,383	48,383
Equipment	40,506		40,506	40,506
Total Expenditures	40,506	48,383	88,889	88,889
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 51,494	\$ (51,494)	\$ -0-	\$ -0-

Additional Project Information:

Project Numbers	3590-050-14-1002
Grant Date	06/02/16
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 92,000
Project Balance Cancelled	(3,111)
Revised Authorized Cost	88,889
Percentage Decrease over Original Authorized Cost	-3.38%
Percentage Completion	100.00%
Original Target Completion Date	06/17
Revised Target Completion Date	10/17

TOWN OF NEWTON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
HALSTED MIDDLE SCHOOL ELECTRICAL UPGRADES AND NEW BACK-UP GENERATOR
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 17,719		\$ 17,719	\$ 17,719
Transfer from Capital Reserve	21,081	\$ 24,549	45,630	45,630
Total Revenue and Other Financing Sources	<u>38,800</u>	<u>24,549</u>	<u>63,349</u>	<u>63,349</u>
Expenditures:				
Construction Services		31,727	31,727	31,727
Equipment	31,622		31,622	31,622
Total Expenditures	<u>31,622</u>	<u>31,727</u>	<u>63,349</u>	<u>63,349</u>
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ 7,178</u>	<u>\$ (7,178)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Additional Project Information:

Project Numbers	3590-060-14-1005
Grant Date	06/02/16
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 38,800
Additional Authorized Cost	24,549
Revised Authorized Cost	63,349
Percentage Increase over Original Authorized Cost	63.27%
Percentage Completion	100.00%
Original Target Completion Date	06/17
Revised Target Completion Date	10/17

TOWN OF NEWTON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
MERRIAM AVENUE SCHOOL ELECTRICAL UPGRADES AND NEW BACK-UP GENERATOR
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Totals	Project Authorization
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 26,213		\$ 26,213	\$ 26,213
Transfer from Capital Reserve	31,187	\$ 31,439	62,626	62,626
Total Revenue and Other Financing Sources	57,400	31,439	88,839	88,839
Expenditures:				
Construction Services		48,332	48,332	48,332
Equipment	40,507		40,507	40,507
Total Expenditures	40,507	48,332	88,839	88,839
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 16,893	\$ (16,893)	\$ -0-	\$ -0-

Additional Project Information:

Project Numbers	3590-070-14-1008
Grant Date	06/02/16
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 57,400
Additional Authorized Cost	31,439
Revised Authorized Cost	88,839
Percentage Increase over Original Authorized Cost	54.77%
Percentage Completion	100.00%
Original Target Completion Date	06/17
Revised Target Completion Date	10/17

PROPRIETARY FUNDS

TOWN OF NEWTON SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	Food Service	After Care Program	Total
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 130,754	\$ 49,723	\$ 180,477
Interfund Receivable - General Fund	1,753	1,478	3,231
Intrafund Receivable - Food Service Fund		250	250
Intergovernmental Accounts Receivable:			
State	368		368
Federal	24,193		24,193
Other Accounts Receivable	41,756	2,530	44,286
Inventories	9,227		9,227
Total Current Assets	<u>208,051</u>	<u>53,981</u>	<u>262,032</u>
Non-Current Assets:			
Capital Assets	210,000		210,000
Less: Accumulated Depreciation	<u>(140,917)</u>		<u>(140,917)</u>
Total Non-Current Assets	<u>69,083</u>		<u>69,083</u>
Total Assets	<u>277,134</u>	<u>53,981</u>	<u>331,115</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable - Vendors	42,480		42,480
Intrafund Payable - After Care Program	250		250
Unearned Revenue - Donated Commodities	1,493		1,493
Unearned Revenue	4,383	125	4,508
Total Current Liabilities	<u>48,606</u>	<u>125</u>	<u>48,731</u>
<u>NET POSITION:</u>			
Investment in Capital Assets	69,083		69,083
Unrestricted	<u>159,445</u>	<u>53,856</u>	<u>213,301</u>
Total Net Position	<u>\$ 228,528</u>	<u>\$ 53,856</u>	<u>\$ 282,384</u>

TOWN OF NEWTON SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	Food Service	After Care Program	Total
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 127,040		\$ 127,040
Daily Sales - Non-Reimbursable Programs	79,869		79,869
Other Income	44,265	\$ 57,144	101,409
Special Events	11,706		11,706
Total Operating Revenue	<u>262,880</u>	<u>57,144</u>	<u>320,024</u>
Operating Expenses:			
Cost of Sales - Reimbursable Programs	192,791		192,791
Cost of Sales - Non-Reimbursable Programs	31,384		31,384
Salaries, Benefits & Payroll Taxes	227,433	53,801	281,234
Other Purchased Services	4,500	1,300	5,800
Supplies, Insurance and Other Costs	43,498	23,569	67,067
Management Fee	45,900		45,900
Miscellaneous Expenditures	18,078		18,078
Depreciation Expense	8,858		8,858
Total Operating Expenses	<u>572,442</u>	<u>78,670</u>	<u>651,112</u>
Operating Loss	<u>(309,562)</u>	<u>(21,526)</u>	<u>(331,088)</u>
Non-Operating Revenue:			
Local Sources:			
Interest Income	237	166	403
State Sources:			
State School Lunch Program	5,288		5,288
Federal Sources:			
National School Lunch Program	209,498		209,498
School Breakfast Program	113,016		113,016
Food Distribution Program	12,521		12,521
Total Non-Operating Revenue	<u>340,560</u>	<u>166</u>	<u>340,726</u>
Change in Net Position	30,998	(21,360)	9,638
Net Position - Beginning of Year	<u>197,530</u>	<u>75,216</u>	<u>272,746</u>
Net Position - End of Year	<u>\$ 228,528</u>	<u>\$ 53,856</u>	<u>\$ 282,384</u>

TOWN OF NEWTON SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Major Fund Food Service	Non-Major Fund After Care Program	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 222,061	\$ 60,268	\$ 282,329
Payments to Food Service Contractor	(533,877)		(533,877)
Payments to/for Employees		(53,801)	(53,801)
Payments for Suppliers	(11,206)	(24,869)	(36,075)
Net Cash Used for Operating Activities	(323,022)	(18,402)	(341,424)
Cash Flows from Capital and Related Financing Activities:			
Purchases of Capital Assets	(24,497)		(24,497)
Net Cash Used for Capital and Related Financing Activities	(24,497)		(24,497)
Cash Flows from Investing Activities:			
Interest Income	237	166	403
Net Cash Provided by Investing Activities	237	166	403
Cash Flows from Noncapital Financing Activities:			
Interfund Returned - General Fund		(1,228)	(1,228)
Intrafund Advanced	250	(250)	
State Sources	5,232		5,232
Federal Sources	319,882		319,882
Net Cash Provided by/(Used for) Noncapital Financing Activities	325,364	(1,478)	323,886
Net Decrease in Cash and Cash Equivalents	(21,918)	(19,714)	(41,632)
Cash and Cash Equivalents, July 1	152,672	69,437	222,109
Cash and Cash Equivalents, June 30	\$ 130,754	\$ 49,723	\$ 180,477
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
Operating Loss	\$ (309,562)	\$ (21,526)	\$ (331,088)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Depreciation	8,858		8,858
Food Distribution Program	12,521		12,521
Changes in Assets and Liabilities:			
(Decrease) in Unearned Revenue	(1,894)	(95)	(1,989)
Increase in Accounts Payable	6,002		6,002
(Increase)/Decrease in Other Accounts Receivable	(39,290)	3,219	(36,071)
Decrease in Inventory	343		343
Net Cash Used for Operating Activities	\$ (323,022)	\$ (18,402)	\$ (341,424)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$12,156 and utilized U.S.D.A. Commodities valued at \$12,521.

