

**Borough of Pitman School District
Board of Education
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

BOROUGH OF PITMAN SCHOOL DISTRICT

PITMAN, NEW JERSEY 08071

**Borough of Pitman School Board of Education
Pitman, New Jersey 08071**

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

**Borough of Pitman School Board of Education
Pitman, New Jersey 08071**

For the Fiscal Year Ended June 30, 2018

Prepared by:

**Borough of Pitman School
Board of Education Administration**

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INTRODUCTORY SECTION

Pitman Public Schools

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Kelly Brazelton

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January 22, 2019

Judy Walker, President
Members of the Board of Education
Pitman Public Schools
420 Hudson Avenue
Pitman, New Jersey 08071

Dear Board Members:

The comprehensive annual financial report of the Pitman Public School District for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart, and a list of principal officials. The financial section includes the Independent Auditor's Report, MD&A, and the basic financial statements; including the District-wide fund statements, notes to the financial statements, required supplementary information, other than MD&A, including budgetary comparison schedules, and other supplementary information. The statistical section includes selected financial and demographic information generally presented this year on a multi-year basis. The Pitman School District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, and the *Uniform Administrative Requirements, Costs Principles, Audit Requirements for Federal Awards (Uniform Guidance)*, "Audits of State and Local Governments," and the New Jersey OMB's Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

The Pitman Public School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds of the District are included in this report. The Pitman Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular as well as special education for handicapped youngsters (Pre-K through 12). The District completed the 2017-2018 fiscal year with a total enrollment of 1327 students, grades K-12, including 22 out-of-district handicapped student placements, and 207 special education students in District.

1) REPORTING ENTITY AND ITS SERVICES (CONTINUED)

In the 2005-2006 school year, the District began providing child care (Panther Club) for students ages 4 through Grade 5 at each of the elementary schools, enrolling approximately 75 students. At the end of the 2017-2018 school year, the Panther Club had a total of approximately 200 students participating.

The increase in labor costs associated with the negotiated agreement with the Pitman Education Association was a major portion of the budget increase. The Pitman Education Association represents approximately 92% of the entire work force. Negotiations were completed as of April 2015 for a five year contract for the 2014/2015 through 2018/2019 school years.

Health insurance also continues to increase. The District had experienced cost increases ranging from 7% to 15% in previous years. Through negotiations, the Pitman Board of Education has been able to implement cost saving measures to offset the increases. These included increasing certain co-pays, as well as providing a payment of \$5,000 for individuals who wish to "sell back" their insurance plan. The District also joined a health benefit trust with thirty other districts in 2011-2012 to reduce premium increases. An alternate health insurance plan (higher co-pays and deductible options) is also now offered.

The District authorized a special election for September 29, 2009, to provide for the installation of solar energy at the high school; which is projected to reduce energy costs, as well as provide for a decrease in taxes due to the state's SREC program.

ENROLLMENT AS OF JUNE 30

FISCAL YEAR	TOTAL STUDENT ENROLLMENT
2008-2009	1,621
2009-2010	1,598
2010-2011	1,590
2011-2012	1,564
2012-2013	1,544
2013-2014	1,505
2014-2015	1,464
2015-2016	1,430
2016-2017	1,364
2017-2018	1,327

Note: The data reported above is the actual number of students on roll at the close of school as opposed to "average daily enrollment" which is listed in the statistical data section of this report.

2) ECONOMIC CONDITION AND OUTLOOK

In March 2011, the community experienced a major setback with the closing of the Sony DADC manufacturing plant, resulting in the loss of approximately 400 jobs. Sony DADC, which manufactured CD's and DVD's at the plant, is the largest property owner and taxpayer in the town.

The facility had been scaling back activity over recent years and had reached a tax settlement with the municipality that changed the property's assessed value and ratable status beginning in calendar year 2011. The change in ratable status had an impact on recent school budgets,

2) ECONOMIC CONDITION AND OUTLOOK (CONTINUED)

resulting in an additional share of the tax increase being shifted to the remaining tax payers, primarily homeowners. Future school budgets will be similarly impacted by the decline in assessed value of the property. The SONY property was purchased in early 2013 by a New York based company for approximately \$3 million, (deeply discounted from list price); the future use of the property is unknown at this time.

State Aid

State aid public for the 2017-2018 school year was \$9,516,141 which is a decrease of \$185,589 from 2016-2017. The District maintains no more than 2% fund balance as required by P.L. 2004. The percentage of debt service aid was 39.75% of debt service revenues.

Special Education

Federal and State mandated services and regulations continue to increase to an ever-growing population of special needs students. Providing the necessary and required services for our special education population has been recognized by the Board and Administration. The District has provided Pre-School Handicapped Inclusion classes since 2007-2008 school year. In addition, the District is still experiencing an increase in special education students with severe needs and the need to provide the least restrictive environment for students. These two issues alone require additional resources which the cost of far exceeds the changes in aid.

Federal Funding

The District’s NCLB, IDEA Basic, and IDEA Pre-School funding remained relatively flat for the 2017-2018 school year.

3) MAJOR INITIATIVES

Student Achievements:

SAT Scores

	2018 PITMAN H.S. MEAN	2017 PITMAN H.S. MEAN	NEW JERSEY MEAN	USA MEAN
SAT Reading/Writing Score	553	526	495	494
SAT Math Score	541	523	514	508

PERCENTAGE OF GRADUATING STUDENTS:	2018	2017	2016	2015	2014	2013
Attending a four year college program	40%	41%	41%	50%	36%	38%
Attending a two year college program	54%	50%	46%	36%	56%	51%
Attending specialized training program	3%	4%	3%	4%	3%	3.5%
Entering the work force	3%	3%	6%	6%	2.5%	4.5%
Entering the military	0%	1%	4%	2.5%	3%	0%

Graduating Student Statistics Pitman High School Advanced Placement

In 2017, a total of 63 students took AP exams in 12 different subject areas.

- 6% of exams scored 5
- 16% of exams scored 4 or higher
- 43% of exams scored 3 or higher

State Testing (Spring 2017)

PARCC - 3

- 60% of all students passed the PARCC - 3 Language Arts Assessment
- 61% of all students passed the PARCC - 3 Mathematics Assessment

3) MAJOR INITIATIVES (CONTINUED)

PARCC - 4

- 46% of all students passed the Language Arts Assessment
- 43% of all students passed the Mathematics Assessment

PARCC - 5

- 59% of all students passed the Language Arts Assessment
- 47% of all students passed the Mathematics Assessment

PARCC - 6

- 39% of all students passed the Language Arts Assessment
- 37% of all students passed the Mathematics Assessment

PARCC - 7

- 48% of all students passed the Language Arts Assessment
- 30% of all students passed the Mathematics Assessment

PARCC - Grade 8

- 51% of all students passed the Language Arts Assessment
- 11% of all students passed the Mathematics Assessment

PARCC - Grade 9

- 54% of all students passed the Language Arts Assessment

PARCC - Grade 10

- 48% of all students passed the Language Arts Assessment

PARCC - Grade 11

- 19% of all students passed the Language Arts Assessment

PARCC - Mathematic Assessment

- 51% of all students passed Algebra I
- 24% of all students passed Algebra II
- 27% of all students passed Geometry

State Testing (Spring 2016)

PARCC - 3

- 47% of all students passed the PARCC - 3 Language Arts Assessment
- 52% of all students passed the PARCC - 3 Mathematics Assessment

PARCC - 4

- 54% of all students passed the Language Arts Assessment
- 46% of all students passed the Mathematics Assessment

3) MAJOR INITIATIVES (CONTINUED)

PARCC - 5

- 53% of all students passed the Language Arts Assessment
- 47% of all students passed the Mathematics Assessment

PARCC - 6

- 52% of all students passed the Language Arts Assessment
- 43% of all students passed the Mathematics Assessment

PARCC - 7

- 57% of all students passed the Language Arts Assessment
- 39% of all students passed the Mathematics Assessment

PARCC - Grade 8

- 56% of all students passed the Language Arts Assessment
- 26% of all students passed the Mathematics Assessment

PARCC - Grade 9

- 49% of all students passed the Language Arts Assessment

PARCC - Grade 10

- 43% of all students passed the Language Arts Assessment

PARCC - Grade 11

- 39% of all students passed the Language Arts Assessment

PARCC – Mathematics Assessment

- 41% of all students passed Algebra I
- 27% of all students passed Algebra II
- 25% of all students passed Geometry

DISTRICT GOALS:

Strategic Planning Process

The District undertook a strategic planning process during 2016-2017 and the BOE adopted that plan in September 2017. District goals centered on three areas:

- Provide a superior comprehensive educational program
- Create/maintain safe and dynamic environments for teaching and learning
- Create a culture of engagement and support for the Districts mission (finances, enrollment, communications, etc.)

The plan covers a five year period (2017-2022).

Grants

E-Rate - The District continues to file applications under the Universal Service Fund (E- Rate), providing a 43% rebate on phone services and internet access. The District received discounts on phone services and internet access.

3) MAJOR INITIATIVES (CONTINUED)

Facilities

The Administration continues to strive to maintain and upgrade the facilities in the District. The District continues to remain in compliance with code which requires 2/10ths of 1 percent of the cost of the facilities over a 10 year period to be budgeted towards required maintenance. All required paperwork has been filed with the state and the necessary budgetary procedures have been put into place.

4) INTERNAL ACCOUNTING CONTROLS

The District's Business Administrator is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally 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 the District's management team.

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

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

5) BUDGETARY CONTROLS

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the General Fund, the Special Revenue Fund, and the Debt Service Fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

6) ACCOUNTING SYSTEM AND REPORTS

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups which are converted from Governmental fund balances to net position. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.

7) FINANCIAL INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

8) DEBT ADMINISTRATION

At June 30, 2018, the District's outstanding debt issues include \$5,090,000 of general obligation bond principal. This amount includes the amounts associated with refinancing of the Series 1998 school bonds; the Series 2006 and 2009 school bonds. The total principal outstanding on the 2006 Bonds was \$435,000 and \$145,000 on the 2009 Bonds and \$4,510,000 on the 2016 Refunding Bonds.

9) CASH MANAGEMENT

The investment policy of the District is guided in large part by the state statute as detailed in "Notes to the Financial Statements," Note 1. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act. The District depository is TD Bank, N.A., where all funds earn interest from the date of deposit at the U.S. Treasury Bill rate, at the 90 day T-bill rate.

10) RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability and comprehensive/collision, hazard, and theft insurance on property and contents, worker's compensation, student insurance, and fidelity bonds.

The District is a member of the Atlantic and Cape May Counties School Business Officials Joint Insurance Fund (ACCASBOJIF). This Fund was formed under the provisions of NJSA 18A:18B 1-10. The Fund commenced operations on July 1, 1991, with sixteen member districts and has continued to grow in number of members.

The ACCASBOJIF provides members with a long-term alternative to the conventional insurance marketplace and is a means of stabilizing the otherwise cyclical nature of insurance expenditures.

The Fund provides the following coverage:

- Property, including buildings, contents, inland marine, crime, boiler and machinery, and auto physical damage
- General Liability, including school board legal liability (also known as educator's legal liability)
- Automobile Liability
- Worker's Compensation
- Pollution
- Excess Liability Insurance

The Joint Insurance Fund provides coverage to its members either directly or through the commercial insurance market, through one or more of the following vehicles: excess insurance, reinsurance or an excess property and casualty joint insurance fund. In 2001-2002 the three South Jersey JIF's formed a SPELL (School Pool for Excess Legal Liability). The SPELL is a vehicle by which the JIF's can control spiraling premium costs, increases in the SIR's (self-insured retention) and replace excess insurance coverage. At this time it appears as though forming the SPELL was fortuitous due to the September 11, 2001, tragedy and the impact this subsequently has had on the insurance community.

10) RISK MANAGEMENT (CONTINUED)

The Joint Insurance Fund's mission statement is as follows: "The ACCASBOJIF is committed to uniting local school districts in a joint effort to better manage their risks and assure fiscal stability by providing cost-effective, comprehensive insurance coverage and minimizing losses through pro-active membership involvement in claims management and loss prevention activities excess reinsurance."

11) FUND BALANCE

The fund balance for the General Governmental Fund as of June 30, 2018, for the District (See Exhibit B-1) is \$996,499. The 119,242 will roll into fund balance for tax relief for the 2019-2020 budget.

12) OTHER INFORMATION

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Petroni & Associates LLC was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996, and the *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, "Audits of State and Local Governments," and the New Jersey OMB's Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

13) CAPITAL IMPROVEMENT PLAN

The auditor's report in the basic financial statements, as well as the combining and individual fund statements and schedules, is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

Funds were dedicated for projects during the 2017-2018 school year from the Capital Reserve Account for \$82,775 and \$90,506 was utilized from the maintenance reserve account.

14) ACKNOWLEDGEMENTS

We would like to express our appreciation to the members of the Pitman 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 business office employees. We also appreciate the guidance and advice of our treasurer.

Respectfully submitted,

Patrick J. McAleer

Patrick J. McAleer, Ed. D
Superintendent of Schools

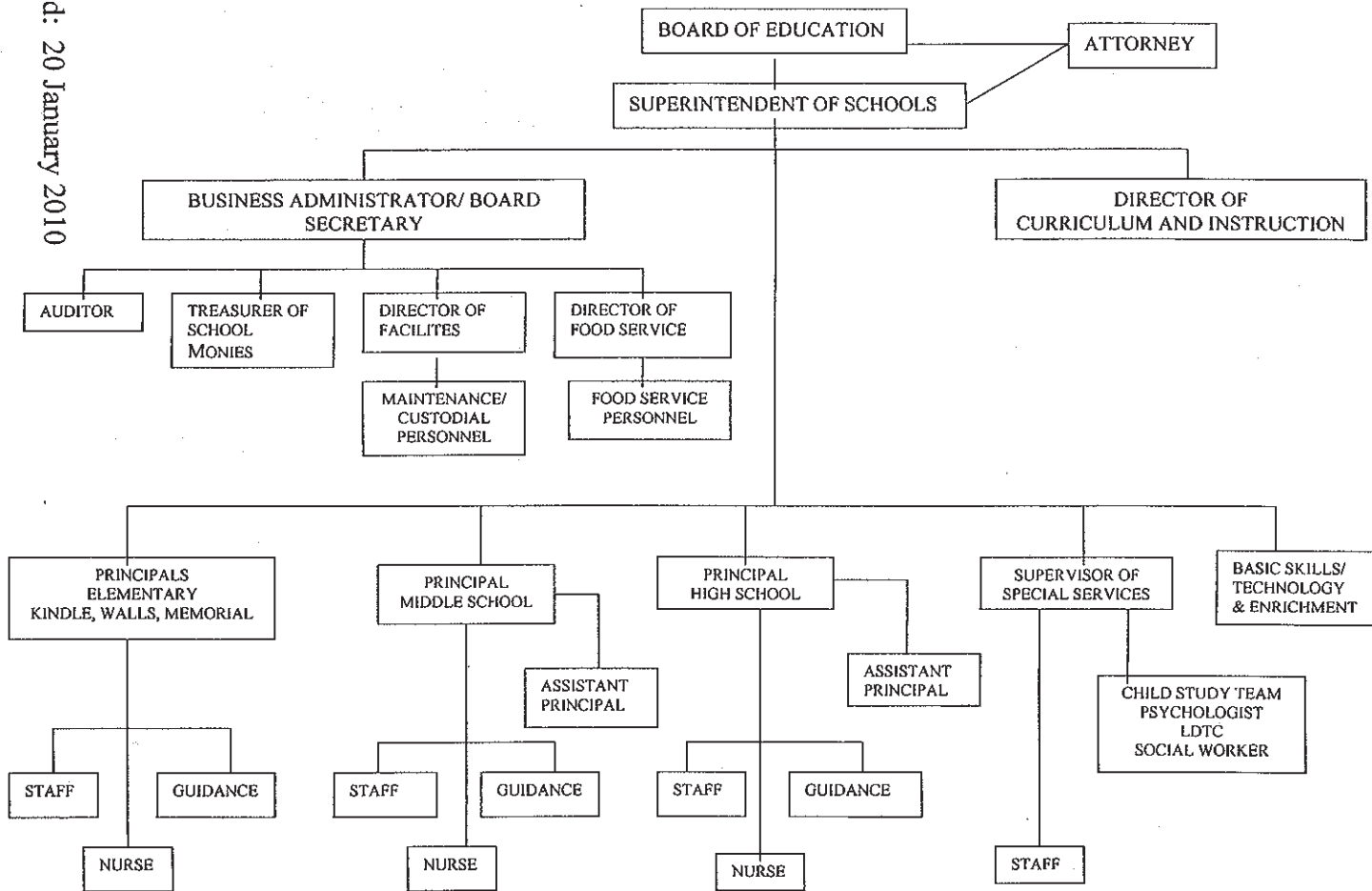
Kelly Brazelton

Kelly Brazelton
Business Administrator/Board Secretary

POLICY

PITMAN BOARD OF EDUCATION

1110 ORGANIZATIONAL CHART



ADMINISTRATION
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Organizational Chart

Adopted: 20 January 2010

**Pitman School District
Pitman, New Jersey**

**ROSTER OF OFFICIALS
June 30, 2018**

Board of Education Members

<u>Board Member</u>	<u>Office Held</u>	<u>Term Date</u>
Judy Walker	President	2020
Mary Beth Koniecki	Vice President	2019
Darlene Powell	Board Member	2020
Edward Powell	Board Member	2019
Bonnie Savage	Board Member	2018
Dr. Laura Schultz	Board Member	2018

OTHER OFFICIALS

Patrick J. McAleer, Superintendent of Schools

Deborah J. Roncace, Business Administrator/Board Secretary

**Pitman School District
Pitman, New Jersey**

CONSULTANTS AND ADVISORS

Auditor

Petroni & Associates LLC
102 West High Street, Suite 100
Glassboro, NJ 08028
Contact: Nick Petroni
Certified Public Accountant

Solicitor

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Wade, Long, Wood & Kennedy, LLC
1250 Chews Landing Road
Laurel Springs, NJ 08021

Depository

Ocean First Bank
271 Lambs Road
Sewell, NJ 08080

Risk Management Consultant

Len Eckman Inc.
302 Montgomery Avenue
Pitman, NJ 08071

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CERTIFIED PUBLIC ACCOUNTANTS

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Wendy G. Fama, CPA
Denise R. Nevico, CPA
Deanna L. Roller, CPA, RMA

INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of Education
Borough of Pitman School District
420 Hudson Avenue
Pitman, New Jersey 08071

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 Borough of Pitman School District, in the County of Gloucester, 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 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 Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis and Budgetary Comparison Information* identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of Management about the methods of preparing the information and comparing the information for consistency with Management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Pitman Board of Education's basic financial statements. The combining and individual non-major fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the schedule of state financial assistance as required by NJ OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, and the other information, such as introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedule of expenditures of federal and state awards, is the responsibility of Management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

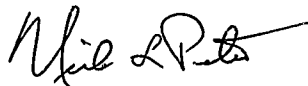
comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the schedule of state financial assistance as required by NJ OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2019, on our consideration of the Borough of Pitman School Board of Education's internal control over financial reporting and our test 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 internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering Borough of Pitman School Board of Education's internal control over financial reporting and compliance.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Licensed Public School Accountant #542
Glassboro, New Jersey

January 22, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2018
Unaudited

This section of Pitman Public School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Comparative financial data is presented. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

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

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

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2018
Unaudited

Figure A-1
Major Features of District-Wide and Fund Financial Statements
Fund Financial Statements

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

Figure A-1 above summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2018
Unaudited

District-wide Financial Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the District's assets 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 District-wide statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets and liabilities - are one way to measure the District's overall financial health or *position*.

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

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

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

Fund Financial Statements

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

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

The District has four kinds of funds:

- **Governmental Funds** - Most of the District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out; and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds' statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the Governmental funds statements explains the relationship (or differences) between them.

