

SCHOOL DISTRICT

OF

PALMYRA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Palmyra Board of Education

Palmyra, New Jersey

For the Fiscal Year Ended June 30, 2018

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

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Palmyra, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

William R. Blatchley

School Business Administrator/Board Secretary

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OF THE BOROUGH OF PALMYRA SCHOOL DISTRICT
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INTRODUCTORY SECTION



PALMYRA BOARD OF EDUCATION PALMYRA, N.J. 08065

Brian J. McBride
Superintendent of Schools

Administrative Office
301 Delaware Avenue
856-786-9300
FAX: 856-829-9638

William Blatchley
*Business Administrator/
Board Secretary*

1. Reporting Entity and Its Services

The Palmyra Borough Board of Education is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by NCGA Statement No. 3. All funds of the District are included in this report. The Palmyra Borough Board of Education and all of its schools constitute the District's reporting entity.

The District provides a wide range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational, special area enrichment as well as special education programs for children with "special needs" including "gifted" and "learning disabled". The District completed the 2017-2018 fiscal year with an average enrollment of 890 students.

2. Economic Condition and Outlook;

Palmyra is a residential community that has a total of 1.92 square miles and is located on the East side of the Delaware River directly across from the northern end of the City of Philadelphia. It serves as the eastern terminus of the Tacony-Palmyra Bridge, which spans the Delaware River. It is readily accessible to many major highways including Route #73, Route #I-295, Route #130 and the New Jersey Turnpike. Route #130 and Route #73 are direct access routes to Philadelphia. Conrail and New Jersey Transit have a train station in Palmyra and runs through the heart of the Borough's business district. The Palmyra School District is a three building district, which is located on the Delaware River in close proximity to Philadelphia and Trenton.

3. Major Initiatives:

Increased the number of Mimio boards, Chromebooks, and other electronic hardware to specifically support new curriculum and classroom initiatives.

Restructured classroom sections to maximize resources while expanding services for students with learning disabilities.

Approved the establishment of Palmyra Middle School to be fully established for students in grades 6-8 within the Palmyra High School building effective for the 2019-2020 school year.

Continued to increase student access to technology over the prior year through new web based applications and by increasing the total number of web accessible devices and workstations.

3. Major Initiatives (Cont'd):

Expanded digital bandwidth in the elementary school building along with upgrades to the server and wireless access points.

Added new curriculum and/or textbooks in the areas of science, history, English, Tomorrow's Teachers, pre-algebra, STEAM and AP Primer. Additionally, secondary sources such as Newsela were added to Charles Street School.

Updated facilities to include 50 additional lockers at PHS, biology lab refresh at PHS, lavatory rehab in four locations at PHS, and computer lab rehab in two classrooms at PHS. Converted the art room to a STEAM room at CSS.

4. Internal Accounting Controls:

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

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

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

5. Budgetary Controls:

In addition to internal controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budgets and 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.

5. Budgetary Controls (Cont'd):

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

6. Accounting Systems and Reports:

The District 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 the "Notes to the Financial Statements", Note 1.

7. Debt Administration:

At June 30, 2018, the District's outstanding debt issues included \$400,000 of Series 2009 school district bonds and \$7,860,000 of Series 2016 school refunding bonds.

8. Cash Management:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. 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 funds are secured in accordance with the Act.

9. Risk Management:

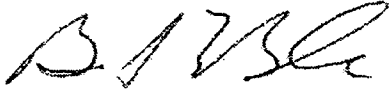
The Board of Education carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive collision, hazard and theft insurance on property, contents and fidelity bonds.

10. Other Information:

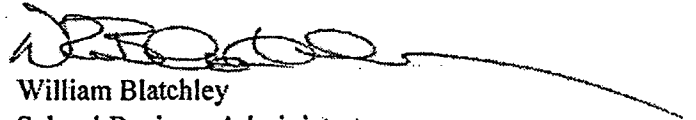
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board of Education, at its reorganization meeting, appointed the accounting firm of Nightlinger, Colavita & Volpa, PA. In addition to meeting the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and State of New Jersey Circular 15-08-0MB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, the auditor's report on the general-purpose financial statements and individual fund statements and schedules are included in the financial section of this report. The auditor's report related specifically to the single audit is included in the single audit section of this report.

11. Acknowledgements:

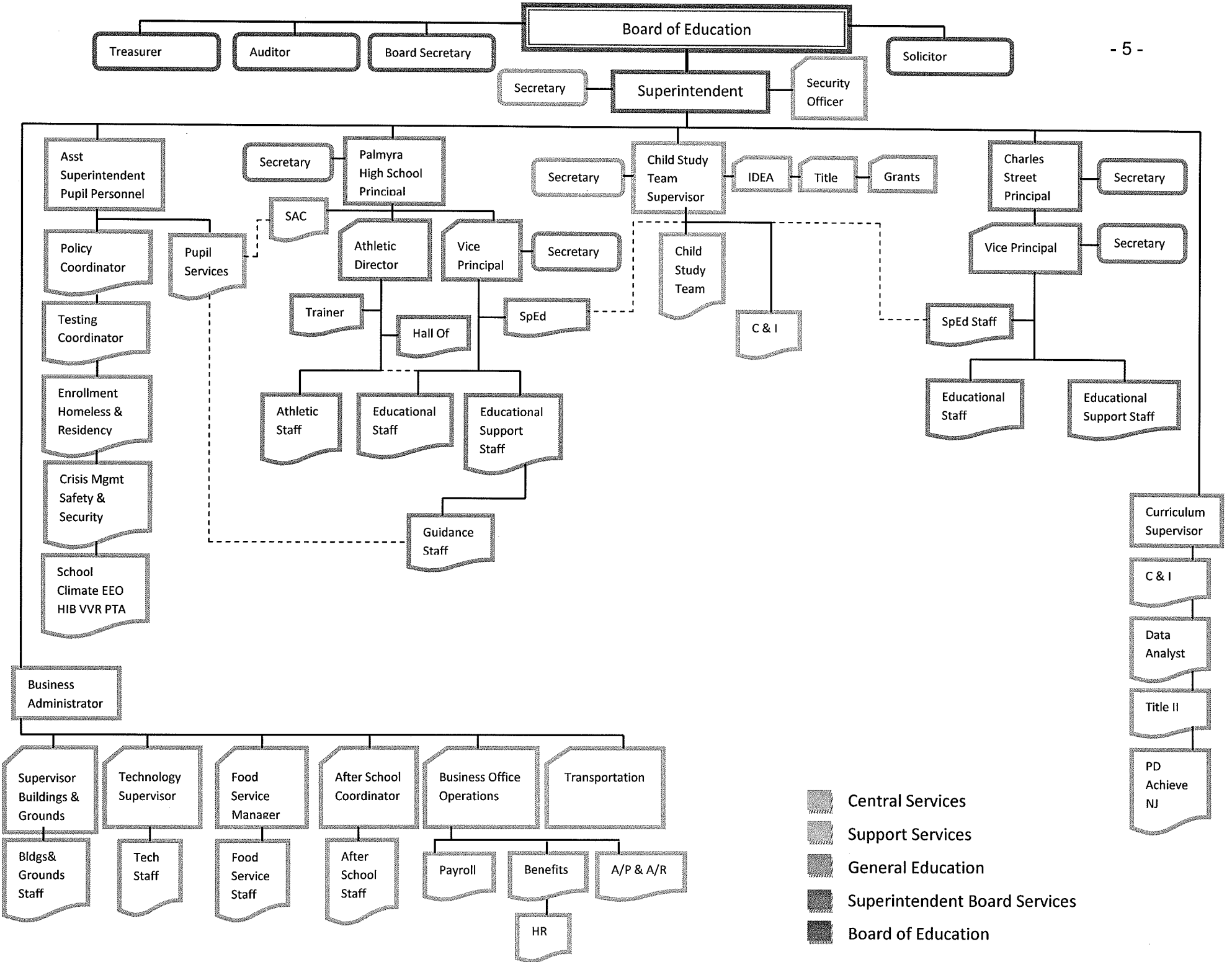
We would like to express our appreciation to the members of the Borough of Palmyra School District Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance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



Brian J. McBride
Superintendent



William Blatchley
School Business Administrator



- Central Services
- Support Services
- General Education
- Superintendent Board Services
- Board of Education

BOROUGH OF PALMYRA BOARD OF EDUCATION
PALMYRA, NEW JERSEY

ROSTER OF OFFICIALS
JUNE 30, 2018

<u>Board Members Name</u>	<u>Position</u>	<u>Term Expires</u>
Mark Russell	President	2019
Laurie Beck	Vice President	2019
Amy Austin	Board Member	2018
Judy Belton	Board Member	2020
John Liebe	Board Member	2020
John Quigg	Board Member	2019
Nicolas Sarracino	Board Member	2018
Sean Toner	Board Member	2020
Tonya Washington	Board Member	2018
<u>Other Officials</u>		<u>Amount of Bond</u>
Brian J. McBride	Superintendent of Schools	
Todd D. Reitzel (From 7/1/17 to 1/21/18)	Business Administrator/ Board Secretary	175,000
William Blatchley (From 1/22/18 to 6/30/18)	Business Administrator/ Board Secretary	175,000
Donna Gidjunis	Treasurer of School Monies	250,000
Lisa Sabo	Principal - Palmyra High School	
Brian McBride	Principal - Charles Street School	
Michael Papenberg	Director of Athletic	

BOROUGH OF PALMYRA BOARD OF EDUCATION
CONSULTANTS AND ADVISORS

AUDIT FIRM

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ATTORNEY

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Mount Laurel, NJ 08054

BOND COUNSEL

McManimon, Scotland, Bauman
75 Livingston Avenue
Roseland, NJ 07068

OFFICIAL DEPOSITORY

Investors Bank
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Maple Shade, NJ 08052

FINANCIAL ADVISOR

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4 West Park Street
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FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
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INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Palmyra Borough School District
County of Burlington, 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 Palmyra Borough School District in the County of Burlington, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Palmyra Borough School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 financial statement presentation.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to accounting and reporting for pensions 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 Palmyra Borough School Board of Education's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is also not a required part of the basic financial statements.

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

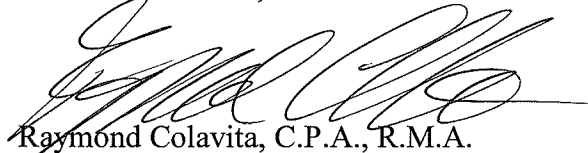
The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2019 on our consideration of the Borough of Palmyra Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Palmyra Board of Education's of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governments Auditing Standards* in considering Borough of Palmyra Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

January 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**BOROUGH OF PALMYRA BOARD OF EDUCATION
SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2018**

This section of the Borough of Palmyra Board of Education School District annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the School District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34- Basic Financial Statements- and Management's Discussion and Analysis - for State and Local Governments issued in June 1999. Certain comparative information between the current year (2017-18) and the prior year (2016-17) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017-18 fiscal year include the following:

- Net Position for Governmental and Business-Type activities were \$1,806,709 and \$494,259, respectively.
- Net Position for the Governmental activities increased by \$545,474 and the Net Position for Business-Type activities increased by \$39,465 from July 1, 2017 to June 30, 2018.
- The General Fund, fund balance as of June 30, 2018 was \$3,670,221, an increase of \$306,200 when compared with the beginning balance as of July 1, 2017 of \$3,364,021.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts - Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Borough of Palmyra School District.

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Table A-1 summarizes the major features of the Borough of Palmyra School District's financial statements, including the portion of the School 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 the structure and contents of each of the statements.

Table A-1

MAJOR FEATURES OF THE GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

		Fund Financial Statements	
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as regular and special education, building maintenance and transportation	Activities the School District operates similar to private businesses: Food Service Fund, After School Program
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Fund Net Position
			Statement of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues 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

Government-Wide Statements

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

The two government-wide statements report the Borough of Palmyra School District's net position and how they have changed. Net position - the difference between the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources - are a measure of the School District's financial health or position.

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

In the government-wide financial statements the School District's activities are shown in two categories:

- *Governmental activities*- Most of the School District's basic services are included here, such as regular and special education, transportation, administration, and maintenance. Aid from the State of New Jersey and from the Federal government along with local property taxes finances most of these activities.
- *Business-type activities*-The School District charges fees to customers to help it cover the costs of certain services it provides. The School District's Food Service Program and After School Program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds - focusing on the most significant or "major" funds - not the School District as a whole. Funds are accounting devices the School 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 School District uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

The School District has three kinds of funds:

- **Governmental funds** - Most of the School 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the governmental-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds** - Services for which the School District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.

- **Fiduciary funds** - The School District is the trustee, or fiduciary, for assets that belong to others. The School 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. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the government-wide financial statements because the School District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE BOROUGH OF PALMYRA SCHOOL DISTRICT AS A WHOLE

Net Position. The School District's net position for the fiscal years ended June 30, 2017 and 2018 are reflected in the following table.

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	\$ 3,715,225	\$ 3,409,525	\$ 487,578	\$ 438,561	\$ 4,202,803	\$ 3,848,086
Capital Assets, Net	11,030,078	11,756,997	17,212	19,186	11,047,290	11,776,183
Total Assets	14,745,303	15,166,522	504,790	457,747	15,250,093	15,624,269
Deferred Outflows of Resources	1,860,658	2,278,373			1,860,658	2,278,373
Liabilities						
Other Liabilities	425,394	284,299	10,531	2,952	435,925	287,251
Non-Current Liabilities	13,300,395	15,533,264			13,300,395	15,533,264
Total Liabilities	13,725,789	15,817,563	10,531	2,952	13,736,320	15,820,515
Deferred Inflows of Resources	1,073,463	366,097			1,073,463	366,097
Net Position						
Invested in Capital Assets, Net of Debt	2,543,351	1,769,218	17,212	19,186	2,560,563	1,788,404
Restricted	3,649,028	3,159,870			3,649,028	3,159,870
Unrestricted (Deficit)	(4,385,670)	(3,667,853)	477,047	435,608	(3,908,623)	(3,232,245)
Total Net Position	\$ 1,806,709	\$ 1,261,235	\$ 494,259	\$ 454,794	\$ 2,300,968	\$ 1,716,029

The School District's financial position for governmental and business-type activities is the product of the following factors:

- Program revenues were \$6,601,422.
 - ✓ Operating Grants & Contributions - \$4,849,682.
 - ✓ Charges for Services - \$1,751,740.
- General revenues amounted to \$17,106,089.
- Expenditures were \$23,011,044.
- Total School District revenues and beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net position of \$2,300,968 as of June 30, 2018:
 Revenues (\$17,106,089) + Beginning net position (\$1,716,029) - Net expenditures (\$16,409,622) - Fixed Asset Adjustment (\$111,528) = Net Position of \$2,300,968

Changes in Net Position - Net position for governmental and business-type activities increased from June 30, 2017 to June 30, 2018 as reflected in the following table.

	CHANGES IN NET POSITION					
	Governmental		Business-Type		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,438,398	\$ 1,103,457	\$ 313,342	\$ 315,190	\$ 1,751,740	\$ 1,418,647
Operating Grants and Contributions	4,611,312	5,304,567	238,370	237,138	4,849,682	5,541,705
General Revenues:						
Property Taxes	10,223,639	9,900,903			10,223,639	9,900,903
Grants and Contributions	6,749,597	5,097,356			6,749,597	5,097,356
Other	129,057	137,406	3,796	110	132,853	137,516
Total Revenues	23,152,003	21,543,689	555,508	552,438	23,707,511	22,096,127
Expenses						
Instruction	6,596,699	6,735,839			6,596,699	6,735,839
Support Services	15,463,493	14,014,848			15,463,493	14,014,848
Interest on Debt and Related Costs	434,809	298,544			434,809	298,544
Childcare			144,562	132,724	144,562	132,724
Food Services			371,481	371,310	371,481	371,310
Total Expenses	22,495,001	21,049,231	516,043	504,034	23,011,044	21,553,265
Increase (Decrease) in Net Position	657,002	494,458	39,465	48,404	696,467	542,862
Fixed Asset Adjustment	(111,528)				(111,528)	
Net Position, July 1	1,261,235	766,777	454,794	406,390	1,716,029	1,173,167
Net Position, June 30	\$ 1,806,709	\$ 1,261,235	\$ 494,259	\$ 454,794	\$ 2,300,968	\$ 1,716,029

Total revenues for the School District were \$23,707,511. Government funding was the source of 48.9% of the School District's revenues. This includes the State of New Jersey and Federal sources.

Property taxes of \$10,223,639 provided 43.1% of revenues. Charges for services provided 7.4% of revenues.

Other miscellaneous revenues of \$129,057 represent 0.6% of the School District revenues. Miscellaneous revenue was primarily provided from interest, refunds and athletic sales.

The School District's expenses for government activities are predominantly related to instruction and support services. Instruction and tuition totaled \$7,892,670 (35.1%) of total expenditures. Student and instruction related support services totaled \$1,752,793 (7.8%) of total expenditures and transportation, benefits, plant operations and general, school and business administrative services totaled \$10,757,947 (55.2%). Interest on long-term debt totaled \$434,809 (1.9%). Total revenues exceeded expenditures for governmental activities, increasing net position by \$657,002 from the beginning balance at July 1, 2017.

Activity Descriptions

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

Tuition expenses include the cost to the School District to send pupils with special needs living within the School District to private schools and/or schools outside the School District area.

Student and instruction related services include the activities designed to assess and improve the well being of students and to supplement the teaching process.

School Administrative and General and Business Administrative services include expenses associated with establishing and administering policy for the School District including financial supervision.

Plant operation and maintenance of plant activities involve keeping the school grounds, buildings and equipment in a safe and effective working condition.

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

Unallocated benefits includes the cost of benefits for the School District staff for social security, retirement contributions, worker's compensation, health benefits, pension expense and other employee benefits.

Interest on long-term debt and amortization of bond issuance costs involve the transactions associated with the payment of interest and other related charges to the debt of the School District.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The financial performance of the Borough of Palmyra School District as a whole is also reflected in the governmental funds which are accounted for by using the modified accrual basis of accounting. As the School District completed the year, its governmental funds reported a combined fund balance of \$3,695,225. At June 30, 2018 the general fund balance was \$3,670,221 and the debt service fund balance was \$25,004.

All governmental funds had total revenues of \$19,535,590 and total expenditures of \$19,229,891.

GENERAL FUND BUDGETING HIGHLIGHTS

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The General Fund includes the primary operations of the School District in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of Governmental Fund Revenues. The summary reflects the dollar and percent increase (decrease) from the prior year.

GOVERNMENTAL FUNDS COMPARISON OF REVENUES
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>% of Increase (Decrease)</u>
Revenues:				
Local Sources:				
Local Tax Levy	\$ 10,223,639	\$ 9,900,903	\$ 322,736	3.26%
Miscellaneous	1,567,455	1,263,263	304,192	24.08%
Total	<u>11,791,094</u>	<u>11,164,166</u>	<u>626,928</u>	<u>5.62%</u>
Government Sources:				
State Sources	7,175,737	6,848,984	326,753	4.77%
Federal Sources	568,759	570,718	(1,959)	-0.34%
Total	<u>7,744,496</u>	<u>7,419,702</u>	<u>324,794</u>	<u>4.38%</u>
Total Revenues	<u>\$ 19,535,590</u>	<u>\$ 18,583,868</u>	<u>\$ 951,722</u>	<u>5.12%</u>

One of the primary sources of funding for the School District is received from local property taxes and accounted for 52.3% of total revenues. State aid accounted for 36.7% of total revenues.