FIDUCIARY FUNDS

TOWN OF NEWTON SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Student</u>	<u>Agency</u>		<u>Private Purpose</u>
	<u>Activity</u>	<u>Payroll</u>	<u>Totals</u>	<u>Scholarship</u>
				<u>Trust</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 200,680	\$ 42,493	\$ 243,173	\$ 51,767
Investments	13,000		13,000	
Total Assets	<u>213,680</u>	<u>42,493</u>	<u>256,173</u>	<u>51,767</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings Due to Student Groups	<u>213,680</u>	42,493	42,493	
			<u>213,680</u>	
Total Liabilities	<u>213,680</u>	<u>42,493</u>	<u>256,173</u>	
<u>NET POSITION:</u>				
Restricted for Scholarships				<u>51,767</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 51,767</u>

TOWN OF NEWTON SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Private Purpose
Scholarship Trust

ADDITIONS:

Contributions:

Donations

\$ 100

Total Contributions

100

Investment Earnings:

Interest

84

Net Investment Earnings

84

Total Additions

184

DEDUCTIONS:

Scholarships Awarded

3,200

Total Deductions

3,200

Change in Net Position

(3,016)

Net Position - Beginning of the Year

54,783

Net Position - End of the Year

\$ 51,767

TOWN OF NEWTON SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 218,634	\$ 446,318	\$ 464,272	\$ 200,680
Investments	13,000			13,000
Total Assets	<u>\$ 231,634</u>	<u>\$ 446,318</u>	<u>\$ 464,272</u>	<u>\$ 213,680</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	<u>\$ 231,634</u>	<u>\$ 446,318</u>	<u>\$ 464,272</u>	<u>\$ 213,680</u>
Total Liabilities	<u>\$ 231,634</u>	<u>\$ 446,318</u>	<u>\$ 464,272</u>	<u>\$ 213,680</u>

TOWN OF NEWTON SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 8,287	\$ 31,200,016	\$ 31,165,810	\$ 42,493
Interfund Receivable - General Fund	17,757		17,757	
Total Assets	<u>\$ 26,044</u>	<u>\$ 31,200,016</u>	<u>\$ 31,183,567</u>	<u>\$ 42,493</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	<u>\$ 26,044</u>	<u>\$ 31,200,016</u>	<u>\$ 31,183,567</u>	<u>\$ 42,493</u>
Total Liabilities	<u>\$ 26,044</u>	<u>\$ 31,200,016</u>	<u>\$ 31,183,567</u>	<u>\$ 42,493</u>

LONG-TERM DEBT

TOWN OF NEWTON SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding			Interest Rate	Balance July 1, 2017	Matured	Balance June 30, 2018
			Date	June 30, 2018	Amount				
Refunding Bonds of 2016	04/21/16	\$ 6,535,000	07/15/18	\$ 335,000		2.00%			
			07/15/19	340,000		2.00%			
			07/15/20	345,000		2.00%			
			07/15/21	350,000		2.00%			
			07/15/22	360,000		3.00%			
			07/15/23	370,000		3.00%			
			07/15/24	380,000		4.00%			
			07/15/25	395,000		4.00%			
			07/15/26	410,000		4.00%			
			07/15/27	425,000		4.00%			
			07/15/28	435,000		4.00%			
			07/15/29	460,000		3.75%			
		07/15/30	475,000		3.75%				
		07/15/31	490,000		3.75%				
		07/15/32	500,000		3.75%				
						\$ 6,395,000	\$ 325,000	\$ 6,070,000	
						\$ 6,395,000	\$ 325,000	\$ 6,070,000	

TOWN OF NEWTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 525,542		\$ 525,542	\$ 525,542	
Total Revenues	525,542		525,542	525,542	
EXPENDITURES:					
Regular Debt Service:					
Interest	206,538		206,538	206,537	\$ 1
Redemption of Principal	325,000		325,000	325,000	
Total Regular Debt Service	531,538		531,538	531,537	1
Total Expenditures	531,538		531,538	531,537	1
Excess/(Deficit) of Revenue Over/(Under) Expenditures	(5,996)		(5,996)	(5,995)	1
Fund Balance, July 1	8,825		8,825	8,825	
Fund Balance, June 30	\$ 2,829	\$ -0-	\$ 2,829	\$ 2,830	\$ 1
Recapitulation:					
Restricted - Subsequent Year's Expenditures				\$ 2,829	
Restricted				1	
				\$ 2,830	

STATISTICAL SECTION

(UNAUDITED)

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

Contents

	<u>Exhibit</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	J-1 thru J-5
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.	J-6 thru J-9
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 thru J-13
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.	J-14 thru J-15
Operating Information These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	J-16 thru J-20

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

TOWN OF NEWTON SCHOOL DISTRICT
NET POSITION BY COMPONENT,
LAST TEN FISCAL YEARS
ACCURAL BASIS OF ACCOUNTING
UNAUDITED

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 5,887,444	\$ 6,002,364	\$ 6,073,538	\$ 6,503,746	\$ 7,695,818	\$ 7,705,394	\$ 7,801,250	\$ 7,942,020	\$ 8,206,656	\$ 8,565,756
Restricted	1,079,330	804,225	536,961	400,559	409,867	526,418	713,095	893,844	1,311,949	1,219,697
Unrestricted/(Deficit)	(1,154,624)	(981,722)	(505,995)	(199,214)	(831,802)	(8,017,784)	(8,254,945)	(8,441,838)	(8,993,547)	(9,446,659)
Total Governmental Activities Net Position	\$ 5,812,150	\$ 5,824,867	\$ 6,104,504	\$ 6,705,091	\$ 7,273,883	\$ 214,028	\$ 259,400	\$ 394,026	\$ 525,058	\$ 338,794
Business-type Activities										
Investment in Capital Assets	\$ 15,159	\$ 11,557	\$ 8,023	\$ 1,751	\$ 36,177	\$ 32,034	\$ 27,890	\$ 36,566	\$ 53,444	\$ 69,083
Unrestricted	27,910	62,122	88,237	135,331	137,916	196,848	216,640	208,795	219,302	213,301
Total Business-type Activities Net Position	\$ 43,069	\$ 73,679	\$ 96,260	\$ 137,082	\$ 174,093	\$ 228,882	\$ 244,530	\$ 245,361	\$ 272,746	\$ 282,384
District-wide										
Net Investment in Capital Assets	\$ 5,902,603	\$ 6,013,921	\$ 6,081,561	\$ 6,505,497	\$ 7,731,995	\$ 7,737,428	\$ 7,829,140	\$ 7,978,586	\$ 8,260,100	\$ 8,634,839
Restricted	1,079,330	804,225	536,961	400,559	409,867	526,418	713,095	893,844	1,311,949	1,219,697
Unrestricted/(Deficit)	(1,126,714)	(919,600)	(417,758)	(63,883)	(693,886)	(7,820,936)	(8,038,305)	(8,233,043)	(8,774,245)	(9,233,358)
Total District Net Position	\$ 5,855,219	\$ 5,898,546	\$ 6,200,764	\$ 6,842,173	\$ 7,447,976	\$ 442,910	\$ 503,930	\$ 639,387	\$ 797,804	\$ 621,178