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2018
Unaudited

Fund Financial Statements (Continued)

- **Proprietary Funds** - Services for which the District charges a fee are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way as the District-wide statements. *In fact, the District's Enterprise Funds* (one type of Proprietary Fund) are the same as its Business-type Activities, but provide more detail and additional information, such as cash flow.

- **Internal Service Funds** - (*the other kind of Proprietary Fund*) are utilized to report activities that provide supplies and services for other District programs and activities and for other Districts.

- **Fiduciary Funds** - The District is the trustee, or *fiduciary*, for assets that belong to others, such as the Student Activity Fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found listed in the index of this report.

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2018
Unaudited

Financial Analysis of the District as a Whole

	Net Position					
	FY 2018		FY 2017		Total	
	Governmental	Business- Type	Governmental	Business- Type	FY 2018	FY 2017
Assets						
Current and other assets	\$ 1,050,097	\$ 386,605	\$ 1,227,171	\$ 383,866	\$ 1,436,702	\$ 1,611,037
Capital assets	9,139,501	40,601	9,394,548	29,547	9,180,102	9,424,095
Total assets	<u>10,189,598</u>	<u>427,206</u>	<u>10,621,719</u>	<u>413,413</u>	<u>10,616,804</u>	<u>11,035,132</u>
Deferred Outflows of Resources						
Deferred loss on refunding bonds	317,866		357,789		317,866	357,789
Deferred outflows related to pension	492,476		2,808,447		492,476	2,808,447
	<u>810,342</u>		<u>2,808,447</u>		<u>810,342</u>	<u>2,808,447</u>
Liabilities						
Noncurrent liabilities	6,023,057	6,583	6,958,239	12,373	6,029,640	6,970,612
Other liabilities	84,743	28,571	190,956	26,413	113,314	217,369
Net pension liability	7,727,411		9,997,076		7,727,411	9,997,076
Net OPEB liability	79,397,767		86,115,501		79,397,767	86,115,501
Total liabilities	<u>13,835,211</u>	<u>35,154</u>	<u>17,146,271</u>	<u>38,786</u>	<u>13,870,365</u>	<u>17,185,057</u>
Deferred Inflows of Resources						
Deferred inflows related to:						
Pension	873,579		121,517		873,579	121,517
OPEB	9,833,402				9,833,402	
	<u>10,706,981</u>		<u>121,517</u>		<u>10,706,981</u>	<u>121,517</u>
Net Position						
Invested in capital assets, net of related debt	3,754,777	40,601	3,137,319	29,547	3,795,378	3,166,866
Restricted	1,467,283		1,670,905		1,467,283	1,670,905
Unrestricted	(98,162,079)	351,451	(94,403,558)	345,080	(97,810,628)	(94,058,478)
Total net position	<u>\$ (92,940,019)</u>	<u>\$ 392,052</u>	<u>\$ (89,595,334)</u>	<u>\$ 374,627</u>	<u>\$ (92,547,967)</u>	<u>\$ (89,220,707)</u>

Net position: The District's combined total net position is a deficit of \$92,547,967 on June 30, 2018, (see Exhibit A-1).

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2018
Unaudited

Financial Analysis of the District as a Whole (Continued)

Changes in Net Position

	FY 2018		FY 2017		Total	
	Governmental	Business-Type	Governmental	Business-Type	FY 2018	FY 2017
REVENUES:						
Program revenues						
Charges for services		\$ 475,855		\$ 500,305	\$ 475,855	\$ 500,305
Operating grants & contributions	\$ 599,358	159,111	\$ 598,661	151,700	758,469	750,361
General revenues						
Property taxes	14,150,377		13,673,018		14,150,377	13,673,018
Grants and entitlements	13,986,766		13,660,517		13,986,766	13,660,517
Other	312,385	10,935	272,132	2,666	323,320	274,798
Total revenue	<u>29,048,886</u>	<u>645,901</u>	<u>28,204,328</u>	<u>654,671</u>	<u>29,694,787</u>	<u>28,858,999</u>
EXPENSES:						
Instruction	11,565,182		11,743,769		11,565,182	11,743,769
Student & instructional related service	3,838,421		3,602,913		3,838,421	3,602,913
School administration	1,217,743		1,223,249		1,217,743	1,223,249
General administrative services	465,062		417,319		465,062	417,319
Central services	342,889		313,278		342,889	313,278
Plant operations & maintenance	1,871,951		2,090,673		1,871,951	2,090,673
Pupil transportation	579,614		393,572		579,614	393,572
Employee benefits	11,712,507		8,152,236		11,712,507	8,152,236
Interest on debt	173,622		212,370		173,622	212,370
Food service		401,622		456,671	401,622	456,671
Other business-type		306,854		280,796	306,854	280,796
Unallocated depreciation	510,677		502,443		510,677	502,443
Capital outlay	35,903		152,660		35,903	152,660
Total expenses	<u>32,313,571</u>	<u>708,476</u>	<u>28,804,482</u>	<u>737,467</u>	<u>33,022,047</u>	<u>29,541,949</u>
Transfers	<u>(80,000)</u>	<u>80,000</u>	<u>(100,000)</u>	<u>100,000</u>		
Increase (decrease) in net position	<u>\$ (3,344,685)</u>	<u>\$ 17,425</u>	<u>\$ (700,154)</u>	<u>\$ 17,204</u>	<u>\$ (3,327,260)</u>	<u>\$ (682,950)</u>

Changes in Net Position: The District's total revenues are \$29,694,787 for the fiscal period ended June 30, 2018, (see Exhibit A-2). Property taxes, fees charged for services (tuition, use of facility) and miscellaneous sources (interest, entrance fees) and State Formula Aid accounted for 97.5% of the District's revenue; 2.5% is derived from State and Federal Aid for specific programs.

The District's expenses are predominantly related to education and caring for students. The purely general, administrative, and central administrative activities of the District accounted for approximately 6.1% of the total expenses. Salary increases due to contractual agreement for teachers and other educational staff is included in the instruction-related costs.

Governmental Activities

Revenues for Governmental Activities were \$29,048,886 (see Exhibit B-2), while total expenses amounted to \$29,251,863 and transfers of \$80,000. This resulted in a decrease in fund balance in governmental activities of \$162,463 for fiscal year 2018.

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2018
Unaudited

Business-type Activities

Revenues for the District's Business-type Activities amounted to \$634,966. Total expenses amounted to \$708,476 and net position increased by \$17,425 (see Exhibit B-5).

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is primarily reflected in its Governmental Funds. As the District completed the year, its Governmental Funds reported a *Combined* Fund balance of \$1,038,075, (see Exhibit B-1) which consists of General Fund balance \$996,499, and Debt Service \$41,576. On a budgetary basis (see Exhibit C-1) the General Fund, unassigned fund balance is \$538,320. This represents approximately 2% of the total budget. District officials continue to express concern over the lack of budgetary fund balance for emergency purposes due to the implementation of P.L. 2004 which required districts to reduce their fund balance.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget. These budget amendments fall into the following categories:

- Appropriation of maintenance reserve for various repair projects.
- Transfers between budgetary line accounts to prevent overruns.

This fiscal year completed a zero-based budgeting as implemented by the Board of Education and Administration. This process allowed us to more accurately account for our expenditures by school. Principals became more aware of their appropriation limitations and managed their individual school budgets effectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Pitman Borough School investment in capital assets for its Governmental and Business-type Activities as of June 30, 2018, amounts to \$9,180,102 (net of accumulated depreciation). Total depreciation expense for Governmental and Business-type Activities is \$584,468. The District's fiscal year 2018 capital budget does not anticipate spending any additional funds. This investment in capital assets includes land, buildings, equipment, and furniture see table below (more detailed information about capital assets can be found in Note 6 to the financial statements).

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2018
Unaudited

Capital Assets (Continued)

Capital Assets

	FY 2018		FY 2017		Total	
	Governmental	Business- Type	Governmental	Business- Type	FY 2018	FY 2017
	Land	\$ 101,593		\$ 101,593		\$ 101,593
Construction in progress	144,244		144,244		144,244	144,244
Land improvements	49,032		54,857		49,032	54,857
Buildings and improvements	8,119,876		8,589,018		8,119,876	8,589,018
Machinery & equipment	724,756	\$ 40,601	504,836	\$ 29,547	765,357	534,383
	<u>\$ 9,139,501</u>	<u>\$ 40,601</u>	<u>\$ 9,394,548</u>	<u>\$ 29,547</u>	<u>\$ 9,180,102</u>	<u>\$ 9,424,095</u>

Long-term Debt

At June 30, 2018, the School District had \$6,023,057 in long-term debt. Serial bonds consist of \$5,090,000, capital leases of \$129,191, premium amortized on bonds of \$410,678, and compensated absences \$393,188. (More detailed information about long-term debt can be found in the Notes to the Financial Statements.)

The state limits the amount of general obligation debt the District can issue to 4 percent of the equalized valuation of all taxable property within the District. The current limit is \$23,980,967 of which \$18,890,967 is available for the issuance of debt (see exhibit J-13).

Outstanding Debt at June 30

	FY 2018	FY 2017	Percentage Change
School Bonds of 2006	\$ 435,000	\$ 500,000	-13.00%
School Bonds of 2009	145,000	285,000	-49.12%
Refunding Bonds of 2016	4,510,000	5,135,000	-12.17%
Compensated absences	393,188	429,769	-8.51%
Premium amortized on bonds	410,678	462,013	-11.11%
Capital leases	129,191	146,457	-11.79%
Total	<u>\$ 6,023,057</u>	<u>\$ 6,958,239</u>	-13.44%

Factors Bearing on the District's Future

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

- The Pitman Board of Education negotiated with the Pitman Education Association a settlement for a 5 year contract through 2018-2019 years. The Pitman Education Association represents all certified staff and support staff members.
- P.L. 2004 restricts increases to the budget in total administrative costs (including fixed charges). This has and will continue to present challenges to the budgeting process. Special Education costs are an issue during each budgeting cycle. The District has experienced the need for additional resources for in-house programs.

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2018
Unaudited

Factors Bearing on the District's Future (Continued)

- School Funding of adjustment aid current debate: There are currently two competing proposals to revise state aid to school districts. Pitman schools stand to lose significant funding under either proposal, primarily through a phase-out of adjustment (hold-harmless) aid. In July 2018, the District had a reduction in state aid of approximately \$168,000 for the 2018-2019 school year. If similar decreases in aid occur, the District will be challenged to meet operating costs.
- The District experienced enrollment decrease during the 2017-2018 school year. However, due to the 3 and 4 year old parent paid tuition program and our existing K-12 tuition program, the District has approximately 30 tuition students. Continuing decreases may impact district staffing levels and program offerings going forward.
- On September 29, 2009, the Board passed a bond referendum for the funding of installation of solar panels on the Pitman High School roof. In future years the School District will generate Solar Renewable Energy Credits (SREC's) on the open market. This revenue source will be used to refund our budgeted energy costs. The SREC market has been depressed in recent years, reducing those revenues.
- The District is evaluating potential referenda and/or capital improvements through an ESIP project, as old debt will be reduced in 2018.
- The State Legislature enacted a 2% cap on property tax increases that was in effect with the development of school district budgets for the 2018-2019 school year.
- Legislation enacted in June 2011, sets employee contribution rates towards the cost of health benefits over a four year phase-in period. This phase-in period is complete, with all employee contributions at the highest tier. While these contributions will help to offset annual increases in premiums, the average rate of increases has exceeded the expected contributions. Also, the annual increase in the pool of contributions has leveled off, as the phase-in is complete.
- Since 2011-12, the District has joined with approximately 30 other districts as part of a health insurance trust in an effort to better control annual premium increases.
- The 2011 closing of the former Sony DADC plant (largest taxpayer) has impacted the development of school budgets. This is due to recent tax settlements between the plant's owner and the municipality that lowered their tax burden from prior years. As such, the overall tax burden will be shared among homeowners with a much lower payment from the largest ratable in the community. It is also possible that tax abatements or similar incentives might have been necessary to attract a future tenant to purchase and develop the property.

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2018
Unaudited

CONTACTING THE 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 District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kelly Brazelton, Business Administrator/Board Secretary, Pitman Board of Education, 420 Hudson Avenue, Pitman, NJ 08071.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF PITMAN SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	FY 2018
ASSETS			
Cash and cash equivalents	\$ 15,483	\$ 371,176	\$ 386,659
Interfund accounts receivable	31,900		31,900
Receivables, net	206,377	9,565	215,942
Inventory		5,864	5,864
Restricted assets:			
Restricted cash and cash equivalents	41,576		41,576
Capital reserve account - cash	312,955		312,955
Maintenance reserve - cash	441,806		441,806
Capital assets:			
Non-depreciable	245,837		245,837
Assets net of depreciation	8,893,664	40,601	8,934,265
Total assets	<u>10,189,598</u>	<u>427,206</u>	<u>10,616,804</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding bonds	317,866		317,866
Deferred outflows related to pension	492,476		492,476
Total deferred outflows of resources	<u>810,342</u>		<u>810,342</u>
LIABILITIES			
Accounts payable	75	1,820	1,895
Interfund accounts payable		21,900	21,900
Accrued interest payable	72,721		72,721
Unearned revenue	11,947	4,851	16,798
Noncurrent liabilities:			
Due within one year	727,700		727,700
Due beyond one year	5,295,357	6,583	5,301,940
Net pension liability	7,727,411		7,727,411
Net OPEB liability	79,096,716		79,096,716
Other post-employment obligations	301,051		301,051
Total liabilities	<u>93,232,978</u>	<u>35,154</u>	<u>93,268,132</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	873,579		873,579
Deferred inflows related to OPEB	9,833,402		9,833,402
Total deferred inflows of resources	<u>10,706,981</u>		<u>10,706,981</u>
NET POSITION			
Invested in capital assets, net of related debt	3,754,777	40,601	3,795,378
Restricted for:			
Debt service	41,576		41,576
Capital projects	312,955		312,955
Other purposes	1,112,752		1,112,752
Unrestricted	(98,162,079)	351,451	(97,810,628)
Total net position	<u>\$ (92,940,019)</u>	<u>\$ 392,052</u>	<u>\$ (92,547,967)</u>

See accompanying notes to the basic financial statements.

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 7,461,427			\$ (7,461,427)		\$ (7,461,427)
Special education	3,210,417		\$ 521,854	(2,688,563)		(2,688,563)
Other special education	366,814			(366,814)		(366,814)
Other instruction	526,524			(526,524)		(526,524)
Support services:						
Student & instructional related services	3,838,421		44,386	(3,794,035)		(3,794,035)
General administrative services	465,062			(465,062)		(465,062)
School administrative services	1,217,743			(1,217,743)		(1,217,743)
Central services	342,889			(342,889)		(342,889)
Plant operations & maintenance	1,871,951			(1,871,951)		(1,871,951)
Pupil transportation	579,614			(579,614)		(579,614)
Employee benefits	11,712,507		33,118	(11,679,389)		(11,679,389)
Interest on long-term debt	173,622			(173,622)		(173,622)
Capital outlay	35,903			(35,903)		(35,903)
Unallocated depreciation	510,677			(510,677)		(510,677)
Total governmental activities	<u>32,313,571</u>		<u>599,358</u>	<u>(31,714,213)</u>		<u>(31,714,213)</u>
Business-type activities:						
Food service	401,622	\$ 194,184	159,111		\$ (48,327)	(48,327)
Other activities	306,854	281,671			(25,183)	(25,183)
Total business-type activities	<u>708,476</u>	<u>475,855</u>	<u>159,111</u>		<u>(73,510)</u>	<u>(73,510)</u>
Total primary government	<u>\$ 33,022,047</u>	<u>\$ 475,855</u>	<u>\$ 758,469</u>	<u>\$ (31,714,213)</u>	<u>\$ (73,510)</u>	<u>\$ (31,787,723)</u>
General revenues:						
Property taxes, levied for general purpose				\$ 13,530,733		\$ 13,530,733
Taxes levied for debt service				619,644		619,644
Federal and state aid not restricted				13,986,766		13,986,766
Tuition				165,712		165,712
Investment earnings				12,077		12,077
Miscellaneous income				134,596		134,596
Capital asset contribution					\$ 10,935	10,935
Transfers				(80,000)	80,000	
Total general revenues, special items, extraordinary items, and transfers				<u>28,369,528</u>	<u>90,935</u>	<u>28,460,463</u>
Change in net position				<u>(3,344,685)</u>	<u>17,425</u>	<u>(3,327,260)</u>
Net position - beginning				<u>(3,479,833)</u>	<u>374,627</u>	<u>(3,105,206)</u>
Prior period adjustment of OPEB liability				<u>(86,115,501)</u>		<u>(86,115,501)</u>
Restated net position - beginning				<u>(89,595,334)</u>	<u>374,627</u>	<u>(89,220,707)</u>
Net position - end				<u>\$ (92,940,019)</u>	<u>\$ 392,052</u>	<u>\$ (92,547,967)</u>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

BOROUGH OF PITMAN SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2018

	Major Fund			Totals FY 2018
	General Fund	Special Revenue Fund	Debt Service Fund	
ASSETS				
Cash and cash equivalents	\$ 44,888		\$ 41,576	\$ 86,464
Interfund accounts receivable	31,900			31,900
Receivables	176,972	\$ 29,405		206,377
Restricted cash and cash equivalents	754,761			754,761
Total assets	<u>\$ 1,008,521</u>	<u>\$ 29,405</u>	<u>\$ 41,576</u>	<u>1,079,502</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash overdraft		\$ 29,405		29,405
Accounts payable	\$ 75			75
Deferred revenue	11,947			11,947
Total liabilities	<u>12,022</u>	<u>29,405</u>		<u>41,427</u>
Fund balances:				
Restricted for:				
Capital reserve account	312,955			312,955
Maintenance reserve	441,806			441,806
Excess surplus - current year	119,242			119,242
Excess surplus - designated for subsequent year's expenditures	13,384			13,384
Assigned fund balance:				
Other purposes	16,704			16,704
Designated for subsequent year's expenditures	521,616		41,576	563,192
Unassigned fund balance:				
General fund	(429,208)			(429,208)
Total fund balances	<u>996,499</u>		<u>41,576</u>	<u>1,038,075</u>
Total liabilities and fund balances	<u>\$ 1,008,521</u>	<u>\$ 29,405</u>	<u>\$ 41,576</u>	

See accompanying notes to the basic financial statements.

BOROUGH OF PITMAN SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2018

	<u>FY 2018</u>
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$22,343,282 and the accumulated depreciation is \$13,203,781 (see Note 6).	9,139,501
Deferred bond issuance costs are expensed in Governmental Funds in the year the bonds are issued but are capitalized in the Statement of Net Position. The bond issuance costs for Series 2006 are \$32,586, the amortization is \$1,664, and the accumulated amortization is \$20,799.	11,787
Deferred loss on refunding bond costs are expensed in Governmental Funds in the year the bonds are issued but are capitalized in the Statement of Net Position. The deferred loss for Series 2016 is \$385,787, the amortization is \$38,259, and the accumulated amortization is \$79,708.	306,079
Interest on long-term debt in the Statement of Activities is accrued, regardless of when due.	(72,721)
Other Post-employment Benefits, are not due and payable in the current period and therefore are not reported as liability in the funds.	(69,789)
Net pension liability adjustment for GASB Statement No. 68 & 71	(8,108,514)
Net OPEB liability adjustment for GASB Statement No. 75	(3,045,879)
The cumulative effect of the change in accounting principles for adoption of GASB Statement No. 75 is reported as a prior period adjustment of OPEB liability (See Note 26).	(86,115,501)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7).	(6,023,057)
Net position of Governmental Activities	<u>\$ (92,940,019)</u>

See accompanying notes to the basic financial statements.