Total Governmental Fund revenues increased by \$324,794, or 4.38%, from the previous year. The major component of this increase was an increase in taxes and state sources.

The following schedule presents a summary of Governmental Fund expenditures. The summary reflects the dollar and percent increases (decreases) from the prior year.

GOVERNMENTAL FUNDS COMPARISON OF EXPENDITURES
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Expenditures				
Instruction				
Regular	\$ 4,406,508	\$ 4,348,615	\$ 57,893	1.33%
Special Education	1,615,646	1,617,712	(2,066)	-0.13%
Other	548,518	726,868	(178,350)	-24.54%
Total Instruction	<u>6,570,672</u>	<u>6,693,195</u>	<u>(122,523)</u>	<u>-1.83%</u>
Support Services				
Tuition	1,295,971	1,380,458	(84,487)	-6.12%
Student and Instruction Related Services	1,744,009	1,575,495	168,514	10.70%
School Administration	420,764	386,961	33,803	8.74%
General/Business Administration	689,508	791,826	(102,318)	-12.92%
Plant Operations and Maintenance	1,439,696	1,441,720	(2,024)	-0.14%
Pupil Transportation	397,385	370,634	26,751	7.22%
Unallocated Benefits	3,120,209	2,870,914	249,295	8.68%
TPAF and FICA Reimbursements	2,110,173	1,768,609	341,564	19.31%
Total Support Services	<u>11,217,715</u>	<u>10,586,617</u>	<u>631,098</u>	<u>5.96%</u>
Capital Outlay	<u>222,529</u>	<u>162,413</u>	<u>60,116</u>	<u>37.01%</u>
Debt Service	<u>1,218,975</u>	<u>1,263,044</u>	<u>(44,069)</u>	<u>-3.49%</u>
Total Expenditures	<u>\$ 19,229,891</u>	<u>\$ 18,705,269</u>	<u>\$ 524,622</u>	<u>2.80%</u>

Total Governmental Fund expenditures increased \$524,622 or 2.8% from the previous year. This increase was primarily due to an increase in TPAF and FICA reimbursements, capital outlays, student and instruction related services and pupil transportation.

The Borough of Palmyra School District values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during the school year.

During the course of fiscal year 2018 the School District modified the General Fund Budget as needed to ensure no line item was projected to be over-expended.

DEBT SERVICE FUND

The current year obligations for payment of debt service principal and interest amounted to \$1,218,975 where funding was provided by the local tax levy and Debt Service Aid.

FOOD SERVICE PROPRIETARY FUND

The Food Service Fund's net position was \$188,018 as of June 30, 2018. This reflects an increase of \$33,035 from June 30, 2017.

AFTER SCHOOL PROGRAM PROPRIETARY FUND

The After School Program Fund's net position was \$306,241 as of June 30, 2018. This reflects an increase of \$6,430 from June 30, 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital Assets are individual items purchased at a cost exceeding \$2,000, have an extended useful life of one year or more and maintain their identity and structure when placed into service.

At the end of 2018, the School District had capital assets allocated to government activities with a net book value of

\$11,030,078. This consists of a broad range of capital assets, including land, land improvements, buildings and improvements, and furniture, fixtures and equipment. Total depreciation expense for the year was \$656,915.

CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 46,066	\$ 46,066	\$	\$	\$ 46,066	\$ 46,066
Building and Improvements	10,758,374	11,380,196			10,758,374	11,380,196
Furniture, Fixtures and Equipment	225,638	330,734	17,212	19,186	242,850	349,920
Total	\$ 11,030,078	\$ 11,756,996	\$ 17,212	\$ 19,186	\$ 11,047,290	\$ 11,776,182

Debt Administration - Long-term Obligations

At fiscal year-end, the School District had \$8,260,000 in general obligation bonds outstanding, a decrease of \$905,000 from last fiscal year. This reduction was due to payment of principal as well as a refunding of the 2006 and 2009 outstanding debt. The refunding provided for a net savings over the next ten fiscal years of \$437,679. The School District does not anticipate incurring any new long-term debt at this time.

The School District also had a \$268,450 liability for compensated absences allocated to government activities. This liability represents the School District's contractual obligation to compensate employees for accumulated unused sick and vacation leave entitlements upon retirement.

The School District's proportionate share of net pension liability was \$4,011,458.

SCHEDULE OF LONG TERM OBLIGATIONS

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Bonds Payable	\$ 8,260,000	\$ 9,165,000	\$ (905,000)	-9.87%
Add: Issuance Premium	760,487	822,779	(62,292)	-7.57%
Total Bonds Payable	<u>9,020,487</u>	<u>9,987,779</u>	<u>(967,292)</u>	
Net Pension Liability	4,011,458	4,979,985	(968,527)	-19.45%
Compensated Absences	268,450	565,500	(297,050)	-52.53%
Total	<u>\$ 13,300,395</u>	<u>\$ 15,533,264</u>	<u>\$ (2,232,869)</u>	-14.37%

THE FUTURE OUTLOOK

The Borough of Palmyra School District is presently in a stable financial position.

The School District has done a commendable job managing the budget through changing state regulations, unfunded mandates and the high turnover rate among senior staff. The over reliance on fund balances in prior years and the level of property tax support for the School District has been stabilized. The School District remains committed to serving students and taxpayers and it continues to strive for an exceptional program and a stable tax rate.

The School District's system for financial planning, budgeting and internal controls are continually reviewed in an effort to align routine operational processes with the continually changing educational demands as well as those demands imposed upon the School District by outside authorities having jurisdiction. The School District is committed to continuing its sound fiscal management to meet the challenges of the future.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Administrator/Board Secretary at:

Borough of Palmyra Board of Education, 301 Delaware Ave., Palmyra, New Jersey 08065.

BASIC FINANCIAL STATEMENTS

DISTRICT WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the District.

These statements include the financial activities of the overall District, except for fiduciary activities.

Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

BOROUGH OF PALMYRA SCHOOL DISTRICT

Statement of Net Position

For the Fiscal Year Ended June 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 3,461,383	\$ 463,455	\$ 3,924,838
Receivables, Net	253,842	12,563	266,405
Inventory		11,560	11,560
Capital Assets, Net (Note 6)	11,030,078	17,212	11,047,290
Total Assets	14,745,303	504,790	15,250,093
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Loss on Refunding Related to Pensions (Note 9)	533,760		533,760
	1,326,898		1,326,898
Total Deferred Outflows of Resources	1,860,658		1,860,658
LIABILITIES:			
Accounts Payable:			
Related to Pensions	161,331		161,331
Interfund Payable	20,000		20,000
Accrued Interest	244,063		244,063
Unearned Revenue		10,531	10,531
Noncurrent Liabilities (Note 7):			
Due within One Year	932,532		932,532
Due beyond One Year	12,367,863		12,367,863
Total Liabilities	13,725,789	10,531	13,736,320
DEFERRED INFLOWS OF RESOURCES:			
Related to Pensions (Note 9)	1,073,463		1,073,463
NET POSITION:			
Net Investment in Capital Assets	2,543,351	17,212	2,560,563
Restricted for:			
Debt Service	25,004		25,004
Capital Projects	948,572		948,572
Maintenance Reserve	998,001		998,001
Other Purposes	1,677,451		1,677,451
Unrestricted (Deficit)	(4,385,670)	477,047	(3,908,623)
Total Net Position	\$ 1,806,709	\$ 494,259	\$ 2,300,968

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 4,432,535	\$ 1,438,398			\$ (2,994,137)		\$ (2,994,137)
Special Education	1,615,646		\$ 465,665		(1,149,981)		(1,149,981)
Other Special Instruction	548,518				(548,518)		(548,518)
Support Services:							
Tuition	1,295,971				(1,295,971)		(1,295,971)
Student and Instruction Related Services	1,752,793		77,485		(1,675,308)		(1,675,308)
School Administrative Services	423,498				(423,498)		(423,498)
General and Business Administrative Services	690,026				(690,026)		(690,026)
Plant Operations and Maintenance	2,239,552				(2,239,552)		(2,239,552)
Pupil Transportation	397,385				(397,385)		(397,385)
Unallocated Benefits	8,664,268		4,068,162		(4,596,106)		(4,596,106)
Interest on Long-Term Debt	434,809				(434,809)		(434,809)
Total Governmental Activities	22,495,001	1,438,398	4,611,312		(16,445,291)		(16,445,291)
Business-Type Activities:							
Food Service	371,481	164,881	238,370			31,770	31,770
After School Program	144,562	148,461				3,899	3,899
Total Business-Type Activities	516,043	313,342	238,370			35,669	35,669
Total Government	\$ 23,011,044	\$ 1,751,740	\$ 4,849,682		(16,445,291)	35,669	(16,409,622)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, net					9,181,593		9,181,593
Property Taxes Levied for Debt Service					1,042,046		1,042,046
Federal and State Aid not Restricted					6,749,597		6,749,597
Miscellaneous Income					129,057	3,796	132,853
Total General Revenues					17,102,293	3,796	17,106,089
Change in Net Position					657,002	39,465	696,467
Fixed Asset Adjustment					(111,528)		(111,528)
Net Position -- July 1					1,261,235	454,794	1,716,029
Net Position -- June 30					\$ 1,806,709	\$ 494,259	\$ 2,300,968

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

BOROUGH OF PALMYRA SCHOOL DISTRICT

Governmental Funds

Balance Sheet

For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 3,436,379	\$ -	\$ 25,004	\$ 3,461,383
Receivables, net:				
Interfunds Receivable:				
Special Revenue Fund	36,621			36,621
Payroll Fund	3			3
Receivables from Other Governments:				
State Sources	95,459			95,459
Federal Sources		56,621		56,621
Other Receivables	101,759			101,759
Total Assets	\$ 3,670,221	\$ 56,621	\$ 25,004	\$ 3,751,846
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Interfunds Payable:				
Student Activity		20,000		20,000
General Fund		36,621		36,621
Total Liabilities		56,621		56,621
Fund Balances:				
Restricted:				
Excess Surplus	931,219			931,219
Excess Surplus - Subsequent Year's Expenditures	746,232			746,232
Capital Reserve	948,572			948,572
Maintenance Reserve	786,501			786,501
Maintenance Reserve - Subsequent Year's Expenditures	211,500			211,500
Debt Service Fund - Subsequent Year's Expenditures			25,004	25,004
Assigned:				
Subsequent Year's Expenditures	65,877			65,877
Unassigned (Deficit)	(19,680)			(19,680)
Total Fund Balances	3,670,221		25,004	3,695,225
Total Liabilities and Fund Balances	\$ 3,670,221	\$ 56,621	\$ 25,004	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$22,185,090, and the accumulated depreciation is \$11,155,012.	11,030,078
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(9,288,937)
Net Pension Liability	(4,011,458)
Accounts Payable related to the April 1, 2018 Required PERS pension contribution that is not to be liquidated with current financial resources.	(161,331)
Deferred Outflows of Resources - Related to Pensions	1,326,898
Deferred Inflows of Resources - Related to Pensions	(1,073,463)
Deferred loss on defeasance of debt is a consumption of net position that is applicable to a future reporting period and therefore is not reported in the funds.	533,760
Interest on long term debt is accrued on the Statement of Net Position regardless when due.	(244,063)
Net Position of Governmental Activities	\$ 1,806,709

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local Tax Levy	\$ 9,181,593		\$ 1,042,046	\$ 10,223,639
Tuition and Transportation	1,438,398			1,438,398
Miscellaneous	128,057	\$ 1,000		129,057
State Sources	6,999,309		176,428	7,175,737
Federal Sources	26,609	542,150		568,759
Total Revenues	17,773,966	543,150	1,218,474	19,535,590
EXPENDITURES:				
Regular Instruction	4,406,508			4,406,508
Special Education Instruction	1,149,981	465,665		1,615,646
Other Special Instruction	548,518			548,518
Support Services and Undistributed Costs:				
Tuition	1,295,971			1,295,971
Student and Instruction Related Services	1,666,524	77,485		1,744,009
School Administrative Services	420,764			420,764
Other Administrative Services	689,508			689,508
Plant Operations and Maintenance	1,439,696			1,439,696
Pupil Transportation	397,385			397,385
Unallocated Benefits	5,230,382			5,230,382
Debt Service:				
Principal			905,000	905,000
Interest and Other Charges			313,975	313,975
Capital Outlay	222,529			222,529
Total Expenditures	17,467,766	543,150	1,218,975	19,229,891
Excess (Deficiency) of Revenues over Expenditures	306,200		(501)	305,699
OTHER FINANCING SOURCES (USES):				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	306,200		(501)	305,699
Fund Balance -- July 1	3,364,021		25,505	3,389,526
Fund Balance -- June 30	\$ 3,670,221	\$ -	\$ 25,004	\$ 3,695,225

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Total Net Change in Fund Balances - Governmental Funds		\$ 305,699
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>		
Depreciation Expense	\$ (654,941)	
Loss on Disposal of Asset		
Capital Outlays	39,551	(615,390)
Repayment of bond principal 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.		905,000
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The decrease in accrued interest is an addition in the reconciliation. (+)		(139,405)
Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School District's pension contributions in the current period.		(114,523)
In the Statement of Activities, deferred losses on debt refunding are amortized over the life of the debt. However, in the governmental fund, no expenditures are incurred.		18,571
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		297,050
Change in Net Position of Governmental Activities		\$ 657,002

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

PROPRIETARY FUNDS

BOROUGH OF PALMYRA SCHOOL DISTRICT

Proprietary Funds

Business-Type Activities - Enterprise Funds

Statement of Net Position

June 30, 2018

	<u>Food Service</u>	<u>After School Program</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 157,214	\$ 306,241	\$ 463,455
Accounts Receivable:			
State	191		191
Federal	8,663		8,663
Other	3,709		3,709
Inventories	11,560		11,560
Total Current Assets	<u>181,337</u>	<u>306,241</u>	<u>487,578</u>
Noncurrent Assets:			
Furniture, Fixtures and Equipment	302,584		302,584
Less Accumulated Depreciation	(285,372)		(285,372)
Total Noncurrent Assets	<u>17,212</u>		<u>17,212</u>
Total Assets	<u>198,549</u>	<u>306,241</u>	<u>504,790</u>
LIABILITIES:			
Current Liabilities:			
Unearned Revenue	10,531		10,531
Total Liabilities	<u>10,531</u>		<u>10,531</u>
NET POSITION:			
Restricted:			
Net Investment in Capital Assets	17,212		17,212
Unrestricted	170,806	306,241	477,047
Total Net Position	<u>\$ 188,018</u>	<u>\$ 306,241</u>	<u>\$ 494,259</u>

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
Proprietary Funds
Business-Type Activities - Enterprise Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2018

	<u>Food Service</u>	<u>After School Program</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services:			
Daily Sales:			
Non-reimbursable Programs	\$ 70,848		\$ 70,848
Reimbursable Program -- School Breakfast	6,637		6,637
Reimbursable Program -- School Lunch	87,396		87,396
Child Care Fees		\$ 148,461	148,461
Total Operating Revenues	<u>164,881</u>	<u>148,461</u>	<u>313,342</u>
OPERATING EXPENSES:			
Salaries	126,013	85,814	211,827
Employee Benefits	22,693	25,000	47,693
Management Fee	18,360		18,360
General Supplies	14,139	9,319	23,458
Direct Expenses	9,010		9,010
Depreciation	1,974		1,974
Other Professional and Technical Services	3,000	24,429	27,429
Cost of Sales - Reimbursable Programs	153,152		153,152
Cost of Sales - Non-reimbursable Programs	23,140		23,140
Total Operating Expenses	<u>371,481</u>	<u>144,562</u>	<u>516,043</u>
Operating Income / (Loss)	<u>(206,600)</u>	<u>3,899</u>	<u>(202,701)</u>
NONOPERATING REVENUES:			
State Sources:			
State School Lunch Program	4,293		4,293
Federal Sources:			
National School Lunch Program	165,864		165,864
National School Breakfast Program	33,502		33,502
Food Distribution Program	34,711		34,711
Interest Revenue	1,265	2,531	3,796
Total Nonoperating Revenues	<u>239,635</u>	<u>2,531</u>	<u>242,166</u>
Change in Net Position	33,035	6,430	39,465
Net Position -- July 1	<u>154,983</u>	<u>299,811</u>	<u>454,794</u>
Net Position -- June 30	<u>\$ 188,018</u>	<u>\$ 306,241</u>	<u>\$ 494,259</u>

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

BOROUGH OF PALMYRA SCHOOL DISTRICTProprietary FundsBusiness-Type Activities - Enterprise FundsStatement of Cash FlowsFor the Fiscal Year Ended June 30, 2018

	<u>Food Service</u>	<u>After School Program</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 164,881	\$ 148,461	\$ 313,342
Payments to Management Company	(18,360)		(18,360)
Payments to Employees	(126,013)	(85,814)	(211,827)
Payments for Employee Benefits	(22,693)	(25,000)	(47,693)
Payments for Supplies and Services	(191,726)	(33,828)	(225,554)
Net Cash Provided by (Used for) Operating Activities	<u>(193,911)</u>	<u>3,819</u>	<u>(190,092)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
State Sources	4,293		4,293
Federal Sources	234,077		234,077
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>238,370</u>		<u>238,370</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Revenue	1,265	2,531	3,796
Net Increase in Cash and Cash Equivalents	<u>45,724</u>	<u>6,350</u>	<u>52,074</u>
Cash and Cash Equivalents -- July 1	<u>111,490</u>	<u>299,891</u>	<u>411,381</u>
Cash and Cash Equivalents -- June 30	<u>\$ 157,214</u>	<u>\$ 306,241</u>	<u>\$ 463,455</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)			
by Operating Activities:			
Operating Income (Loss)	\$ (206,600)	\$ 3,899	\$ (202,701)
Adjustments to Reconcile Operating Income (Loss) to Net Cash			
Provided by (used for) Operating Activities:			
Depreciation and Net Amortization	1,974		1,974
(Increase) Decrease in Accounts Receivable	2,260	300	2,560
(Increase) Decrease in Inventories	497		497
Increase (Decrease) in Interfund Payable			
Increase (Decrease) in Unearned Revenue	7,958	(380)	7,578
Increase (Decrease) in Accounts Payable			
Total Adjustments	<u>12,689</u>	<u>(80)</u>	<u>12,609</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (193,911)</u>	<u>\$ 3,819</u>	<u>\$ (190,092)</u>

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

FIDUCIARY FUNDS

BOROUGH OF PALMYRA SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2018

	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>	
	<u>Unemployment Compensation</u>	<u>Student Activity</u>	<u>Payroll</u>
ASSETS:			
Cash and Cash Equivalents	\$ 158,924	\$ 112,997	\$ 3,905
Interfund Accounts Receivable		20,000	
Total Assets	<u>158,924</u>	<u>132,997</u>	<u>3,905</u>
LIABILITIES:			
Interfund Accounts Payable			3
Payable to Student Groups		132,997	
Flexible Spending Reserve			3,902
Total Liabilities		<u>\$ 132,997</u>	<u>\$ 3,905</u>
NET POSITION:			
Restricted:			
Held in Trust for Payment of Claims	<u>\$ 158,924</u>		

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

BOROUGH OF PALMYRA SCHOOL DISTRICT

Fiduciary Funds

Private-Purpose Trust Fund

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2018

	<u>Unemployment Compensation Insurance Trust Fund</u>
ADDITIONS:	
Interest on Investments	\$ 1,205
Employer Contributions	20,000
Employee Contributions	15,264
Total Additions	<hr/> 36,469 <hr/>
DELETIONS:	
Withdrawals	<hr/> 5,703 <hr/>
Change in Net Position	30,766
Net Position -- July 1	128,158
Net Position -- June 30	<hr/> <hr/> \$ 158,924 <hr/> <hr/>

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Borough of Palmyra School District (the "School District") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Description of the Financial Reporting Entity

The School District is a Type II district located in the County of Burlington, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education (the "Board"). The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The Superintendent is appointed by the Board to act as executive officer of the School District. The purpose of the School District is to educate students from Palmyra Borough in grades Pre-K through 12 at its three schools. In addition, high school students from the City of Beverly and the Borough of Riverton attend Palmyra High School. The School District has an approximate enrollment at June 30, 2018 of 932.