Source: School District Financial Reports

TOWN OF NEWTON SCHOOL DISTRICT
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
ACCURAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 1,197,600	\$ 1,737,137	\$ 1,135,333	\$ 1,080,332	\$ 1,760,258	\$ 1,213,653	\$ 1,362,210	\$ 1,487,690	\$ 1,098,503	\$ 1,291,100
Special Education	1,744,093	2,329,036	2,147,769	2,181,519	2,473,321	2,576,662	3,378,679	3,630,608	4,122,973	4,406,706
Other Special Education	105,494	122,491	125,940	125,509	161,434	127,874	125,463	99,026	103,252	103,449
School Sponsors/Other Instruction	874,396	988,405	1,021,508	1,061,927	1,265,476	1,206,335	1,453,168	1,445,664	1,751,307	1,795,839
Support Services:										
Tuition	728,472	738,970	721,550	635,143	741,923	901,919	1,067,316	712,627	620,433	914,562
Student & Instruction Related Services	3,736,780	3,081,302	3,466,982	3,488,565	3,526,211	3,500,685	4,159,265	4,825,518	5,515,860	5,584,830
General Administrative Services	521,785	595,557	559,715	691,793	604,690	628,102	703,523	911,052	861,950	807,091
School Administrative Services	1,637,845	1,672,794	1,542,712	1,596,152	1,747,873	1,652,033	1,936,423	1,930,923	2,276,248	2,424,351
Central Services	473,319	490,912	524,257	518,604	531,189	507,888	574,458	624,712	717,780	715,733
Administrative Information Technology	160,076	271,319	211,385	243,395	243,773	386,062	326,491	352,301	353,879	336,929
Plant Operations and Maintenance	2,333,438	2,377,602	2,489,509	2,720,977	2,703,116	2,895,524	2,930,168	3,145,951	3,471,505	3,199,995
Pupil Transportation	457,458	440,432	405,190	519,128	581,774	631,442	741,649	631,274	648,838	874,197
Transfer of Funds to Charter School	40,904	52,566	51,796	69,905	120,345	128,554	110,635	82,665	115,845	157,974
Interest on Long-term Debt	396,343	386,858	379,279	366,933	357,744	341,672	328,495	389,324	177,435	175,215
Capital Outlay	34	38,670	67,119	322,415	106,641	39,408	40,189	86,882		
Unallocated Depreciation	24,922	286,987	278,987	278,987	278,987	278,987	278,987	278,987		
Total Governmental Activities Expenses	24,432,959	25,611,038	23,129,031	25,901,284	27,204,755	27,939,682	31,807,119	34,024,504	36,835,808	38,787,971
Business-type Activities:										
Food Service	725,784	704,603	676,729	690,162	666,769	687,208	555,578	544,613	571,900	572,442
After Care	12,414	32,035	34,148	39,992	57,393	52,135	48,318	65,985	58,909	78,670
Total Business-type Activities Expense	738,198	736,638	710,877	730,154	724,162	739,343	603,896	610,598	630,809	651,112
Total District Expenses	\$ 25,171,157	\$ 26,347,676	\$ 25,839,908	\$ 26,631,438	\$ 27,928,917	\$ 28,679,025	\$ 32,411,015	\$ 34,635,102	\$ 37,466,617	\$ 39,439,083
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)			\$ 5,614,644	\$ 6,268,933	\$ 7,034,786	\$ 6,848,705	\$ 7,024,707	\$ 7,876,395	\$ 7,823,426	\$ 7,450,913
Pupil Transportation			3,235,390	3,519,456	3,786,560	3,613,786	6,668,029	7,941,798	10,451,916	12,067,297
Operating Grants and Contributions	\$ 3,228,306	\$ 3,491,209	92,390					9,000	10,800	4,800
Capital Grants and Contributions	63,851									84,525
Total Governmental Activities Program Revenues	\$ 3,292,157	\$ 3,491,209	\$ 8,942,424	\$ 9,788,389	\$ 10,821,346	\$ 10,462,491	\$ 13,692,736	\$ 15,827,193	\$ 18,286,142	\$ 19,607,535
Business-type Activities:										
Charges for Services:										
Food Service	453,227	443,792	440,339	434,579	385,617	385,039	250,004	242,162	251,916	262,880
After Care	18,044	34,217	42,211	55,971	70,505	76,520	65,039	59,900	53,021	57,144
Operating Grants and Contributions - Food Service	255,342	253,610	250,656	284,735	304,799	332,227	304,121	308,815	352,864	340,323
Total Business-type Activities Program Revenues	726,613	731,619	733,206	775,285	760,921	793,786	619,164	610,877	657,801	660,347
Total District Program Revenues	\$ 4,018,770	\$ 4,222,828	\$ 9,675,630	\$ 10,563,674	\$ 11,582,267	\$ 11,256,277	\$ 14,311,900	\$ 16,438,070	\$ 18,943,943	\$ 20,267,882

TOWN OF NEWTON SCHOOL DISTRICT
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
ACCURAL BASIS OF ACCOUNTING
UNAUDITED
(Continued)

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017
Net (Expense)/Revenue:										
Governmental Activities	\$ (21,140,802)	\$ (22,119,829)	\$ (16,186,607)	\$ (16,112,895)	\$ (16,383,409)	\$ (17,477,191)	\$ (18,114,383)	\$ (18,197,311)	\$ (18,549,666)	\$ (19,180,436)
Business-type Activities	(11,585)	(5,019)	22,329	45,131	36,759	54,443	15,268	279	26,992	9,235
Total District-wide Net Expense	\$ (21,152,387)	\$ (22,124,848)	\$ (16,164,278)	\$ (16,067,764)	\$ (16,346,650)	\$ (17,422,748)	\$ (18,099,115)	\$ (18,197,032)	\$ (18,522,674)	\$ (19,171,201)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 10,247,124	\$ 10,647,528	\$ 11,073,429	\$ 11,044,898	\$ 11,159,127	\$ 11,782,310	\$ 12,137,057	\$ 12,379,798	\$ 12,627,394	\$ 12,658,194
Taxes Levied for Debt Service	633,701	587,296	582,887	597,721	597,941	597,750	595,374	592,875	604,500	525,542
Unrestricted Grants and Contributions	5,206,142	5,605,809	4,697,805	4,990,916	5,217,548	5,220,448	5,369,447	5,252,323	5,335,338	5,552,797
Tuition	5,162,763	5,180,176								
Investment Earnings	21,705	16,650	7,308	4,112	3,130	3,625	4,056	4,919	6,485	6,849
Miscellaneous Income	87,018	95,087	104,815	75,835	63,403	66,545	53,821	102,022	106,981	250,790
Total Governmental Activities	21,358,453	22,132,546	16,466,244	16,713,482	17,041,149	17,670,678	18,159,755	18,331,937	18,680,698	18,994,172
Business-type Activities:										
Investment Earnings	\$ 334	\$ 454	\$ 252	\$ 251	\$ 252	\$ 346	\$ 380	\$ 362	\$ 393	\$ 403
Cancellation of Prior Year Accounts Receivable	(517)									
Cancellation of Prior Year Accounts Payable								190		
Cancellation of Compensated Absences Payable										
Disposals of Capital Assets										
Total Business-type Activities	(183)	35,629	252	(4,309)	252	346	380	552	393	403
Total District-wide	\$ 21,358,270	\$ 22,168,175	\$ 16,466,496	\$ 16,709,173	\$ 17,041,401	\$ 17,671,024	\$ 18,160,135	\$ 18,332,489	\$ 18,681,091	\$ 18,994,575
Change in Net Position										
Governmental Activities	\$ 217,651	\$ 12,717	\$ 279,637	\$ 600,587	\$ 657,740	\$ 193,487	\$ 45,372	\$ 134,626	\$ 131,032	\$ (186,264)
Business-type Activities	(11,768)	30,610	22,581	40,822	37,011	54,789	15,648	831	27,385	9,638
Total District	\$ 205,883	\$ 43,327	\$ 302,218	\$ 641,409	\$ 694,751	\$ 248,276	\$ 61,020	\$ 135,457	\$ 158,417	\$ (176,626)