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

	Major Fund			Totals FY 2018
	General Fund	Special Revenue Fund	Debt Service Fund	
REVENUES:				
Local tax levy	\$ 13,530,733		\$ 619,644	\$ 14,150,377
Tuition	165,712			165,712
Interest earned on investments	11,909			11,909
Interest earned on capital reserve funds	168			168
Miscellaneous	134,596			134,596
	<u>13,843,118</u>		<u>619,644</u>	<u>14,462,762</u>
State sources	13,558,360		408,884	13,967,244
Federal sources	19,522	\$ 599,358		618,880
Total revenues	<u>27,421,000</u>	<u>599,358</u>	<u>1,028,528</u>	<u>29,048,886</u>
EXPENDITURES:				
Current:				
Regular instruction	7,593,400			7,593,400
Special education instruction	2,700,790	521,854		3,222,644
Other special instruction	372,529			372,529
Other instruction	524,893			524,893
Support services & undistributed costs:				
Student & instruction related services	3,755,008	44,386		3,799,394
General administrative services	467,239			467,239
School administrative services	1,241,292			1,241,292
Central services	345,347			345,347
Plant operations and maintenance	1,837,030			1,837,030
Pupil transportation	579,614			579,614
Employee benefits	7,845,728	33,118		7,878,846
Debt service:				
Principal			830,000	830,000
Interest and other charges			198,861	198,861
Capital outlay	360,774			360,774
Total expenditures	<u>27,623,644</u>	<u>599,358</u>	<u>1,028,861</u>	<u>29,251,863</u>
Excess (deficiency) of revenues over expenditures	<u>(202,644)</u>		<u>(333)</u>	<u>(202,977)</u>
OTHER FINANCING SOURCES (USES):				
Capital leases (non-budgeted)	120,514			120,514
Other financing sources:				
Transfers to food service fund	(80,000)			(80,000)
Total other financing sources and uses	<u>40,514</u>			<u>40,514</u>
Net change in fund balances	<u>(162,130)</u>		<u>(333)</u>	<u>(162,463)</u>
Fund balance - July 1	<u>1,158,629</u>		<u>41,909</u>	<u>1,200,538</u>
Fund balance - June 30	<u>\$ 996,499</u>		<u>\$ 41,576</u>	<u>\$ 1,038,075</u>

See accompanying notes to the basic financial statements.

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

Total net change in fund balances - Governmental Funds (from B-2) \$ (162,463)

Amounts reported for Governmental Activities in the Statement of Activities (A-2)
 are different because:

Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Capital outlay	\$ 324,871	
Depreciation expense	<u>(579,918)</u>	(255,047)

Repayment of debt 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.

Bond principal payments	830,000	
Capital lease obligation principal payments	137,780	
Capital lease obligation proceeds	(120,514)	

Bond issuance costs are reported in the Governmental Funds as expenditures in the year the bonds are issued. However, in the Statement of Activities, the costs are amortized over the life of the bonds.

Premium on bonds	51,334	
Deferred bond issuance costs	(1,664)	
Deferred amount on refunding	(38,259)	

OPEB expenditures in the Statement of Activities differs from the amounts reported in the Governmental Funds because OPEB is recorded based on the contributions made, and thus requires the use of current financial resources. In the Statement of Activities, however, OPEB is recognized based on the annual required contribution.

7,986

Interest on long-term debt in the Statement of Activities differs from the amounts reported in the Governmental Funds because interest is recorded as an expenditure in the funds when it is due, and thus requires that use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The net change in the accrued interest was an increase.

13,828

Pension contributions are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the contributions are adjusted for actuarial valuation adjustments.

(798,368)

OPEB contributions are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the contributions are adjusted for actuarial valuation adjustments.

(3,045,879)

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

36,581

Change in net position of Governmental Activities

\$ (3,344,685)

See accompanying notes to the basic financial statements.

BOROUGH OF PITMAN SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities - Enterprise Funds - Major Funds			Totals FY 2018
	Food Service	Preschool Program	Before/After School	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 43,471		\$ 342,036	\$ 385,507
Accounts receivable	9,565			9,565
Inventories	5,864			5,864
Total current assets	<u>58,900</u>		<u>342,036</u>	<u>400,936</u>
Noncurrent assets:				
Furniture, machinery & equipment	205,274			205,274
Less: accumulated depreciation	(164,673)			(164,673)
Total noncurrent assets	<u>40,601</u>			<u>40,601</u>
Total assets	<u>99,501</u>		<u>342,036</u>	<u>441,537</u>
LIABILITIES				
Current liabilities:				
Cash overdraft		\$ 14,331		14,331
Accounts payable			1,820	1,820
Interfund accounts payable	21,900			21,900
Unearned revenue	4,251	600		4,851
Compensated absences	6,583			6,583
Total current liabilities	<u>32,734</u>	<u>14,931</u>	<u>1,820</u>	<u>49,485</u>
NET POSITION				
Invested in capital assets, net of related debt	40,601			40,601
Unrestricted	26,166	(14,931)	340,216	351,451
Total net position	<u>\$ 66,767</u>	<u>\$ (14,931)</u>	<u>\$ 340,216</u>	<u>\$ 392,052</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PITMAN SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Business-type Activities			Totals FY 2018
	Enterprise Funds - Major Funds			
	Food Service	Preschool Program	Before/After School	
OPERATING REVENUES:				
Local sources:				
Daily sales - reimbursable programs	\$ 123,828			\$ 123,828
Daily sales - non-reimbursable programs	70,196			70,196
Special function/miscellaneous	160			160
Tuition		\$ 82,745	\$ 198,926	281,671
Total operating revenue	194,184	82,745	198,926	475,855
OPERATING EXPENSES:				
Salaries	183,127	102,152	135,496	420,775
Employee benefits	14,452		10,365	24,817
Other purchased services (400-500 series)	4,161			4,161
Contracted services (other than between home and school)			1,302	1,302
Supplies and materials	15,601		53,620	69,221
Cost of sales - reimbursable	113,261			113,261
Cost of sales - non-reimbursable	66,115			66,115
Miscellaneous other expenses	355		3,919	4,274
Depreciation	4,550			4,550
Total operating expenses	401,622	102,152	204,702	708,476
Operating income (loss)	(207,438)	(19,407)	(5,776)	(232,621)
NON-OPERATING REVENUES:				
Other sources:				
Midlantic dairy	4,668			4,668
State sources:				
National school lunch program - state	3,665			3,665
Federal sources:				
National school lunch program	110,133			110,133
School breakfast program	19,984			19,984
Special milk program	144			144
Food distribution program	20,517			20,517
Total non-operating revenues (expenses)	159,111			159,111
Transfer from general fund - Board contribution	80,000			80,000
Loss on disposal of capital assets				
Capital asset contribution	10,935			10,935
Net income (loss)	42,608	(19,407)	(5,776)	17,425
Total net position - beginning	24,159	4,476	345,992	374,627
Total net position - ending	\$ 66,767	\$ (14,931)	\$ 340,216	\$ 392,052

See accompanying notes to the basic financial statements.

BOROUGH OF PITMAN SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities			Totals FY 2018
	Enterprise Funds - Major Funds			
	Food Service	Preschool Program	Before/After School	
Cash flows from operating activities:				
Receipts from customers	\$ 195,558	\$ 83,635	\$ 198,926	\$ 478,119
Payments to suppliers	(178,503)		(57,966)	(236,469)
Payments to employees	(188,917)	(102,152)	(135,496)	(426,565)
Payments for employee benefits	(14,452)		(10,365)	(24,817)
Net cash provided (used) by operating activities	(186,314)	(18,517)	(4,901)	(209,732)
Cash flows from non-capital financing activities:				
Cash received from state & federal reimbursements	148,590			148,590
Cash received from local grants	4,668			4,668
Net cash provided by non-capital financing activities	153,258			153,258
Cash flows from investing activities:				
Capital expenditures	(4,668)			(4,668)
Payments from general fund	80,000			80,000
Net cash provided by investing activities	75,332			75,332
Net increase in cash and cash equivalents	42,276	(18,517)	(4,901)	18,858
Cash and cash equivalents - July 1	1,195	4,186	346,937	352,318
Cash and cash equivalents - June 30	<u>\$ 43,471</u>	<u>\$ (14,331)</u>	<u>\$ 342,036</u>	<u>\$ 371,176</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (207,438)	\$ (19,407)	\$ (5,776)	\$ (232,621)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	4,550			4,550
Food distribution program	20,517			20,517
Change in assets and liabilities:				
(Increase) decrease in accts. receivable	(319)	1,300		981
(Increase) decrease in inventory	473			473
Increase in accounts payable			875	875
Increase in compensated absences	(5,790)			(5,790)
Increase (decrease) in deferred revenue	1,693	(410)		1,283
	<u>\$ (186,314)</u>	<u>\$ (18,517)</u>	<u>\$ (4,901)</u>	<u>\$ (209,732)</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PITMAN SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2018

	Unemployment Compensation Trust Fund	Agency Funds	<u>Totals</u> FY 2018
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 336,529	\$ 178,915	\$ 515,444
Total assets	<u>\$ 336,529</u>	<u>178,915</u>	<u>515,444</u>
LIABILITIES			
Current liabilities:			
Payroll deductions and withholdings		27,292	27,292
Due to student groups		141,623	141,623
Interfund payables:			
General fund		10,000	10,000
Total current liabilities		<u>178,915</u>	<u>178,915</u>
NET POSITION			
Held in trust for unemployment	<u>\$ 336,529</u>		<u>\$ 336,529</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PITMAN SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2018

	<u>Unemployment Compensation Trust Fund</u>
ADDITIONS:	
Contributions:	
Plan members	\$ 27,680
Other	6,694
Total contributions	<u>34,374</u>
Investment earnings:	
Interest	1,337
Total additions	<u>1,337</u>
DEDUCTIONS:	
Unemployment claims	36,005
Change in net position	<u>(294)</u>
Net position - beginning of year	336,823
Net position - end of year	<u><u>\$ 336,529</u></u>

See accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

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

The financial statements of the Board of Education of the Borough of Pitman School District have been prepared in conformity 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. In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in (GAAP) and used by the District are discussed below.

A. Reporting Entity

The Borough of Pitman School District is a Type II District located in the County of Gloucester, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of seven members elected to three-year terms. The purpose of the District is to educate students in grades K-12.

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

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

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

B. Government-wide Statements

The School District's basic financial statements include both Government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds.) Both the Government-wide and fund financial statements categorize primary activities as either Governmental or Business-type. The District's general, special revenue, capital projects, and debt service are classified as Governmental Activities. The District's food service, before and after school, and preschool programs are classified as Business-type Activities.

In the Government-wide Statement of Net Position, both the Governmental and Business-type Activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide Statements (Continued)

The Government-wide Statement of Activities reports both the gross and net costs of each of the District's functions and Business-type Activities (food service and latchkey). The functions are also supported by general government revenues (property taxes, tuition, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, operating, and capital grants. Program revenues must be directly associated with the function (regular instruction, vocational programs, student, and instruction related services, etc.) or Business-type Activities. Operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital specific grants.

The net costs (by function or Business-type Activity) are normally covered by general revenue (property taxes, tuition, interest income, etc.).

The District does allocate indirect costs such as depreciation expense, on-behalf TPAF Pension contributions, and TPAF Social Security Contributions.

The Government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. The Government-wide statements do not include fiduciary activities.

C. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The District reports the following Governmental Funds:

GOVERNMENTAL FUNDS

The focus of the Governmental Funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the District:

General Fund - The General Fund is the general operating fund of the 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 which are classified in the Capital Outlay Subfund.

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, District taxes, and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds,

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General Fund (Continued) - construction of buildings, additions to or remodeling of buildings, and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction, and improvement programs.

PROPRIETARY FUNDS

The focus of the Proprietary Funds' measurement is upon the determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following are descriptions of the Proprietary Funds of the District:

Enterprise Funds - The Enterprise Funds account for all revenues and expenses pertaining to the Board's operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services on a continuing basis are financed or recovered primarily through user charges.

The District's Enterprise Funds are comprised of the Food Service Fund, Before and After School Fund, and the Preschool Program Fund.

Internal Service Fund - The Internal Service Fund accounts for the financing of services provided by one department to other departments of the School District, or to other governments on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governments and therefore not available to support District programs. The reporting focus is on net position. Changes in net position and are reported using accounting principles similar to Proprietary Funds.

The emphasis in fund financial statements is on the Major Funds in either the Governmental or Business-type Activities categories. Non-major Funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIDUCIARY FUNDS (CONTINUED)

expenditures/expenses of either fund category or the Governmental and Enterprise combined) for the determination of Major Funds. The Non-major Funds are combined in a column in the fund financial statements.

The District's Fiduciary Funds are presented in the Fiduciary Fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the Government, these funds are not incorporated into the Government-wide statements.

The Fiduciary Funds include Student Activity Fund, Payroll, and Payroll Agency Funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported on the financial statements. It also related to the timing of the measurement made regardless of the measurement focus applied.

Both Governmental and Business-type Activities in the Government-wide financial statements and the Proprietary and Fiduciary Fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The Governmental Funds financial statements are reported on the modified accrual basis of accounting. Under this method, revenues are recorded when they become both susceptible to accrual; i.e. both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Proceeds of general obligation long-term debt, if any, is recognized when due.

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

E. Cash and Cash Equivalent

Cash and cash equivalents include petty cash, change funds, cash in banks, money market accounts, and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury 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.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents (Continued)

For purposes of determining cash equivalents the District considers all investments with an original maturity of three months or less as cash equivalents.

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

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of 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.

NJSA 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 depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks), and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least 5% of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Inventories

Inventories in the General Fund consist of expendable supplies held for the District's use and are carried at cost using first-in first-out method. Inventories in the Enterprise Fund are valued at cost, which approximates market, using first-in first-out method. Inventory in the Food Service Fund at June 30, 2018, consisted of the following:

Food	\$	3,639
Commodities		<u>2,225</u>
	\$	<u><u>5,864</u></u>

The value of Federal donated commodities are reflected in Schedule A (required by Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical costs or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is computed using the straight-line method over the estimated useful lives:

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

Asset Class	Estimated Useful Lives
Site improvements	15-20
Building & improvements	20-50
Machinery & equipment	5-20

GASB No. 34 requires the District to report and depreciated new infrastructure assets. Infrastructure assets include roads, parking lots, underground pipe, etc. Neither their historical costs nor related depreciation has historically been reporting the financial statements. The District has included infrastructure assets in the current fiscal year.

H. Revenues

Substantially all Governmental Fund revenue is accrued. Property taxes are susceptible to accrual and under New Jersey State statute a municipality is required to remit to its School District the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive money under the established payment schedule and the unpaid amount is considered to be an "accounts receivable." Subsidies and grants to Proprietary Funds, which finance either capital or current operations, are reported as non-operating revenue. In respect to grant revenues, the provider recognizes liabilities and expenses and recipient recognizes receivables and revenue when the applicable eligibility requirements, including requirements are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

I. Expenditures

Expenses are recognized when the related fund liability is incurred. Inventory costs reported in the period when inventory items are used, rather than in the period purchased.

J. Compensated Absences

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

In Governmental Funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability, in the fund that will pay for the compensated absences. The remainder of the compensated absence liability is reported in the District-wide financial statements as a Governmental Activity.

In Proprietary and similar Trust Funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Interfund Receivables/Payables

Transfers between Governmental and Business-type Activities on the District-wide financial statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in Governmental funds and after non-operating revenues/expenses in the Enterprise Fund. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the Statement of Net Position, except for amounts due between Governmental and Business-type Activities or Governmental and Agency Funds, which are presented as internal balances.

L. Accrued Salaries and Wages

None of the School District's employees who provide services to the District over the ten month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year.

M. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the fall of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the county office for approval and are approved as long as the District budget is within State mandated CAP's, there is no public vote on the budget. If the budget exceeds State mandated CAP's, the voters have an opportunity to approve or reject the budget at the regular election in November. Budgets are prepared using the modified accrual basis of accounting, except for the Special Revenue Fund as described later. 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 NJAC 6:23-2(g). Budget amendments/transfers of appropriations must be made by School Board resolution at any time during the fiscal year and are subject to two-thirds majority vote by the School Board and under certain circumstances, require approval by the County Superintendent of Schools. All budget amendments presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The Capital Projects Fund presents the remaining project appropriations compared to current year expenditures.

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

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Budgets/Budgetary Control (Continued)

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

N. Encumbrances

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

Open encumbrances in the Special Revenue Fund, for which the District has received advances are reflected in the balance sheet as deferred 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.

O. Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

P. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the District-wide 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, contractually required pension contributions and compensated absences that are paid from Governmental Funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

Q. Allocation of Indirect Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of Management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

S. Use of Estimates

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

T. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are 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. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

U. Fund Balance Reserves

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:

Non-spendable - 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. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amount.

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.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Fund Balance Reserves (Continued)

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.

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

V. Recent Accounting Pronouncements Not Yet Effective

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "Certain Asset Retirement Obligations." This statement, which is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the District's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities." This statement, which is effective for fiscal periods beginning after December 31, 2018, will not have any effect on the District's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No.87, "Leases." This statement, which is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the District's financial reporting.

In April 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements." This statement, which is effective for fiscal periods beginning after June 15, 2018. Management has not yet determined the impact of this Statement on the financial statements.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, "Accounting for Interest Costs Incurred before the end of a Construction Period." This statement, which is effective for fiscal periods beginning after December 15, 2019. Management has not yet determined the impact of this Statement on the financial statements.

In August 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 90, "Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61." This statement which is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the District's financial reporting.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is based on New Jersey statutes requiring cash to be deposited only in New Jersey banking institutions that participate in the Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in NJSA 18A:20-37 that are treated as cash equivalents. The carrying amount of the District's cash and cash equivalents at June 30, 2018 and 2017, was \$1,698,440 and \$1,865,540. As of June 30, 2018 and 2017, \$0 of the District's bank balance of \$2,366,063 and \$2,093,934, respectively, was exposed to Custodial Credit Risk.

NOTE 3: INVESTMENTS

As of June 30, 2018 and 2017, the District did not have any investments.

Interest Rate Risk - The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, NJSA 18A:20-37 limits the length of time for most investments to 397 days.

Credit Risk - NJSA 18A:20-37 limits District investments to those specified in the Statutes. The type of allowable investments are: Bonds of the United States of America or of the District or the local units in which the District is located; obligations of Federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local Government investment pools or repurchase of fully collateralized securities.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

NOTE 4: RECEIVABLES

Receivables at June 30, 2018, (see Exhibit B-1 and B-4) consisted of intergovernmental and property taxes receivable. All receivables are considered collectible in full. A summary of the principal items of the intergovernmental receivables are as follows:

	Governmental Activities	Business- Type Activities
State aid	\$ 174,672	\$ 234
Other	2,764	782
Federal aid	28,941	8,549
	<u>\$ 206,377</u>	<u>\$ 9,565</u>

NOTE 5: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Board of Education by inclusion of \$100,000 on October 10, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5: CAPITAL RESERVE ACCOUNT (CONTINUED)

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year-end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to NJSA 19:60-2.

Pursuant to NJAC 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 June 30, 2018, LRFP balance does not exceed the capital reserve balance.