The primary criterion for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School District over which the Board exercises operating control.

Component Units

In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Component Units (Cont'd)

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the School District has no component units.

Government-wide and Fund Financial Statements

The School District's basic financial statements consist of government-wide statements, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the School District to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the School District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied. The Burlington County Board of Taxation is responsible for the assessment of properties, and the respective municipal tax collector is responsible for the collection of property taxes. Assessments are certified and property taxes are levied on January 1.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Property tax payments are due February 1, May 1, August 1 and November 1. Unpaid property taxes are considered delinquent the following January 1 and are then subject to municipal lien. In accordance with New Jersey State Statute, the School District is entitled to receive moneys under an established payment schedule, and any unpaid amount is considered as an accounts receivable. The governing body of each municipality is required to pay over to the School District, within forty (40) days after the beginning of the school year, twenty percent (20%) of the moneys from school tax due. Thereafter, but prior to the last day of the school year, the municipality must pay the balance of moneys from school tax due for school purposes in such amounts as requested, with certain limitations, from time to time by the School District, within thirty days after each request.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Measurable means that the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, tuition, reimbursable-type grants, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following major governmental funds:

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

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

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

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for 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 New Jersey Economic Development Authority grants, temporary notes, serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, or from the general fund by way of transfers from capital outlay or the capital reserve account. The School District does not maintain a capital projects fund.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Proprietary funds are used to account for the School District's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All items not meeting this definition are reported as nonoperating revenues and expenses.

The School District reports the following major proprietary funds:

Enterprise Funds

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

After School Fund - This fund accounts for the financial activity related to providing day care services for School District students after school.

Fiduciary funds are used to account for assets held by the School District on behalf of outside related organizations or on behalf of other funds within the School District. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The School District maintains the following fiduciary funds:

Agency Funds - Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). The School District retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District maintains the following agency funds: student activity fund and payroll fund.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Enterprise Funds (Cont'd)

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

New Jersey Unemployment Compensation Insurance Trust Fund- Revenues consist of contributions that have been included in the annual budget of the School District, employee payroll withholdings, and interest income. Expenditures represent claims incurred for unemployment.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Budgets / Budgetary Control

Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds, and are submitted to the county office of education. In accordance with P.L. 2011, c. 202, the School District passed a resolution to move the school board election to the first Tuesday after the first Monday in November, starting in November of 2012, to be held simultaneously with the general election. As a result, a vote is not required on the School District's general fund tax levy for the budget year, other than the general fund tax levy required to support a proposal for additional funds, if any. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A- 13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only, and the special revenue fund. N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June 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. 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 budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgets / Budgetary Control (Cont'd)

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the School District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting, with the exception of the aforementioned revenue recognition policy for the one or more June state aid payments.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance 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 governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected on the balance sheet as unearned revenues at fiscal year-end.

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalents and Investments (Cont'd)

All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Inventories

Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in the governmental fund financial statements is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements and in the proprietary fund types are recorded as expenses when consumed rather than when purchased.

Tuition Receivable

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

Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2018. The School District had no prepaid expenses for the fiscal year ended June 30, 2018.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Short-Term Interfund Receivables / Payables

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the School District, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances, thus leaving a net amount due between the governmental and business-type activities that are eliminated in the total government column. Balances with fiduciary activities are not considered to be internal balances; therefore, such balances appear on the statement of net position as accounts receivable.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital Assets

Capital assets represent the cumulative amount of capital assets owned by the School District. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position and proprietary fund statement of net position. In the case of gifts or contributions, such capital assets are recorded at acquisition value at the time received.

The School District's capitalization threshold is \$2,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 - 20 Years
Buildings and Improvements	20-65 Years
Land Improvements	20 Years

The School District does not possess any infrastructure assets.

Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The School District is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the School District's proportion of expenses and liabilities to the pension as a whole, differences between the School District's pension contribution and its proportionate share of contributions, and the School District's pension contributions subsequent to the pension valuation measurement date.

In addition, the School District reports the following as deferred outflows of resources:

Loss on Refunding of Debt - The loss on refunding arose from the issuance of refunding bonds, which is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Tuition Payable

Tuition charges for the fiscal years ended June 30, 2018 and 2017 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

Unearned Revenue

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

Accrued Salaries and Wages

Certain School District employees who provide services to the School District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2018, the amounts earned by these employees were disbursed to the employees' own individual credit union accounts.

Compensated Absences

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

The School District uses the vesting method to calculate the compensated absences amount. The entire compensated absence liability, including the employer's share of applicable taxes, is reported on the government-wide financial statements. The portion related to employees in the proprietary funds is recorded at the fund level. The current portion is the amount estimated to be used in the following fiscal year. Expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Accrued Liabilities and Long-Term Obligations

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Bond Discounts / Premiums

Bond discounts / premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in systematic and rational method, as a component of interest expense. Bond discounts/premiums are presented as an adjustment of the face amount of the bonds on the government-wide statement of net position and on the proprietary fund statement of net position.

Net Position

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

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

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

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

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

Fund Balance

The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable -The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position and standard operating procedures, approved by the Board of Education.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the School District to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Interfund Activity

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

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

The School District has adopted the following GASB statements:

- GASB No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*: The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2017. The adoption of GASB 75 will impact the financial statements of the School District.
- GASB No. 85 - *Omnibus 2017*: The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of Statement will be effective for reporting periods beginning after June 15, 2017. The adoption of GASB 85 is not expected to impact the financial statements of the School District.
- GASB No. 86 - *Certain Debt Extinguishment Issues*: The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of Statement will be effective for reporting periods beginning after June 15, 2017. The adoption of GASB 86 is not expected to impact the financial statements of the School District.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 83 - *Certain Asset Retirement Obligations*: This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of Statement will be effective for reporting periods beginning after June 15, 2018. Management is evaluating the potential impact of the adoption of GASB 83 on the School District's financial statements.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impact of Recently Issued Accounting Principles (Cont'd)

- GASB No. 84 - *Fiduciary Activities*: The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of Statement will be effective for reporting periods beginning after December 15, 2018. Management is evaluating the potential impact of the adoption of GASB 84 on the School District's financial statements.
- GASB No. 87 - *Leases*: The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of Statement will be effective for reporting periods beginning after periods beginning after December 15, 2019. Management is evaluating the potential impact of the adoption of GASB 87 on the School District's financial statements.
- GASB No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*: The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is evaluating the potential impact of the adoption of GASB 88 on the School District's financial statements.
- GASB No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*: The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. cost is incurred for financial statements prepared using the economic resources measurement focus.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impact of Recently Issued Accounting Principles (Cont'd)

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is evaluating the potential impact of the adoption of GASB 89 on the School District's financial statements.

- *GASB Statement - No. 90 - Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61:* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is evaluating the potential impact of the adoption of GASB 90 on the School District's financial statements.

NOTE 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2: CASH AND CASH EQUIVALENTS (CONT'D)

As of June 30, 2018, none of the School District's bank balances of \$4,543,265 were uninsured or uncollateralized.

Insured	\$	250,000
Uninsured and collateralized under GUDPA by pledging financial institutions		4,293,265
	\$	4,543,265

NOTE 3: RESERVE ACCOUNTS

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

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

Beginning Balance July 1, 2017	\$	653,093
Add:		
Interest Earnings		5,935
2017-18 Budget		289,544
Ending Balance June 30, 2018	\$	948,572

The June 30, 2018 LRFP balance of local support costs of uncompleted projects at June 30, 2018 is \$2,652,500.

Maintenance Reserve - New Jersey Statute 18A:7G-9 permits school districts to accumulate funds for the required maintenance of a facility in accordance with EFCFA. The balance may only be increased through an appropriation in the annual general fund budget certified for taxes. Upon completion of a school facilities projects, districts are required to submit a plan for maintenance of that facility.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3: RESERVE ACCOUNTS (CONT'D)

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

Beginning Balance July 1, 2017	\$ 989,014
Add:	
Interest Earnings	8,987
Ending Balance June 30, 2018	\$ 998,001

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consisted of accounts (fees for services) and intergovernmental awards / grants. All receivables are considered collectible in full due to the stable condition of federal and state programs, the current fiscal year guarantee of federal funds, and the regulated budgetary control of governmental entities in New Jersey.

Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General</u>	<u>Special</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:	Fund	Revenue	Funds	Funds
Governmental	\$ 95,459	\$ 56,621	\$ 8,854	\$ 160,934
Other	101,759		3,709	105,468
Totals	\$ 197,218	\$ 56,621	\$ 12,563	\$ 266,402

NOTE 5: INVENTORY

Inventory recorded at June 30, 2018 in business-type activities on the government-wide statement of net position, and on the food service enterprise fund statement of net position, consisted of the following:

Food	\$ 10,097
Supply	1,463
Totals	\$ 11,560

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6: CAPITAL ASSETS

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

	<u>Balance</u> <u>7/1/2017</u>	<u>Additions</u>	<u>Adjustment</u>	<u>Balance</u> <u>6/30/2018</u>
Governmental activities:				
Capital Assets That Are Not Being Depreciated:				
Land	\$ 46,066	\$	\$	\$ 46,066
Total capital assets not being depreciated	<u>46,066</u>			<u>46,066</u>
Land Improvements	449,615			449,615
Building and Improvements	20,403,292		(38,916)	20,364,376
Furniture, Fixtures & Equipment	1,125,060	39,551	160,422	1,325,033
Totals at historical cost	<u>21,977,967</u>	<u>39,551</u>	<u>121,506</u>	<u>22,139,024</u>
Less accumulated depreciation for :				
Land Improvements	(449,615)			(449,615)
Building and Improvements	(9,023,096)	(604,698)	21,792	(9,606,002)
Furniture, Fixtures & Equipment	(794,326)	(50,243)	(254,826)	(1,099,395)
Total accumulated depreciation	<u>(10,267,037)</u>	<u>(654,941)</u>	<u>(233,034)</u>	<u>(11,155,012)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>11,710,930</u>	<u>(615,390)</u>		<u>10,984,012</u>
Government activities capital assets, net	<u>\$ 11,756,996</u>	<u>\$ (615,390)</u>	<u>\$ (111,528)</u>	<u>\$ 11,030,078</u>
	To A-1			To A-1
Business-type activities:				
Capital assets being depreciated:				
Furniture, Fixtures & Equipment	\$ 287,117	\$	\$ 15,467	\$ 302,584
Less accumulated depreciation for :				
Furniture, Fixtures & Equipment	(267,931)	(1,974)	(15,467)	(285,372)
Business-type activities capital assets, net	<u>\$ 19,186</u>	<u>\$ (1,974)</u>	<u>\$</u>	<u>\$ 17,212</u>

* Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 26,026
Administration	628,915
Total depreciation expense	<u>\$ 654,941</u>

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7: LONG-TERM LIABILITIES

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

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>	<u>Long-term</u> <u>Portion</u>
Governmental Activities:						
Bonds payable:						
General obligation debt	\$ 9,165,000		\$ (905,000)	\$ 8,260,000	\$ 895,000	\$ 7,365,000
Add Amounts:						
Issuance Premium	822,779		(62,292)	760,487		760,487
Total bonds payable	9,987,779		(967,292)	9,020,487	895,000	8,125,487
Other Liabilities:						
Compensated absences payable	565,500		(297,050)	268,450	37,532	230,918
Net Pension Liability	4,979,985		(968,527)	4,011,458		4,011,458
Total liabilities	\$ 15,533,264		\$ (2,232,869)	\$ 13,300,395	\$ 932,532	\$ 12,367,863
Business-Type Activities:						
Compensated absences payable	\$		\$	\$	\$	\$
Total Long-Term Liabilities	\$ 15,533,264		\$ (2,232,869)	\$ 13,300,395	\$ 932,532	\$ 12,367,863

The bonds payable are generally liquidated by the debt service fund, while the compensated absences and net pension liability are liquidated by the general fund.

Bonds Payable - Bonds and loans 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 School District are general obligation bonds.

On July 1, 2006, the School District issued \$3,487,000 general obligation bonds at interest rates varying from 4.00% to 4.25% for various construction and renovation projects. The final maturity of these bonds was originally January 1, 2021; however, the School District issued refunding bonds on September 14, 2016 to advance refund the bonds maturing on January 1, 2018 through January 1, 2021. The final payment was paid on January 1, 2017.

On October 15, 2009, the School District issued \$9,883,000 general obligation bonds at interest rates varying from 2.50% to 4.00% for various construction and renovation projects. The final maturity of these bonds was originally March 1, 2030; however, the School District issued refunding bonds on September 14, 2016 to advance refund the bonds maturing on March 1, 2020 through March 1, 2030. The final payment will be paid on March 1, 2019.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7: LONG-TERM LIABILITIES (CONT'D)

Bonds Payable (Cont'd)- On September 14, 2016, the School District issued \$8,365,000.00 of refunding bonds at interest rates varying from 2.00% to 4.00% to advance refund the callable bonds of the 2006 and 2009 issues. The final maturity of these bonds is March 1, 2030. The bonds will be paid from property taxes.

Principal and interest due on bonds outstanding is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 895,000	\$ 292,875	\$ 1,187,875
2020	885,000	266,025	1,151,025
2021	925,000	230,625	1,155,625
2022	480,000	193,625	673,625
2023-2027	3,190,000	636,125	3,826,125
2028-2032	1,885,000	128,425	2,013,425
	<u>\$ 8,260,000</u>	<u>\$ 1,876,125</u>	<u>\$ 10,007,700</u>

Bonds Authorized but not Issued - As of June 30, 2018, the School District had no authorizations to issue additional bonded debt.

Compensated Absences - As previously stated, compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 14 for a description of the School District's policy.

Net Pension Liability - For details on the net pension liability, refer to Note 9. The School District's annual required contribution to the Public Employees' Retirement System is budgeted and paid from the general fund on an annual basis.

NOTE 8: OPERATING LEASES

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 33,662
2020	33,135
2021	5,962
Total	<u>\$ 72,759</u>

Rental payments under operating leases for the fiscal year ended June 30, 2018 were \$33,662.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9. PENSION PLANS

Description of Plans - All required employees of the School District are covered by either the Public Employees' Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF) which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. For additional information about PERS or TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

The following represents the membership tiers for PERS and TPAF:

Tier	Definition
1	Members who are 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.

Public Employees' Retirement System

The PERS is a cost sharing multiple-employer defined benefit pension plan that was established in 1955. The PERS provides retirement, death and disability, and medical benefits to qualified members. The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service or under the disability provisions of PERS.

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more 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 is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 7.34% of employees' annual compensation through June 30, 2018. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 13.37% of covered payroll. The District's contributions to PERS for the years ended June 30, 2018, and 2017, were \$161,331 and \$159,641 respectively, equal to the required contributions for each year. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Cont'd)

Contributions (Cont'd)- The total payroll for the year ended June 30, 2018 was \$8,843,646. Payroll covered by PERS was \$1,222,176 for fiscal year 2018. Contributions to the system for the year ended June 30, 2018 were as follows:

	<u>PERS</u>
Employees	\$ 89,707
District	<u>161,331</u>
Total	<u>\$ 251,038</u>

The District is billed annually for its normal contribution plus any accrued liability. These contributions were equal to the required contributions for 2018, as follows:

Public Employees Retirement System					
<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by District</u>
2018	\$ 21,012	\$ 130,848	\$ 161,331	\$ N/A	\$ 161,331

Components of Net Pension Liability - At June 30, 2018, the District's proportionate share of the PERS net pension liability was \$4,011,458. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The District's proportion measured as of June 30, 2017 was 0.017233% which was an increase of 0.00042% from its proportion measured as of June 30, 2016.

Pension Expense and Deferred Outflows/Inflows of Resources - The District's 2018 PERS pension expense, with respect to GASB 68, was \$274,162. The District's 2018 deferred outflows of resources and deferred inflows of resources were from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 94,456	\$
Changes of assumptions	808,171	805,208
Net difference between projected and actual earnings on pension plan investments	27,315	
Changes in proportion	235,625	268,255
Contributions subsequent to the measurement date	<u>161,331</u>	
Total	<u>\$ 1,326,898</u>	<u>\$ 1,073,463</u>

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Cont'd)

Pension Expense and Deferred Outflows/Inflows of Resources (Cont'd) - Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year		PERS
2018	\$	21,864
2019		76,865
2020		90,537
2021		(97,058)
2022		(102)
Thereafter		
Total	\$	92,106

Additional Information - Collective Balances at June 30, 2018 and 2017 are as follows:

Year		6/30/2018		6/30/2017
Collective deferred outflows of resources	\$	1,326,898	\$	1,700,892
Collective deferred inflows of resources	\$	1,073,463	\$	366,097
Collective Net Pension Liability	\$	4,011,458	\$	4,979,985
District's Proportion		0.017233%		0.016815%

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:

	PERS
Measurement Date	June 30, 2017
Actuarial Valuation Date	July 1, 2016
Investment Rate of Return	7.00%
Salary Scale (Based on Age):	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Inflation	2.25%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality 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 1 year for females).

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Cont'd)

Actuarial Assumptions (Cont'd) - 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 plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	PERS	
	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US 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%
Client oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Total	<u>100.00%</u>	

Discount Rate - The discount rate as of June 30, 2017 used to measure the total pension liability was 5.00% for PERS. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040 for PERS.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Cont'd)

Discount Rate (Cont'd) - Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate - The following presents the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount (5.00%)	1% Increase (6.00%)
District's proportionate share of the net pension liability	\$ 4,976,486	\$ 4,011,458	\$ 3,207,470

Teachers' Pension and Annuity Fund

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

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.

Contributions - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount. Under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and all other related non-contributing employers. No normal or accrued liability contribution by the District has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, Accounting and Financial Reporting for Pensions.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9. PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (Cont'd)

The District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2018 because of the 100% special funding situation with the State of New Jersey.

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

<u>Year</u> <u>Funding</u>		<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>			<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/18	\$	961,603	100	%	\$	N/A
6/30/17		475,562	100			N/A
6/30/16		475,562	100			N/A

During the fiscal year ended June 30, 2018, the State of New Jersey contributed \$961,603 to the TPAF for pension contributions, \$621,079 for post-retirement benefits on behalf of the School, and \$1,642 for long-term disability. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$525,849 during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Components of Net Pension Liability - At June 30, 2018, the District was not required to report a liability for its proportionate share of the net pension liability because of a 100% reduction for State of New Jersey pension support provided to the District.