Source: School District Financial Reports

TOWN OF NEWTON SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
 UNAUDITED

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved/Restricted	\$ 1,006,235	\$ 896,614	\$ 536,961	\$ 400,559	\$ 409,866	\$ 526,417	\$ 713,095	\$ 887,848	\$ 1,303,124	\$ 1,216,867
Assigned			375,466	674,207	150,688	229,115	41,468	370,775	446,214	291,405
Unassigned			14,130		2,125				11,412	
Unreserved/(Deficit)	(184,200)	(57,876)								
Total General Fund	\$ 822,035	\$ 838,738	\$ 926,557	\$ 1,074,766	\$ 562,679	\$ 755,532	\$ 754,563	\$ 1,258,623	\$ 1,760,750	\$ 1,508,272
All Other Governmental Funds										
Reserved/Restricted					\$ 1	\$ 1		\$ 5,996	\$ 8,825	\$ 2,830
Committed								102,254		
Unassigned/(Deficit)									(10,381)	
Unreserved/(Deficit), Reported in:										
Capital Projects Fund	\$ 73,093	\$ (92,390)								
Debt Service Fund	2	1								
Total All Other Governmental Funds	\$ 73,095	\$ (92,389)	\$ -0-	\$ -0-	\$ 1	\$ 1	\$ -0-	\$ 108,250	\$ (1,556)	\$ 2,830
Total Governmental Funds	\$ 895,130	\$ 746,349	\$ 926,557	\$ 1,074,766	\$ 562,680	\$ 755,533	\$ 754,563	\$ 1,366,873	\$ 1,759,194	\$ 1,511,102

Source: School District Financial Reports

TOWN OF NEWTON SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax Levy	\$ 10,880,825	\$ 11,234,824	\$ 11,656,316	\$ 11,642,619	\$ 11,757,068	\$ 12,380,060	\$ 12,732,431	\$ 12,972,673	\$ 13,231,894	\$ 13,183,736
Tuition Charges	5,162,763	5,180,176	5,614,644	6,268,933	7,034,786	6,848,705	7,024,707	7,876,395	7,823,426	7,450,913
Transportation Fees from LEAs								9,000	10,800	4,800
Rents and Royalties	108,823	135,956	112,467	87,447	73,147	83,535	91,141	108,829	143,007	258,023
Miscellaneous	7,706,076	7,072,376	7,144,588	7,598,225	8,389,076	8,128,064	8,529,800	8,959,454	9,442,787	10,392,502
State Sources	792,123	2,000,423	880,653	904,647	608,418	692,805	796,691	698,187	767,626	737,454
Federal Sources	24,650,610	25,623,755	25,408,668	26,501,871	27,862,495	28,133,169	29,174,770	30,624,538	31,429,540	32,037,428
Total Revenue										
Expenditures										
Instruction										
Regular Instruction	8,616,301	8,878,941	8,201,435	8,362,810	8,516,168	8,849,098	8,911,446	9,437,093	9,201,227	9,364,388
Special Education Instruction	1,336,172	1,725,255	1,521,625	1,585,209	1,693,312	1,804,354	2,045,155	2,137,557	2,156,621	2,197,355
Other Special Instruction	79,969	91,046	90,802	93,424	115,412	93,016	94,004	70,507	72,001	70,283
School-Sponsored/Other Instruction	674,299	760,356	765,254	822,260	954,841	926,868	1,045,157	999,801	1,134,543	1,129,960
Support Services:										
Tuition	728,472	738,970	721,550	635,143	741,923	901,919	1,067,316	712,627	620,433	914,562
Student & Other Instruction Related Services	2,857,821	2,446,931	2,605,817	2,663,444	2,627,021	2,616,628	2,789,263	3,051,668	3,169,418	3,159,099
General Administrative Services	447,225	466,034	460,271	610,968	499,339	530,525	569,883	696,293	632,300	580,413
School Administrative Services	1,220,145	1,225,826	1,092,708	1,178,243	1,228,027	1,204,758	1,211,813	1,171,759	1,285,850	1,257,229
Central Services	334,651	348,754	359,610	362,974	375,132	357,474	350,002	364,533	373,249	426,511
Administrative Information Technology	118,704	238,309	163,996	194,603	196,789	323,104	246,897	245,494	199,254	194,609
Plant Operations and Maintenance	1,810,873	1,811,220	1,843,204	2,076,935	1,983,401	2,171,967	1,998,431	1,938,746	2,030,800	1,837,003
Student Transportation	382,635	355,228	309,429	416,791	460,891	509,808	582,859	476,519	396,430	611,206
Unallocated Benefits	5,349,162	5,695,686	6,134,945	5,747,920	6,664,286	6,585,734	7,146,614	7,787,058	8,493,561	9,143,916
Transfer of Funds to Charter School	40,904	52,566	51,796	69,905	120,345	128,554	110,635	82,665	115,845	157,974
Capital Outlay	36,750	350,117	323,130	935,312	1,599,754	338,759	410,890	253,029	554,016	709,475
Debt Service:										
Principal	265,000	205,000	210,000	235,000	245,000	255,000	265,000	275,000	440,000	325,000
Interest and Other Charges	395,178	382,297	372,888	362,721	352,940	342,750	330,375	317,875	161,671	206,537
Total Expenditures	24,694,261	25,772,536	25,228,460	26,353,662	28,374,581	27,940,316	29,175,740	30,018,224	31,037,219	32,285,520
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(43,651)	(148,781)	180,208	148,209	(512,086)	192,853	(970)	606,314	392,321	(248,092)

TOWN OF NEWTON SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING

UNAUDITED
(Continued)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources/(Uses)										
Long Term Debt Issued								\$ 6,535,000		
Bond Premium								598,734		
Serial Bonds Defeased								(6,850,000)		
Bond Issuance Costs								(132,486)		
Deferred Interest								(145,252)		
Total Other Financing Sources/(Uses)								5,996		
Net Change in Fund Balances	\$ (43,651)	\$ (148,781)	\$ 180,208	\$ 148,209	\$ (512,086)	\$ 192,853	\$ (970)	\$ 612,310	\$ 392,321	\$ (248,092)
Debt Service as a Percentage of Noncapital Expenditures	2.68%	2.31%	2.34%	2.35%	2.23%	2.17%	2.07%	1.99%	1.96%	1.68%

TOWN OF NEWTON SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Transportation Fees	Rents and Royalties	Miscellaneous	Total
2009	\$ 21,705	\$ 5,162,763			\$ 87,018	\$ 5,271,486
2010	16,650	5,180,176			95,087	5,291,913
2011	7,308	5,614,644			104,815	5,726,767
2012	4,112	6,268,933			75,835	6,348,880
2013	3,130	7,034,786			63,403	7,101,319
2014	3,625	6,848,705			66,545	6,918,875
2015	4,056	7,024,707			53,821	7,082,584
2016	4,919	7,876,395	\$ 9,000		102,022	7,992,336
2017	6,485	7,823,426	10,800	\$ 10,000	96,981	7,947,692
2018	6,849	7,450,913	4,800	10,000	240,790	7,713,352

Source: School District of the Town of Newton records

TOWN OF NEWTON SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN YEARS
 UNAUDITED