Beginning balance, July 1, 2017	\$ 370,562
Transfer - June 2018	25,000
Interest earnings	168
Withdrawals -	
Board resolution	<u>(82,775)</u>
Ending balance, June 30, 2018	<u><u>\$ 312,955</u></u>

NOTE 6: CAPITAL ASSETS

Activity for capital assets capitalized by the District group is summarized below for the fiscal year ended June 30, 2018.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6: CAPITAL ASSETS (CONTINUED)

	Balance <u>July 1, 2017</u>	Additions	Disposals/ <u>Adjustments</u>	Balance <u>June 30, 2018</u>
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 144,244			\$ 144,244
Sites (land)	<u>101,593</u>			<u>101,593</u>
Total capital assets not being depreciated	<u>245,837</u>			<u>245,837</u>
Land improvements	925,211			925,211
Building & building improvements	19,096,637			19,096,637
Machinery & equipment	1,750,726	\$ 324,871		2,075,597
Totals at historical cost	<u>21,772,574</u>	<u>324,871</u>		<u>22,097,445</u>
Less: accumulated depreciation				
Land improvements	(870,354)	(5,825)		(876,179)
Building & building improvements	(10,507,619)	(469,142)		(10,976,761)
Machinery & equipment	<u>(1,245,890)</u>	<u>(104,951)</u>		<u>(1,350,841)</u>
Total accumulated depreciation	<u>(12,623,863)</u>	<u>(579,918)</u>		<u>(13,203,781)</u>
Governmental activities capital assets, net	<u>\$ 9,394,548</u>	<u>\$ (255,047)</u>	<u>None</u>	<u>\$ 9,139,501</u>
Business-type activities:				
Machinery & equipment	\$ 189,670	\$ 15,604		\$ 205,274
Less: accumulated depreciation	<u>(160,123)</u>	<u>(4,550)</u>		<u>(164,673)</u>
Business-type capital assets, net	<u>\$ 29,547</u>	<u>\$ 11,054</u>	<u>None</u>	<u>\$ 40,601</u>

Depreciation was charged to the following Governmental programs:

Instruction - regular	\$ 5,042
Instruction - other	1,631
Support administration	34,375
Operation and maintenance	28,193
Unallocated	510,677
Total	<u>\$ 579,918</u>

NOTE 7: GENERAL LONG-TERM DEBT

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

Advance Refunding

On June 2, 2006, the District issued \$5,860,000 in Refunding Bonds with a net interest cost of 1.919923% to advance refund; \$1,280,000 of outstanding 2005 Refunding School Bonds with an average interest rate of 2.86%; \$3,594,000 of outstanding 2006 school bonds with an average interest rate of 3.59%; \$1,005,000 of outstanding 2009 school bonds with an interest rate of 3.77%.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7: GENERAL LONG-TERM DEBT (CONTINUED)

Advance Refunding (Continued)

The net proceeds of \$6,264,787, including a premium on the bonds of \$517,626 and net of payments of \$32,230 in underwriting fees and \$80,609 of issuance costs, were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for part of future debt service payments when due. Payable in annual installments through August 1, 2025. Interest is paid semi-annually at varying rates ranging from 3% to 4% per annum. The balance remaining as of June 30, 2018, was \$4,510,000.

Other Permanently Funded Debt

\$4,229,000 School Bonds dated January 15, 2006, payable in annual installments through August 1, 2018. Interest is paid semi-annually at an interest rate of 4%. The remaining balance at June 30, 2018, was \$435,000.

\$2,095,000 School Bonds dated December 16, 2009, payable in annual installments through March 1, 2019. Interest is paid semi-annually at an interest rate of 3%. The remaining balance at June 30, 2018, was \$145,000.

Long-Term Obligation Activity

Changes in long-term obligations for the fiscal year ended June 30, 2018, are as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 429,769	\$ 35,916	\$ 72,497	\$ 393,188	\$ 7,500
Capital leases	146,457	120,514	137,780	129,191	88,865
Premium on bond sale	462,013		51,335	410,678	51,335
Serial bonds payable	5,920,000		830,000	5,090,000	580,000
	<u>\$ 6,958,239</u>	<u>\$ 156,430</u>	<u>\$ 1,091,612</u>	<u>\$ 6,023,057</u>	<u>\$ 727,700</u>

The District has several leases for computers. Lease terms are three years. Interest rates vary from 2.50% to 3.57%, see Exhibit I-2. The following is a schedule of the future minimum lease payments under their capital leases:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 88,865	\$ 4,078	\$ 92,943
2020	40,326	1,440	41,766
	<u>\$ 129,191</u>	<u>\$ 5,518</u>	<u>\$ 134,709</u>

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7: GENERAL LONG-TERM DEBT (CONTINUED)

Bonds Payable

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

Year Ended June 30,	Principal	Interest	Total
2019	\$ 580,000	\$ 175,400	\$ 755,400
2020	600,000	153,350	753,350
2021	625,000	131,950	756,950
2022	640,000	109,875	749,875
2023	665,000	86,900	751,900
2024-2025	1,980,000	99,200	2,079,200
	<u>\$ 5,090,000</u>	<u>\$ 756,675</u>	<u>\$ 5,846,675</u>

Bonds Authorized But Not Issued

As of June 30, 2018, the Board has \$0 of bonds authorized but not issued.

Other

Interest paid on debt issued by the District is exempt from federal income tax. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the Federal Government based on the requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

Rebatable arbitrage liabilities related to District debt are not recorded in Governmental Funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the Federal Government. Thus, rebatable arbitrage liabilities related to Governmental debt will be accrued as incurred at least annually (at fiscal year-end) on the District-wide financial statements.

For the year ended June 30, 2018, it is not necessary for the Board to establish a liability for arbitrage rebate.

A portion of compensated absences are recorded as long-term liabilities due in more than one year.

NOTE 8: PENSION FUNDS

Description of Plans - All eligible employees of the District are covered by the Public Employees' Retirement System (PERS), or Teachers' Pension and Annuity Fund (TPAF) a cost-sharing, multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System 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

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8: PENSION FUNDS

Description of Plans (Continued) - supplementary information for the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund. The reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295 or can be accessed on the internet at: <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of NJSA 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 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 titles.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of NJSA 43:15A to provide retirement, death, disability, and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing, multiple-employer plan. Membership is generally required for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system or other state or local jurisdiction.

Funding Policy - The contribution policy is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and NJSA 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 7.34% of employees' annual compensation, as defined. Subsequent increases will be phased in over 7 years (each July 1) to bring the total pension contribution rate to 7.5% as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The District's contributions to PERS for the years ending June 30, 2018, 2017, and 2016, were \$312,538, \$301,247, and \$309,425, respectively, equal to the required contributions for each year. The School District's employer share of TPAF for the years ending June 30, 2018, 2017, and 2016, were \$2,348,797, \$1,970,121, and \$1,613,480, respectively, and paid by the State of New Jersey on behalf of the board, equal to the required contributions for each year.

The Board's total payroll for the year ended June 30, 2018, 2017, and 2016, were \$16,427,562, \$16,474,855, and \$16,212,019; covered payroll for TPAF was \$12,233,971, \$12,244,679, and \$11,924,909; PERS was \$2,233,132, \$2,289,380, and \$2,205,914.

Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board for the years ending June 30, 2018, 2017, and 2016, \$894,690, \$873,127, and \$873,127, for the employer's share of social security contributions for TPAF members as calculated on their base

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8: PENSION FUNDS (CONTINUED)

Funding Policy (Continued) - salaries. These amounts, which are not required to be budgeted, have been included in the financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance in GASB 27.

For the year ended June 30, 2017, the District recognized pension expense of \$1,105,890. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions		\$ 650,296
Net difference between expected and actual experience	\$ 101,801	
Net difference between projected and actual earnings on pension plan investments	83,153	
Changes in proportion and differences between District contributions and proportionate share of contributions		223,283
District contributions subsequent to the measurement date	307,522	
	\$ 492,476	\$ 873,579

\$307,522 reported as deferred outflows of resources related to pensions, resulting from School District contributions, subsequent to the measurement date (i.e. for the school year ending June 30, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ (2,185)
2020	91,194
2021	(68,108)
2022	(475,907)
2023	(233,619)
Thereafter	0
	\$ (688,625)

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8: PENSION FUNDS (CONTINUED)

Additional information – Collective balances at June 30, 2017 and 2016, are as follows:

	June 30, 2017	June 30, 2016
Collective deferred outflows of resources	\$ 6,424,455,842	\$ 8,685,338,380
Collective deferred inflows of resources	57,006,259,981	870,133,595
Collective net pension liability	23,278,401,588	29,617,131,759
District's proportion	0.0331956236%	0.0337543698%

Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) is a cost-sharing, multiple-employer defined contribution pension fund which was established on July 1, 2007, under provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (NJAC 43:15C-1 et. seq.). The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provision are established by NJSA 43:15C-1 et seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, state statute also requires the return to the normal rate when such surplus pension assets no longer exist. In addition to the employee contributions, the School District's contributes amounts for each pay period to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. The District's contributions to DCRP for the years ending June 30, 2018, 2017, and 2016, were \$11,391, \$12,870, and \$14,792 for covered employees.

NOTE 9: POST-EMPLOYMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or county college with 25 years of service. (GASB Cod. Sec. 2300.106(g)).

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9: POST-EMPLOYMENT BENEFITS (CONTINUED)

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

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 209,913 eligible retired members in Fiscal Year 2017.

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the Board of Education/Board of Trustees. Note that actual numbers will be published in the NJ State's CAFR at: <https://www.nj.gov/treasury/omb/publications/archives.shtml>.

Actuarial assumptions and other imputes. The total OPEB liability in the June 30, 2017, actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.50%
Salary increases	Differs by pension group (e.g. - PERS, TPAF). See Actuarial Assumptions in the Notes to Required Supplementary Information - Note 4.
Discount rate	3.58%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Bond index.

Mortality rates were based on the RP-2014 headcount-weighted mortality table for healthy and disabled lives with fully generational mortality improvement projections from the central year using Scale MP-2017.

The actuarial assumptions used in the June 30, 2016 valuation were based on the result of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

Changes in the Total OPEB Liability reported by the State of New Jersey:

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9: POST-EMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability (Continued)

	<u>Total OPEB Liability</u>
Balance at 6/30/16	\$ 57,831,784,184
Changes for the year:	
Service cost	2,391,878,884
Interest	1,699,441,736
Changes of benefit terms	
Differences between expected and actual experience	
Changes in assumptions or other inputs	(7,086,599,129)
Contributions - Member	45,748,749
Benefit payments	(1,242,412,566)
Net changes	<u>(4,191,942,326)</u>
Balance at 6/30/17	<u>\$ 53,639,841,858</u>

There were no changes in benefit terms during the year.

Changes in assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

Sensitivity of the total OPEB liability to changes in the discount rate. The following represents the total OPEB liability of the State for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percent-point lower or 1-percent-point higher than the current discount rate.

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
Total OPEB Liability (School Retirees)	\$ 63,674,362,200	\$ 53,639,841,858	\$ 45,680,364,953

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (School Retirees)	\$ 44,113,584,560	\$ 53,639,841,858	\$ 66,290,599,457

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9: POST-EMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2018, the Board of Education/Board of Trustees recognized OPEB expense of \$3,045,879 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75 and in which there is a special funding situation.

In accordance with GASB No. 75, the Borough of Pitman Board of Education proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs		\$ 9,354,451
Changes in proportions		478,951
 Total	 None	 \$ 9,833,402

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB will be recognized in OPEB expense as follows:

Year Ended	Amount
June 30,	
2019	\$ (1,151,452)
2020	(1,151,452)
2021	(1,151,452)
2022	(1,151,452)
2023	(1,151,452)
Thereafter	(4,076,142)
	\$ (9,833,402)

NOTE 10: DEFERRED COMPENSATION

The Board offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years.

Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Lincoln Investment Planning, Inc.	MetLife
MetLife Universal-Travelers	Voya Financial

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11: COMPENSATED ABSENCES

The District accounts for compensated absences using the termination method (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 that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policies. The District's policy permits Association employees to accumulate sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave if the employee has a minimum of 100 days in accordance with District's agreements with the various employee unions. The District uses the vesting method to record the liability.

For the District-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components - the amount due within one year and the amount due in more than one year. The liability for compensated absences in the Governmental Fund at June 30, 2018, is \$393,188. The liability for compensated absences in the Food Service Fund at June 30, 2018, is \$6,583.

NOTE 12: LABOR CONTRACTS

As of June 30, 2018, the District's teachers, school nurses, LDT-C, social workers, guidance counselors, and psychologists are organized in the Pitman Education Association collective bargaining unit which will expire on June 30, 2019, and the Pitman Administrator's Association collective bargaining unit will expire on June 30, 2018.

NOTE 13: EMPLOYEE BENEFITS

The District established and maintains a cafeteria plan for health benefits required by NJSA 18A:16-19.1 as amended by P.L. 2011, c.78, s.51. The District entered into a pre-tax benefits plan with AFLAC. The medical care reimbursement plan maximum amount for staff was \$2,500 for medical and \$5,000 for dependent care.

NOTE 14: RISK MANAGEMENT

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

Property and Liability Insurance:

The District maintains commercial insurance coverage for property, liability, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (Exhibit J-20) of this Comprehensive Annual Financial Report. During the current fiscal year the District did not incur claims in excess of coverage amounts.

The District is a member of the New Jersey School Boards Association Insurance Group - ERIC - South. The purpose of this is to permit member Boards of Education to make use of their powers and resources by cooperating on a basis that will be of mutual advantage and to provide a procedure for development, administration, and provision of Risk Management Programs, a

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14: RISK MANAGEMENT (CONTINUED)

Joint Self Insurance Fund, Joint Insurance Purchases and related services for members and their employees for the following:

- Worker’s Compensation and Employers Liability
- Automobile and Equipment Liability
- General Liability and Property Damage
- School Board Legal Liability
- Boiler and Machinery

New Jersey Unemployment Compensation Insurance:

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method.” Under this plan, the 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 District is billed quarterly for amounts due to the State. The table below is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the District’s expendable trust fund for the current and previous two years:

Fiscal Year	Interest Contributions	Other	Employee Contributions	Amount Reimbursed	Ending Balance
2017-2018	\$ 1,337	\$ 6,694	\$ 27,680	\$ 36,005	\$ 336,529
2016-2017	1,319		20,385	12,933	336,823
2015-2016	1,269		22,844	10,820	328,052

NOTE 15: OPERATING LEASES

The District has commitments to lease copy machines under non-cancelable operating leases spanning 48 months. Monthly payments range from \$86-\$2,776 a month per machine. The District also has a commitment for a postage machine under non-cancelable operating leases spanning 60 months at a monthly payment of \$57. Total lease payments made during the year ended June 30, 2018, amounted to \$37,707. Future minimum lease payments are as follows:

Year Ended June 30,	Amount
2019	\$ 37,707
2020	36,673
2021	34,666
2022	342
	<u>\$ 109,388</u>

NOTE 16: FUND BALANCE APPROPRIATED

Restrictions of fund balances of Governmental Funds are established to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16: FUND BALANCE APPROPRIATED (CONTINUED)

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District does not have a formal fund balance spending policy therefore the default spending order requires committed, assigned and then unassigned to be used/spent first when expenditures are made.

The District follows the State of New Jersey's minimum fund balance policy for New Jersey Public School Districts (NJSA 18A:7F-7). Pursuant to that policy, an undesignated fund balance of 2% of the General Fund budget or \$250,000, whichever is greater may be maintained.

Specific classifications of fund balance are summarized below:

Non-Spendable Fund Balance - The District had no non-spendable fund balance at June 30, 2018.

Restricted Fund Balance:

Capital Reserve Account - Of the \$312,955 balance in the capital reserve account at June 30, 2018, \$0 has been designated for utilization in the 2018-2019 budget. These funds are restricted for future capital outlay expenditures for projects in the School District's long range facilities plan.

Maintenance Reserve Account - Of the \$441,806 balance in the maintenance reserve account at June 30, 2018, \$0 has been designated for utilization in the 2018-2019 budget. These funds are restricted for required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (NJSA 18A:7G-9) as amended by P.L. 2004, c.73 (S1701).

Excess Surplus - At June 30, 2018, excess surplus created in FY 2017 of \$13,384 will be utilized for expenditures in the 2018-2019 budget, while excess surplus created in FY 2018 of \$119,242 is restricted and will be utilized for budget expenditures in 2019-2020.

Debt Service Fund - At June 30, 2018, there was a \$41,576 fund balance, of which, \$41,576 will be utilized for expenditures in the 2018-2019 budget.

Committed Fund Balance - The District had no fund balance at June 30, 2018.

Assigned Fund Balance - At June 30, 2018, the District has assigned \$538,320 of General Fund balance; \$521,616 has been designated for utilization in the 2018-2019 budget; \$16,704 was assigned for other purposes as of the year-end. This represents encumbrances resulting from issuing purchase orders as a result of normal purchasing activities approved by District officials.

Unassigned Fund Balance - At June 30, 2018, the District has (\$429,208) of unassigned fund balance in the General Fund.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 17: CALCULATION OF EXCESS SURPLUS

The designation of Reserve Fund Balance - Excess surplus is a required calculation pursuant to NJSA 18A:7F-7, as amended. New Jersey School Districts are required to reserve General Fund, fund balance, at the fiscal year-end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2018, is \$132,626.

NOTE 18: DEFICIT FUND BALANCES

The District has a deficit fund balance of \$429,208 (Exhibit B-1) in the General Fund as of June 30, 2018, as reported in the fund statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event the June state school aid payments are not made until the following school budget year, districts must record the last 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. 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 last state aid payments 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 District is facing financial difficulties.

NOTE 19: ECONOMIC DEPENDENCY

The District is heavily reliant on state aid and local tax levy to fund the District operations. State sources funded approximately 48.1% and taxes fund 48.7% of the District's 2017-2018 governmental operations excluding capital projects.

NOTE 20: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remain on the balance sheet at June 30, 2018:

	Interfund	
	Receivable	Payable
General fund	\$ 31,900	
Food service fund		\$ 21,900
Payroll and agency		10,000
	\$ 31,900	\$ 31,900

The interfund is a result of advance funding of the Section 125 Plan for payroll agency and for cash flow purposes for food service.

NOTE 21: POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description - Borough of Pitman School District, New Jersey Post-employment Healthcare Benefit Plan is a single-employer defined benefit healthcare plan administered by AmeriHealth. Current retirees receive medical and prescription drug coverage from an AmeriHealth

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 21: POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Plan Description (Continued) - Traditional Plan. One retiree receives medical, prescription drug, and limited dental coverage under a Horizon Medicare Blue Plan. Current retirees and current surviving spouses receive coverage for life. No current active employees are eligible for post-retirement healthcare benefits.

Funding Policy - Retirees contribute \$25 per month towards their healthcare premiums, which cover medical, prescription drug and vision benefits. The rest of the premiums are paid by the Board. The individual contribution requirements of the healthcare plan were established by negotiated labor contracts. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2018 the School District contributed \$81,891 to the plan for current premiums.

As of June 30, 2018, there were 6 retirees receiving post-retirement healthcare benefits

Total OPEB Liability - Actuarial assumptions and other imputes. The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

ACTUARIAL ASSUMPTIONS AND METHODS

ASSUMPTIONS

The actuarial assumptions used to value the postretirement medical liabilities can be categorized into three groups:

- Economic Assumptions – the discount rate and health care cost trend rates.
- Benefit assumptions – the initial per capita cost rates for medical and prescription drug coverage.
- Demographic assumptions – including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participating rates), and coverage levels.

Actuarial assumptions were based on the actual experience of the covered group, to the extent that creditable experience data was available, with an emphasis on expected long-term future trends rather than giving undue weight to recent past experience. The reasonableness of each actuarial assumption was considered independently, based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions.

ECONOMIC ASSUMPTIONS

The two primary economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

GASB 75 Discount Rate

The discount rate for unfunded plans should be the single rate that reflects a yield or index rate for 20-year, tax exempt general obligations municipal bonds with an average rating of AA/AAa or higher (or an equivalent quality on another scale). The plan is currently unfunded. We used the "20-Bond GO Index" to establish a discount rate of 3.50% and 3.75% as of the beginning and end of the year, respectively.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 21: POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Health Care Cost Trend Rates

Plan premium rates are assumed to increase at 6% and 4.5% per annum for AmeriHealth and Horizon post-65 coverage, respectively.

BENEFIT ASSUMPTIONS

The valuation projects the cost to the Board of providing medical benefits to a closed group of retirees.

Monthly Per Capita Claims Cost

The monthly premium rates for the annual periods beginning July 1, 2017 and July 1, 2018, are as follows:

Period	AmeriHealth Traditional	Horizon Medicare Blue
July 1, 2017 - June 30, 2018	\$ 675.10	\$ 405.36
July 1, 2018 - June 30, 2019	722.36	405.36

DEMOGRAPHIC ASSUMPTIONS

Mortality

Sex-distinct RP-2014 Healthy White-Collar Annuitants Mortality Table (head-counted weighted) projected with scale MP-2017.