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

Pension Expense - For the year ended June 30, 2018, the District recognized pension expense of \$2,921,234 and revenue of \$2,921,234 for support provided by the State.

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:

	<u>TPAF</u>
Measurement Date	June 30, 2017
Actuarial Valuation Date	July 1, 2016
Investment Rate of Return	7.00%
Salary Scale (Based on Age):	
Through 2026	Varies based
Thereafter	on experience
Inflation	2.25%

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9. PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (Cont'd)

Long-Term Expected Rate of Return - 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:

Asset Class	TPAF	
	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US 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%
Client oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Total	100.00%	

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

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate – As indicated above, TPAF has a special funding situation where the State pays 100% of the District's annual required contribution.

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

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

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

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

Employees covered by benefit terms: At June 30, 2018, the following employees were covered by the benefit terms:

TPAF participant retirees

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

PERS participant retirees

The state paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

Basis of Presentation

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Total OPEB Liability

The State of New Jersey's total OPEB liability, as of the measurement date of June 30, 2017, was \$53,639,841,858. Of this amount, the total OPEB liability attributable to the School District was \$39,857,768. The State of New Jersey's proportionate share of the total OPEB liability is 100%, including the proportion attributable to the School District of 0.07431%. The total OPEB liability for the School District measured as of June 30, 2017 is zero as a result of the Special Funding Situation with the State of New Jersey. The School District's proportionate share of the total OPEB liability measured as of June 30, 2017 is 0.00%. Accordingly, the School District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

Total Nonemployer OPEB Liability

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

	TPAF/ABP	PERS
Inflation Rate	2.50%	2.50%
	Based on	Based on
Salary Increases:	Years of Service	Age
Through 2026	1.55% - 4.55%	2.15% - 4.15%
Thereafter	2.00% - 5.45%	3.15% - 5.15%

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

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 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 trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Discount rate

The discount rate for June 30, 2017 was 3.58%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2016 Measurement Date	\$ <u>43,079,843</u>
Changes for the year:	
Service cost	1,576,958
Interest cost	1,260,137
Changes of benefit terms	
Differences between expected and actual experience	
Changes in assumptions or other inputs	(5,169,974)
Member contributions	33,994
Gross benefit payments	<u>(923,190)</u>
Net changes	(3,222,075)
Balance as of June 30, 2017 Measurement Date	\$ <u><u>39,857,768</u></u>

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

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

	June 30, 2017		
	At 1.00% Decrease	At Discount Rate	At 1.00% Increase
	2.58%	3.58%	4.58%
\$	<u>63,674,362,200</u>	<u>53,639,841,858</u>	<u>45,680,364,953</u>

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

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

	June 30, 2017		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
\$	<u>44,113,584,560</u>	<u>53,639,841,858</u>	<u>66,290,599,457</u>

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

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

For the year ended June 30, 2018, the School District recognized OPEB expense of \$2,277,861. The School District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$
Changes of assumptions		4,713,818
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion		84,706
Contributions subsequent to the measurement date		
Total	\$	\$ 4,798,524

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

<u>Measurement Period Ending June 30,</u>	<u>OPEB</u>
2018	\$ 494,111
2019	494,111
2020	494,111
2021	494,111
2022	494,111
Thereafter	<u>1,749,153</u>
Total	\$ <u>4,219,708</u>

Special Funding Situation

The participating local education employer allocations included in the supplemental Schedule of special funding amounts by employer are provided as each local education employer is required to record in their financial statements, as an expense and corresponding revenue, their respective amount of total OPEB expense attributable to the State of New Jersey under the special funding situation and to include their respective amount of total OPEB liability in their notes to their financial statements. The total OPEB liability and service cost for each employer was determined separately based on actual data for each employer's participants.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2018, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF, in the fund financial statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, post-retirement medical costs, and long-term disability insurance were \$961,603, \$621,079, and \$1,642, respectively. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$525,849 during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

NOTE 12: RISK MANAGEMENT

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

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

The following is a summary of the activity of the School District's private-purpose trust fund for the unemployment claims for the current and previous two fiscal years:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>School District</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Interest</u> <u>Income</u>	<u>Claims</u> <u>Incurred</u>	<u>Ending</u> <u>Balance</u>
2018	\$ 20,000	\$ 15,264	\$ 1,205	\$ 5,703	\$ 158,924
2017	16,000	14,901	100		128,158
2016	25,000	15,011	70	16,594	97,158

Joint Insurance Fund - The School District is a member of the School Alliance Insurance Fund. The Fund provides its members with the following coverage:

- Workers' Compensation and Employer's Liability
- Property (Including Crime and Auto Physical Damage) General and Auto Liability
- School Board Legal Liability
- Boiler and Machinery
- Pollution/Environmental Legal Liability
- Blanket Dishonesty Bond

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Banking and Insurance may order additional assessments to supplement the Fund's claim, loss retention, or administrative accounts to assure the payment of the Fund's obligations.

For more information regarding claims, coverages and deductibles, the Fund publishes its own financial report for the year ended December 31, 2017, which can be obtained from:

School Alliance Insurance Fund
51 Everett Drive, Suite B-40
West Windsor, New Jersey 08550

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13: DEFERRED COMPENSATION

The School District offers its employees a choice of three deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. 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:

Lincoln Investment Planning
AXA Equitable
Vanguard

NOTE 14: COMPENSATED ABSENCES

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. At June 30, 2018 the liability for compensated absences reported on the government-wide statement of net position was \$268,450.

NOTE 15: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 36,624	
Special Revenue Fund		\$ 56,621
Student Activity	20,000	
Payroll Agency		3
Total	\$ 56,624	\$ 56,624

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2018, the School District expects to liquidate such interfunds, depending upon the availability of cash flow.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 16: CAPITAL DEBT REFUNDING

On September 14, 2016, the School District issued \$8,365,000 in general obligation bonds with interest rates varying from 2.00% to 4.00% to refund \$8,625,000 of outstanding 2006 series bonds with interest rates varying from 4.00% to 4.25% and 2009 series bonds with interest rates varying from 2.50% to 4.00%. The bonds were issued at a premium of \$872,094. The net proceeds of \$9,116,749 (after payment of issuance costs of \$120,345) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2006 and 2009 series bonds. As a result of the current refunding, the School District will reduce its total debt service payments over the next ten years by \$473,679, which results in an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$432,414, or 5.01% of the principal amount being refunded. The current refunding meets the requirements of an in-substance defeasance and the liability for the refunded bonds was removed from the School District's financial statements.

NOTE 17: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amount, if any, to be immaterial.

Litigation - The School District is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the School District, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

NOTE 18: CONCENTRATIONS

The School District depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the School District is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

NOTE 19: DEFICIT FUND BALANCES

The School District has a deficit fund balance of \$19,680 in the general fund as of June 30, 2018 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The statute 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 June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 20: FUND BALANCES

NONSPENDABLE

As stated in Note 1, the non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. There are no non-spendable fund balances of the School District as of June 30, 2018.

RESTRICTED

As stated in Note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District's fund balance are summarized as follows:

General Fund

For Excess Surplus - In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of 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 balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2018 is \$1,677,451, of which \$746,232 was assigned for utilization in the 2018-19 budget and \$931,219 will be utilized in the 2019-20 budget.

For Capital Reserve Account - As of June 30, 2018, the balance in the capital reserve account is \$948,572. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP).

For Maintenance Reserve Account - As of June 30, 2018, the balance in the maintenance reserve account is \$998,001, of which \$211,500 is restricted and assigned for utilization in the 2018-19 budget. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73(\$1701).

Debt Service Fund - In accordance with N.J.A.C. 6A:23A-8.6, a district board of education shall appropriate annually all debt service fund balances in the budget certified for taxes unless expressly authorized and documented by the voters in a bond referendum. As a result, the School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2019 all of the \$25,004 of debt service fund balance at June 30, 2018.

COMMITTED

As stated in Note 1, the committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which is the Board of Education. There were no specific commitments of the School District's fund balance at June 30, 2018.

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 20: FUND BALANCES (CONT'D)

ASSIGNED

As stated in Note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

General Fund

For Subsequent Year's Expenditures - The District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2019 \$65,877 of general fund balance at June 30, 2018.

Other Purposes - As of June 30, 2018, the School District had no encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

General Fund - As of June 30, 2018, the School District has a deficit fund balance of \$19,680 in the general fund. See Note 19.

NOTE 21: SUBSEQUENT EVENTS

There were no other events noted, between the year-end and the date of the audit report, requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF PALMYRA SCHOOL DISTRICTGeneral FundRequired Supplementary InformationBudgetary Comparison ScheduleFor the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
General Fund:					
Local Sources:					
Local Tax Levy	\$9,181,593		\$9,181,593	\$9,181,593	\$ -
Tuition from Individuals	30,240		30,240	30,070	(170)
Tuition from Other LEAs within the State	1,408,328		1,408,328	1,408,328	
Interest on Maintenance Reserve	2,470		2,470	8,987	6,517
Interest on Capital Reserve	1,631		1,631	5,935	4,304
Unrestricted Miscellaneous Revenues	50,000		50,000	113,135	63,135
Total - Local Sources	10,674,262		10,674,262	10,748,048	73,786
State Sources:					
Special Education Categorical Aid	477,653		477,653	477,653	
Equalization Aid	3,880,223		3,880,223	3,932,441	52,218
Security Aid	158,534		158,534	158,534	
Adjustment Aid	102,575		102,575	102,575	
Transportation Aid	97,770		97,770	97,770	
Under Adequacy Aid	11,616		11,616	11,616	
PARCC Readiness Aid	8,930		8,930	8,930	
Per Pupil Growth Aid	8,930		8,930	8,930	
Professional Learning Community Aid	8,780		8,780	8,780	
Extraordinary Aid				95,459	95,459
Reimbursed TPAF Social Security Contributions (non-budgeted)				525,849	525,849
On-behalf TPAF Pension Contributions - Normal (non-budgeted)				961,603	961,603
On-behalf TPAF Medical Contributions (non-budgeted)				621,079	621,079
On-behalf TPAF Long-Term Disability Insurance (non-budgeted)				1,642	1,642
Total - State Sources	4,755,011		4,755,011	7,012,861	2,257,850
Federal Sources:					
Medicaid Administrative Claiming Aid			4,705	4,705	
Medical Reimbursement Program (SEMI)	28,546		23,841	21,904	(1,937)
Total - Federal Sources	28,546		28,546	26,609	(1,937)
Total Revenues	15,457,819		15,457,819	17,787,518	2,329,699

BOROUGH OF PALMYRA SCHOOL DISTRICT

General Fund

Required Supplementary Information

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
GENERAL CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Preschool/Kindergarten	\$ 188,900	\$	\$ 188,900	\$ 188,183	\$ 717
Grades 1 - 5	1,402,450	12,737	1,415,187	1,399,916	15,271
Grades 6 - 8	714,325	(22,000)	692,325	685,622	6,703
Grades 9 - 12	1,636,900	(4,500)	1,632,400	1,629,053	3,347
Regular Programs - Home Instruction:					
Salaries of Teachers	8,125		8,125	3,627	4,498
Purchased Professional/Educational Services	25,950	4,630	30,580	29,354	1,226
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	91,700	(33,998)	57,702	57,702	
Purchased Professional/Educational Services	147,250	(4,002)	143,248	140,900	2,348
Purchased Technical Services	3,800		3,800	2,562	1,238
Other Purchased Services	96,740	215	96,955	92,712	4,243
General Supplies	96,748	(19,383)	77,365	63,525	13,840
Textbooks	51,700	54,380	106,080	105,165	915
Other Objects	14,900	(3,050)	11,850	8,187	3,663
Total Regular Programs	4,479,488	(14,971)	4,464,517	4,406,508	58,009
Special Education:					
Learning and/or Language Disabilities:					
Salaries of Teachers		59,000	59,000	58,978	22
General Supplies	800		800	645	155
Total - Learning and/or Language Disabilities	800	59,000	59,800	59,623	177
Auditory Impairments:					
Other Purchased Services	1,500		1,500	1,495	5
General Supplies	800		800		800
Total - Auditory Impairments	2,300		2,300	1,495	805
Behavioral Disabilities:					
General Supplies	600	(600)			
Total - Behavioral Disabilities	600	(600)			
Multiple Disabilities:					
Salaries of Teachers		55,100	55,100	55,069	31
Other Salaries for Instruction		11,600	11,600	11,567	33
General Supplies	800		800	561	239
Total - Multiple Disabilities	800	66,700	67,500	67,197	303

BOROUGH OF PALMYRA SCHOOL DISTRICT

General Fund

Required Supplementary Information

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
Special Education (Cont'd):					
Resource Room/Center:					
Salaries of Teachers	\$ 872,150	\$ (111,456)	\$ 760,694	\$ 745,749	\$ 14,945
Other Salaries for Instruction	208,330	(26,600)	181,730	181,221	509
General Supplies	12,500		12,500	11,863	637
Total - Resource Room/Center	1,092,980	(138,056)	954,924	938,833	16,091
Preschool Disabilities - Part-Time:					
Salaries of Teachers	69,000	(41,220)	27,780	27,769	11
Other Salaries for Instruction	14,448		14,448	13,426	1,022
General Supplies	200		200	195	5
Total - Preschool Disabilities - Part-Time	83,648	(41,220)	42,428	41,390	1,038
Home Instruction:					
Salaries of Teachers	6,500	34,960	41,460	41,443	17
Purchased Professional/Educational Services	4,000	(4,000)			
Total - Home Instruction	10,500	30,960	41,460	41,443	17
Total - Special Education	1,191,628	(23,216)	1,168,412	1,149,981	18,431
Basic Skills/Remedial:					
Salaries of Teachers		6,500	6,500		6,500
Purchased Professional-Educational Services		2,000	2,000	635	1,365
General Supplies	600	(352)	248	66	182
Total - Basic Skills/Remedial	600	8,148	8,748	701	8,047
Bilingual Education:					
Salaries of Teachers	34,250	352	34,602	34,562	40
General Supplies	350		350		350
Total - Bilingual Education	34,600	352	34,952	34,562	390
School Sponsored Cocurricular Activities - Instruction:					
Salaries	64,200		64,200	55,013	9,187
Supplies and Materials	14,625		14,625	11,518	3,107
Total - School Sponsored Cocurricular Activities - Instruction	78,825		78,825	66,531	12,294

BOROUGH OF PALMYRA SCHOOL DISTRICT

General Fund

Required Supplementary Information

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
School Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 368,046	\$ 1,038	\$ 369,084	\$ 367,506	\$ 1,578
Purchased Services	82,390	(638)	81,752	56,754	24,998
Workshops / Travel					
Supplies and Materials	21,275		21,275	20,815	460
Other Objects	3,585		3,585	1,649	1,936
Total - School Sponsored Cocurricular Athletics - Instruction	475,296	400	475,696	446,724	28,972
Total - Instruction	6,260,437	(29,287)	6,231,150	6,105,007	126,143
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs within State-Regular	118,458	(30,500)	87,958	74,961	12,997
Tuition to Other LEAs within State-Special	265,700	(41,091)	224,609	205,258	19,351
Tuition to County Vocational School District - Regular	82,825		82,825	82,825	
Tuition to County Vocational School District - Special	26,504	(15,000)	11,504		11,504
Tuition to CSSD & Reg. Day Schools	508,620	40,244	548,864	548,140	724
Tuition to Private School for the Handicapped- State	765,546	(137,065)	628,481	384,787	243,694
Total Undistributed Expenditures - Instruction	1,767,653	(183,412)	1,584,241	1,295,971	288,270
Undistributed Expenditures - Attendance and Social Work:					
Salaries	79,050	(5,425)	73,625	73,444	181
Purchased Professional and Technical Services					
Total - Undistributed Expenditures - Attendance and Social Work	79,050	(5,425)	73,625	73,444	181
Undistributed Expenditures - Health Services:					
Salaries	124,615	385	125,000	124,536	464
Purchased Professional and Technical Services	21,975	(5,350)	16,625	14,361	2,264
Supplies and Materials	5,650		5,650	3,956	1,694
Total - Undistributed Expenditures - Health Services	152,240	(4,965)	147,275	142,853	4,422
Undistributed Expenditures - Speech, OT, PT and Related Services:					
Salaries	60,500	3,950	64,450	64,422	28
Purchased Professional/Educational Services	152,260	(4,208)	148,052	129,881	18,171
Supplies and Materials	1,150	(1,150)			
Total - Undistributed Expenditures - Speech, OT, PT and Related Services	213,910	(1,408)	212,502	194,303	18,199

BOROUGH OF PALMYRA SCHOOL DISTRICT
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 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
Other Support Services - Students - Related Services:					
Salaries	\$ 20,650	\$ 650	\$ 21,300	\$ 19,777	\$ 1,523
Purchased Professional/Educational Services	47,000	61,091	108,091	89,469	18,622
Supplies and Materials	600	2,642	3,242	1,650	1,592
Total - Undistributed Expenditures - Other Support Services Students - Related Services	68,250	64,383	132,633	110,896	21,737
Undistributed Expenditures - Guidance:					
Salaries of Other Professional Staff	260,150	(1,200)	258,950	258,658	292
Salaries of Secretarial and Clerical Assistants	30,900	150	31,050	31,015	35
Purchased Professional - Educational Services	6,800	3,294	10,094	9,659	435
Other Purchased Professional and Technical Services	2,500		2,500	1,930	570
Other Purchased Services	1,375	(500)	875	325	550
Supplies and Materials	3,750	(2,444)	1,306	1,306	
Total - Undistributed Expenditures - Guidance	305,475	(700)	304,775	302,893	1,882
Undistributed Expenditures - Child Study Teams:					
Salaries of Other Professional Staff	364,395	(66,500)	297,895	295,896	1,999
Salaries of Secretarial and Clerical Assistants	39,525	(500)	39,025	39,017	8
Unused Vacation Payment to Terminated/Retired Staff		750	750		750
Purchased Professional - Educational Services	34,500	36,000	70,500	55,130	15,370
Other Purchased Services	3,100		3,100	1,359	1,741
Miscellaneous Purchased Services	11,500	25,261	36,761	34,100	2,661
Supplies and Materials	5,650		5,650	4,054	1,596
Other Objects	1,600		1,600	1,473	127
Total - Undistributed Expenditures - Child Study Teams	460,270	(4,989)	455,281	431,029	24,252
Undistributed Expenditures - Improvement of Instruction Services/Other Support:					
Services - Instructional Staff:					
Salaries of Supervisors of Instruction	90,979	700	91,679	91,679	
Salaries of Other Professional Staff	4,875		4,875	4,257	618
Unused Vacation Payment to Terminated/Retired Staff		800	800	684	116
Purchased Professional - Educational Services	12,000	9,000	21,000	20,282	718
Purchased Professional - Technical Services	1,150		1,150	1,120	30
Supplies and Materials	1,800		1,800	1,395	405
Total - Undistributed Expenditures - Improvement of Instruction Services/Other Support Services - Instructional Staff	110,804	10,500	121,304	119,417	1,887