Year Ended December 31,	Vacant Land		Farm		Residential		Farm		Commercial		Industrial	Apartment	Total Assessed Value		Tax Exempt Property		Public Utilities ^a		Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)	
			Regular	Qualified			Regular	Qualified														
2008	*	\$ 14,008,800	\$ 543,600	\$ 39,800	\$ 533,542,800	\$ 543,600	\$ 39,800	\$ 206,779,300	\$ 22,616,900	\$ 46,204,800	\$ 823,736,000	\$ 250,504,000	\$ 10,701,330	\$ 834,437,330	\$	1.28	\$	835,648,931			\$	835,648,931
2009		9,589,500	543,600	39,800	529,966,300	543,600	39,800	204,963,800	22,134,000	44,068,000	811,305,000	249,616,700	9,794,954	821,099,954		1.35		815,490,987				815,490,987
2010		9,244,300	543,600	39,800	529,836,200	543,600	39,800	208,846,100	21,134,300	42,480,200	812,124,500	276,386,200	5,559,880	817,684,380		1.40		821,900,949				821,900,949
2011	**	10,565,700	465,600	39,800	436,837,600	465,600	39,800	189,235,100	17,354,900	38,218,600	692,717,300	272,760,500	3,821,741	696,539,041		1.66		741,202,056				741,202,056
2012		8,883,100	435,739,900	465,600	435,739,900	465,600	39,800	188,293,900	17,130,400	37,768,700	688,321,400	278,806,400	2,365,090	690,686,490		1.68		727,846,015				727,846,015
2013		8,829,300	433,661,600	41,100	433,661,600	727,400	41,100	187,450,300	17,091,600	37,678,000	685,479,300	284,691,400	1,611,110	687,090,410		1.75		679,490,063				679,490,063
2014	**	7,644,700	369,711,500	646,200	369,711,500	646,200	41,100	173,581,700	13,805,400	36,143,900	601,574,500	283,633,500	2,296,214	603,870,714		2.08		627,028,621				627,028,621
2015		8,703,900	369,929,600	646,200	369,929,600	646,200	41,100	172,475,000	13,593,900	36,143,900	601,533,600	283,534,100	3,135,425	604,669,025		2.13		632,598,156				632,598,156
2016		8,528,900	369,753,800	646,200	369,753,800	646,200	41,100	172,260,500	13,093,900	35,878,900	600,203,300	283,545,300	3,366,159	603,569,459		2.17		624,118,805				624,118,805
2017		10,339,800	365,652,000	646,200	365,652,000	646,200	41,100	168,186,100	13,093,900	39,881,700	597,840,800	281,773,200	3,149,149	600,989,949		2.19		625,091,779				625,091,779

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation. Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100 of assessed value.

* Revaluation became effective in this year.

** Reassessment became effective in this year.

Source: Municipal Tax Assessor

TOWN OF NEWTON SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

Year Ended December 31,	School District of the Town of Newton Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Town of Newton	Sussex County	
2007	\$ 2.51	\$ 0.16	\$ 2.67	\$ 1.39	\$ 0.77	\$ 4.83
2008	* 1.21	0.07	1.28	0.76	0.38	2.42
2009	1.28	0.07	1.35	0.84	0.38	2.56
2010	1.33	0.07	1.40	0.90	0.41	2.71
2011	** 1.58	0.09	1.66	1.13	0.46	3.25
2012	1.60	0.09	1.68	1.14	0.49	3.31
2013	1.66	0.08	1.75	1.20	0.62	3.56
2014	** 1.98	0.10	2.08	1.36	0.54	3.98
2015	2.03	0.10	2.13	1.39	0.54	4.06
2016	2.07	0.10	2.17	1.43	0.57	4.17
2017	2.10	0.09	2.19	1.45	0.59	4.23

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

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

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

* Revaluation became effective in this year.

** Reassessment became effective in this year.

TOWN OF NEWTON SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2017		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Martin, Kenneth D & Assoc II, LLC	\$ 11,052,300	1	1.84%
Route 519 & North Park Drive, LLC	10,400,000	2	1.73%
Newton 213, LLC C/O Ronetco	9,300,000	3	1.55%
Sussex Nine Inc c/o Barn Hill Conv	9,180,000	4	1.53%
Newton West LTD	9,077,200	5	1.51%
Weis Markets, Inc	7,288,000	6	1.21%
Meriam Gateway Apartments, Inc	5,743,900	7	0.96%
Newtonian Associates, LLC	4,850,000	8	0.81%
Holiday Inn Express c/o Patel	4,740,000	9	0.79%
Gordon Newton Assoc, LLC & Diamond	4,549,200	10	0.76%
Total	<u>\$ 76,180,600</u>		<u>12.68%</u>

Taxpayer	2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Martin, Kenneth D & Assoc II, LLC	\$ 8,200,000	1	0.98%
Meriam Gateway C/O Sussex Warren	5,348,800	2	0.64%
PECD Realty c/o Ronetco	4,940,600	3	0.59%
United Telephone Company of NJ	4,919,190	4	0.59%
Sussex Nine Inc c/o Barnhill	4,405,200	5	0.53%
Weis Markets, Inc.	3,750,000	6	0.45%
Newton West LTD	3,500,000	7	0.42%
Newtonian Gardens	3,450,500	8	0.41%
Gordon Newton Assoc, LLC	3,192,400	9	0.38%
Holiday Inn Express	3,096,100	10	0.37%
	<u>\$ 44,802,790</u>		<u>5.37%</u>

Source: Municipal Tax Assessor

TOWN OF NEWTON SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 10,880,825	\$ 10,880,825	100.00%	\$ -0-
2010	11,234,824	11,234,824	100.00%	-0-
2011	11,656,316	11,656,316	100.00%	-0-
2012	11,642,619	11,642,619	100.00%	-0-
2013	11,757,068	11,757,068	100.00%	-0-
2014	12,380,060	12,380,060	100.00%	-0-
2015	12,732,431	12,732,431	100.00%	-0-
2016	12,972,673	12,972,673	100.00%	-0-
2017	13,231,894	13,231,894	100.00%	-0-
2018	13,183,736	13,183,736	100.00%	-0-

Source: School District of the Town of Newton 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.

TOWN OF NEWTON SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities							Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Obligations Under Lease-Purchase Agreement	Bond Anticipation Notes (BANs)	Business-Type Activities					
2009	\$ 8,840,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 8,840,000	2.29%	\$ 1,084.13	
2010	8,635,000	-0-	-0-	-0-	-0-	-0-	8,635,000	2.28%	1,062.90	
2011	8,425,000	-0-	-0-	-0-	-0-	-0-	8,425,000	2.20%	1,037.82	
2012	8,190,000	-0-	-0-	-0-	-0-	-0-	8,190,000	2.07%	1,015.00	
2013	7,945,000	-0-	-0-	-0-	-0-	-0-	7,945,000	1.94%	981.47	
2014	7,690,000	-0-	-0-	-0-	-0-	-0-	7,690,000	1.88%	959.09	
2015	7,425,000	-0-	-0-	-0-	-0-	-0-	7,425,000	1.76%	934.08	
2016	6,835,000	-0-	-0-	-0-	-0-	-0-	6,835,000	1.56%	859.53	
2017	6,395,000	-0-	-0-	-0-	-0-	-0-	6,395,000	1.44%	809.90	
2018	6,070,000	-0-	-0-	-0-	-0-	-0-	6,070,000	1.37%	772.26	

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

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

Source: School District Financial Reports

TOWN OF NEWTON SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation Taxable ^a	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 8,840,000	\$ -0-	\$ 8,840,000	1.06% *	\$ 1,084.13
2010	8,635,000	-0-	8,635,000	1.05%	1,062.90
2011	8,425,000	-0-	8,425,000	1.03% **	1,037.82
2012	8,190,000	-0-	8,190,000	1.18%	1,015.00
2013	7,945,000	-0-	7,945,000	1.15%	981.47
2014	7,690,000	-0-	7,690,000	1.12% **	959.09
2015	7,425,000	-0-	7,425,000	1.23%	934.08
2016	6,835,000	-0-	6,835,000	1.13%	859.53
2017	6,395,000	-0-	6,395,000	1.06%	809.90
2018	6,070,000	-0-	6,070,000	1.01%	772.26

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

a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

* Revaluation became effective in 2008.

** Reassessment became effective this year.

Source: School District Financial Reports

TOWN OF NEWTON SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2017
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Town of Newton	\$ 16,263,304	100.000%	\$ 16,263,304
Sussex County General Obligation Debt	108,606,061	3.684%	<u>4,001,173</u>
Subtotal, Overlapping Debt			20,264,477
School District of the Town of Newton Direct Debt			<u>6,070,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 26,334,477</u></u>

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Newton. This process recognizes that, when considering the District's ability to issue and repay long-term, 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 unit.