Retirement Rates

N/A

Withdrawal

N/A

Participation Rates

N/A

Spousal/Dependent Coverage

None

Expenses

No administrative expenses above those included in the above per capita claims' costs are assumed in the valuation.

Decrement Timing

All decrements and benefit payments are assumed to occur at the middle of the year.

Methods

GASB 75 Actuarial Cost Method

The actuarial cost method used to determine the plan's cost is the Entry Age Normal Cost Method. Under the entry age normal cost method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated on a level basis

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 21: POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Methods (Continued)

over the earnings of the individual between entry age and assumed exit age(s). The Service Cost is the portion of this actuarial present value allocated to a valuation year. The Total Pension Liability is the portion of this actuarial present value not provided for at the valuation date by the actuarial present value of future service costs.

Asset Valuation Method
The plan is currently unfunded.

	Total OPEB Liability
Total OPEB liability at beginning of year	\$ 309,037
Changes for the year:	
Service cost	
Interest	10,054
Benefit payments	(43,570)
Administrative expenses	
Actuarial assumption changes	(3,570)
Actuarial demographic (gain) or loss	29,100
Plan amendments	
	(7,986)
Net changes	
Total OPEB liability at end of year	\$ 301,051

Changes in plan fiduciary net position during the year

Fair value of plan assets at beginning of year	
Employer contributions	43,570
Benefit payments	(43,570)
Projects investment returns over the year	
Plan asset gain or (loss)	
Administrative expenses	
Fair value of plan assets at end of year	
Net OPEB liability at end of year	301,051
Change in deferred inflows of resources	
Deferred inflows of resources at beginning of year	
Additional inflows during the year	3,570
Amount recognized during the year	(3,570)
Deferred inflows of resources at end of year	

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 21: POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Change in deferred outflows of resources

Deferred outflows of resources at beginning of year	
Additional outflows during the year	29,100
Amount recognized during the year	(29,100)
Deferred outflows of resources at end of year	

Net OPEB liability at end of year, calculated using a discount rate that is:

1-Percentage point higher	287,508
1-Percentage point lower	315,308

Net OPEB liability at end of year, calculated using a healthcare cost trend rate that is:

1-Percentage point higher	314,203
1-Percentage point lower	288,710

NOTE 22: INVESTMENT IN SOLAR RENEWABLE ENERGY CERTIFICATES (SREC'S)

The SREC program provides a means for Solar Renewable Energy Certificates (SREC's) to be created for every megawatt-hour of solar electricity created. The SREC is sold separately from the electricity and represents the "solar" aspect of the electricity that was produced. The value of a SREC is determined by the market subject to supply and demand constraints. SREC's can be sold to electricity suppliers needing to meet their solar RPS requirement. The market is typically capped by a fine or solar alternative compliance payment paid by any electricity suppliers for every SREC they fall short of the requirement.

The School District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quotes prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. As of June 30, 2018, the investment in SREC's was \$0. All SREC's available as of June 30, 2018, were sold by year-end and no amount was recorded as a receivable.

NOTE 23: TAX ABATEMENTS

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

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 23: TAX ABATEMENTS (CONTINUED)

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

The Borough of Pitman did not have any tax abatements for the year ended December 31, 2017.

NOTE 24: COMMITMENTS AND CONTINGENCIES

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

It is the opinion of the administration and legal counsels, that there exists no litigation or contingent liability that may be pending against the Borough of Pitman School District that would have a material or adverse effect on the Board or the financial position of the District.

NOTE 25: SUBSEQUENT EVENT

On July 18, 2018, the Board approved a three-year lease for technology equipment and textbooks/instructional materials. The capital lease is for \$184,624 at a rate of 3.69%. The lease/purchase agreement is with Municipal Leasing Consultants, LLC payable to City National Capital Finance. The following is a schedule of the future minimum lease payments under the capital leases:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 63,784		\$ 63,784
2020	59,325	\$ 4,459	63,784
2021	61,515	2,270	63,785
	<u>\$ 184,624</u>	<u>\$ 6,729</u>	<u>\$ 191,353</u>

On November 14, 2018, the Board approved a three-year lease for a dump truck. The capital lease is for \$39,211 at a rate of 6.39%. The lease/purchase agreement is with MMD Financial, LLC payable to KS State Bank. The following is a schedule of the future minimum lease payments under the capital leases:

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 25: SUBSEQUENT EVENT (CONTINUED)

Year Ended June 30,	Principal	Interest	Total
2019	\$ 13,889		\$ 13,889
2020	12,269	\$ 1,618	13,887
2021	13,053	834	13,887
	<u>\$ 39,211</u>	<u>\$ 2,452</u>	<u>\$ 41,663</u>

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2018 and January 22, 2019, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no additional items have come to the attention of the District that would require disclosure.

NOTE 26: CHANGE IN ACCOUNTING PRINCIPLE

During the year beginning July 1, 2017, the District adopted the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions" whose primary objective is to improve accounting and financial reporting for post-employment benefits other than pensions (OPEB). These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures for OBEB.

The effect of this change was to decrease fiscal year ended June 30, 2017, net position by 86,115,501 which is the prior period adjustment of net OPEB liability. Financial statements for the fiscal year ended June 30, 2017, have not been restated, and the cumulative effect of the change totaling \$86,115,501 is shown as a one-time debit to net position in the fiscal year ended June 30, 2018, Statement of Activities.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 13,530,733		\$ 13,530,733	\$ 13,530,733	
Tuition from individuals	105,250		105,250	98,627	\$ (6,623)
Tuition from other LEA's within the state				67,085	67,085
Interest on investments	25,000		25,000	11,909	(13,091)
Interest on capital reserve funds	1,350		1,350	168	(1,182)
Miscellaneous	201,445		201,445	134,596	(66,849)
Total - local sources	13,863,778		13,863,778	13,843,118	(20,660)
State sources:					
Transportation aid	148,522		148,522	148,522	
Extraordinary aid	75,000		75,000	108,825	33,825
Special education aid	802,068		802,068	802,068	
Equalization aid	7,117,182		7,117,182	7,117,182	
Security aid	136,140		136,140	136,140	
Adjustment aid	1,605,865	\$ (185,589)	1,420,276	1,420,276	
PARCC readiness aid	13,720		13,720	13,720	
Per pupil growth aid	13,720		13,720	13,720	
Professional learning community aid	13,035		13,035	13,035	
Teachers' pension and annuity fund (on-behalf non-budgeted)				1,733,632	1,733,632
TPAF post-retirement medical (on-behalf non-budgeted)				1,119,716	1,119,716
TPAF long-term disability insurance (on-behalf non-budgeted)				1,849	1,849
Reimbursed TPAF social security contributions (non-budgeted)				894,690	894,690
Total - State sources	9,925,252	(185,589)	9,739,663	13,523,375	3,783,712
Federal sources:					
Medical assistance program	30,376		30,376	19,522	(10,854)
Total - federal sources	30,376		30,376	19,522	(10,854)
Total revenues	\$ 23,819,406	\$ (185,589)	\$ 23,633,817	\$ 27,386,015	\$ 3,752,198

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current expense:					
Regular programs - instruction:					
Salaries of teachers:					
Kindergarten	\$ 386,489	\$ (29,000)	\$ 357,489	\$ 357,371	\$ 118
Grades 1-5	2,673,772	2,658	2,676,430	2,674,763	1,667
Grades 6-8	1,625,039	(577)	1,624,462	1,622,831	1,631
Grades 9-12	2,359,574	(72,526)	2,287,048	2,281,582	5,466
Regular programs - home instruction:					
Salaries of teachers	5,000	7,500	12,500	11,717	783
Purchased professional - educational services	15,000		15,000	9,234	5,766
Regular programs - undistributed instruction:					
Purchased technical services	238,818	21,823	260,641	242,390	18,251
Other purchased services (400-500 series)	256,031	(59,380)	196,651	193,293	3,358
General supplies	206,521	(367)	206,154	191,572	14,582
Textbooks	33,605	(14,561)	19,044	8,148	10,896
Miscellaneous expenditures	3,200	(1,375)	1,825	499	1,326
Total regular programs	7,803,049	(145,805)	7,657,244	7,593,400	63,844
Learning and/or language disabilities:					
Salaries of teachers	85,502	(1,230)	84,272	84,187	85
Other salaries for instruction	34,535	14,878	49,413	47,906	1,507
General supplies	3,410		3,410	197	3,213
Textbooks	500		500		500
Total learning and/or language disabilities	123,947	13,648	137,595	132,290	5,305
Multiple disabilities:					
Salaries of teachers	523,101	(58,859)	464,242	457,188	7,054
Other salaries for instruction	247,583	(80,100)	167,483	164,999	2,484
General supplies	7,500	5,600	13,100	7,157	5,943
Textbooks	24,500	(18,850)	5,650		5,650
Total multiple disabilities	802,684	(152,209)	650,475	629,344	21,131
Resource room:					
Salaries of teachers	1,437,819	17,693	1,455,512	1,454,376	1,136
Other salaries for instruction	337,662	47,190	384,852	381,477	3,375
General supplies	21,622	(4,670)	16,952	14,194	2,758
Textbooks	4,500	(300)	4,200	40	4,160
Total resource room	1,801,603	59,913	1,861,516	1,850,087	11,429

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Preschool disabilities part-time:					
Salaries of teachers	64,899	1,300	66,199	66,056	143
Other salaries for instruction	33,883	(22,300)	11,583	11,534	49
General supplies	2,850	(950)	1,900	488	1,412
Textbooks	300		300		300
Total preschool disabilities	101,932	(21,950)	79,982	78,078	1,904
Home instruction:					
Salaries of teachers	3,000	3,950	6,950	6,935	15
Purchased professional - educational services	15,058	(9,050)	6,008	4,056	1,952
Total home instruction	18,058	(5,100)	12,958	10,991	1,967
Total special education	2,848,224	(105,698)	2,742,526	2,700,790	41,736
Basic skills/remedial:					
Salaries of teachers	302,071	73,475	375,546	366,812	8,734
General supplies	6,728	375	7,103	4,768	2,335
Textbooks	1,182	(31)	1,151	949	202
Total basic skills/remedial	309,981	73,819	383,800	372,529	11,271
Bilingual:					
General supplies	500		500		500
Textbooks	200		200		200
Total bilingual	700		700		700
School sponsored co-curricular activities:					
Salaries	118,004	4,500	122,504	121,301	1,203
Purchased services (300-500 series)	14,000	(2,217)	11,783	8,856	2,927
General supplies	2,700	(500)	2,200	693	1,507
Miscellaneous expenditures	4,960	5,164	10,124	8,969	1,155
Funds transfer	10,000	2,812	12,812	12,812	
Total school sponsored co-curricular activities	149,664	9,759	159,423	152,631	6,792
School sponsored athletics - instruction:					
Salaries	266,920	850	267,770	251,130	16,640
Purchased services (300-500 series)	61,765	10,675	72,440	66,274	6,166
General supplies	37,780	(1,534)	36,246	34,114	2,132
Miscellaneous expenditures	17,225	3,839	21,064	20,744	320
Total school sponsored athletics - instruction	383,690	13,830	397,520	372,262	25,258
Total other instructional programs	844,035	97,408	941,443	897,422	44,021
Total - instruction	11,495,308	(154,095)	11,341,213	11,191,612	149,601

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed expenditures:					
Instruction:					
Tuition to LEA's within state regular	45,000	7,279	52,279	20,438	31,841
Tuition to LEA's within state special	29,173	(12,000)	17,173	11,278	5,895
Tuition county vocational school regular	155,610	(26,500)	129,110	126,418	2,692
Tuition to county special services district & regional day schools	329,080	184,174	513,254	500,196	13,058
Tuition to private schools for the handicapped-state	671,738	(200,500)	471,238	404,141	67,097
Total undistributed expenditures - instruction	1,230,601	(47,547)	1,183,054	1,062,471	120,583
Health services:					
Salaries	394,302	44,550	438,852	437,347	1,505
Purchased professional - educational services	10,222	1,965	12,187	12,036	151
Supplies and materials	6,505	(1,098)	5,407	4,664	743
Total health services	411,029	45,417	456,446	454,047	2,399
Related services:					
Salaries of teachers	245,676	(1,800)	243,876	242,676	1,200
Purchased professional - educational services	20,000	(11,000)	9,000	8,300	700
General supplies	2,500	300	2,800	2,543	257
Total related services	268,176	(12,500)	255,676	253,519	2,157
Extraordinary services:					
Purchased professional - educational services	50,000	(4,600)	45,400	42,795	2,605
Total extraordinary services	50,000	(4,600)	45,400	42,795	2,605
Guidance services:					
Salaries of other professional staff	628,911	(33,183)	595,728	587,098	8,630
Salaries of secretarial and clerical assistants	51,636	2,906	54,542	51,316	3,226
Purchased professional technical services	11,500	7,100	18,600	13,025	5,575
Other purchased services (400-500 series)	600	1,000	1,600	554	1,046
Supplies and materials	6,055	534	6,589	5,781	808
Other objects	1,140	(340)	800	375	425
Total guidance services	699,842	(21,983)	677,859	658,149	19,710
Child study team:					
Salaries of other professional staff	544,681	30,000	574,681	564,811	9,870
Salaries of secretarial and clerical assistants	98,572	(8,335)	90,237	67,978	22,259
Purchased professional - technical services	22,780	(2,950)	19,830	18,255	1,575
Other purchased services (400-500 series)	1,500		1,500	251	1,249
Supplies and materials	8,825	(52)	8,773	6,424	2,349
Other objects	150	950	1,100	1,089	11
Total child study team	676,508	19,613	696,121	658,808	37,313

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Improvement of instructional services/other support services - instructional staff:					
Salaries of supervisors of instruction	107,000	1	107,001	107,000	1
Salaries of other professional staff	48,400	1	48,401	48,400	1
Salaries of secretarial and clerical assistants	45,494	6,459	51,953	45,877	6,076
Other purchased services (400-500 series)	1,500	(25)	1,475	1,437	38
Supplies and materials	1,030	1,375	2,405	2,254	151
Other objects	3,300	(100)	3,200	1,014	2,186
Total improvement of instructional services/other support services - instructional staff	206,724	7,711	214,435	205,982	8,453
Educational media services/school library:					
Salaries	264,886	4,900	269,786	268,377	1,409
Salaries of technology coordinator	81,715		81,715	81,715	
Other purchased services (400-500 series)	500	1,150	1,650	1,145	505
Supplies and materials	27,092	284	27,376	25,269	2,107
Other objects	1,800	(1,500)	300	252	48
Total educational media services/school library	375,993	4,834	380,827	376,758	4,069
Instructional staff training:					
Salaries of other professional staff	9,000	7,322	16,322	16,301	21
Purchased professional - educational services	20,000	(1,940)	18,060	4,092	13,968
Other purchased services (400-500 series)	25,000	(2,604)	22,396	22,086	310
Total instructional staff training	54,000	2,778	56,778	42,479	14,299
Support services general administration:					
Salaries	218,489	(400)	218,089	216,458	1,631
Legal services	25,100	28,500	53,600	31,078	22,522
Audit fees	19,000	400	19,400	19,400	
Other professional services	70,370	13,450	83,820	54,373	29,447
Purchased technical services	18,750	150	18,900	18,890	10
Communications/telephone	62,086	(4,131)	57,955	27,643	30,312
Other purchased services (400-500 series)	78,951	(2,145)	76,806	65,661	11,145
General supplies	5,000	300	5,300	3,067	2,233
Judgments		11,550	11,550	11,550	
Miscellaneous expenditures	6,000	1,900	7,900	7,874	26
BOE member dues/fees	11,500	145	11,645	11,245	400
Total support services general administration	515,246	49,719	564,965	467,239	97,726

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support services school administration					
Salaries of principals/assistant principals	788,276	(10,038)	778,238	774,674	3,564
Salaries of other professional staff	65,728		65,728	65,725	3
Salaries of secretarial and clerical assistants	339,019	5,575	344,594	337,857	6,737
Unused vacation payment	20,882	(1,650)	19,232	18,722	510
Purchased professional educational services	500		500	346	154
Purchased professional - technical services	7,000	(300)	6,700	2,346	4,354
Other purchased services (400-500 series)	11,100	2,784	13,884	6,190	7,694
Supplies and materials	30,253	4,746	34,999	24,941	10,058
Other objects	16,650	19,411	36,061	10,491	25,570
Total support services school administration	1,279,408	20,528	1,299,936	1,241,292	58,644
Central services:					
Salaries	279,164		279,164	273,567	5,597
Purchased technical services	31,307	27,500	58,807	58,550	257
Other purchased services (400-500 series)	2,540		2,540	2,419	121
Supplies and materials	4,000	600	4,600	4,073	527
Interest on lease purchase agreements	6,172	(250)	5,922	4,185	1,737
Other objects	2,340	250	2,590	2,553	37
Total central services	325,523	28,100	353,623	345,347	8,276
Required maintenance:					
Cleaning, repair, and maintenance services	196,539	90,506	287,045	271,252	15,793
Total required maintenance	196,539	90,506	287,045	271,252	15,793
Custodial services					
Salaries	969,892		969,892	959,159	10,733
Purchased professional - technical services	11,000		11,000	10,243	757
Cleaning, repair, and maintenance services	55,200		55,200	49,849	5,351
Insurance	126,889	(100)	126,789	122,786	4,003
Miscellaneous purchased services	500		500	140	360
General supplies	106,087	(2,560)	103,527	103,265	262
Natural gas	120,000	7,986	127,986	127,440	546
Electricity	240,000	(33,220)	206,780	190,883	15,897
Other objects	1,000	1,060	2,060	2,013	47
Total custodial services	1,630,568	(26,834)	1,603,734	1,565,778	37,956
Total operation and maintenance of plant services	1,827,107	63,672	1,890,779	1,837,030	53,749
Student transportation services:					
Salaries non-instructional aides	26,210	7,900	34,110	34,089	21
Cleaning, repair, and maintenance services		2,560	2,560	2,214	346
Contracted services (between home and school) - vendors	1,768	2,700	4,468	4,300	168
Contracted services (other than between home and school) - vendors	75,830	34,975	110,805	94,024	16,781
Contracted services (special education students) - vendors	90,000	117,400	207,400	204,913	2,487
Contracted services (special education students) - joint agreements	231,540	1,590	233,130	232,386	744
General supplies		8,000	8,000	7,688	312
Total student transportation services	425,348	175,125	600,473	579,614	20,859

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Unallocated benefits:					
Group insurance	7,150		7,150	4,714	2,436
Social security	300,000	(11,500)	288,500	285,897	2,603
Other retirement - regular	340,000	(8,000)	332,000	323,928	8,072
Worker's compensation	150,552		150,552	145,882	4,670
Health benefits	3,354,293	(242,082)	3,112,211	3,038,297	73,914
Tuition reimbursement	45,000		45,000	33,880	11,120
Other employee benefits	251,000	(15,200)	235,800	234,253	1,547
Unused sick payment	31,148	2,027	33,175	28,990	4,185
Total unallocated benefits	4,479,143	(274,755)	4,204,388	4,095,841	108,547
Teachers' Pension and Annuity Fund (on-behalf non-budgeted)				1,733,632	(1,733,632)
TPAF post-retirement (on-behalf non-budgeted)				1,119,716	(1,119,716)
TPAF long-term disability insurance (on-behalf non-budgeted)				1,849	(1,849)
Reimbursed TPAF social security contributions (non-budgeted)				894,690	(894,690)
Total on-behalf contributions				3,749,887	(3,749,887)
Total undistributed expenditures	12,824,648	56,112	12,880,760	16,071,258	(3,190,498)
Total expenditures - current expense	24,319,956	(97,983)	24,221,973	27,262,870	(3,040,897)
CAPITAL OUTLAY:					
Equipment:					
Undistributed expenditures:					
Custodial	53,578	85,575	139,153	134,751	4,402
Other support services	103,196	100	103,296	103,296	
Total equipment	156,774	85,675	242,449	238,047	4,402
Facilities acquisition and construction services:					
SDA assessments	2,213		2,213	2,213	
Total facilities acquisition and construction services	2,213		2,213	2,213	
Assets acquired under capital leases (non-budgeted):					
Support services - students regular				120,514	(120,514)
Total assets acquired under capital leases (non-budgeted)				120,514	(120,514)
Total capital outlay	158,987	85,675	244,662	360,774	(116,112)
Total expenditures	\$ 24,478,943	\$ (12,308)	\$ 24,466,635	\$ 27,623,644	\$ (3,157,009)