BOROUGH OF PALMYRA SCHOOL DISTRICTGeneral FundRequired Supplementary InformationBudgetary Comparison ScheduleFor the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
Educational Media Services/School Library:					
Salaries	\$ 114,600	\$ (1,400)	\$ 113,200	\$ 113,147	\$ 53
Salaries of Technology Coordinators	167,333	1,161	168,494	168,494	
Purchased Professional and Technical Services	2,500	(1,500)	1,000	840	160
Other Purchased Services	3,000	(400)	2,600	2,597	3
Supplies and Materials	7,800	(938)	6,862	6,611	251
Total - Undistributed Expenditures - Educational Media Services/School Library	295,233	(3,077)	292,156	291,689	467
Undistributed Expenditures - Support Services General Administration:					
Salaries	236,622	(5,458)	231,164	221,219	9,945
Unused Vacation Payment to Terminated/Retired Staff		5,458	5,458	5,458	
Legal Services	28,000		28,000	15,986	12,014
Audit Fees	25,000	(3,000)	22,000	22,000	
Other Purchased Professional Services	7,350	(2,500)	4,850	4,261	589
Communications/Telephone	23,000		23,000	21,492	1,508
Other Purchased Services	11,450	(1,500)	9,950	8,910	1,040
General Supplies	3,250	(1,500)	1,750	836	914
Miscellaneous Expenditures	4,350	(500)	3,850	3,195	655
BOE Membership Dues and Fees	6,900		6,900	6,765	135
Total - Undistributed Expenditures - Support Services General Administration	345,922	(9,000)	336,922	310,122	26,800
Undistributed Expenditures - Support Services School Administration:					
Salaries of Principals/Assistant Principals	319,964	1,536	321,500	321,500	
Salaries of Secretarial and Clerical Assistants	70,425	(300)	70,125	70,032	93
Unused Vacation Payment to Terminated/Retired Staff		19,496	19,496	19,496	
Other Purchased Services	6,200	(3,790)	2,410	2,359	51
Supplies and Materials	7,125	(1,787)	5,338	5,338	
Other Objects	2,550	(481)	2,069	2,039	30
Total - Undistributed Expenditures - Support Services School Administration	406,264	14,674	420,938	420,764	174
Undistributed Expenditures - Central Services:					
Salaries	215,350	47,400	262,750	262,396	354
Unused Vacation Payment to Terminated/Retired Staff		8,935	8,935	8,935	
Purchased Professional Services	3,000	(3,000)			
Purchased Technical Services	23,100	(11,942)	11,158	11,158	
Miscellaneous Purchased Services	8,600	(2,681)	5,919	5,676	243
Supplies and Materials	8,500	(5,495)	3,005	3,005	
Miscellaneous Expenditures	2,000	(2,000)			
Other Objects		1,749	1,749	1,749	
Total - Undistributed Expenditures - Central Services	260,550	32,966	293,516	292,919	597

BOROUGH OF PALMYRA SCHOOL DISTRICT

General Fund

Required Supplementary Information

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
Undistributed Expenditures - Administrative Information Technology:					
Purchased Technical Services	\$ 90,588	\$ (10,684)	\$ 79,904	\$ 79,735	\$ 169
Other Purchased Services	5,950	(3,500)	2,450	1,670	780
Supplies and Materials	6,128		6,128	5,062	1,066
Total - Undistributed Expenditures - Administrative Information Technology	102,666	(14,184)	88,482	86,467	2,015
Undistributed Expenditures - Required Maintenance:					
Salaries	151,175	1,301	152,476	146,911	5,565
Unused Vacation Payment to Terminated/Retired Staff	10,000	(3,369)	6,631		6,631
Cleaning, Repair & Maintenance Services	167,250	8,000	175,250	174,017	1,233
Lead Testing of Drinking Water		2,318	2,318		2,318
General Supplies	42,000	(3,000)	39,000	37,013	1,987
Other Objects	7,375		7,375	5,816	1,559
Total - Undistributed Expenditures - Required Maintenance	377,800	5,250	383,050	363,757	19,293
Undistributed Expenditures - Custodial Services:					
Salaries	403,400	(319)	403,081	383,328	19,753
Salaries of Non-Instructional Aides		24,069	24,069	24,069	
Unused Vacation Payment to Terminated/Retired Staff	10,000	(9,000)	1,000		1,000
Cleaning, Repair & Maintenance Services	32,700	(4,549)	28,151	26,159	1,992
Other Purchased Property Services	55,000	1,549	56,549	56,549	
Insurance	164,000		164,000	143,907	20,093
General Supplies	47,500	(2,000)	45,500	41,054	4,446
Energy (Natural Gas)	93,000		93,000	70,851	22,149
Energy (Electricity)	277,000		277,000	208,207	68,793
Other Objects	2,500		2,500	662	1,838
Total - Undistributed Expenditures - Custodial Services	1,085,100	9,750	1,094,850	954,786	140,064
Undistributed Expenditures - Security:					
Salaries	37,900		37,900	37,800	100
Purchased Professional and Technical Services	78,200	(25)	78,175	75,178	2,997
General Supplies	2,500	5,446	7,946	7,946	
Other Objects	1,000		1,000	229	771
Total - Undistributed Expenditures - Security	119,600	5,421	125,021	121,153	3,868
Total - Operation and Maintenance of Plant Services	1,582,500	20,421	1,602,921	1,439,696	163,225

BOROUGH OF PALMYRA SCHOOL DISTRICT

General Fund

Required Supplementary Information

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
Student Transportation Services:					
Salaries of Non-Instructional Aides					
Salaries for Pupil Transportation (Between Home & School) - Spec. Ed.	\$ 39,900	\$ 39,256	\$ 79,156	\$ 43,495	\$ 35,661
Salaries for Pupil Transportation (Other than Between Home & School)	76,750	(40,975)	35,775	13,027	22,748
Unused Vacation Payment to Terminated/Retired Staff		1,719	1,719	1,719	
Cleaning, Repair, & Maintenance Services	5,300	1,000	6,300	531	5,769
Contracted Services (Other Than Home & School) - Vendors	12,100		12,100	10,555	1,545
Contracted Services (Special Education Students) - Vendors	243,000	133,400	376,400	320,031	56,369
Contracted Services (Special Education Students) - Joint Agreements	9,000	(5,372)	3,628	2,700	928
General Supplies	8,000		8,000	5,327	2,673
Total Student Transportation Services	394,050	129,028	523,078	397,385	125,693
Unallocated Benefits - Employee Benefits:					
Social Security Contribution	165,000	16,363	181,363	181,363	
Other Retirement Contributions - PERS	160,000	1,331	161,331	161,331	
Other Retirement Contributions - Regular	2,000	386	2,386	2,386	
Unemployment Contribution	25,000	(5,000)	20,000	20,000	
Workmen's Compensation	191,500	(4,000)	187,500	177,754	9,746
Health Benefits	2,489,900	(56,377)	2,433,523	2,399,162	34,361
Tuition Reimbursements	26,000	(331)	25,669	25,567	102
Other Employee Benefits	76,000	10,428	86,428	86,428	
Unused Vacation Payment to Terminated/Retired Staff	32,818	(32,818)			
Unused Sick Payment to Prior Employees		66,218	66,218	66,218	
Total Unallocated Benefits - Employee Benefits	3,168,218	(3,800)	3,164,418	3,120,209	44,209
On-behalf TPAF Pension Contributions - Normal (Non-Budgeted)				961,603	(961,603)
On-behalf TPAF Medical Contributions (Non-Budgeted)				621,079	(621,079)
On-behalf TPAF Long-Term Disability Insurance (non-budgeted)				1,642	(1,642)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				525,849	(525,849)
Total TPAF Contributions				2,110,173	(2,110,173)
Total Undistributed Expenses	9,713,055	41,012	9,754,067	11,140,230	(1,386,163)
Interest on Maintenance Reserve	2,470	(2,470)			
Total Expenditures - Current Expense	15,975,962	9,255	15,985,217	17,245,237	(1,260,020)

BOROUGH OF PALMYRA SCHOOL DISTRICT

General Fund

Required Supplementary Information

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
CAPITAL OUTLAY:					
Equipment:					
Undistributed Expenditures - Instruction	\$ 12,565	\$ 71	\$ 12,636	\$ 12,459	\$ 177
Undistributed Expenditures - School Administration		31,094	31,094	31,094	
Undistributed Expenditures - Required Maintenance for School		175,933	175,933	175,933	
Facilities Acquisition and Construction Services:					
Assessment for Debt Service on SDA Funding	3,043		3,043	3,043	
Increase in Capital Reserve	289,544	(289,544)			
Interest Deposit to Capital Reserve	1,631	(1,631)			
Total Capital Outlay	306,783	(84,077)	222,706	222,529	177
Total Expenditures	16,282,745	(74,822)	16,207,923	17,467,766	(1,259,843)
Calculation of Deficiency of Revenues Under Expenditures:					
Excess (Deficiency) of Revenues Over (Under) Expenditures	(824,926)	74,822	(750,104)	319,752	1,069,856
Fund Balances, July 1					
	3,772,760		3,772,760	3,772,760	
Fund Balances, June 30					
	\$2,947,834	\$ 74,822	\$3,022,656	\$4,092,512	\$ 1,069,856
Recapitulation:					
Restricted Fund Balance:					
Capital Reserve				\$ 948,572	
Maintenance Reserve				786,501	
Maintenance Reserve - Designated for Subsequent Year's Expenditures				211,500	
Excess Surplus Previous Year - Designated for Subsequent Year's Expenditures				746,232	
Excess Surplus - Current Year				931,219	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				65,877	
Unassigned Fund Balance				402,611	
				4,092,512	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment Not Recognized on GAAP Basis				(422,291)	
Fund Balance per Governmental Funds (GAAP)				\$3,670,221	

BOROUGH OF PALMYRA SCHOOL DISTRICT
Special Revenue Fund
Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Federal Sources:					
Title I, Part A	\$ 208,996	\$ 21,095	\$ 230,091	\$ 230,090	\$ 1
Title II, Part A	32,005	844	32,849	32,849	
I.D.E.A., Part B Basic	257,392	14,519	271,911	271,911	
I.D.E.A., Part B, Preschool Incentive		7,300	7,300	7,300	
Total - Federal Sources	498,393	43,758	542,151	542,150	1
Local Sources		1,000	1,000	1,000	
Total Revenues	\$ 498,393	\$ 44,758	\$ 543,151	\$ 543,150	\$ 1
EXPENDITURES:					
Instruction:					
Salaries	\$ 172,057	\$ 20,582	\$ 192,639	\$ 192,638	\$ 1
Other Purchased Services	250,010	21,901	271,911	271,911	
General Supplies		1,116	1,116	1,116	
Total Instruction	422,067	43,599	465,666	465,665	1
Support Services:					
Personal Services - Employee Benefits	44,321	315	44,636	44,636	
Purchased Professional and Technical Services	18,005	995	19,000	19,000	
Other Purchased Services	10,000		10,000	10,000	
Supplies and Materials	4,000	(151)	3,849	3,849	
Total Support Services	76,326	1,159	77,485	77,485	
Total Expenditures	\$ 498,393	\$ 44,758	\$ 543,151	\$ 543,150	\$ 1

**NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION PART II**

BOROUGH OF PALMYRA SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

For the Fiscal Year Ended June 30, 2018

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 17,787,518	\$ 543,150
Differences - Budget to GAAP:		
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33) received July, 2017.	408,739	
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33) received July, 2018.	<u>(422,291)</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 17,773,966</u>	<u>\$ 543,150</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule and Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 17,467,766</u>	<u>\$ 543,150</u>

**REQUIRED SUPPLEMENTARY
INFORMATION PART III**

BOROUGH OF PALMYRA SCHOOL DISTRICT
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)

	<u>Measurement Date Ending June 30,</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.017233%	0.016815%	0.016885%	0.019718%	0.017492%
School District's Proportionate Share of the Net Pension Liability	\$ 4,011,458	\$ 4,979,985	\$ 3,790,247	\$ 3,691,696	\$ 3,343,179
School District's Covered Payroll (Plan Measurement Period)	\$ 1,222,176	\$ 1,205,316	\$ 1,231,984	\$ 1,451,228	\$ 1,278,936
School District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	328.22%	413.17%	307.65%	254.38%	261.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

BOROUGH OF PALMYRA SCHOOL DISTRICT

Required Supplementary Information
Schedule of the School District's Contributions
Public Employees' Retirement System (PERS)

Measurement Date Ending June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 161,331	\$ 159,641	\$ 149,378	\$ 145,162	\$ 162,550
Contributions in Relation to the Contractually Required Contribution	<u>(161,331)</u>	<u>(159,641)</u>	<u>(149,378)</u>	<u>(145,162)</u>	<u>(162,550)</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
School District's Covered Payroll (Fiscal Year)	\$ 1,222,176	\$ 1,205,316	\$ 1,231,984	\$ 1,451,228	\$ 1,278,936
Contributions as a Percentage of School District's Covered Payroll	13.20%	13.24%	12.12%	10.00%	12.71%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

BOROUGH OF PALMYRA SCHOOL DISTRICT
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Teachers' Pension and Annuity Fund (TPAF)

	<u>Measurement Date Ending June 30,</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.062543%	0.062357%	0.061856%	0.058143%	0.062280%
School District's Proportionate Share of the Net Pension Liability	\$ 42,168,704	\$ 49,053,745	\$ 39,095,730	\$ 31,075,683	\$ 31,476,018
School District's Covered Payroll (Plan Measurement Period)	\$ 6,656,839	\$ 7,507,596	\$ 7,181,012	\$ 7,275,052	\$ 6,702,376
School District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	633.46%	653.39%	544.43%	427.15%	469.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%	33.64%	33.76%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

BOROUGH OF PALMYRA SCHOOL DISTRICT

Required Supplementary Information
Schedule of School District's Contributions
Teachers' Pension and Annuity Fund (TPAF)
Last Ten Fiscal Years

This schedule is not applicable.

The School District is not required to make any contributions towards TPAF.

There is a special funding situation where the State of New Jersey pays 100% of the required contributions.

NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION PART III

BOROUGH OF PALMYRA SCHOOL DISTRICT
Notes to Required Supplementary Information - Part III
For the Fiscal Year Ended June 30, 2018

Teachers' Pension and Annuity Fund (TPAF)

Changes in Benefit Terms - None

Changes in Assumptions - For 2017, the discount rate changed to 4.25% and the long-term expected rate of return changed to 7.00%. Further, the demographic assumptions were revised to reflect those recommended on the basis of the July 1, 2012 - June 30, 2015 experience study. For 2016, the discount rate changed to 3.22%. For 2015, the discount rate changed to 4.13%. For 2014, the discount rate was at 4.68%.

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - For 2017, the discount rate changed to 5.00%, the long-term expected rate of return changed to 7.00%. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2016 the discount rate changed to 3.98%. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

BOROUGH OF PALMYRA SCHOOL DISTRICT
Required Supplementary Information - Part III
Schedule of Changes in the Total OPEB Liability and Related Ratios
State Health Benefit Local Education Retired Employees Plan
Last Ten Fiscal Years

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 1,576,958
Interest	1,260,137
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions or other inputs	(5,169,974)
Member contributions	33,994
Benefit payments	(923,190)
Net change in total OPEB liability	<u>(3,222,075)</u>
Total OPEB liability - beginning	<u>43,079,843</u>
Total OPEB liability - ending	<u>\$ 39,857,768</u>
Covered-employee payroll	<u>\$ 7,879,015</u>
Total OPEB liability as a percentage of covered-employee payroll	505.87%

Notes to Schedule:

Changes of benefit terms: None

Changes of assumptions: The decrease in the liability from June 30, 2016 to June 30, 2017 is due to the increase in the assumed discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

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

BOROUGH OF PALMYRA SCHOOL DISTRICT

Special Revenue Fund

Combining Schedule of Revenues and Expenditures - Budgetary Basis

For the Fiscal Year Ended June 30, 2018

	<u>Total</u>	<u>Penn Medicine Grant</u>	<u>NCLB</u>		<u>I.D.E.A. Part B</u>	
			<u>Title I, Part A</u>	<u>Title II, Part A</u>	<u>Basic</u>	<u>Preschool</u>
REVENUES:						
Federal Sources	\$ 542,150		\$ 230,090	\$ 32,849	\$ 271,911	\$ 7,300
Local Sources	1,000	\$ 1,000				
Total Revenues	543,150	1,000	230,090	32,849	271,911	7,300
EXPENDITURES:						
Instruction:						
Salaries	192,638		185,338			7,300
Other Purchased Services	271,911				271,911	
General Supplies	1,116	1,000	116			
Total Instruction	465,665	1,000	185,454		271,911	7,300
Support Services:						
Personal Services - Employee Benefits	44,636		44,636			
Purchased Professional and Technical Services	19,000			19,000		
Other Purchased Services	10,000			10,000		
Supplies and Materials	3,849			3,849		
Total Support Services	77,485		44,636	32,849		
Total Expenditures	\$ 543,150	\$ 1,000	\$ 230,090	\$ 32,849	\$ 271,911	\$ 7,300

CAPITAL PROJECTS FUND DETAIL STATEMENT

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

PROPRIETARY FUND DETAIL STATEMENTS

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

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

Alternative High School Enterprise Fund – This fund provides for the operation of the District’s Alternative High School.

Transportation Enterprise Fund – This fund provides for transportation services provided to other local educational associations.

Related Services Enterprise Fund – This fund provides for student support services which are provided to other local educational associations.