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

TOWN OF NEWTON SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Population ^a	Town of Newton Income Personal Income ^b	Sussex County Per Capita Personal Income ^c	Unemployment Rate ^d
2009	8,124	\$ 378,992,724	\$ 46,651	7.90%
2010	8,118	383,413,140	47,230	8.40%
2011	8,069	395,042,102	48,958	8.10%
2012	8,095	409,582,715	50,597	8.10%
2013	8,018	409,976,376	51,132	10.10%
2014	7,949	422,393,962	53,138	7.00%
2015	7,952	437,344,096	54,998	6.50%
2016	7,896	443,620,968	56,183	5.29%
2017	7,860	441,598,380	56,183 *	4.50%
2018	7,860 **	441,598,380 ***	56,183 *	N/A

* - Latest Sussex County per capita personal income available (2016) was used for calculation purposes.

** - Latest population data available (2017) was used for calculation purposes.

*** - Latest available population data (2017) and latest available Sussex County per capita personal income (2016) was used for calculation purposes.

N/A - Information not available

Sources:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Per capita personal income by municipality 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

TOWN OF NEWTON SCHOOL DISTRICT
PRINCIPAL EMPLOYERS, COUNTY OF SUSSEX
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Employer	2017	
	Employees	Percentage of Total Employment
Newton Medical Center	1,000-4,999	1.38%-6.91%
County of Sussex	500-999	0.69%-1.38%
Thorlabs	500-999	0.69%-1.38%
Sussex County Community College	250-499	0.35%-0.69%
Newton 213 LLC, C/O Ronetco	100-249	0.14%-0.34%
Bristol Glen	100-249	0.14%-0.34%
Barn Hill Care Center	100-249	0.14%-0.34%
Home Depot	100-249	0.14%-0.34%
Kohls	100-249	0.14%-0.34%
Superior Court of Newton	100-249	0.14%-0.34%
	<u>2,850-8,990</u>	<u>3.94%-12.42%</u>
Total Employment	<u>71,981</u>	
Employer	2008	
	Employees	Percentage of Total Employment
Mountain Creek/Intrawest	1,387	1.72%
Crystal Springs Golf and Spa Resort	1,153	1.43%
Newton Memorial Hospital	1,148	1.42%
County of Sussex	855	1.06%
Selective Insurance	800	0.99%
Shop Rite (Ronetc Supermarkets, Inc.)	718	0.89%
Vernon Township Board of Education	703	0.87%
Andover Sub Acute & Rehab Center	700	0.87%
Sparta Board of Education	570	0.70%
Hopatcong Board of Education	540	0.67%
	<u>8,574</u>	<u>10.60%</u>
Total Employment	<u>80,859</u>	

Source: County of Sussex

TOWN OF NEWTON SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction	130	129	107	108	111	112	112	119	119	119
Regular	22	23	34	37	40	40	56	50	51	59
Special education	3	1	2	2	3	3	3	3	3	3
Other instruction										
Support Services:										
Student & instruction related services	51	28	33	49	51	51	52	59	53	56
School administrative services	14	14	12	13	13	13	11	10	10	10
General administrative services	2	2	2	2	2	2	2	2	2	2
Plant operations and maintenance	19	20	19	20	22	25	22	22	22	20
Pupil transportation	2	2	2	3	3	3	3	2	3	3
Business and other support services	6	6	5	5	5	5	5	5	5	5
Food Service	1	1	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total	250	226	216	239	250	254	266	272	268	277

Source: School District of the Town of Newton Personnel Records

TOWN OF NEWTON SCHOOL DISTRICT
OPERATING STATISTICS
 LAST TEN FISCAL YEARS
 UNAUDITED

Fiscal Year End June 30,	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^e	Average Daily Attendance (ADA) ^e	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary ^c	Middle School ^e	Senior High School				
2009	1,559	\$ 23,997,333	\$ 15,393	-1.30%	148	1:10.8	1:8.7	1:11.0	1,559	1,467	-1.70%	94.10%
2010	1,547	24,835,122	16,054	4.29%	135	1:13.5	1:10.9	1:14.9	1,537	1,453	-1.41%	94.53%
2011	1,523	24,322,442	15,970	-0.52%	123	1:11.5	1:12.8	1:12.0	1,501	1,416	-2.34%	94.34%
2012	1,530	24,820,629	16,223	1.58%	128	1:13.3	1:11.3	1:14.2	1,513	1,427	0.80%	94.32%
2013	1,507	26,176,887	17,370	7.07%	131	1:12.4	1:8.0	1:11.4	1,507	1,430	-0.40%	94.89%
2014	1,531	27,003,807	17,638	1.54%	132	1:13.1	1:7.7	1:11.8	1,531	1,439	1.59%	93.99%
2015	1,569	28,169,475	17,954	1.79%	138	1:12.0	1:10.0	1:11.6	1,557	1,454	1.70%	93.38%
2016	1,549	29,172,320	18,833	4.90%	147	1:11.8	1:12.1	1:11.2	1,555	1,466	-0.13%	94.28%
2017	1,552	29,881,532	19,254	2.23%	147	1:11.6	1:10.4	1:10.4	1,537	1,442	-1.16%	93.82%
2018	1,535	31,044,508	20,224	5.04%	170	1:10.8	1:12	1:10.9	1,535	1,451	-0.13%	94.53%

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This Cost Per Pupil may be different from other Cost Per Pupil calculations.

e The Elementary School is PreK through 4th grades and the Middle School is 5th through 8th grades.

Source: School District of the Town of Newton records

TOWN OF NEWTON SCHOOL DISTRICT
 SCHOOL BUILDING INFORMATION
 LAST TEN FISCAL YEARS
 UNAUDITED

District Building	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Merriam Avenue School										
Square Feet	77,154	77,151	77,151	77,151	77,151	77,151	77,151	77,151	77,151	77,151
Capacity (students) - *	601; 693	601; 693	601; 693	601; 693	601; 693	601; 693	601; 693	601; 693	601; 693	601; 693
Enrollment **	463	484	489	499	541	561	490	472	475	481
Halsted Street School										
Square Feet	71,120	71,120	71,120	71,120	71,120	71,120	71,120	71,120	71,120	71,120
Capacity (students) - *	233; 356	233; 356	233; 356	233; 356	233; 356	233; 356	233; 356	233; 356	233; 356	233; 356
Enrollment **	269	262	246	234	207	221	301	316	334	326
Newton High School										
Square Feet	118,980	118,980	118,980	118,980	118,980	118,980	118,980	118,980	118,980	118,980
Capacity (students) - *	519; 904	519; 904	519; 904	519; 904	519; 904	519; 904	519; 904	519; 904	519; 904	519; 904
Enrollment	827	801	788	797	759	749	778	761	743	728
Board Office										
Square Feet	3,102	3,102	3,102	3,102	3,102	3,102	3,102	3,102	3,102	3,102

Number of Schools at June 30, 2018

- Elementary = 1
- Middle School = 1
- High School = 1
- Other = 1

* The first student capacity number reflects the FES (Facility Efficiency Standards) capacity while the second student capacity number reflects the District Practices as per the 2010 Long Range Facility Plan.

** 5th Grade was moved from Merriam Avenue School to Halsted Street School as of 07/01/14.

Note: Enrollment is based on the annual October district count.