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess (deficiency) of revenues over (under) expenditures	\$ (659,537)	\$ (173,281)	\$ (832,818)	\$ (237,629)	\$ 595,189
Other financing sources (uses):					
Transfer to food service	(80,000)		(80,000)	(80,000)	
Capital leases (non-budgeted)				120,514	(120,514)
Capital reserve to capital outlay		(82,775)	(82,775)		(82,775)
Maintenance reserve to required maintenance		(90,506)	(90,506)		(90,506)
Total other financing sources (uses)	(80,000)	(173,281)	(253,281)	40,514	(293,795)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(739,537)		739,537	(197,115)	301,394
Fund balances - July 1	2,097,887		2,097,887	2,097,887	
Fund balances - June 30	\$ 1,358,349		\$ 2,837,424	\$ 1,900,772	\$ 301,394
Recapitulation:					
Restricted fund balance:					
Capital reserve				\$ 312,955	
Maintenance reserve				441,806	
Excess surplus - designated for subsequent year's expenditures				13,384	
Excess surplus - current year				119,242	
Assigned fund balance:					
Year-end encumbrances				16,704	
Designated for subsequent year's expenditures				521,616	
Unassigned fund balance					
				475,065	
				1,900,772	
Reconciliation to Governmental Fund Statements (GAAP):					
Last state aid payments not recognized on GAAP Basis				(904,273)	
Fund balance per Governmental Funds (GAAP)				\$ 996,499	

BOROUGH OF PITMAN SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Special Revenue Fund
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal sources	\$ 448,172	\$ 151,186	\$ 599,358	\$ 599,358	
Total revenues	<u>\$ 448,172</u>	<u>\$ 151,186</u>	<u>\$ 599,358</u>	<u>\$ 599,358</u>	<u>None</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	\$ 119,395	\$ 13,885	\$ 133,280	\$ 133,280	
Other salaries for instruction	10,800	3,458	14,258	14,258	
Purchased professional - educational services	40,000	(40,000)			
Other purchased services (400-500 series)		100	100	100	
Tuition	277,977	83,473	361,450	361,450	
General supplies		12,766	12,766	12,766	
Total instruction	<u>448,172</u>	<u>73,682</u>	<u>521,854</u>	<u>521,854</u>	
Support services:					
Personal services - employee benefits		33,118	33,118	33,118	
Purchased professional - technical services		44,386	44,386	44,386	
Total support services		<u>77,504</u>	<u>77,504</u>	<u>77,504</u>	
Total expenditures	<u>\$ 448,172</u>	<u>\$ 151,186</u>	<u>\$ 599,358</u>	<u>\$ 599,358</u>	<u>None</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

BOROUGH OF PITMAN SCHOOL DISTRICT
 Required Supplementary Information
 Budget-to-GAAP Reconciliation -
 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 Expenditures.

	General Fund	Special Revenue Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	[C-1] \$ 27,386,015	[C-2] \$ 599,358
State aid payment recognized for budgetary purposes, not recognized for GAAP statements.	(904,273)	
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	939,258	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	[B-2] \$ 27,421,000	[B-2] \$ 599,358
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule.	[C-1] \$ 27,623,644	[C-2] \$ 599,358
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	[B-2] \$ 27,623,644	[B-2] \$ 599,358

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

BOROUGH OF PITMAN SCHOOL DISTRICT
 Schedule of the District's Proportionate Share of the Net Pension Liability - PERS
 Last Five Fiscal Years

	Fiscal Year Ended				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0331956236%	0.0337543698%	0.0359699384%	0.0334760830%	0.0332462894%
District's proportionate share of the net pension liability (asset)	\$ 7,727,411	\$ 9,997,076	\$ 8,074,530	\$ 6,267,638	\$ 6,354,026
District's covered-employee payroll	2,419,120	2,473,296	2,436,419	2,531,363	2,544,847
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	319.43%	404.20%	331.41%	247.60%	249.68%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.13%	47.92%	52.08%	48.72%
Measurement date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013

BOROUGH OF PITMAN SCHOOL DISTRICT
 Schedule of District Contributions - PERS
 Last Five Fiscal Years

	Fiscal Year Ended				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 307,522	\$ 299,869	\$ 309,425	\$ 275,972	\$ 250,504
Contributions in relation to the contractually required contribution	307,522	299,869	309,425	275,972	250,504
Contribution deficiency (excess)	None	None	None	None	None
District's covered-employee payroll	\$ 2,419,120	\$ 2,473,296	\$ 2,169,341	\$ 2,397,778	\$ 2,313,411
Contributions as a percentage of covered-employee payroll	12.71%	12.12%	14.26%	11.51%	10.83%
Measurement date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013

BOROUGH OF PITMAN SCHOOL DISTRICT
 Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF
 Last Five Fiscal Years

	Fiscal Year Ended				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.1138015958%	0.1123228800%	0.1153393978%	0.1091881787%	0.1138993907%
District's proportionate share of the net pension liability (asset)	\$ 76,729,139	\$ 88,360,329	\$ 72,899,425	\$ 58,357,528	\$ 57,563,856
District's covered-employee payroll	12,944,897	12,643,235	12,200,614	12,003,103	12,028,488
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	592.74%	698.87%	597.51%	486.19%	478.56%
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	28.71%	33.64%	33.76%
Measurement date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013

The data in the above schedule represents the allocation of the State of New Jersey's obligation on behalf of the District.

The Teachers' Pension and Annuity Fund (TPAF) On-behalf Payments is a Cost Sharing, Multi-Employer Defined Benefit Plan with a Special Funding Situation – 100% Legal Obligation of the State of New Jersey (State).

Since the State is the only entity with a legal obligation, the District's proportionate share percentage determined under paragraph 48 of GASB No. 68 is zero percent. Accordingly, the District did not recognize any portion of the TPAF collective net pension liability on the Statement of Net Position (A-1). Also on the A-1, and for the same reasons, the District did not recognize any portion of TPAF collective deferred outflows of resources and TPAF deferred inflows of resources.

**SCHEDULE RELATED TO ACCOUNTING AND REPORTING FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS**

BORUOGH OF PITMAN SCHOOL DISTRICT
Schedule of Changes in the Total OPEB Liability and Related Ratios

Last Fiscal Year

	Fiscal Year Ended
	2018
Total OPEB Liability	
Service cost	\$ 3,000,040
Interest	2,508,233
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions or other inputs	(10,531,209)
Member contributions	67,461
Benefit payments	(1,832,048)
Net change in total OPEB liability	(6,787,523)
Total OPEB liability - beginning	85,884,239
Total OPEB liability - ending	\$ 79,096,716
 Covered employee payroll	\$ 15,364,017
 Total OPEB liability as a percentage of covered employee payroll	514.82%

Notes to Schedule:

Changes of benefit terms:

There were no changes in benefit terms during the year.

Changes of assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used in the period:

2018	3.58%
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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART III

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTES RELATED TO PENSIONS

NOTE 1: CONTRIBUTIONS

The contribution policy for PERS is set by NJSA 15A and requires contributions by active members and contributing employers. The District's contribution amount was based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

NOTE 2: 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. The total pension liability for the June 30, 2016, measurement date was determined by an actuarial valuation as of July 1, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement 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).

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.

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pension and Benefits financial report at: <http://www.state.nj.us/treasury/pensions/gasb-notices.shtml>.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTES RELATED TO OTHER POST-EMPLOYMENT BENEFITS

NOTE 3: CONTRIBUTIONS

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with NJSA 52:14-17.32f. According to NJSA 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 Teacher's Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). 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.

NOTE 4: ACTUARIAL ASSUMPTIONS

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

Inflation rate	2.50%
Salary increases (TPAF):	
Through 2026	1.55 – 4.55% based on years of service
Thereafter	2.00 – 5.45% based on years of service
Salary increases (PERS):	
Through 2026	2.15 – 4.15% based on age
Thereafter	3.15 – 5.15% based on age

Pre-retirement 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. Post-retirement 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 and July 1, 2011 – June 30, 2014, for TPAF and PERS, respectively.

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at: <http://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

BOROUGH OF PITMAN SCHOOL DISTRICT
 Special Revenue Fund
 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
 For the Fiscal Year Ended June 30, 2018

	Total Brought Forward Ex. E-1a	Title I SIA	Title I Part A	Totals	
				FY 2018	FY 2017
REVENUES:					
Federal sources	\$ 412,714	\$ 28,941	\$ 157,703	\$ 599,358	\$ 598,661
Total revenues	\$ 412,714	\$ 28,941	\$ 157,703	\$ 599,358	\$ 598,661
EXPENDITURES:					
Instruction:					
Salaries of teachers	\$ 15,000	\$ 21,791	\$ 96,489	\$ 133,280	\$ 95,789
Other salaries for instruction	14,258			14,258	14,401
Other purchased services (400-500 series)	100			100	595
Tuition	361,450			361,450	370,636
General supplies	820	1,049	10,897	12,766	23,301
Total instruction	391,628	22,840	107,386	521,854	504,722
Support services:					
Personal services - employee benefits		6,101	27,017	33,118	24,905
Purchased professional - technical services	21,086		23,300	44,386	69,034
Total support services	21,086	6,101	50,317	77,504	93,939
Total expenditures	\$ 412,714	\$ 28,941	\$ 157,703	\$ 599,358	\$ 598,661

BOROUGH OF PITMAN SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2018

	IDEA Preschool	IDEA-Part B - Basic	Title II, Part A Teacher & Principal Training & Recruiting	Title III	Total Carried Forward
REVENUES:					
Federal sources	\$ 14,258	\$ 361,450	\$ 36,086	\$ 920	\$ 412,714
Total revenues	<u>\$ 14,258</u>	<u>\$ 361,450</u>	<u>\$ 36,086</u>	<u>\$ 920</u>	<u>\$ 412,714</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers			\$ 15,000		\$ 15,000
Other salaries for instruction	\$ 14,258				14,258
Tuition		\$ 361,450			361,450
Other purchased services (400-500 series)				\$ 100	100
General supplies				820	820
Total instruction	<u>14,258</u>	<u>361,450</u>	<u>15,000</u>	<u>920</u>	<u>391,628</u>
Support services:					
Purchased professional - technical services			\$ 21,086		21,086
Total support services			<u>21,086</u>		<u>21,086</u>
Total expenditures	<u>\$ 14,258</u>	<u>\$ 361,450</u>	<u>\$ 36,086</u>	<u>\$ 920</u>	<u>\$ 412,714</u>

PROPRIETARY FUNDS

BOROUGH OF PITMAN SCHOOL DISTRICT
Enterprise Funds
Combining Schedule of Net Position
For the Fiscal Year Ended June 30, 2018

	Business-type Activities			Totals	
	Food Service	Preschool	Before/After	FY 2018	FY 2017
	Fund		School		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 43,471		\$ 342,036	\$ 385,507	\$ 352,318
Accounts receivable:					
Federal	8,549			8,549	22,831
State	234			234	617
Other	782			782	1,763
Inventory	5,864			5,864	6,337
Total current assets	58,900		342,036	400,936	383,866
NON-CURRENT ASSETS					
Furniture, machinery & equipment	205,274			205,274	189,670
Less: accumulated depreciation	(164,673)			(164,673)	(160,123)
Total noncurrent assets	40,601			40,601	29,547
Total assets	99,501		342,036	441,537	413,413
LIABILITIES AND NET POSITION					
Current liabilities:					
Cash overdraft		\$ 14,331		14,331	
Accounts payable			1,820	1,820	945
Interfund accounts payable	21,900			21,900	21,900
Unearned revenue	4,251	600		4,851	3,568
Compensated absences	6,583			6,583	12,373
Total current liabilities	32,734	14,931	1,820	49,485	38,786
Net position:					
Invested in capital assets, net of related debt	40,601			40,601	29,547
Unrestricted	26,166	(14,931)	340,216	351,451	345,080
Total net position	\$ 66,767	\$ (14,931)	\$ 340,216	\$ 392,052	\$ 374,627

BOROUGH OF PITMAN SCHOOL DISTRICT
Enterprise Funds
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2018

	Business-type Activities			Totals	
	Food Service Fund	Preschool	Before/After School	FY 2018	FY 2017
OPERATING REVENUES:					
Local sources:					
Daily sales - reimbursable programs:	\$ 123,828			\$ 123,828	\$ 133,620
Daily sales - non-reimbursable programs	70,196			70,196	70,429
Special function/miscellaneous	160			160	1,049
Tuition		\$ 82,745	\$ 198,926	281,671	295,207
Total operating revenue	194,184	82,745	198,926	475,855	500,305
OPERATING EXPENSES:					
Salaries	183,127	102,152	135,496	420,775	462,335
Employee benefits	14,452		10,365	24,817	27,696
Other purchased services (400-500 series)	4,161			4,161	2,784
Contracted services (other than between home and school)			1,302	1,302	1,176
Supplies and materials	15,601		53,620	69,221	39,212
Cost of sales - reimbursable	113,261			113,261	125,750
Cost of sales - non-reimbursable	66,115			66,115	69,607
Miscellaneous other expenses	355		3,919	4,274	4,311
Depreciation	4,550			4,550	4,596
Total operating expenses	401,622	102,152	204,702	708,476	737,467
Operating income (loss)	(207,438)	(19,407)	(5,776)	(232,621)	(237,162)
NON-OPERATING REVENUES:					
Other sources:					
Midlantic dairy	4,668			4,668	
State sources:					
National school lunch program - state	3,665			3,665	3,483
Federal sources:					
National school lunch program	110,133			110,133	113,111
School breakfast program	19,984			19,984	13,292
Special milk program	144			144	289
Food distribution program	20,517			20,517	21,525
Total non-operating revenues (expenses)	159,111			159,111	151,700
Income (loss) before contributions	(48,327)	(19,407)	(5,776)	(73,510)	(85,462)
Transfers from general fund	80,000			80,000	100,000
Loss on disposal of capital assets					(1,614)
Capital asset contribution	10,935			10,935	4,280
Net income (loss)	42,608	(19,407)	(5,776)	17,425	17,204
Total net position - July 1	24,159	4,476	345,992	374,627	357,423
Total net position - June 30	\$ 66,767	\$ (14,931)	\$ 340,216	\$ 392,052	\$ 374,627

BOROUGH OF PITMAN SCHOOL DISTRICT
Enterprise Funds
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2018

	Business-type Activities			Totals	
	Food Service	Preschool	Before/After	FY 2018	FY 2017
	Fund		School		
Cash flows from operating activities:					
Receipts from customers	\$ 195,558	\$ 83,635	\$ 198,926	\$ 478,119	\$ 497,615
Payments to suppliers	(178,503)		(57,966)	(236,469)	(220,370)
Payments to employees	(188,917)	(102,152)	(135,496)	(426,565)	(463,367)
Payments for employee benefits	(14,452)		(10,365)	(24,817)	(27,696)
Net cash provided (used) by operating activities	(186,314)	(18,517)	(4,901)	(209,732)	(213,818)
Cash flows from non-capital financing activities:					
Cash received from state & federal reimbursements	148,590			148,590	128,850
Cash received from local grants	4,668			4,668	
Net cash provided by non-capital financing activities	153,258			153,258	128,850
Cash flows from investing activities:					
Capital expenditures	(4,668)			(4,668)	
Payments from general fund	80,000			80,000	100,000
Net cash provided by investing activities	75,332			75,332	100,000
Net increase in cash and cash equivalents	42,276	(18,517)	(4,901)	18,858	15,032
Cash and cash equivalents - July 1	1,195	4,186	346,937	352,318	337,286
Cash and cash equivalents - June 30	\$ 43,471	\$ (14,331)	\$ 342,036	\$ 371,176	\$ 352,318
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (207,438)	\$ (19,407)	\$ (5,776)	\$ (232,621)	\$ (237,162)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:					
Depreciation	4,550			4,550	4,596
Food distribution program	20,517			20,517	21,525
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(319)	1,300		981	(1,063)
(Increase) decrease in inventory	473			473	1,085
Increase (decrease) in accounts payable			875	875	(140)
Increase (decrease) in compensated absences	(5,790)			(5,790)	(1,032)
Increase (decrease) in unearned revenue	1,693	(410)		1,283	(1,627)
	\$ (186,314)	\$ (18,517)	\$ (4,901)	\$ (209,732)	\$ (213,818)

FIDUCIARY FUNDS

BOROUGH OF PITMAN SCHOOL DISTRICT
Combining Statement of Fiduciary Net Position
For the Fiscal Year Ended June 30, 2018

	Unemployment Trust Fund	Agency Funds	Totals	
			FY 2018	FY 2017
ASSETS				
Cash and cash equivalents	\$ 336,529	\$ 178,915	\$ 515,444	\$ 499,986
Intergovernmental receivable				
Due from unemployment trust				3,277
Total assets	<u>\$ 336,529</u>	<u>\$ 178,915</u>	<u>515,444</u>	<u>503,263</u>
LIABILITIES				
Payroll deductions and withholdings		27,292	27,292	32,051
Due to student groups		141,623	141,623	121,112
Interfund payables:				
General fund		10,000	10,000	10,000
Agency funds				3,277
Total liabilities		<u>178,915</u>	<u>178,915</u>	<u>166,440</u>
NET POSITION				
Unreserved	\$ 336,529		336,529	336,823
Total net position	<u>\$ 336,529</u>		<u>\$ 336,529</u>	<u>\$ 336,823</u>

BOROUGH OF PITMAN SCHOOL DISTRICT
Combining Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2018

	Unemployment Trust Fund	Totals	
		FY 2018	FY 2017
ADDITIONS:			
Contributions:			
Plan members	\$ 27,680	\$ 27,680	\$ 20,385
Other	6,694	6,694	
Total contributions	<u>34,374</u>	<u>34,374</u>	<u>20,385</u>
Investment earnings:			
Interest	1,337	1,337	1,319
Total investment earnings	<u>1,337</u>	<u>1,337</u>	<u>1,319</u>
Total additions	<u>35,711</u>	<u>35,711</u>	<u>21,704</u>
DEDUCTIONS:			
Unemployment claims	36,005	36,005	12,933
Change in net position	(294)	(294)	8,771
Net position - beginning of year	336,823	336,823	328,052
Net position - end of year	<u>\$ 336,529</u>	<u>\$ 336,529</u>	<u>\$ 336,823</u>

BOROUGH OF PITMAN SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2018

	Balance July 1, 2017	Cash Receipts	Cash Disbursements	Balance June 30, 2018
Elementary:				
Kindle	\$ 2,249	\$ 9,848	\$ 8,340	\$ 3,757
Walls	6,968	14,508	12,844	8,632
Memorial	10,465	7,932	6,924	11,473
Elementary subtotal	<u>19,682</u>	<u>32,288</u>	<u>28,108</u>	<u>23,862</u>
Middle school	28,994	54,145	53,456	29,683
High school	54,157	212,723	194,779	72,101
District-wide	18,279	14,555	16,857	15,977
	<u>\$ 121,112</u>	<u>\$ 313,711</u>	<u>\$ 293,200</u>	<u>\$ 141,623</u>