BOROUGH OF PALMYRA SCHOOL DISTRICT

Proprietary Fund

Business-Type Activities - Enterprise Funds

Combining Statement of Net Position

June 30, 2018

	<u>Food Service</u>	<u>After School Program</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 157,214	\$ 306,241	\$ 463,455
Accounts Receivable:			
State	191		191
Federal	8,663		8,663
Other	3,709		3,709
Inventories	11,560		11,560
Total Current Assets	<u>181,337</u>	<u>306,241</u>	<u>487,578</u>
Noncurrent Assets:			
Furniture, Fixtures and Equipment	302,584		302,584
Less Accumulated Depreciation	(285,372)		(285,372)
Total Noncurrent Assets	<u>17,212</u>		<u>17,212</u>
Total Assets	<u>198,549</u>	<u>306,241</u>	<u>504,790</u>
LIABILITIES:			
Current Liabilities:			
Unearned Revenue	<u>10,531</u>		<u>10,531</u>
Total Liabilities	<u>10,531</u>		<u>10,531</u>
NET POSITION:			
Restricted:			
Net Investment in Capital Assets	17,212		17,212
Unrestricted	170,806	306,241	477,047
Total Net Position	<u>\$ 188,018</u>	<u>\$ 306,241</u>	<u>\$ 494,259</u>

BOROUGH OF PALMYRA SCHOOL DISTRICT
Proprietary Fund
Business-Type Activities - Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2018

	<u>Food Service</u>	<u>After School Program</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services:			
Daily Sales:			
Non-reimbursable Programs	\$ 70,848		\$ 70,848
Reimbursable Program -- School Breakfast	6,637		6,637
Reimbursable Program -- School Lunch	87,396		87,396
Child Care Fees		\$ 148,461	148,461
Total Operating Revenues	<u>164,881</u>	<u>148,461</u>	<u>313,342</u>
OPERATING EXPENSES:			
Salaries	126,013	85,814	211,827
Employee Benefits	22,693	25,000	47,693
Management Fee	18,360		18,360
General Supplies	14,139	9,319	23,458
Direct Expenses	9,010		9,010
Depreciation	1,974		1,974
Other Professional and Technical Services	3,000	24,429	27,429
Cost of Sales - Reimbursable Programs	153,152		153,152
Cost of Sales - Non-reimbursable Programs	23,140		23,140
Total Operating Expenses	<u>371,481</u>	<u>144,562</u>	<u>516,043</u>
Operating Income / (Loss)	<u>(206,600)</u>	<u>3,899.00</u>	<u>(202,701)</u>
NONOPERATING REVENUES:			
State Sources:			
State School Lunch Program	4,293		4,293
Federal Sources:			
National School Lunch Program	165,864		165,864
National School Breakfast Program	33,502		33,502
Food Distribution Program	34,711		34,711
Interest Revenue	1,265	2,531	3,796
Total Nonoperating Revenues	<u>239,635</u>	<u>2,531</u>	<u>242,166</u>
Change in Net Position	33,035	6,430	39,465
Net Position -- July 1	154,983	299,811	454,794
Net Position -- June 30	<u>\$ 188,018</u>	<u>\$ 306,241</u>	<u>\$ 494,259</u>

BOROUGH OF PALMYRA SCHOOL DISTRICT
Proprietary Fund
Business-Type Activities - Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	<u>Food Service</u>	<u>After School Program</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 164,881	\$ 148,461	\$ 313,342
Payments to Management Company	(18,360)		(18,360)
Payments to Employees	(126,013)	(85,814)	(211,827)
Payments for Employee Benefits	(22,693)	(25,000)	(47,693)
Payments for Supplies and Services	(191,726)	(33,828)	(225,554)
	<hr/>	<hr/>	<hr/>
Net Cash Provided by (Used for) Operating Activities	(193,911)	3,819	(190,092)
	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
State Sources	4,293		4,293
Federal Sources	234,077		234,077
	<hr/>	<hr/>	<hr/>
Net Cash Provided by (Used for) Non-Capital Financing Activities	238,370	0	238,370
	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Revenue	1,265	2,531	3,796
	<hr/>	<hr/>	<hr/>
Net Increase in Cash and Cash Equivalents	45,724	6,350	52,074
	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents -- July 1	111,490	299,891	411,381
	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents -- June 30	\$ 157,214	\$ 306,241	\$ 463,455
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)			
by Operating Activities:			
Operating Income (Loss)	\$ (206,600)	\$ 3,899	\$ (202,701)
Adjustments to Reconcile Operating Income (Loss) to Net Cash			
Provided by (used for) Operating Activities:			
Depreciation and Net Amortization	1,974		1,974
(Increase) Decrease in Accounts Receivable	2,260	300	2,560
(Increase) Decrease in Inventories	497		497
Increase (Decrease) in Unearned Revenue	7,958	(380)	7,578
Increase (Decrease) in Accounts Payable			
	<hr/>	<hr/>	<hr/>
Total Adjustments	12,689	(80)	12,609
	<hr/>	<hr/>	<hr/>
Net Cash Provided by (Used for) Operating Activities	\$ (193,911)	\$ 3,819	\$ (190,092)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FIDUCIARY FUNDS DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the School District for a specific purpose.

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

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

Payroll Fund – This agency fund is used to account for the payroll transactions of the school district.

BOROUGH OF PALMYRA SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Fiduciary Net Position
June 30, 2018

	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>		
	<u>Unemployment Compensation Insurance</u>	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>
ASSETS:				
Cash and Cash Equivalents	\$ 158,924	\$ 112,997	\$ 3,905	\$ 275,826
Interfund Accounts Receivable:				
Due From Special Revenue Fund		20,000		20,000
Total Assets	<u>158,924</u>	<u>132,997</u>	<u>3,905</u>	<u>295,826</u>
LIABILITIES:				
Interfund Accounts Payable:				
Due General Fund			3	3
Payable to Student Groups		132,997		132,997
Flexible Spending Reserve			3,902	3,902
Total Liabilities		<u>\$ 132,997</u>	<u>\$ 3,905</u>	<u>\$ 136,902</u>
NET POSITION:				
Restricted:				
Held in Trust for Payment of Claims	\$ 158,924			

BOROUGH OF PALMYRA SCHOOL DISTRICT
Fiduciary Funds
Private-Purpose Trust Fund
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2018

	<u>Unemployment Compensation Insurance Trust Fund</u>
ADDITIONS:	
Interest on Investments	\$ 1,205
Employer Contributions	20,000
Employee Contributions	15,264
	<hr/>
Total Additions	36,469
	<hr/>
DELETIONS:	
Withdrawals	5,703
	<hr/>
Change in Net Position	30,766
Net Position -- July 1	128,158
	<hr/>
Net Position -- June 30	\$ 158,924
	<hr/> <hr/>

BOROUGH OF PALMYRA SCHOOL DISTRICT

Fiduciary Funds

Student Activity Agency Fund Schedule of Receipts and Disbursements

For the Fiscal Year Ended June 30, 2018

	<u>Balance</u> <u>June 30, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Interfund</u> <u>Accounts</u> <u>Receivable</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
District Administration	\$ 5,828	\$ 1,917	\$	\$ 6,603	\$ 1,142
Charles Street School	11,206	12,168		11,440	11,934
High School	51,780	122,737		117,105	57,412
Scholarships	21,153	30,895	20,000	9,539	62,509
Total All Schools	<u>\$ 89,967</u>	<u>\$ 167,717</u>	<u>\$ 20,000</u>	<u>\$ 144,687</u>	<u>\$ 132,997</u>

BOROUGH OF PALMYRA SCHOOL DISTRICT
Fiduciary Funds
Payroll Agency Fund Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
ASSETS:				
Cash and Cash Equivalents	\$ 76,878	\$ 11,497,201	\$ 11,570,174	\$ 3,905
Total Assets	<u>\$ 76,878</u>	<u>\$ 11,497,201</u>	<u>\$ 11,570,174</u>	<u>\$ 3,905</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 65,435	\$ 5,905,063	\$ 5,970,498	\$
Net Payroll		5,572,355	5,572,355	
Flexible Spending Reserve		19,783	15,881	3,902
Interfund Accounts Payable:				
Due General Fund	11,443		11,440	3
Total Liabilities	<u>\$ 76,878</u>	<u>\$ 11,497,201</u>	<u>\$ 11,570,174</u>	<u>\$ 3,905</u>

LONG-TERM DEBT SCHEDULES

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

BOROUGH OF PALMYRA SCHOOL DISTRICT

Schedule of Serial Bonds

For the Fiscal Year Ended June 30, 2018

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance June 30, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>					
School District Bonds - Series 2009	10-15-09	\$ 9,883,000	03-01-19	\$ 400,000	4.00%	\$ 800,000		\$ 400,000	\$ 400,000
School District Refunding Bonds - Series 2016	09-14-16	8,365,000	03-01-19	495,000	3.00%				
			03-01-20	885,000	4.00%				
			03-01-21	925,000	4.00%				
			03-01-22	480,000	4.00%				
			03-01-23	635,000	4.00%				
			03-01-24	640,000	4.00%				
			03-01-25	640,000	3.00%				
			03-01-26	640,000	3.00%				
			03-01-27	635,000	3.50%				
			03-01-28	635,000	3.00%				
			03-01-29	625,000	3.50%				
			03-01-30	625,000	3.50%	8,365,000		\$ 505,000	\$ 7,860,000
						<u>\$ 9,165,000</u>		<u>\$ 905,000</u>	<u>\$ 8,260,000</u>

BOROUGH OF PALMYRA SCHOOL DISTRICT
Debt Service Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,042,046		\$ 1,042,046	\$ 1,042,046	
State Sources:					
Debt Service Aid Type II	176,428		176,428	176,428	
Total Revenues	<u>1,218,474</u>		<u>1,218,474</u>	<u>1,218,474</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	313,975		313,975	313,975	
Redemption of Principal	905,000		905,000	905,000	
Total Expenditures	<u>1,218,975</u>		<u>1,218,975</u>	<u>1,218,975</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(501)</u>		<u>(501)</u>	<u>(501)</u>	
Other Financing Sources (Uses):					
Operating Transfers In:					
Total Other Financing Sources					
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(501)</u>		<u>(501)</u>	<u>(501)</u>	
Fund Balance, July 1	<u>25,505</u>		<u>25,505</u>	<u>25,505</u>	
Fund Balance, June 30	<u>\$ 25,004</u>		<u>\$ 25,004</u>	<u>\$ 25,004</u>	
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures:					
Restricted Fund Balance				<u>\$ 25,004</u>	

STATISTICAL SECTION

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Net Position by Component
 Last Ten Fiscal Years (Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities:										
Net Investment in Capital Assets	\$ 2,543,351	\$ 1,769,218	\$ 1,967,127	\$ 1,687,809	\$ 1,504,616	\$ 1,450,787	\$ 1,410,647	\$ 868,901	\$ 905,874	\$ 2,034,468
Restricted	3,649,028	3,159,870	2,998,955	2,640,525	2,329,781	1,679,066	1,922,185	2,063,474	1,930,621	2,651,616
Unrestricted (Deficit)	(4,385,670)	(3,667,853)	(4,199,304)	(4,120,110)	(224,102)	(142,141)	(250,459)	(354,049)	(652,811)	(629,620)
Total Governmental Activities Net Position	\$ 1,806,709	\$ 1,261,235	\$ 766,777	\$ 208,224	\$ 3,610,295	\$ 2,987,712	\$ 3,082,373	\$ 2,578,326	\$ 2,183,684	\$ 4,056,464
Business-type Activities:										
Net Investment in Capital Assets	\$ 17,212	\$ 19,186	\$ 21,403	\$ 26,537	\$ 31,922	\$ 22,052	\$ 30,266	\$ 8,967	\$ 13,269	\$ 19,187
Unrestricted	477,047	435,609	390,792	322,962	248,229	186,763	174,228	202,484	167,318	189,240
Total Business-type Activities Net Position	\$ 494,259	\$ 454,795	\$ 412,194	\$ 349,499	\$ 280,151	\$ 208,815	\$ 204,494	\$ 211,451	\$ 180,587	\$ 208,427
Government-wide:										
Net Investment in Capital Assets	\$ 2,560,563	\$ 1,788,404	\$ 1,988,530	\$ 1,714,346	\$ 1,536,538	\$ 1,472,839	\$ 1,440,913	\$ 877,868	\$ 919,143	\$ 2,053,655
Restricted	3,649,028	3,159,870	2,998,955	2,640,525	2,329,781	1,679,066	1,922,185	2,063,474	1,930,621	2,651,616
Unrestricted (Deficit)	(3,908,623)	(3,232,244)	(3,808,512)	(3,797,148)	24,126	44,622	(76,231)	(151,565)	(485,493)	(440,380)
Total Government-wide Net Position	\$ 2,300,968	\$ 1,716,030	\$ 1,178,972	\$ 557,723	\$ 3,890,445	\$ 3,196,527	\$ 3,286,867	\$ 2,789,777	\$ 2,364,271	\$ 4,264,891

Source: Exhibit A-1

In accordance with GASB 65, effective for the fiscal year ended June 30, 2013, the method to expense debt issuance costs was changed.

For the fiscal year ended June 30, 2015, the School District adopted GASBS No's. 68 and 71, which required the School District to record its proportionate share of the net pension liability and related deferred in the government-wide financial statements. Balances prior to June 30, 2015 are shown as originally reported and have not been restated for this adoption.

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Changes in Net Position
 Last Ten Fiscal Years (Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
EXPENSES:										
Governmental Activities:										
Instruction:										
Regular	\$ 4,432,535	\$ 4,391,258	\$ 4,897,047	\$ 5,240,728	\$ 4,685,701	\$ 4,736,984	\$ 4,297,173	\$ 4,542,144	\$ 4,846,951	\$ 4,652,891
Special Education	1,615,646	1,617,712	1,683,856	1,416,951	1,420,120	1,682,763	1,597,824	1,228,609	1,319,211	1,354,492
Other Special Education	548,518	726,868	591,072	522,805	487,942	427,228	334,898	310,407	387,277	408,698
Support Services:										
Tuition	1,295,971	1,380,458	1,450,814	1,371,105	1,425,581	1,064,517	987,665	1,068,813	827,855	929,455
Student and Instruction Related Services	1,752,793	1,619,126	1,525,066	1,651,117	1,565,243	1,584,884	1,662,108	1,427,491	1,524,423	1,483,964
School Administrative Services	423,498	413,584	403,066	509,522	368,970	502,060	503,830	484,710	467,671	466,558
General and Business Administrative Services	690,026	796,722	713,233	942,828	838,531	690,948	565,790	521,374	638,261	621,490
Plant Operations and Maintenance	2,239,552	1,544,631	1,417,720	1,487,968	1,433,716	1,410,294	1,337,947	1,840,879	1,493,770	1,389,150
Pupil Transportation	397,385	370,634	289,333	316,263	294,760	310,514	253,947	315,102	306,731	342,235
Unallocated Benefits	8,664,268	7,889,694	6,198,135	4,062,962	3,603,120	3,888,106	3,491,252	3,278,700	3,159,569	2,951,276
Special Schools									193,289	174,789
Interest on Long-term Debt	434,809	298,544	395,020	427,371	448,970	473,181	488,934	562,219	703,617	267,642
Unallocated Depreciation							597,286	19,318		126,210
Total Governmental Activities Expenses	22,495,001	21,049,231	19,564,361	17,949,621	16,572,653	16,771,480	16,118,654	15,599,766	15,868,625	15,168,850
Business-type Activities:										
Food Service	371,481	371,310	364,319	348,434	365,504	354,224	345,900	320,327	336,756	300,253
After School Program	144,562	132,725	119,501	114,003	96,814	131,485	63,624	64,104	116,010	81,640
Total Business-type Activities Expense	516,043	504,035	483,820	462,437	462,317	485,710	409,524	384,431	452,766	381,893
Total Government Expenses	\$ 23,011,044	\$ 21,553,266	\$ 20,048,181	\$ 18,412,058	\$ 17,034,970	\$ 17,257,189	\$ 16,528,178	\$ 15,984,197	\$ 16,321,391	\$ 15,550,743
PROGRAM REVENUES:										
Governmental Activities:										
Operating Grants and Contributions	\$ 4,611,312	\$ 5,304,567	\$ 4,043,731	\$ 1,910,537	\$ 1,659,253	\$ 1,907,858	\$ 1,869,015	\$ 1,794,424	\$ 1,839,864	\$ 1,492,374
Charges for Services	1,438,398	1,103,457	1,361,193	1,749,865	1,853,201	1,800,427	1,740,648	1,728,342	1,606,803	1,423,288
Total Governmental Activities Program Revenues	6,049,710	6,408,023	5,404,925	3,660,402	3,512,454	3,708,285	3,609,663	3,522,766	3,446,667	2,915,662
Business-type Activities:										
Charges for Services:										
Food Service	313,342									
Food Service	164,881	160,491	146,001	138,635	146,565	143,416	145,386	152,888	157,885	165,975
After School Program	148,461	154,699	148,714	165,802	152,379	128,924	116,270	93,683	93,517	86,113
Operating Grants and Contributions	238,370	237,138	251,721	227,293	219,204	217,621	205,030	167,318	172,116	128,120
Total Business-type Activities Program Revenues	551,712	552,328	546,436	531,731	518,148	489,960	466,686	413,889	423,518	380,208
Total Government Program Revenues	\$ 6,601,422	\$ 6,960,352	\$ 5,951,360	\$ 4,192,133	\$ 4,030,602	\$ 4,198,245	\$ 4,076,349	\$ 3,936,655	\$ 3,870,185	\$ 3,295,870
NET (EXPENSE)/REVENUE:										
Governmental Activities	\$(16,445,291)	\$(14,641,208)	\$(14,159,437)	\$(14,289,219)	\$(13,060,199)	\$(13,063,195)	\$(12,508,991)	\$(12,077,000)	\$(12,421,958)	\$(12,253,188)
Business-type Activities	35,669	48,294	62,616	69,293	55,831	4,251	57,162	29,458	(29,248)	(1,685)
Total Government-wide Net Expense	\$(16,409,622)	\$(14,592,914)	\$(14,096,821)	\$(14,219,925)	\$(13,004,369)	\$(13,058,944)	\$(12,451,829)	\$(12,047,542)	\$(12,451,206)	\$(12,254,873)

BOROUGH OF PALMYRA SCHOOL DISTRICT
Changes in Net Position
Last Ten Fiscal Years (Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 9,181,593	\$ 8,806,464	\$ 8,633,789	\$ 8,155,162	\$ 7,586,442	\$ 7,225,184	\$ 7,225,184	\$ 7,151,345	\$ 6,972,447	\$ 6,780,632
Taxes Levied for Debt Service	1,042,046	1,094,439	948,158	948,158	967,890	925,603	925,603	999,442	524,190	380,547
Unrestricted Grants and Contributions	6,749,597	5,097,356	5,041,154	5,033,439	5,073,565	4,937,350	4,725,939	4,267,162	4,550,482	4,754,902
Investment Earnings	35,078	3,729	4,171	3,747		2,700	1,182	9,345	67,282	50,088
Other	93,979	133,678	90,718	89,822	70,339	17,790	35,263	44,348	83,872	58,301
Disposal of Assets							(133)			
Transfers					(15,454)		100,000			
Total Governmental Activities	17,102,293	15,135,666	14,717,990	14,230,328	13,682,782	13,108,627	13,013,038	12,471,642	12,198,273	12,024,470
Business-type Activities:										
Investment Earnings	3,796	110	80	55	52	69	99	1,406	1,408	1,141
Contribution of Capital Assets							25,782			
Transfers					15,454		(90,000)			
Total Business-type Activities	3,796	110	80	55	15,506	69	(64,119)	1,406	1,408	1,141
Total Government-wide	\$ 17,106,089	\$ 15,135,776	\$ 14,718,070	\$ 14,230,382	\$ 13,698,287	\$ 13,108,696	\$ 12,948,919	\$ 12,473,048	\$ 12,199,681	\$ 12,025,611
CHANGE IN NET POSITION:										
Governmental Activities	\$ 657,002	\$ 494,458	\$ 558,553	\$ (58,891)	\$ 622,582	\$ 45,432	\$ 504,047	\$ 394,642	\$ (223,685)	\$ (228,718)
Business-type Activities	39,465	48,404	62,696	69,348	71,336	4,320	(6,957)	30,864	(27,840)	(544)
Total Government	\$ 696,467	\$ 542,861	\$ 621,249	\$ 10,457	\$ 693,919	\$ 49,752	\$ 497,090	\$ 425,506	\$ (251,525)	\$ (229,262)

Source: Exhibit A-2

In accordance with GASB 65, effective for the fiscal year ended June 30, 2013, the method to expense debt issuance costs was changed.

For the fiscal year ended June 30, 2015, the School District adopted GASBS No's 68 and 71, which required the School District to record its proportionate share of the net pension liability and related deferred outflows and inflows of resources in the government-wide financial statements. Balances prior to June 30, 2015 are shown as originally reported and have not been restated for this adoption.