Source: School District of the Town of Newton Facilities Office

TOWN OF NEWTON SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS
UNAUDITED

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

Fiscal Year Ended June 30,	Merriam Avenue School	Halsted Street School	Newton High School	Board Office	Total
2009	\$ 82,879	\$ 72,010	\$ 154,995	\$ 5,798	\$ 315,682
2010	104,153	98,963	225,315	14,115	442,546
2011	99,334	102,342	260,561	6,283	468,520
2012	166,744	120,785	313,250	28,546	629,325
2013	160,578	148,703	249,146	8,429	566,856
2014	139,175	127,805	284,796	14,498	566,274
2015	127,778	122,854	251,693	16,129	518,454
2016	155,047	123,433	251,787	21,096	551,363
2017	141,160	131,044	282,684	11,066	565,954
2018	109,235	105,302	178,172	11,788	404,497

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

Source: School District of the Town of Newton records

TOWN OF NEWTON SCHOOL DISTRICT
INSURANCE SCHEDULE
TOWN OF NEWTON SCHOOL DISTRICT
UNAUDITED

	Coverage	Deductible
School Alliance Insurance Fund (SAIF):		
School Package Policy:		
Building & Personal Property	\$ 500,000,000 Occurrence	\$ 2,500
Auto Physical Damage		1,000
General Liability including Auto, Employee Benefits:	5,000,000	
Per Occurrence		
General Aggregate	100,000,000 Fund Aggregate	
Product/Completed Ops		
Personal Injury		
Fire Damage	2,500,000	
Medical Expenses (excluding students taking part in athletics)	10,000	
Automobile Coverage		
Combined Single Limit		
Hired/Non-owned		
Security Guard Liability		
Environmental Impairment Liability	1,000,000 / 25,000,000 Fund Aggregate	10,000
	First Party Fungi & Legionella	100,000
	Third Party Fungi & Legionella	50,000
Crime Coverage	50,000 Inside/Outside	1,000
Blanket Dishonesty Bond	500,000	1,000
Boiler and Machinery	100,000,000	2,500
Excess Liability (AL/GL/SLPL)	5,000,000	
School Board Legal Liability (SLPL)	5,000,000	5,000
Cyber Liability	2,000,000 Occurrence/Fund Aggregate	10,000
Workers' Compensation:	Statutory	
Employer's Liability	2,000,000	
Supplemental Indemnity	Statutory	
Bollinger Insurance:		
Student and Athletes Accident	1,000,000	
Public Officials' Bonds - Selective Insurance Company of America:		
Treasurer of School Monies	235,000	
School Business Administrator/Board Secretary	235,000	

Source: School District of the Town of Newton Insurance Agent

SINGLE AUDIT SECTION

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

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Town of Newton School District
County of Sussex, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Town of Newton, in the County of Sussex (the "District") as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

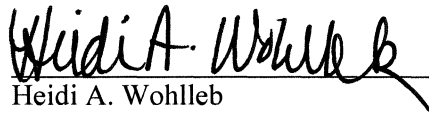
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

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

January 18, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP


Heidi A. Wohlleb
Licensed Public School Accountant #2140
Certified Public Accountant

Report on Compliance For Each Major Federal and State Program
and Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Town of Newton School District
County of Sussex, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Town of Newton's (the "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 District's major federal and state programs for the fiscal year ended June 30, 2018. The District's major federal and state programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 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 District's internal control over compliance.

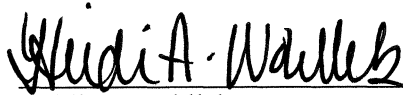
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 that the testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

January 18, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP



Heidi A. Wohlleb
Licensed Public School Accountant #2140
Certified Public Accountant

TOWN OF NEWTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor/ Program/Cluster Title	Federal CFDA Number	Grant or State Project No.	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expendi- tures	Adjustments	Balance at June 30, 2018		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue				Budgetary Accounts Receivable	Budgetary Unearned Revenue	
<u>U.S. Department of Agriculture:</u>												
Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
Food Distribution Program	10.555	N/A	7/1/17-6/30/18	\$ 12,156		\$ 12,156	\$ (10,663)				\$ 1,493	
Food Distribution Program	10.555	N/A	7/1/16-6/30/17	11,053			(1,858)					
National School Lunch Program	10.555	N/A	7/1/17-6/30/18	209,498		194,962	(209,498)			\$ (14,536)		
National School Lunch Program	10.555	N/A	7/1/16-6/30/17	223,596		13,519						
School Breakfast Program	10.553	N/A	7/1/17-6/30/18	113,016		103,359	(113,016)			(9,657)		
School Breakfast Program	10.553	N/A	7/1/16-6/30/17	105,627		8,042						
Total Child Nutrition Cluster						332,038	(335,035)			(24,193)	1,493	
Total U.S. Department of Agriculture						332,038	(335,035)			(24,193)	1,493	
<u>U.S. Department of Education:</u>												
Special Revenue Fund:												
Passed-through State Department of Education:												
Elementary and Secondary Education Act:												
Title I												
Title I	84.010	ESEA359018	7/1/17-6/30/18	245,178		217,265	(240,284)			(23,019)		
Title I	84.010	ESEA359017	7/1/16-6/30/17	244,980		26,020			\$ 314			
Total Title I						243,285	(240,284)			(23,019)		
Title II A												
Title II A	84.367	ESEA359018	7/1/17-6/30/18	46,237		33,438	(40,554)			(7,116)		
Title II A	84.367	ESEA359017	7/1/16-6/30/17	64,261		4,366						
Total Title II						37,804	(40,554)			(7,116)		
Title III												
Title III	84.365	ESEA359018	7/1/17-6/30/18	10,029		1,134	(1,457)			(323)		
Total Title III						1,134	(1,457)			(323)		
Title IV												
Title IV	84.424	ESEA359018	7/1/17-6/30/18	10,000		3,204	(4,828)			(1,624)		
Total Title IV						3,204	(4,828)			(1,624)		
Special Education Cluster (IDEA):												
I.D.E.A. Part B, Basic	84.027	IDEA359018	7/1/17-6/30/18	388,441		364,417	(384,507)			(20,090)		
I.D.E.A. Part B, Basic	84.027	IDEA359017	7/1/16-6/30/17	442,577		22,598			1			
I.D.E.A. Preschool	84.173	IDEA359018	7/1/17-6/30/18	12,160		6,349	(7,372)			(1,023)		
I.D.E.A. Preschool	84.173	IDEA359017	7/1/16-6/30/17	14,833		669						
Total Special Education Cluster (IDEA)						394,033	(391,879)			(21,113)		
Carl D. Perkins - Secondary												
Carl D. Perkins - Secondary	84.048	PERK359018	7/1/17-6/30/18	18,040		18,040	(18,040)					
Total Carl D. Perkins - Secondary						18,040	(18,040)					
Subtotal - Special Revenue Fund						697,500	(697,042)		316	(53,195)		
Total U.S. Department of Education						697,500	(697,042)		316	(53,195)		

TOWN OF NEWTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor/ Program/Cluster Title	Federal CFDA Number	Grant or State Project No.	Grant Period	Award Amount	Balance at June 30, 2017			Balance at June 30, 2018			
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received	Budgetary Accounts Receivable	Budgetary Unearned Revenue	Amounts Provided to Subrecipients	
U.S. Department of Health and Human Services: Medicaid Cluster:											
Medicaid Assistance Program	93.778	N/A	7/1/17-6/30/18	\$ 40,412		\$ 40,412					
Total U.S. Department of Health and Human Services/Total Medicaid Cluster						40,412					
Total Federal Awards					\$ (75,530)	\$ 1,858	\$ 1,069,950	\$ (1,072,489)	\$ 316	\$ (77,388)	\$ 1,493
											\$ -0-