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
ASSETS				
Cash and cash equivalents	\$ 38,774	\$ 18,467,417	\$ 18,468,899	\$ 37,292
Intergovernmental receivable				
Unemployment trust	3,277		3,277	
Total assets	<u>\$ 42,051</u>	<u>\$ 18,467,417</u>	<u>\$ 18,472,176</u>	<u>\$ 37,292</u>
LIABILITIES				
Employees' net pay		\$ 10,126,474	\$ 10,126,474	
Payroll deductions and withholdings	\$ 32,051	8,339,959	8,344,718	\$ 27,292
Interfund payable				
General fund	10,000	984	984	10,000
Total liabilities	<u>\$ 42,051</u>	<u>\$ 18,467,417</u>	<u>\$ 18,472,176</u>	<u>\$ 37,292</u>

LONG-TERM DEBT

BOROUGH OF PITMAN SCHOOL DISTRICT
 Long-Term Debt Account Group
 Schedule of Serial Bonds
 June 30, 2018

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1, 2017	Issued	Retired	Balance June 30, 2018
			Date	Amount					
School Bonds	1/11/2006	\$ 4,229,000	08/01/18	\$ 435,000	4.00%	\$ 500,000		\$ 65,000	\$ 435,000
School Bonds	12/16/2009	2,095,000	03/01/19	145,000.00	3.000%	285,000		140,000	145,000
Refunding School Bonds	6/2/2016	5,860,000	08/01/19	600,000.00	3.000%				
			08/01/20	620,000.00	4.000%				
			08/01/21	645,000.00	3.000%				
			08/01/22	665,000.00	4.000%				
			08/01/23	700,000.00	4.000%				
			08/01/24	720,000.00	4.000%				
			08/01/25	560,000.00	3.000%				
					5,135,000		625,000	4,510,000	
					\$ 5,920,000	None	\$ 830,000	\$ 5,090,000	

BOROUGH OF PITMAN SCHOOL DISTRICT
 Schedule of Obligations Under Capital Leases
 Debt Service Fund
 For the Fiscal Year Ended June 30, 2018

Purpose	Date of Lease	Term of Lease	Amount of Original Issue		Interest Rate	Amount	Issued	Retired	Amount
			Principal	Interest		Outstanding July 1, 2017			Outstanding June 30, 2018
2015 Computers	10/01/15	3 years	\$ 143,482	\$ 3,585	2.52%	\$ 47,817		\$ 47,817	
2016 Computers	09/30/16	3 years	149,412	3,714	2.50%	98,640		48,711	\$ 49,929
2017 Computers	08/18/17	3 years	120,514	4,783	3.57%		\$ 120,514	41,252	79,262
						\$ 146,457	\$ 120,514	\$ 137,780	\$ 129,191

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 619,644		\$ 619,644	\$ 619,644	
State sources:					
Debt service aid type II	408,884		408,884	408,884	
Total revenues	<u>1,028,528</u>		<u>1,028,528</u>	<u>1,028,528</u>	
EXPENDITURES:					
Regular debt service:					
Interest	198,862		198,862	198,861	\$ 1
Redemption of principal	830,000		830,000	830,000	
Total expenditures	<u>1,028,862</u>		<u>1,028,862</u>	<u>1,028,861</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(334)</u>		<u>(334)</u>	<u>(333)</u>	<u>(1)</u>
Fund balance - July 1	<u>41,909</u>		<u>41,909</u>	<u>41,909</u>	<u>8,943</u>
Fund balance - June 30	<u>\$ 41,575</u>	<u>None</u>	<u>\$ 41,575</u>	<u>\$ 41,576</u>	<u>\$ 8,942</u>

**STATISTICAL SECTION
(Unaudited)**

**BOROUGH OF PITMAN SCHOOL DISTRICT
STATISTICAL SECTION**

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	115-121
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	122-125
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	126-129
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	130-131
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	132-136

BOROUGH OF PITMAN SCHOOL DISTRICT
 Net Position By Component
 Last Ten Fiscal Years
 Fiscal Year Ending June 30, 2018
 Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Invested in capital assets, net of related debt	\$ 1,292,415	\$ 728,731	\$ 966,163	\$ 1,185,715	\$ 1,397,748	\$ 2,137,578	\$ 2,455,097	\$ 2,705,438	\$ 3,137,319	\$ 3,754,777
Restricted	1,221,806	1,570,508	2,247,509	2,527,992	2,557,021	2,244,406	2,440,263	1,912,414	1,670,905	1,467,283
Unrestricted	(1,323,226)	(1,374,651)	(1,007,082)	(948,770)	(907,488)	(916,702)	(7,227,828)	(7,397,530)	(94,403,558)	(98,162,079)
Total governmental activities net position	<u>\$ 1,190,995</u>	<u>\$ 924,588</u>	<u>\$ 2,206,590</u>	<u>\$ 2,764,937</u>	<u>\$ 3,047,281</u>	<u>\$ 3,465,282</u>	<u>\$ (2,332,468)</u>	<u>\$ (2,779,678)</u>	<u>\$ (89,595,334)</u>	<u>\$ (92,940,019)</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 46,109	\$ 39,704	\$ 34,100	\$ 28,708	\$ 24,344	\$ 21,089	\$ 35,906	\$ 31,477	\$ 29,547	\$ 40,601
Unrestricted	90,861	147,132	258,557	280,336	290,890	288,210	267,509	325,946	345,080	351,451
Total business-type activities net position	<u>\$ 136,970</u>	<u>\$ 186,836</u>	<u>\$ 292,657</u>	<u>\$ 309,044</u>	<u>\$ 315,234</u>	<u>\$ 309,299</u>	<u>\$ 303,415</u>	<u>\$ 357,423</u>	<u>\$ 374,627</u>	<u>\$ 392,052</u>
District-wide:										
Invested in capital assets, net of related debt	\$ 1,338,524	\$ 768,435	\$ 1,000,263	\$ 1,214,423	\$ 1,422,092	\$ 2,158,667	\$ 2,491,003	\$ 2,736,915	\$ 3,166,866	\$ 3,795,378
Restricted	1,221,806	1,570,508	2,247,509	2,527,992	2,557,021	2,244,406	2,440,263	1,912,414	1,670,905	1,467,283
Unrestricted	(1,232,365)	(1,227,519)	(748,525)	(668,434)	(616,598)	(628,492)	(6,960,319)	(7,071,584)	(94,058,478)	(97,810,628)
	<u>\$ 1,327,965</u>	<u>\$ 1,111,424</u>	<u>\$ 2,499,247</u>	<u>\$ 3,073,981</u>	<u>\$ 3,362,515</u>	<u>\$ 3,774,581</u>	<u>\$ (2,029,053)</u>	<u>\$ (2,422,255)</u>	<u>\$ (89,220,707)</u>	<u>\$ (92,547,967)</u>

BOROUGH OF PITMAN SCHOOL DISTRICT
Changes In Net Position
Last Ten Fiscal Years
For the Fiscal Year Ended June 30, 2018
Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EXPENSES:										
Governmental activities:										
Instruction:										
Regular	\$ 7,015,470	\$ 7,171,531	\$ 6,731,858	\$ 6,661,467	\$ 6,986,990	\$ 7,117,731	\$ 7,304,641	\$ 7,668,672	\$ 7,431,757	\$ 7,461,427
Special education	2,689,344	2,980,476	2,780,416	3,088,349	3,137,435	3,088,673	3,252,223	3,331,472	3,297,304	3,210,417
Other special education	301,076	349,147	331,244	260,897	284,660	293,898	316,196	422,095	453,889	366,814
Other instruction	558,183	547,663	424,990	437,599	465,823	503,066	516,624	542,216	560,819	526,524
Support services:										
Student instruction and related services	3,421,826	3,622,535	3,516,151	3,567,603	3,788,798	3,714,135	3,375,730	3,571,093	3,602,913	3,838,421
General administration & central services	850,992	613,345	721,101	730,561	700,222	688,915	720,747	745,457	730,597	807,951
School administrative services	1,124,103	1,032,468	1,131,922	1,151,486	1,126,185	1,189,997	1,229,376	1,215,352	1,223,249	1,217,743
Plant operations and maintenance & grounds	2,083,627	1,710,533	1,581,643	1,699,936	1,839,748	1,829,674	1,986,009	1,965,852	2,090,673	1,871,951
Pupil transportation	384,427	424,838	464,048	501,909	537,632	529,031	498,680	360,491	393,572	579,614
Employee benefits	4,565,166	5,037,668	4,948,448	5,530,397	5,988,795	5,835,766	6,098,670	7,023,925	8,152,236	11,712,507
Interest on long-term debt	426,657	439,885	457,979	429,518	402,070	371,780	336,273	235,119	212,370	173,622
Capital outlay	203,837	105,000	27,238	37,858	108,776	110,921	140,456	256,609	152,660	35,903
Unallocated depreciation	490,540	480,815	530,301	543,989	544,252	559,310	570,309	568,753	502,443	510,677
Total governmental activities expenses	24,115,248	24,515,904	23,647,339	24,641,569	25,911,386	25,832,897	26,345,934	27,907,106	28,804,482	32,313,571
Business-type activities:										
Food service	461,529	480,534	439,623	454,484	462,856	465,673	460,104	454,741	456,671	401,622
Before/after school	252,362	227,745	193,727	191,764	189,132	185,643	188,460	210,492	101,331	102,152
Preschool	117,298	120,864	56,963	84,744	83,922	88,027	94,470	98,249	179,465	204,702
Total business-type activities expense	831,189	829,143	690,313	730,992	735,910	739,343	743,034	763,482	737,467	708,476
Total District expenses	\$ 24,946,437	\$ 25,345,047	\$ 24,337,652	\$ 25,372,561	\$ 26,647,296	\$ 26,572,240	\$ 27,088,968	\$ 28,670,588	\$ 29,541,949	\$ 33,022,047
PROGRAM REVENUES:										
Governmental activities:										
Charges for services:										
Central services	\$ 49,955									
Operating grants and contributions	546,708	\$ 783,936	\$ 641,830	\$ 628,474	\$ 601,256	\$ 604,209	\$ 607,981	\$ 623,109	\$ 598,661	\$ 599,358
Total governmental activities program revenues	596,663	783,936	641,830	628,474	601,256	604,209	607,981	623,109	598,661	599,358

BOROUGH OF PITMAN SCHOOL DISTRICT
Changes In Net Position
Last Ten Fiscal Years
For the Fiscal Year Ended June 30, 2018
Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type activities:										
Charges for services:										
Food service	285,024	272,368	272,373	242,826	219,129	201,449	183,346	177,004	205,098	194,184
Before/after school	271,769	263,870	241,369	224,216	211,330	221,581	228,383	265,614	229,717	198,926
Preschool	115,704	126,639	125,843	62,435	85,576	81,503	86,469	86,045	65,490	82,745
Operating grants and contributions	106,386	131,132	126,549	137,902	151,065	158,875	154,456	147,827	151,700	159,111
Inventory loss							(5,504)			
Total business-type activities program revenues	778,883	794,009	766,134	667,379	667,100	663,408	652,654	676,490	652,005	634,966
Total District program revenue	\$ 1,375,546	\$ 1,577,945	\$ 1,407,964	\$ 1,295,853	\$ 1,268,356	\$ 1,267,617	\$ 1,260,635	\$ 1,299,599	\$ 1,250,666	\$ 1,234,324
Net (expense) revenue:										
Governmental activities	\$ (23,518,585)	\$ (23,731,968)	\$ (23,005,509)	\$ (24,013,095)	\$ (25,310,130)	\$ (25,228,688)	\$ (25,737,953)	\$ (27,283,997)	\$ (28,205,821)	\$ (31,714,213)
Business-type activities	(52,306)	(35,134)	75,821	(63,613)	(68,810)	(75,935)	(90,380)	(86,992)	(85,462)	(73,510)
Total District-wide net expense	\$ (23,570,891)	\$ (23,767,102)	\$ (22,929,688)	\$ (24,076,708)	\$ (25,378,940)	\$ (25,304,623)	\$ (25,828,333)	\$ (27,370,989)	\$ (28,291,283)	\$ (31,787,723)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:										
Governmental activities:										
Property taxes levied for government purposes	\$ 10,474,358	\$ 10,893,332	\$ 11,403,562	\$ 11,453,127	\$ 12,032,190	\$ 12,326,130	\$ 12,572,652	\$ 12,824,105	\$ 13,080,587	\$ 13,530,733
Taxes levied for debt service	392,273	422,193	673,890	580,479	686,763	670,384	585,213	571,441	592,431	619,644
Grants and contributions	11,558,592	12,005,361	11,505,267	12,259,048	12,632,312	12,425,177	12,858,137	13,206,525	13,660,517	13,986,766
Tuition received	98,909	160,171	134,843	156,858	194,463	201,522	162,656	170,507	113,190	165,712
Investment earnings	27,269	11,391	1,850	37,407	32,885	15,723	16,627	13,351	10,430	12,077
Miscellaneous income	21,057	58,113	334,747	164,523	88,861	77,753	79,666	304,697	148,512	134,596
Other financing sources (uses)			298,031					(112,839)		
Transfers	(90,000)	(85,000)	(30,000)	(80,000)	(75,000)	(70,000)	(90,000)	(141,000)	(100,000)	(80,000)
Total governmental activities	22,482,458	23,465,561	24,322,190	24,571,442	25,592,474	25,646,689	26,184,951	26,836,787	27,505,667	28,369,528
Business-type activities:										
Other financing sources (uses)									2,666	10,935
Transfers	90,000	85,000	30,000	80,000	75,000	70,000	90,000	141,000	100,000	80,000
Total business-type activities	90,000	85,000	30,000	80,000	75,000	70,000	90,000	141,000	102,666	90,935
Total District-wide	\$ 22,572,458	\$ 23,550,561	\$ 24,352,190	\$ 24,651,442	\$ 25,667,474	\$ 25,716,689	\$ 26,274,951	\$ 26,977,787	\$ 27,608,333	\$ 28,460,463
Change in net position:										
Governmental activities	\$ (1,036,127)	\$ (266,407)	\$ 1,316,681	\$ 558,347	\$ 282,344	\$ 418,001	\$ 446,998	\$ (447,210)	\$ (700,154)	\$ (3,344,685)
Business-type activities	37,694	49,866	105,821	16,387	6,190	(5,935)	(380)	54,008	17,204	17,425
Total District	\$ (998,433)	\$ (216,541)	\$ 1,422,502	\$ 574,734	\$ 288,534	\$ 412,066	\$ 446,618	\$ (393,202)	\$ (682,950)	\$ (3,327,260)

BOROUGH OF PITMAN SCHOOL DISTRICT
 Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 For the Fiscal Year Ended June 30, 2018
 Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Restricted			\$ 997,366	\$ 1,532,551	\$ 1,308,556	\$ 1,594,158	\$ 1,851,200	\$ 1,412,408	\$ 1,136,393	\$ 887,387
Assigned			360,846	138,680	409,560	338,803	456,249	449,240	492,603	538,320
Unassigned			(307,465)	(361,628)	(361,554)	(412,351)	(449,978)	(481,209)	(470,367)	(429,208)
Reserved	\$ 1,127,994	\$ 961,595								
Unreserved	(439,647)	(561,782)								
Total general fund	<u>\$ 688,347</u>	<u>\$ 399,813</u>	<u>\$ 1,050,747</u>	<u>\$ 1,309,603</u>	<u>\$ 1,356,562</u>	<u>\$ 1,520,610</u>	<u>\$ 1,857,471</u>	<u>\$ 1,380,439</u>	<u>\$ 1,158,629</u>	<u>\$ 996,499</u>
All other governmental funds										
Restricted										
Capital projects fund			\$ 649,014	\$ 649,014	\$ 626,436	\$ 103,340				
Debt service fund			301,129	207,747	212,469	208,105	\$ 132,814	\$ 50,766	\$ 41,909	\$ 41,576
Unreserved, reported in:										
Capital projects fund	\$ 87,551	\$ 650,832								
Debt service fund	6,261	8,943								
Total all other governmental funds	<u>\$ 93,812</u>	<u>\$ 659,775</u>	<u>\$ 950,143</u>	<u>\$ 856,761</u>	<u>\$ 838,905</u>	<u>\$ 311,445</u>	<u>\$ 132,814</u>	<u>\$ 50,766</u>	<u>\$ 41,909</u>	<u>\$ 41,576</u>

BOROUGH OF PITMAN SCHOOL DISTRICT
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES:										
Tax levy	\$ 10,866,631	\$ 11,315,525	\$ 12,077,452	\$ 12,033,606	\$ 12,718,953	\$ 12,996,514	\$ 13,157,865	\$ 13,395,546	\$ 13,673,018	\$ 14,150,377
Tuition charges	98,909	160,171	134,843	156,858	194,463	201,522	162,656	170,507	113,190	165,712
Interest earnings	27,269	11,391	1,850	37,407	32,885	15,723	16,627	13,351	10,430	12,077
Miscellaneous	21,057	58,113	334,747	164,523	88,861	77,753	79,666	304,697	148,512	134,596
State sources	11,560,887	10,499,202	11,440,935	11,884,726	12,587,011	12,383,938	12,794,979	13,195,666	13,614,791	13,967,244
Federal sources	544,413	2,290,095	671,483	1,002,796	646,557	645,448	671,139	633,968	644,387	618,880
Total revenue	23,119,166	24,334,497	24,661,310	25,279,916	26,268,730	26,320,898	26,882,932	27,713,735	28,204,328	29,048,886
EXPENDITURES:										
Instruction:										
Regular	7,007,608	6,954,855	6,698,176	6,668,995	6,982,719	7,253,214	7,453,380	7,804,277	7,593,815	7,593,400
Special	2,673,045	2,978,305	2,763,311	3,084,910	3,137,428	3,086,230	3,239,169	3,324,125	3,300,078	3,222,644
Other special	300,243	356,549	323,054	268,682	286,708	293,853	323,935	421,870	460,527	372,529
Other	553,615	543,964	421,936	434,558	462,617	500,235	514,143	540,210	559,001	524,893
Support Services:										
Student & inst. related services	3,356,068	3,563,654	3,510,859	3,561,162	3,757,901	3,687,229	3,355,580	3,576,867	3,573,797	3,799,394
General administration	402,334	415,723	433,527	409,306	411,247	404,270	426,695	443,477	416,505	467,239
School administrative services	1,104,078	1,134,481	1,118,052	1,132,625	1,159,533	1,213,756	1,213,762	1,221,998	1,218,172	1,241,292
Central services	334,668	295,152	285,873	301,283	295,154	279,451	286,132	307,099	311,524	345,347
Plant operations and maintenance	2,083,627	1,672,971	1,504,066	1,703,157	1,833,604	1,825,043	1,976,080	1,961,619	2,063,275	1,837,030
Grounds		72,793	76,740							
Pupil transportation	376,355	424,838	464,048	501,909	537,632	529,031	498,680	360,491	393,572	579,614
Employee benefits	4,563,111	5,061,205	5,139,937	5,693,846	5,991,723	5,838,721	6,074,853	6,830,747	7,231,358	7,878,846
Capital outlay	415,023	1,713,836	171,671	222,772	241,868	658,602	285,344	368,456	307,132	360,774
Debt service:										
Principal	430,000	580,000	695,000	730,000	770,000	780,000	790,000	815,000	900,000	830,000
Interest and other charges	418,975	403,742	462,754	426,237	399,172	370,607	335,192	299,062	155,650	198,861
Total expenditures	24,018,750	26,172,068	24,069,004	25,139,442	26,267,306	26,720,242	26,772,945	28,275,298	28,484,406	29,251,863
Excess (deficiency of revenues over (under) expenditures	(899,584)	(1,837,571)	592,306	140,474	1,424	(399,344)	109,987	(561,563)	(280,078)	(202,977)