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Fund Balances, Governmental Funds
 Last Ten Fiscal Years (Modified Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund:										
Restricted	\$3,624,024	\$3,134,365	\$3,373,278	\$3,051,837	\$2,329,780	\$1,849,780	\$1,302,191	\$1,418,045	\$1,647,394	\$1,509,127
Assigned	65,877	245,506	40,370	86,984	132,294	68,875	619,994	623,096	206,982	501,111
Unassigned (Deficit)	(19,680)	(15,850)	(23,568)	(71,432)	(33,661)	(90,817)	(72,123)	(52,148)	(122,966)	(182,530)
Total General Fund	<u>\$3,670,221</u>	<u>\$3,364,021</u>	<u>\$3,390,080</u>	<u>\$3,067,389</u>	<u>\$2,428,413</u>	<u>\$1,827,838</u>	<u>\$1,850,062</u>	<u>\$1,988,993</u>	<u>\$1,731,410</u>	<u>\$1,827,708</u>
All Other Governmental Funds:										
Assigned								\$ 354	\$ 76,245	\$ 641,378
Restricted, Reported in:										
Debt Service Fund	\$ 25,004	\$ 25,505	\$ 501	\$ 501	\$ 1	\$ 1				
Total All Other Governmental Funds	<u>\$ 25,004</u>	<u>\$ 25,505</u>	<u>\$ 501</u>	<u>\$ 501</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 354</u>	<u>\$ 76,245</u>	<u>\$ 641,378</u>

Source: Exhibit B-1

In accordance with GASB 54, effective for the fiscal year ended June 30, 2011, the description and terminology utilized to identify fund balance was changed.

BOROUGH OF PALMYRA SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
REVENUES:										
Tax Levy	\$ 10,223,639	\$ 9,900,903	\$ 9,581,947	\$ 9,103,320	\$ 8,554,332	\$ 8,150,787	\$ 8,150,787	\$ 8,150,787	\$ 7,496,637	\$ 7,161,179
Other Local Revenue	1,567,455	1,263,263	1,456,082	1,843,434	1,923,540	1,820,917	1,777,093	1,782,035	1,757,955	1,531,677
State Sources	7,175,737	6,848,984	6,590,796	6,342,142	6,180,513	6,234,002	5,814,744	5,382,319	4,975,970	5,752,413
Federal Sources	568,759	570,718	606,194	601,834	552,304	603,065	780,210	679,267	1,414,376	494,863
Total Revenues	19,535,590	18,583,868	18,235,019	17,890,730	17,210,690	16,808,771	16,522,834	15,994,408	15,644,938	14,940,132
EXPENDITURES:										
Instruction										
Regular Instruction	4,406,508	4,348,615	4,409,816	4,268,397	4,191,463	4,300,228	4,400,577	4,683,486	4,939,279	4,673,552
Special Education Instruction	1,615,646	1,617,712	1,683,856	1,416,951	1,420,120	1,675,457	1,597,824	1,228,609	1,319,156	1,354,492
Other Special Instruction	548,518	726,868	591,072	514,858	487,942	427,228	334,898	310,407	386,271	408,698
Support Services:										
Tuition	1,295,971	1,380,458	1,450,814	1,371,105	1,425,581	1,064,517	987,665	1,068,813	827,855	929,455
Student and Instruction Related Services	1,744,009	1,575,495	1,540,934	1,613,266	1,558,038	1,576,677	1,662,108	1,427,491	1,521,822	1,483,964
School Administrative Services	420,764	386,961	426,397	464,598	368,797	501,863	469,404	450,862	466,664	466,558
Other Administrative Services	689,508	791,826	628,642	762,944	741,803	594,238	531,363	487,525	630,738	593,468
Plant Operations and Maintenance	1,439,696	1,441,720	1,338,401	1,387,803	1,323,077	1,299,136	1,274,658	1,237,806	1,137,642	1,245,449
Pupil Transportation	397,385	370,634	294,129	311,467	294,760	310,514	246,582	315,102	306,731	328,224
Unallocated Benefits	5,230,382	4,639,523	4,237,291	3,902,021	3,603,120	3,888,106	3,491,252	3,278,700	3,159,569	2,951,276
Debt Service:										
Principal	905,000	910,000	885,000	720,000	725,000	705,000	660,000	640,000	325,000	295,000
Interest and Other Charges	313,975	353,044	405,405	431,168	451,918	476,393	494,067	634,290	423,702	216,004
Special Schools									193,289	174,789
Capital Outlay	222,529	162,413	20,570	86,677	18,497	11,639	633,700	27,646	668,651	9,413,263
Total Expenditures	19,229,891	18,705,269	17,912,328	17,251,254	16,610,114	16,830,995	16,784,098	15,790,737	16,306,369	24,534,192
Excess (Deficiency) of Revenues Over (Under) Expenditures	305,699	(121,401)	322,691	639,476	600,575	(22,223)	(261,264)	203,671	(661,431)	(9,594,060)
OTHER FINANCING SOURCES (USES):										
Proceeds from Issuance of Refunding Bonds		8,365,000								9,883,000
Premium from Issuance of Refunding Bonds		872,094								
Payment to Refunded Debt Escrow Agent		(9,116,749)								
Transfers In			151,154			44,245	100,000		136,649	43,860
Transfers Out			(151,154)			(44,245)			(136,649)	(43,860)
Total Other Financing Sources (Uses)		120,345					100,000			9,883,000
Net Change in Fund Balances	\$ 305,699	\$ (1,055)	\$ 322,691	\$ 639,476	\$ 600,575	\$ (22,223)	\$ (161,264)	\$ 203,671	\$ (661,431)	\$ 288,940
Debt Service as a Percentage of Non-capital Expenditures	6.41%	6.81%	7.21%	6.71%	7.09%	7.02%	7.15%	8.08%	4.79%	3.38%

Source: Exhibit B-2

BOROUGH OF PALMYRA SCHOOL DISTRICT
General Fund - Other Local Revenue by Source
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Interest on Investments	\$ 35,078	\$ 3,729	\$ 4,171	\$ 3,747	\$ 2,889	\$ 2,700	\$ 1,182	\$ 18,553	\$ 81,195	\$ 63,928
Tuition	1,438,398	1,103,457	1,361,193	1,749,865	1,853,201	1,800,427	1,740,648	1,728,342	1,606,803	1,423,288
Transportation Fees		5,918								
Shared Services							7,130	16,000		
Commissions										
Municipal Share of Costs									18,748	
Solar Energy Rebate		53,550							36,288	
Rental/Lease of Facilities				1,800	3,699	500	855	205		
Prior Year E-Rate	58,041	42,196	38,914	48,074						
Prior Year Refunds	14,920	13,034	29,581	14,228	17,687	12,636	12,202	12,841	10,952	43,624
Athletics	19,530	13,895	15,917	21,525	40,731					
Sale of Assets		22,670								
Miscellaneous	488	4,814	6,305	4,195	5,333	4,654	15,076	6,094	3,969	837
Total Miscellaneous Revenues	\$1,566,455	\$1,263,263	\$1,456,082	\$1,843,434	\$1,923,540	\$1,820,917	\$1,777,093	\$1,782,035	\$1,757,955	\$1,531,677

Source: District Records

BOROUGH OF PALMYRA SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

Year Ended Dec. 31	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities (2)	Net Valuation Taxable	Tax-Exempt Property	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate (3)
2018	\$ 4,745,800	\$ 408,349,375	\$	\$ 32,396,800	\$ 10,506,300	\$ 20,916,100	\$ 476,914,375	\$ 94	\$ 476,914,469	\$ 52,333,400	\$ 509,197,496	\$ 2.17
2017	4,696,800	408,717,075	5,500	32,223,300	10,579,000	20,876,400	477,098,075	94	477,098,169	52,271,600	506,258,669	2.14
2016	4,719,400	409,121,975	5,500	32,492,300	10,648,100	20,876,400	477,863,675	93	477,863,768	52,300,600	515,828,765	2.07
2015	4,719,400	409,719,630	5,500	32,778,100	10,706,100	20,816,400	478,745,130	91	478,745,221	52,110,800	541,077,329	2.00
2014	4,719,400	410,223,830	5,500	32,599,300	10,715,100	20,865,900	479,129,030	284,018	479,413,048	52,161,100	530,998,495	1.90
2013 (1)	4,786,000	411,186,330	5,500	32,858,100	10,790,100	21,033,600	480,659,630	478,375	481,138,005	51,354,800	530,832,154	1.78
2012	4,036,900	268,395,315	27,800	19,347,300	7,042,500	12,942,600	311,792,415	285,208	312,077,623	31,866,102	558,878,264	2.61
2011	4,038,900	268,830,970	27,800	19,431,900	7,588,900	12,942,600	312,861,070	278,442	313,139,512	31,753,302	598,972,916	2.60
2010	3,945,700	271,283,170	35,000	18,910,400	6,000,400	13,047,200	313,221,870	326,992	313,548,862	31,753,302	598,298,970	2.60
2009	3,888,800	271,442,170	89,900	19,221,800	6,250,400	13,160,400	314,053,470	328,736	314,382,206	31,284,102	609,455,922	2.38

(1) Revaluation

(2) Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

(3) Tax Rates are per \$100.00 of Assessed Valuation.

Source: Burlington County Board of Taxation

BOROUGH OF PALMYRA SCHOOL DISTRICT
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Unaudited)

Year Ended Dec. 31	District Direct Rate (1)			Overlapping Rates (1)		
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Borough of Palmyra	Burlington County	Total Direct and Overlapping Tax Rate
2018	\$ 1.943	\$ 0.228	\$ 2.171	\$ 1.224	\$ 0.429	\$ 3.824
2017	1.905	0.237	2.142	1.200	0.433	3.775
2016	1.866	0.205	2.071	1.188	0.442	3.701
2015	1.793	0.208	2.001	1.177	0.47	3.648
2014	1.683	0.215	1.898	1.165	0.424	3.487
2013 (2)	1.576	0.202	1.778	1.142	0.42	3.340
2012	2.285	0.326	2.611	1.729	0.681	5.021
2011	2.276	0.326	2.602	1.700	0.726	5.028
2010	2.281	0.318	2.599	1.644	0.725	4.968
2009	2.218	0.166	2.384	1.504	0.737	4.625

Source: Municipal Tax Collector

(1) Rate per \$100 of Assessed Value

(2) Revaluation

BOROUGH OF PALMYRA SCHOOL DISTRICT

Principal Property Tax Payers
Current Year and Nine Years Ago
 (Unaudited)

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Willow Shores LP/ Korman Corp. of NJ	\$ 11,365,900	1	2.38%	\$ 2,607,000	1	0.83%
Boss Lady, LLC	3,500,000	2	0.73%	2,200,000	2	0.70%
River Villas Mews, LLC	2,261,600	3	0.47%			0.00%
Roto Cylinders, Inc.	2,247,800	4	0.47%	1,742,600	5	0.55%
Nai Entertainment Holdings, LLC	2,009,000	5	0.42%			0.00%
Philadelphia Sign Company	1,809,200	6	0.38%	2,046,900	3	0.65%
Palmyra Holdings LLC	1,320,600	7	0.28%			0.00%
Rainer, Joseph	1,197,800	8	0.25%	792,300	9	0.25%
Paul W. Callahan, Trustee	1,177,700	9	0.25%	736,000	10	0.23%
Haroution K. Aydjian	1,053,500	10	0.22%	912,100	8	0.29%
National Amusements Inc.				1,747,700	4	0.56%
Tower Management Services				1,540,000	6	0.49%
David Drew Associates				1,050,000	7	0.33%
Total	\$ 27,943,100		5.86%	\$ 15,374,600		4.89%

Source: Municipal Tax Assessor

BOROUGH OF PALMYRA SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Fiscal Years
 (Unaudited)

<u>Fiscal Year Ended June 30,</u>	<u>School District Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy (1)</u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2018	\$ 10,223,639	\$ 10,223,639	100%	
2017	9,900,903	9,900,903	100%	-
2016	9,581,947	9,581,947	100%	-
2015	9,103,320	9,103,320	100%	-
2014	8,554,332	8,554,332	100%	-
2013	8,150,787	8,150,787	100%	-
2012	8,150,787	8,150,787	100%	-
2011	8,150,787	8,150,787	100%	-
2010	7,496,637	7,496,637	100%	-
2009	7,161,179	7,161,179	100%	-

(1) 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.

Source: District Records

BOROUGH OF PALMYRA SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities	Total District	Percentage of	
	General Obligation Bonds (1)	Capital Leases	Bonds Authorized But not Issued	Capital Leases		Personal Income (2)	Per Capita (3)
2018	\$ 8,260,000				\$ 8,260,000	1.99%	1,144
2017	9,165,000	-	-	-	9,165,000	2.22%	1,269
2016	10,335,000	-	-	-	10,335,000	2.51%	1,428
2015	11,220,000	-	-	-	11,220,000	2.78%	1,541
2014	11,940,000	-	-	-	11,940,000	3.09%	1,631
2013	12,665,000	-	-	-	12,665,000	3.38%	1,728
2012	13,370,000	-	-	-	13,370,000	3.57%	1,814
2011	14,030,000	-	-	-	14,030,000	3.83%	1,901
2010	14,670,000	-	-	-	14,670,000	4.14%	1,986
2009	14,995,000	-	-	-	14,995,000	4.30%	2,044

Sources:

- (1) District Records
- (2) Personal income has been estimated based upon the municipal population and per capita personal income.
- (3) Per capita personal income by county-estimated based upon the 2010 Census published

BOROUGH OF PALMYRA 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 Assessed Valuation Taxable (2)	Per Capita (3)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding (1)		
2018	\$ 8,260,000	-	\$ 8,260,000	1.62%	\$ 1,144
2017	9,165,000	-	9,165,000	1.81%	1,269
2016	10,335,000	-	10,335,000	2.00%	1,428
2015	11,220,000	-	11,220,000	2.07%	1,541
2014	11,940,000	-	11,940,000	2.25%	1,631
2013	12,665,000	-	12,665,000	2.39%	1,728
2012	13,370,000	-	13,370,000	2.39%	1,814
2011	14,030,000	-	14,030,000	2.34%	1,901
2010	14,670,000	-	14,670,000	2.45%	1,986
2009	14,995,000	-	14,995,000	2.46%	2,044

Sources:

- (1) District Records
- (2) Net Assessed Valuation provided by Abstract of Ratables, County Board of Taxation.
- (3) Per Capita calculation based upon population information provided by the NJ Dept. of Labor and Workforce Development.

BOROUGH OF PALMYRA SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2017
(Unaudited)

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Statutory Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to Palmyra Borough</u>
Municipal Debt: (1)				
Palmyra Borough Local School District	\$ 9,165,000	\$ 9,165,000	\$ -	\$ -
Palmyra Borough Sewer Utility	5,366,492	5,366,492		
Palmyra Borough	<u>13,087,739</u>	<u>811,672</u>	<u>12,276,067</u>	<u>12,276,067</u>
	<u>\$ 27,619,231</u>	<u>\$ 15,343,164</u>	<u>\$ 12,276,067</u>	<u>\$ 12,276,067</u>
 Overlapping Debt Apportioned to the Municipality:				
County of Burlington: (2)				
General:				
Bonds				
Bonds Issued by Other Public Bodies				
Guaranteed by the County	\$ 651,470,666	\$ 354,070,986	\$ 297,399,680	\$ 297,399,680
Solid Waste Utility	<u>58,925,310</u>	<u>58,925,310</u>		
	<u>710,395,976</u>	<u>412,996,296</u>	<u>297,399,680</u>	<u>297,399,680</u>
	<u>\$ 738,015,207</u>	<u>\$ 428,339,460</u>	<u>\$ 309,675,747</u>	<u>\$ 309,675,747</u>

Sources:

- (1) 2017 Annual Debt Statement
- (2) County's 2017 Audit Report

BOROUGH OF PALMYRA SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized Valuation Basis (1):	
	2017	\$ 509,393,631
	2016	507,070,962
	2015	<u>516,780,149</u>
	[A]	<u>\$1,533,244,742</u>
	Average Equalized Valuation of Taxable Property	[A/3] \$ 511,081,581
	Debt Limit (4% of Average Equalization Value) (2)	[B] \$ 20,443,263
	Total Net Debt Applicable to Limit (3)	[C] <u>12,276,068</u>
	Legal Debt Margin	[B-C] <u>\$ 8,167,195</u>

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt Limit	\$ 20,443,263	\$ 20,871,496	\$ 21,209,348	\$ 21,399,907	\$ 21,650,176	\$ 22,516,840	\$ 23,401,220	\$ 24,015,997	\$ 23,792,314	\$ 23,184,746
Total Net Debt Applicable to Limit (3)	<u>12,276,068</u>	<u>9,165,000</u>	<u>10,335,000</u>	<u>11,220,000</u>	<u>11,940,000</u>	<u>12,665,000</u>	<u>13,370,000</u>	<u>14,030,000</u>	<u>14,670,000</u>	<u>14,995,000</u>
Legal Debt Margin	<u>\$ 8,167,195</u>	<u>\$ 11,706,496</u>	<u>\$ 10,874,348</u>	<u>\$ 10,179,907</u>	<u>\$ 9,710,176</u>	<u>\$ 9,851,840</u>	<u>\$ 10,031,220</u>	<u>\$ 9,985,997</u>	<u>\$ 9,122,314</u>	<u>\$ 8,189,746</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	60.05%	43.91%	48.73%	52.43%	55.15%	56.25%	57.13%	58.42%	61.66%	64.68%

Sources:

- (1) Equalized valuation bases were provided by the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.
- (2) Limit set by NJSA 18A:24-19 for a K through 12 district.
- (3) District Records

BOROUGH OF PALMYRA SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
2018 *	7,218	\$ 414,179,958	\$ 57,382	4.10%
2017	7,221	412,290,649	57,096	4.20%
2016	7,236	411,091,632	56,812	4.50%
2015	7,281	403,010,631	55,351	5.00%
2014	7,320	386,810,760	52,843	6.30%
2013	7,331	374,878,016	51,136	11.1%
2012	7,372	374,047,908	50,739	11.6%
2011	7,379	366,714,163	49,697	11.1%
2010	7,385	354,369,225	47,985	11.4%
2009	7,336	348,966,184	47,569	10.8%

Sources:

- (1) Population information provided by the NJ Dept. of Labor and Workforce Development
 - (2) Personal income has been estimated based upon the municipal population and per capita
 - (3) Per Capita personal income by county-estimated based upon the 2010 Census published
 - (4) Unemployment data provided by the NJ Dept. of Labor and Workforce Development
- * Estimates

BOROUGH OF PALMYRA SCHOOL DISTRICT
Principal Non-Governmental Employers
Previous Year and Nine Years Ago
(Unaudited)

Employer	2018			2009		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment
Philadelphia Sign Company	260	1	6.48%			
Kerbeck Cadillac	140	2	3.49%			
Wawa	50	3	1.25%			
Gemini Linens	37	4	0.92%			
Callahan Chemical	22	5	0.55%			
Bridge Machine Company	21	6	0.52%			
Curran's Irish Inn	20	7	0.50%			
Joshua Motor Car Company Inc.	18	8	0.45%			
	<u>568</u>		<u>14.15%</u>	<u>-</u>		<u>-</u>

INFORMATION
NOT AVAILABLE

BOROUGH OF PALMYRA SCHOOL DISTRICT
Full-time Equivalent District Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction:										
Regular	59	65	65	64	59	61	64	69	69	69
Special education	26	26	27	27	27	33	29	19	19	19
Athletics	2	3	3	3	3	3	3	3	3	3
Adult/continuing education programs										1
Support Services:										
Student & instruction related services	24	24	22	22	26	25	25	10	10	10
School administrative services	6	5	6	5	6	6	7	6	6	6
General and business administrative services	7	6	6	5	6	8	8	1	1	1
Plant operations and maintenance	19	14	14	14	16	15	16	12	12	13
Business and other support services	2	1	2	2	2	1	1	13	13	14
Child Care	1	1	1	1	1	1	1	1	1	1
Total	146	145	145	142	145	152	154	134	134	137