N/A - Not Applicable

SEE THE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWN OF NEWTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at		Balance at		MEMO		
				June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	Budgetary	Budgetary	Cumulative
				Budgetary	Cash	GAAP	GAAP	Receivable	Receivable	Total
				Accounts	Received	Accounts	Accounts	Receivable	Receivable	Expenditures
				Receivable		Receivable	Receivable			
<u>State Department of Education:</u>										
General Fund State Aid:										
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	\$ 5,406,257	\$ (511,187)	\$ 4,873,431	\$ (532,826)	\$ 5,406,257	\$ (59,441)	\$ (532,826)	\$ 5,406,257
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	34,112	(3,363)	30,750	(3,362)	(34,112)	(59,441)	(3,362)	34,112
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	596,193	(58,784)	537,434	(58,759)	(596,193)	(1,643)	(58,759)	596,193
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	57,943	(5,713)	52,232	(5,711)	(57,943)	(64,167)	(5,711)	57,943
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	18,601	(1,834)	16,768	(1,833)	(18,601)	(1,643)	(1,833)	18,601
School Choice Aid	18-495-034-5120-068	7/1/17-6/30/18	18,600	(917)	16,767	(1,833)	(18,600)	(64,167)	(1,833)	18,600
PARCC Readiness	18-495-034-5120-098	7/1/17-6/30/18	10,810	(1,066)	9,745	(1,065)	(10,810)	(1,065)	(1,065)	10,810
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	10,810	(1,066)	9,744	(1,066)	(10,810)	(1,066)	(1,066)	10,810
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	11,060	(1,091)	9,970	(1,090)	(11,060)	(1,090)	(1,090)	11,060
Host District Support Aid	18-495-034-5120-102	7/1/17-6/30/18	871	(69)	785	(86)	(871)	(86)	(86)	871
Extraordinary Special Education Costs Aid	18-100-034-5120-473	7/1/17-6/30/18	59,441				(59,441)		(59,441)	59,441
Excess Nonpublic Transportation Costs	18-495-034-5120-014	7/1/17-6/30/18	1,643				(1,643)		(1,643)	1,643
Homeless Tuition Reimbursement	18-495-034-5120-005	7/1/17-6/30/18	107,020				(107,020)		(107,020)	107,020
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	938,489		874,322		(938,489)		(64,167)	938,489
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17-6/30/18	1,199,093		1,199,093		(1,199,093)			1,199,093
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	1,812,544		1,812,544		(1,812,544)			1,812,544
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	43,986		43,986		(43,986)			43,986
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	3,045		3,045		(3,045)			3,045
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	5,184,509	\$ (511,187)	5,111,187					5,184,509
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	34,112	(3,363)	3,363					34,112
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	596,193	(58,784)	58,784					596,193
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	57,943	(5,713)	5,713					57,943
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	18,601	(1,834)	1,834					18,601
School Choice Aid	17-495-034-5120-068	7/1/16-6/30/17	9,300	(917)	917					9,300
PARCC Readiness	17-495-034-5120-098	7/1/16-6/30/17	10,810	(1,066)	1,066					10,810
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	10,810	(1,066)	1,066					10,810
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	11,060	(1,091)	1,091					11,060
Host District Support Aid	17-495-034-5120-102	7/1/16-6/30/17	703	(69)	69					703
Extraordinary Special Education Costs Aid	17-100-034-5120-473	7/1/16-6/30/17	119,754	(119,754)	119,754					119,754
Excess Nonpublic Transportation Costs	17-495-034-5120-014	7/1/16-6/30/17	3,542	(3,542)	3,542					3,542
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	924,897	(46,371)	46,371					924,897
Subtotal - General Fund				(754,757)	10,245,373		(10,330,518)	(232,271)	(839,902)	17,312,752

TOWN OF NEWTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at		MEMO			
				June 30, 2017	June 30, 2018	GAAP	Cumulative		
				Budgetary Accounts Receivable	Cash Received	Budgetary Expenditures	Accounts Receivable	Budgetary Receivable	Total Expenditures
State Department of Education:									
Food Service Fund:									
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	\$ 5,288	\$ (312)	\$ 4,920	\$ (5,288)	\$ (368)	\$ (368)	\$ 5,288
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	5,342		312				5,342
Subtotal - Food Service Fund				(312)	5,232	(5,288)	(368)	(368)	10,630
Total State Department of Education				(755,069)	10,250,605	(10,335,806)	(232,639)	(840,270)	17,323,382
NJ Schools Development Authority:									
Capital Projects Fund:									
Educational Facilities Construction and Financing Act:									
Newton High School	3590-050-14-1002	6/2/16-6/30/18	40,593			(40,593)	(40,593)	(40,593)	40,593
Halsted Middle School	3590-060-14-1005	6/2/16-6/30/18	17,719			(17,719)	(17,719)	(17,719)	17,719
Merriam Avenue Elementary School	3590-070-14-1005	6/2/16-6/30/18	26,213			(26,213)	(26,213)	(26,213)	26,213
Total NJ Schools Development Authority						(84,525)	(84,525)	(84,525)	84,525
Total State Awards				\$ (755,069)	\$ 10,250,605	\$ (10,420,331)	\$ (317,164)	\$ (924,795)	\$ 17,407,907
Less: State Awards Not Subject to Single Audit Major Program Determination									
On-Behalf TPAF Pension System Contributions:									
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17-6/30/18	(1,199,093)			1,199,093			
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	(1,812,544)			1,812,544			
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	(43,986)			43,986			
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	(3,045)			3,045			
Subtotal - On-Behalf TPAF Pension System Contributions						3,058,668			
Total State Awards Subject to Single Audit Major Program Determination								\$ (7,361,663)	

N/A - Not Applicable/Available

SEE THE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Town of Newton School District under programs of the federal and state governments for the fiscal year ended June 30, 2018. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

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

NOTE 4. 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 last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last 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 revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$22,541) for the general fund and \$-0- for the special revenue fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Revenue from federal and state awards is reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

TOWN OF NEWTON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 40,412	\$ 10,307,977	\$ 10,348,389
Special Revenue Fund	697,042		697,042
Capital Projects Funds		84,525	84,525
Food Service Fund	335,035	5,288	340,323
Total Awards	<u>\$ 1,072,489</u>	<u>\$ 10,397,790</u>	<u>\$ 11,470,279</u>

NOTE 5. 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 6. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2018.

NOTE 7. NJ SCHOOLS DEVELOPMENT AUTHORITY (NJSDA GRANTS)

The District has been awarded \$85,946 under three grants in the Capital Projects Fund from the New Jersey Schools Development Authority (NJSDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2018, \$84,525 of the grant fund has been expended and drawn down on a GAAP basis and \$1,421 has been cancelled. In the Capital Projects Fund, the District realizes the full amount of the grant revenue on a budgetary basis in the year awarded and realizes the grant revenue on a GAAP basis as it is expended and submitted for reimbursement. Expenditures reported under the NJSDA on the Schedule of Expenditures of State Awards represent reimbursement requests submitted to the NJSDA.

TOWN OF NEWTON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major federal and state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major federal and state programs for the current fiscal year consisted of the following:

	<u>C.F.D.A./</u> <u>State Grant Number</u>	<u>Grant Period</u>	<u>Award</u> <u>Amount</u>	<u>Budgetary</u> <u>Expenditures</u>
<u>Federal:</u>				
Special Education Cluster (IDEA):				
I.D.E.A. Part B, Basic	84.027	7/1/17-6/30/18	\$ 388,441	\$ 384,507
I.D.E.A. Preschool	84.173	7/1/17-6/30/18	12,160	7,372
<u>State:</u>				
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	5,406,257	5,406,257
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	596,193	596,193
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	57,943	57,943
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	18,601	18,601
School Choice Aid	18-495-034-5120-068	7/1/17-6/30/18	18,600	18,600
PARCC Readiness	18-495-034-5120-098	7/1/17-6/30/18	10,810	10,810
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	10,810	10,810
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	11,060	11,060
Host District Support Aid	18-495-034-5120-102	7/1/17-6/30/18	871	871

- The threshold used for distinguishing between Type A and Type B federal and state programs was \$750,000.
- The District was determined to be a "low-risk" auditee for federal and state programs.

TOWN OF NEWTON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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Summary of Auditors' Results: (Cont'd)

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in 2 CFR 200.516(a) of the Uniform Guidance.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

TOWN OF NEWTON SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Status of Prior Year Findings:

The District had no prior year audit findings.