Source: District Records

BOROUGH OF PALMYRA SCHOOL DISTRICT

Operating Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Resident Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Junior/Senior High School				
2018	932	\$ 17,788,387	\$ 19,086	-1.14%	86	1:14.0	1:11.0	930	879	4.45%	94.52%
2017	895	17,279,812	19,307	9.09%	93	1:11.0	1:8.33	890	842	-4.85%	94.53%
2016	941	16,601,354	17,699	4.45%	92	1:12.0	1:10.0	936	877	-0.91%	93.78%
2015	945	16,013,409	16,945	1.59%	91	1:10.0	1:11.0	944	889	-1.12%	94.11%
2014	960	16,013,409	16,681	3.68%	86	1:13.0	1:12.0	956	902	-0.92%	94.39%
2013	972	15,637,963	16,088	9.11%	93	1:12.0	1:10.0	964	905	0.23%	93.90%
2012	1,017	14,996,331	14,746	3.71%	114	1:12.0	1:10.0	950	924	1.26%	94.27%
2011	1,019	14,488,801	14,219	-2.88%	114	1:12.0	1:10.0	960	904	-1.02%	94.25%
2010	1,017	14,889,016	14,640	2.51%	114	1:12.0	1:10.0	950	894	1.03%	94.17%
2009	1,023	14,609,925	14,281	-1.95%	115	1:12.0	1:10.0	976	924	-2.67%	94.70%

Sources: District Records

BOROUGH OF PALMYRA SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years
(Unaudited)

District Building	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Elementary										
Charles Street Elementary (1958)										
Square Feet	62,884	62,884	62,884	62,884	62,884	62,884	62,884	62,884	62,884	62,884
Capacity (students)	705	705	705	705	705	705	705	705	705	705
Enrollment	495	495	520	525	529	481	493	470	467	467
Delaware Avenue Elementary (1956)										
Square Feet	11,539	11,539	11,539	11,539	11,539	11,539	11,539	11,539	11,539	11,539
Capacity (students)	180	180	180	180	180	180	180	180	180	180
Enrollment						16	27	35	35	43
Senior High School										
Junior/Senior High School (1922)										
Square Feet	99,248	99,248	99,248	99,248	99,248	99,248	99,248	99,248	99,248	99,248
Capacity (students)	765	765	765	765	765	765	765	765	765	765
Enrollment	400	400	421	420	431	449	433	512	517	534

Number of Schools at June 30, 2018
Elementary School = 2
Junior/Senior High School = 1
Other = 0

Source: District Records

BOROUGH OF PALMYRA SCHOOL DISTRICT
Schedule of Required Maintenance
Last Ten Fiscal Years
(Unaudited)

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES (11-000-261-XXX)

School Facilities*	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Charles Street School	\$ 130,952	\$ 132,314	\$ 115,208	\$ 132,252	\$ 111,027	\$ 112,451	\$ 71,365	\$ 69,286	\$ 654,656	\$ 87,631
Delaware Avenue School	25,462	25,728	22,402	18,466	21,589	21,865	13,876	13,472	229,188	64,140
Junior/Senior High School	207,343	209,498	182,413	183,820	176,807	178,047	112,994	109,702	1,015,396	99,782
Total School Facilities	<u>\$ 363,757</u>	<u>\$ 367,540</u>	<u>\$ 334,538</u>	<u>\$ 309,423</u>	<u>\$ 312,363</u>	<u>\$ 198,235</u>	<u>\$ 192,460</u>	<u>\$ 1,899,240</u>	<u>\$ 251,553</u>	<u>\$ 169,845</u>

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

Source: District Records

BOROUGH OF PALMYRA SCHOOL DISTRICT

Insurance Schedule

June 30, 2018

(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (1)		
Boiler and Machinery	\$ 100,000,000	\$ 2,500
General and Automobile Liability	5,000,000	
Pollution Liability	1,000,000	5,000
School Excess Liability	10,000,000	10,000
Blanket Dishonesty Bond	500,000	
Workers' Compensation	Statutory	
Student Accident Liability (1)	1,000,000	
Surety Bonds (2)		
Treasurer	250,000	
Board Secretary	175,000	

(1) School Alliance Insurance Fund

(2) National Union Fire Insurance Company of Pittsburgh, PA

Source: District Records

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Palmyra Borough School District
County of Burlington, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the of Education of the Palmyra Borough School District, in the County of Burlington, State of New Jersey, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the of Education of the Palmyra Borough School District's basic financial statements, and have issued our report thereon dated January 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Palmyra Borough Board of Education's internal control over financial reporting 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 Palmyra Borough Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Palmyra Borough Board of Education's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 Palmyra Borough Board of Education'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 one instance of noncompliance, or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and is described in the accompanying schedule of findings and questioned costs, labeled finding 2018-1.

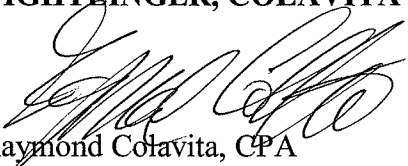
Purpose of this Report

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

This report is intended solely for the information and use of management, the Palmyra Borough Board of Education, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915
January 31, 2019

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Palmyra Borough School District
County of Burlington, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Palmyra Borough School District, in the County of Burlington, State of New Jersey, 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 Palmyra Borough School District's major federal and state programs for the fiscal year ended June 30, 2018. The Palmyra Borough Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Palmyra Borough Board of Education'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 as prescribed by the Office of School Finance, *Department of Education, State of New Jersey, Uniform Guidance* and New Jersey OMB 15-08. Those standards, Uniform Guidance and New Jersey OMB 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 and state program occurred. An audit includes examining, on a test basis, evidence about the Palmyra Borough Board of Education'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. Our audit does not provide a legal determination of Palmyra Borough Board of Education's compliance.

Opinion on Each Major Program

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


A deficiency in internal control over compliance exists when the design or operation of a control 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 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 the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above or any instance of deficiency in internal control over compliance that we have to report to the Board of Education in a separate report entitled *Auditors' Management Report on Administrative Findings-Financial, Compliance and Performance* dated January 31, 2019. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and New Jersey OMB 15-08.

This report is intended solely for the information and use of the audit committee, management, the Palmyra Borough Board of Education, the New Jersey State Department of Education, other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA

Licensed Public School Accountant

No. 915

January 31, 2019

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards - Schedule A
 For the Fiscal Year Ended June 30, 2018

Pass-through Grantor/Program Title	Federal CFDA Number	Federal FAIN Number	Pass-Through Entity Identifying Number	Program or Award Amount	Grant Period		Balance June 30, 2017	Carry-over / (Walkover) Amount	Cash Received	Budgetary Funds		Balance June 30, 2018		
					From	To				Pass-Through Funds	Total Budgetary Expenditures	(Accounts Receivable)	Unearned Revenue	Due to Grantor
General Fund:														
U.S. Department of Education:														
Passed-through the State Department of Education:														
Medicaid Administrative Claiming Aid	93.778	1805NJ5MAP	Unavailable	\$ 4,705	07-01-17	06-30-18			\$ 4,705	\$ (4,705)	\$ (4,705)			
Medical Assistance Program (SEMI)	93.778	1805NJ5MAP	Unavailable	21,904	07-01-17	06-30-18			21,904	(21,904)	(21,904)			
Total General Fund									26,609	(26,609)	(26,609)			
Special Revenue Fund:														
U.S. Department of Education:														
Passed-through State Department of Education:														
E.S.E.A.:														
Title I, Part A	84.010	S010A170030	ESEA392018	230,091	07-01-17	06-30-18			179,970	(230,090)	(230,090)	\$ (50,120)		
Title I, Part A	84.010	S010A160030	ESEA392017	232,218	07-01-16	06-30-17	\$ (28,060)		28,060					
Total Title I, Part A							(28,060)		208,030	(230,090)	(230,090)	(50,120)		
Title II, Part A	84.367	S367A170029	ESEA392018	32,849	07-01-17	06-30-18			27,443	(32,849)	(32,849)	(5,406)		
Title II, Part A	84.367	S367A160029	ESEA392017	35,561	07-01-16	06-30-17	(6,834)		6,834					
Total Title II, Part A							(6,834)		34,277	(32,849)	(32,849)	(5,406)		
I.D.E.A. Part B:														
Basic	84.027	H027A170100	IDEA392018	271,911	07-01-17	06-30-18			271,911	(271,911)	(271,911)			
Pre-School	84.173	H173A170114	IDEA392018	7,300	07-01-17	06-30-18			6,205	(7,300)	(7,300)	(1,095)		
Total I.D.E.A. Part B Special Education Cluster									278,116	(279,211)	(279,211)	(1,095)		
Total Special Revenue Fund							(34,894)		520,423	(542,150)	(542,150)	(56,621)		
Enterprise Fund:														
U.S. Department of Agriculture:														
Passed-through State Department of Agriculture:														
Non-Cash Assistance (Food Distribution):														
Food Distribution Program	10.565	Unknown	Unavailable	34,711	07-01-17	06-30-18			34,711	(27,499)	(27,499)		\$ 7,212	
Food Distribution Program	10.565	Unknown	Unavailable	40,664	07-01-16	06-30-17	7,730			(7,730)	(7,730)			
Child Nutrition Cluster:														
Cash Assistance:														
National School Breakfast Program	10.553	181NJ304N1099	Unavailable	33,502	07-01-17	06-30-18			31,920	(33,502)	(33,502)	(1,582)		
National School Breakfast Program	10.553	171NJ304N1099	Unavailable	31,376	07-01-16	06-30-17	(1,879)		1,879					
National School Lunch Program	10.555	181NJ304N1099	Unavailable	165,864	07-01-17	06-30-18			158,783	(165,864)	(165,864)	(7,081)		
National School Lunch Program	10.555	171NJ304N1099	Unavailable	161,167	07-01-16	06-30-17	(6,659)		6,659					
Total Enterprise Fund							(808)		233,952	(234,595)	(234,595)	(8,663)	7,212	
Total Federal Financial Assistance							\$ (35,702)		\$ 780,984	\$ (803,354)	\$ (803,354)	\$ (65,284)	\$ 7,212	

(A) See Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
 The accompanying Notes to Financial Statements and Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

BOROUGH OF PALMYRA SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance - Schedule B
For the Fiscal Year Ended June 30, 2018

State Grantor/ Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2017			Balance June 30, 2018			Memo		
			From	To	Unearned Revenue/ Accounts Receivable	Due to Grantor	Cash Received	Total Budgetary Expenditures	(Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary Receivable June 30, 2018	Cumulative Total Expenditures
General Fund:													
State Department of Education:													
Current Expense:													
State Aid - Public Cluster:													
Equalization Aid	18-495-034-5120-078	\$3,932,441	07-01-17	06-30-18			\$3,586,995	\$ (3,932,441)	\$ (345,446)			\$ (345,446)	\$3,932,441
Equalization Aid	17-495-034-5120-078	3,880,223	07-01-16	06-30-17		\$ (333,542)	333,542						
Special Education Categorical Aid	18-495-034-5120-089	477,653	07-01-17	06-30-18			435,694	(477,653)	(41,959)			(41,959)	477,653
Special Education Categorical Aid	17-495-034-5120-089	477,653	07-01-16	06-30-17		(41,059)	41,059						
Security Aid	18-495-034-5120-084	158,534	07-01-17	06-30-18			144,608	(158,534)	(13,926)			(13,926)	158,534
Security Aid	17-495-034-5120-084	158,534	07-01-16	06-30-17		(13,627)	13,627						
Adjustment Aid	18-495-034-5120-085	102,575	07-01-17	06-30-18			93,564	(102,575)	(9,011)			(9,011)	102,575
Adjustment Aid	17-495-034-5120-085	102,575	07-01-16	06-30-17		(8,817)	8,817						
Under Adequacy Aid	18-495-034-5120-096	11,616	07-01-17	06-30-18			10,595	(11,616)	(1,021)			(1,021)	11,616
Under Adequacy Aid	17-495-034-5120-096	11,616	07-01-16	06-30-17		(999)	999						
PARCC Readiness Aid	18-495-034-5120-098	8,930	07-01-17	06-30-18			8,146	(8,930)	(784)			(784)	8,930
PARCC Readiness Aid	17-495-034-5120-098	8,930	07-01-16	06-30-17		(768)	768						
Per Pupil Growth Aid	18-495-034-5120-097	8,930	07-01-17	06-30-18			8,146	(8,930)	(784)			(784)	8,930
Per Pupil Growth Aid	17-495-034-5120-097	8,930	07-01-16	06-30-17		(768)	768						
Professional Learning Community Aid	18-495-034-5120-101	8,780	07-01-17	06-30-18			8,009	(8,780)	(771)			(771)	8,780
Professional Learning Community Aid	17-495-034-5120-101	8,780	07-01-16	06-30-17		(755)	755						
Total State Aid - Public Cluster						(400,335)	4,696,092	(4,709,459)	(413,702)			(413,702)	4,709,459
Transportation Aid	18-495-034-5120-014	97,770	07-01-17	06-30-18			89,181	(97,770)	(8,589)			(8,589)	97,770
Transportation Aid	17-495-034-5120-014	97,770	07-01-16	06-30-17		(8,404)	8,404						
Extraordinary Aid	18-100-034-5120-473	95,459	07-01-17	06-30-18				(95,459)	(95,459)				95,459
Extraordinary Aid	17-100-034-5120-473	92,837	07-01-16	06-30-17		(92,837)	92,837						
Homeless Tuition Aid	17-100-034-5120-005	35,505	07-01-16	06-30-17		(35,505)	35,505						
Reimbursed TPAF Social Security Contributions	18-495-034-5095-003	525,849	07-01-17	06-30-18			525,849	(525,849)					525,849
Total General Fund						(537,081)	5,447,868	(5,428,537)	(517,750)			(422,291)	5,428,537
Debt Service Fund:													
State Department of Education:													
State Support	18-100-034-5120-017	176,428	07-01-17	06-30-18			176,428	(176,428)					176,428
Enterprise Fund:													
New Jersey Department of Agriculture:													
State School Lunch Aid	18-100-010-3350-023	4,293	07-01-17	06-30-18			4,102	(4,293)	(191)				4,293
State School Lunch Aid	17-100-010-3350-023	3,931	07-01-16	06-30-17		(219)	219						
Total Enterprise Fund						(219)	4,321	(4,293)	(191)				4,293
Total State Financial Assistance subject to Major Determination for State Single Audit						\$(537,300)	\$5,628,617	\$(5,609,258)	\$(517,941)			\$(422,291)	\$5,609,258
State Financial Assistance not subject to Calculation for Major Program Determination for State Single Audit:													
General Fund (Non-Cash Assistance); New Jersey Department of Treasury:													
On-behalf T.P.A.F. Pension Contributions - Normal Cost	18-495-034-5094-002	\$ 961,603	07-01-17	06-30-18			961,603	(961,603)					961,603
On-behalf T.P.A.F. Pension Contributions - Post-Retirement Medical	18-495-034-5094-001	621,079	07-01-17	06-30-18			621,079	(621,079)					621,079
On-behalf T.P.A.F. Pension Contributions - Long Term Disability	18-495-034-5094-004	1,642	07-01-17	06-30-18			1,642	(1,642)					1,642
Total General Fund (Non-Cash Assistance)							1,584,324	(1,584,324)					1,584,324
Total State Financial Assistance						\$(537,300)	\$7,212,941	\$(7,193,582)	\$(517,941)			\$(422,291)	\$7,193,582

(A) See Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2018

NOTE 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education of the Borough of Palmyra School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies are included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 2 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements 2 CFR 200- *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$13,552 for the general fund. See Exhibit C-3 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

BOROUGH OF PALMYRA SCHOOL DISTRICT.
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2018

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 26,609	\$ 6,999,309	\$ 7,025,918
Special Revenue Fund	542,150		542,150
Debt Service Fund		176,428	176,428
Food Service Fund	234,077	4,293	238,370
Total Awards & Financial Assistance	<u>\$ 802,836</u>	<u>\$ 7,180,030</u>	<u>\$ 7,982,866</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: FEDERAL AND STATE LOANS OUTSTANDING

Borough of Palmyra School District had no outstanding loans at June 30, 2018.

NOTE 6: OTHER

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

NOTE 7: SCHOOLWIDE PROGRAM FUNDS

As the District's Federal Programs are on a targeted student group basis, there are no schoolwide programs in the District.

NOTE 8: MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results Section of the Schedule of Findings and Questioned Cost.

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- 1) Material weakness (es) identified? _____ yes X no
- 2) Significant deficiencies identified? _____ yes X none reported

Noncompliance material to basic financial statements noted? X yes _____ no

Federal Awards

Internal control over major programs:

- 1) Material weakness (es) identified? _____ yes X no
- 2) Significant deficiencies identified? _____ Yes X none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	S010A170030	TITLE I

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

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

**BOROUGH OF PALMYRA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(continued)**

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

State Awards

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

Auditee qualified as low-risk auditee? X yes no

Internal control over major programs:

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

2) Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08 yes X no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
18-495-034-5120-078	Equalization Aid
18-495-034-5120-089	Special Education Categorical Aid
18-495-034-5120-084	Security Aid
18-495-034-5120-098	PARCC Readiness Aid
18-495-034-5120-097	Per Pupil Growth Aid
18-495-034-5120-096	Under Adequacy Aid
18-495-034-5120-085	Adjustment Aid
18-495-034-5120-101	Professional Learning Community Aid

**BOROUGH OF PALMYRA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(continued)**

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weakness, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting and with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey that requires reporting in the Uniform Guidance, New Jersey OMB Treasury Circular 15-08 audit.

Finding: 2018-1

Criteria or specific requirement:

The New Jersey Department of Agriculture requires a School Food Authority to maintain a nonprofit School Food Service. The nonprofit status of the School Food Service is determined by evaluating net cash resources, which may not exceed three months average expenditures.

Condition:

Net cash resources in the Food Service Fund exceeded three months average expenditures.

Context:

Utilizing the USDA net cash resource calculation form, it was determined the District's net cash resources exceeded three months average expenditures by \$48,394, as of June 30, 2018.

Effect:

Violation of New Jersey Department of Agriculture requirements.

Cause:

Inadvertent oversight

Recommendation:

The Board should implement a corrective action plan to effectively reduce the net cash resources on hand in the Food Service Fund through capital expenditure or otherwise.

Management's response:

Management is aware of the necessary procedures to be updated and followed.

**BOROUGH OF PALMYRA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(continued)**

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

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* and NJOMB Circular Letter 15-08, as applicable.

FEDERAL AWARDS - N/A

Finding:

Information on the federal program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Views of responsible officials and planned corrective actions:

STATE AWARDS - N/A

Finding:

Information on the state program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

**BOROUGH OF PALMYRA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

This section identifies the status of prior - year findings related to the basic financial statements and Federal and State awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, US OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* section .511(a)(b) and New Jersey OMB's Treasury Circular 04-04 and/or 15-08, as applicable.

STATUS OF PRIOR - YEAR FINDINGS

Finding - 2017-01

Condition - The Board Secretary's report was not filed timely with the County Superintendent.

Current Status - Resolved