BOROUGH OF PITMAN SCHOOL DISTRICT
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
OTHER FINANCING SOURCES (USES):										
Proceeds from bonds		2,095,000								
Capital leases (non-budgeted)	202,616	105,000	42,270	105,000	102,679	105,932	138,243	143,482	149,412	120,514
Other financing sources			298,031							
Transfers out (food service)	(90,000)	(85,000)	(80,000)	(80,000)	(75,000)	(70,000)	(90,000)	(141,000)	(100,000)	(80,000)
Transfers in			88,695							
Total other financing sources (uses)	112,616	2,115,000	348,996	25,000	27,679	35,932	48,243	2,482	49,412	40,514
Net change in fund balance	\$ (786,968)	\$ 277,429	\$ 941,302	\$ 165,474	\$ 29,103	\$ (363,412)	\$ 158,230	\$ (559,081)	\$ (230,666)	\$ (162,463)
Debt service as a percentage of noncapital expenditures	3.60%	4.02%	4.84%	4.64%	4.49%	4.41%	4.25%	3.99%	3.75%	3.56%
Source District records										

BOROUGH OF PITMAN SCHOOL DISTRICT
 General Fund Other Local Revenue by Source
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	Prior Year Refunds	Gate Receipts	Rentals	SREC'S	Miscellaneous	Annual Totals
2009		\$ 15,407	\$ 3,662		\$ 1,988	\$ 21,057
2010	\$ 9,018	15,293	25,225		8,577	58,113
2011	118,236	16,056	14,389	\$ 186,066		334,747
2012	62,261	16,038	14,035	70,491	1,698	164,523
2013	21,848	21,251	14,059	30,492	1,211	88,861
2014		17,279	12,915	43,914	3,645	77,753
2015	1,670	12,031	12,463	51,660	1,842	79,666
2016	3,719	13,281	8,500	218,476	60,721	304,697
2017	1,334	11,405		73,827	61,946	148,512
2018	8,756	4,007	2,500	62,812	56,521	134,596
	<u>\$ 226,842</u>	<u>\$ 142,048</u>	<u>\$ 107,748</u>	<u>\$ 737,738</u>	<u>\$ 198,149</u>	<u>\$ 1,412,525</u>

Source: District records

BOROUGH OF PITMAN SCHOOL DISTRICT
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Q Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utility	Net Valuation Taxable	Estimated Actual (County Equalized Value)	Total Direct School Tax Rate
2009	1,920,000	325,903,100	189,700	10,100	24,051,100	22,074,500	8,165,500	382,314,000	343,357	382,657,357	736,767,130	2.808
2010	1,951,000	327,629,400	189,700	13,000	22,944,400	22,074,500	8,165,500	382,967,500	362,196	383,329,696	763,260,720	2.893
2011	1,867,500	328,242,800	189,700	13,000	22,736,700	22,074,500	8,165,500	383,289,700	366,154	383,655,854	749,180,506	3.049
2012	1,493,600	328,606,700	189,700	32,200	22,167,000	15,074,500	8,007,000	375,570,700	308,395	375,879,095	730,802,858	3.208
2013	1,578,200	328,466,700	189,700	32,200	22,520,000	15,074,500	8,007,000	375,868,300	392,100	376,260,400	717,252,099	3.289
2014	2,694,200	503,186,700	225,800	13,800	44,362,500	18,289,200	17,451,600	586,223,800	743,943	586,967,743	673,172,118	2.191
2015	2,158,200	502,983,700	225,800	14,100	41,687,600	15,289,200	15,790,300	578,148,900	585,442	578,734,342	624,599,842	2.259
2016	1,973,300	503,624,700	225,800	14,300	40,188,500	10,678,800	15,790,300	572,495,700	603,264	573,098,964	600,466,502	2.316
2017	1,942,900	503,301,600	225,800	14,300	38,804,000	8,678,800	15,790,300	568,757,700	562,862	569,320,562	604,981,815	2.378
2018	1,942,900	503,579,700	225,800	14,300	38,591,300	8,678,800	15,790,300	568,823,100	563,436	569,386,536	603,110,372	2.443

Source: County Tax Assessor

(**) - Tax exempt property is not included in calculation.

BOROUGH OF PITMAN SCHOOL DISTRICT
 Direct and Overlapping Property Tax Rates
 Per \$100 of Assessed Valuation
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	Borough of Pitman School District Direct Rate			Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Borough of Pitman	Gloucester County	
2009	2.629	0.138	2.767	0.777	0.749	4.293
2010	2.670	0.138	2.808	0.842	0.866	4.516
2011	2.768	0.125	2.893	1.014	0.907	4.814
2012	2.944	0.105	3.049	1.132	0.963	5.144
2013	3.104	0.104	3.208	1.205	1.060	5.473
2014	3.175	0.114	3.289	1.240	1.015	5.544
2015	2.012	0.179	2.191	1.274	1.075	4.540
2016	2.100	0.159	2.259	0.914	0.693	3.866
2017	2.198	0.118	2.316	0.962	0.664	3.942
2018	2.261	0.117	2.378	1.026	0.715	4.119

Source: Municipal Tax Collector

BOROUGH OF PITMAN SCHOOL DISTRICT
Principal Property Taxpayers
Current and Nine Years Ago
Unaudited

Taxpayer	2018		2009	
	Taxable Assessed Value	% of Total District Net Assessed Valuation	Taxable Assessed Value	% of Total District Net Assessed Valuation
Sony Music			18,000,000	4.70%
AP Holly Court LLC	10,424,600	1.83%		
Lake Front LLC		0.00%	4,707,000	1.23%
400 N. Woodbury Road LLC	3,000,000	0.53%		
Flaum Properties Co.	2,800,000	0.49%	1,700,200	0.44%
Comet Tool Company	2,047,000	0.36%	1,303,100	0.34%
Taxpayer #2	1,927,000	0.34%	2,771,400	
Taxpayer #3	1,793,200	0.31%		
LCR Leasing Corp.	1,648,100	0.29%	876,000	0.23%
TD Banknorth			827,000	0.22%
Taxpayer #4	1,318,500	0.23%		
Taxpayer #5	1,188,000	0.21%		
Pitman Garden Apartments Inc.	1,100,000	0.19%	650,100	0.17%
The B DeGori Family 2 Limited			490,000	0.13%
Verizon - New Jersey			362,196	0.09%
	<u>27,246,400</u>	<u>4.79%</u>	<u>31,686,996</u>	<u>8.28%</u>

Source: Municipal Tax Assessor

BOROUGH OF PITMAN SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year		Collections in Subsequent Year
		Amount	Percent of Levy	
2009	\$ 10,866,631	\$ 10,866,631	100.00%	
2010	11,315,525	11,315,525	100.00%	
2011	12,077,452	12,077,452	100.00%	
2012	12,033,606	12,033,606	100.00%	
2013	12,718,953	12,718,953	100.00%	
2014	12,996,514	12,996,514	100.00%	
2015	13,157,865	13,157,865	100.00%	
2016	13,395,546	13,395,546	100.00%	
2017	13,673,018	13,673,018	100.00%	
2018	14,150,377	14,150,377	100.00%	

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

BOROUGH OF PITMAN SCHOOL DISTRICT
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	Governmental Activities				Business-type Activates	Total District	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes	Capital Leases			
2009	\$ 9,904,000		\$ 182,621			\$ 10,086,621	2.63%	1,074
2010	11,419,000		142,658			11,561,658	3.02%	1,267
2011	10,724,000		77,454			10,801,454	2.85%	1,193
2012	9,994,000		98,621			10,092,621	2.58%	1,116
2013	9,224,000		117,214			9,341,214	2.34%	1,033
2014	8,444,000		103,977			8,547,977	2.11%	947
2015	7,654,000		126,382			7,780,382	1.87%	860
2016	6,820,000		140,532			6,960,532	1.60%	770
2017	5,920,000		146,457			6,066,457	1.37%	669
2018	5,090,000		129,191			5,219,191	*	*

Source: District records

(*) - Not available

BOROUGH OF PITMAN SCHOOL DISTRICT
 Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per capita
	General Obligation Bonds	Deductions			
2009	\$ 9,904,000		\$ 9,904,000	2.59%	1,073
2010	11,419,000		11,419,000	2.98%	1,238
2011	10,724,000		10,724,000	2.80%	1,190
2012	9,994,000		9,994,000	2.66%	1,112
2013	9,224,000		9,224,000	2.45%	1,030
2014	8,444,000		8,444,000	1.44%	946
2015	7,654,000		7,654,000	1.32%	859
2016	6,820,000		6,820,000	1.19%	766
2017	5,920,000		5,920,000	1.04%	668
2018	5,090,000		5,090,000	0.89%	*

Source: District records

(*) - Not available

BOROUGH OF PITMAN SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018
Unaudited

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Borough of Pitman (1)	\$ 15,416,034	100.00%	\$ 15,416,034
County of Gloucester (2)	225,453,500	2.25%	5,081,506
Subtotal, overlapping debt			20,497,540
Borough of Pitman School District			5,090,000
Total direct and overlapping debt			<u>\$ 25,587,540</u>

Sources:

- (1) Borough of Pitman annual debt statement
- (2) Gloucester County - The County's debt was apportioned to the Borough of Pitman by dividing the Borough's taxable assessed property values by the total taxable assessed property values for Gloucester County.

* The source for this computation was the Abstract of Ratables.

Note:

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

BOROUGH OF PITMAN SCHOOL DISTRICT
 Legal Debt Margin Information
 Last Ten Fiscal Years
 Unaudited

	Year	Equalized Valuation Basis								
	2017	\$ 593,947,061								
	2016	599,386,342								
	2015	605,239,137								
		<u>\$ 1,798,572,540</u>								
Average equalized valuation of taxable property		\$ 599,524,180								
Debt limit (4% of average equalized value)		23,980,967								
Total net debt applicable to limit		<u>5,090,000</u>								
Legal debt margin		<u>\$ 18,890,967</u>								
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 28,626,818	\$ 29,735,955	\$ 29,890,262	\$ 29,291,062	\$ 28,280,767	\$ 26,787,126	\$ 25,324,584	\$ 24,489,718	\$ 24,094,029	\$ 23,980,967
Municipal borrowing capacity utilized										
Total net debt applicable to limit	<u>9,904,000</u>	<u>11,419,000</u>	<u>10,724,000</u>	<u>9,994,000</u>	<u>9,224,000</u>	<u>8,444,000</u>	<u>7,654,000</u>	<u>6,820,000</u>	<u>5,920,000</u>	<u>5,090,000</u>
Legal debt margin	<u>\$ 18,722,818</u>	<u>\$ 18,316,955</u>	<u>\$ 19,166,262</u>	<u>\$ 19,297,062</u>	<u>\$ 19,056,767</u>	<u>\$ 18,343,126</u>	<u>\$ 17,670,584</u>	<u>\$ 17,669,718</u>	<u>\$ 18,174,029</u>	<u>\$ 18,890,967</u>
Total net debt applicable to the limit as a percentage of debt limit	34.60%	38.40%	35.88%	34.12%	32.62%	31.52%	30.22%	27.85%	24.57%	21.23%

Source: Gloucester County Board of Taxation and District records.

BOROUGH OF PITMAN SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2009	9,234	\$ 384,171,336	\$ 41,604	11.00%
2010	9,223	383,317,103	41,561	11.70%
2011	9,015	378,702,120	42,008	11.40%
2012	8,988	390,861,156	43,487	11.70%
2013	8,952	398,748,936	44,543	6.80%
2014	8,927	404,919,793	45,359	6.20%
2015	8,915	415,884,750	46,650	5.40%
2016	8,898	435,859,632	48,984	4.50%
2017	8,857	442,903,142	50,006	4.00%
2018	8,846	442,353,076	50,006 A	*

Source: Population and unemployment data provided by the NJ Department of Labor and Workforce Development.

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

Per capita personal income by municipality estimated based upon the Census published by the U.S. Bureau of Economic Analysis.

(*) - Not available

A = Estimate

BOROUGH OF PITMAN SCHOOL DISTRICT
Principal Employers
Current and Nine Years Ago
Unaudited

Employer	2018			2009	
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment
Inspira Health	1,825	1	1.20%	1860	1.17%
Underwood Memorial Hospital				1200	0.75%
Kennedy Health Alliance	1,675	2	1.11%	1594	1.00%
Washington Township School District	1,586	3	1.05%	1300	0.82%
Rowan University	1,483	4	0.98%	1600	1.01%
County of Gloucester	1,368	5	0.07%	750	0.47%
Missa Bay, LLC	950	6	0.63%	775	0.49%
Monroe Township School District	814	7	0.54%	800	0.50%
US Foodservices	725	8	0.48%		
Exxon Mobil Research & Engineering	540	9	0.00%		
LaBrea Bakery	525	10	0.35%		
Direct Group				850	0.53%
US Postal Service				700	0.44%
	<u>11,491</u>		<u>6.39%</u>	<u>11,429</u>	<u>7.19%</u>

Source: Gloucester County Economic Development Office and Employer Directly.

Note: The information is for the County of Gloucester, information at the municipal level is not readily available.
N/A - Information is not available

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction:										
Regular	102.00	106.00	100.20	101.00	103.30	104.72	101.80	101.80	102.30	103.10
Special education	66.00	52.50	59.20	66.40	71.00	71.09	70.60	70.96	69.30	63.25
Support services:										
Student & instruction related services	45.50	31.90	34.00	34.60	34.30	31.13	33.80	33.38	28.50	30.70
School administrative services	19.00	17.00	14.50	14.70	16.60	17.35	18.40	19.14	20.60	19.90
Central services	4.00	8.50	5.70	5.70	3.70	3.70	3.70	4.00	4.00	4.00
Plants operations & maintenance	23.00	24.00	19.30	19.10	19.80	19.90	19.90	20.81	19.20	20.40
Other support services	3.00	3.00						1.26	3.00	3.00
Food service	8.00	7.00	7.00	7.00	7.00	7.00	7.00	10.11	5.90	5.90
Total	<u>270.50</u>	<u>249.90</u>	<u>239.90</u>	<u>248.50</u>	<u>255.70</u>	<u>254.89</u>	<u>255.20</u>	<u>261.46</u>	<u>252.80</u>	<u>250.25</u>

Source: District Personnel Records

BOROUGH OF PITMAN SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2009	1,631	\$ 22,754,752	\$ 13,951	38.15%	135.7	9.57	9.80	9.20	1,524.9	1,462.6	0.03%	95.91%
2010	1,559	23,474,490	15,057	7.93%	164.0	10.47	10.00	9.60	1,515.9	1,434.4	-0.59%	94.62%
2011	1,567	22,739,579	14,512	-3.63%	158.5	11.30	10.50	9.70	1,543.2	1,456.3	1.80%	94.37%
2012	1,565	23,760,433	15,182	4.62%	167.4	*	*	*	1,525.0	1,450.7	-1.18%	95.13%
2013	1,513	24,856,266	16,428	8.21%	174.3	10.28	11.40	11.29	1,505.1	1,439.2	-1.30%	95.62%
2014	1,505	24,911,033	16,552	0.75%	164.9	9.12	9.17	9.63	1,447.4	1,391.3	-3.84%	96.13%
2015	1,461	25,362,409	17,360	4.88%	161.1	9.04	8.35	9.52	1,405.8	1,349.8	-2.87%	96.02%
2016	1,418	26,792,780	18,895	8.84%	162.3	8.45	8.98	9.00	1,359.5	1,305.4	-3.29%	96.02%
2017	1,351	27,121,624	20,075	6.25%	163.3	8.38	7.68	8.60	1,345.4	1,280.1	-1.04%	95.15%
2018	1,294	27,862,228	21,532	7.26%	162.1	7.95	7.43	8.52	1,299.2	1,237.2	-3.43%	95.23%

Source: District records

Note: Enrollment based on annual October District count.

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

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

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

(*) - Information not available

BOROUGH OF PITMAN SCHOOL DISTRICT
 School Building Information
 Last Ten Fiscal Years
 Unaudited

District Building	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Elementary</u>										
Memorial School - 1962										
Square feet	65,717	65,717	65,717	65,717	65,717	65,717	65,717	65,717	65,717	65,717
Capacity (students)	309	309	309	309	309	309	309	309	309	309
Enrollment	269	289	267	254	251	230	221	208	200	182
Kindle School - 1926										
Square feet	32,977	32,977	32,977	32,977	32,977	32,977	32,977	32,977	32,977	32,977
Capacity (students)	217	217	217	217	217	217	217	217	217	217
Enrollment	253	224	230	207	205	211	205	195	187	174
W.C.K. Walls School - 1926										
Square feet	38,902	38,902	38,902	38,902	38,902	38,902	38,902	38,902	38,902	38,902
Capacity (students)	274	274	274	274	274	274	274	274	274	274
Enrollment	252	246	248	243	247	238	236	228	248	246
<u>Middle School</u>										
Pitman Middle School - 1922										
Square feet	78,684	78,684	78,684	78,684	78,684	78,684	78,684	78,684	78,684	78,684
Capacity (students)	381	381	381	381	381	381	381	381	381	381
Enrollment	404	362	379	383	349	359	350	343	307	302
<u>High School</u>										
Pitman High School - 1971										
Square feet	99,415	99,415	99,415	99,415	99,415	99,415	99,415	99,415	99,415	99,415
Capacity (students)	556	556	556	556	556	556	556	556	556	556
Enrollment	529	443	435	443	456	436	436	433	401	401

Number of Schools at June 30, 2018

Elementary = 3

Middle School = 1

Senior High School = 1

Source: District Facilities Office. Enrollment is based on June student counts.

BOROUGH OF PITMAN SCHOOL DISTRICT
 General Fund
 Schedule of Required Maintenance Expenditures by School Facility
 For the Fiscal Year Ended June 30, 2018

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

* School Facilities

Project # (s)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Memorial	\$ 3,107	\$ 23,453	\$ 3,412	\$ 38,898	\$ 6,369	\$ 16,493	\$ 38,508	\$ 59,750	\$ 21,228	\$ 35,466	\$ 246,684
Kindle	22,530	5,795	6,041	59,916	13,930	19,909	54,747	145,441	371,286	25,344	724,939
Walls	6,940	5,465	8,668	78,238	19,948	11,813	16,393	21,229	16,061	58,481	243,236
Middle	33,352	9,947	18,300	88,492	36,477	70,458	38,563	69,653	35,261	28,193	428,696
High School	41,894	28,999	60,027	56,838	260,167	131,443	295,446	142,350	52,601	123,768	1,193,533
Total School Facilities	\$ 107,823	\$ 73,659	\$ 96,448	\$ 322,382	\$ 336,891	\$ 250,116	\$ 443,657	\$ 438,423	\$ 496,437	\$ 271,252	\$ 2,837,088

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

Source: District records

BOROUGH OF PITMAN SCHOOL DISTRICT
Insurance Schedule
June 30, 2018
Unaudited

Atlantic & Cape May Counties Association of School Business Officials

I. Property, Inland Marine and Automobile Physical Damages	
A. Limit of Liability:	\$175,000,000 Per Occurrence
1. GCSSDJIF Self Insured Retention	250,000 Per Occurrence
2. Member District Deductible	500 Per Occurrence
3. Perils Included	"All Risk"
B. Property Valuation	
1. Buildings and Contents	Replacement Cost
2. Contractors Equipment	Actual Cash Value
3. Automobiles	Replacement Cost
II. Boiler and Machinery	
A. Limit of Liability:	125,000,000
1. GCSSDJIF Self Insured Retention	None
2. Member District Deductible	1,000
III. Crime	
A. Limits of Liability	500,000
1. GCSSDJIF Self-Insured Retention:	250,000
2. Member District Deductible:	500
IV. General and Automobile Liability	
A. Limit of Liability:	20,000,000
1. GCSSDJIF Self Insured Retention (SIR):	250,000
2. Member District Deductible:	None
V. Workmen's Compensation	
A. Limits of Liability:	Statutory
1. GCSSDJIF Self Insured Retention:	250,000
2. Member District Deductible	None
VI. Educator's Legal Liability	
A. Limits of Liability:	20,000,000
1. GCSSDJIF Self Insured Retention:	175,000
2. Member District Deductible:	None
VII. Pollution Legal Liability (Refer to attached Certificate of Coverage for Covered Districts)	
A. Limits of Liability:	3,000,000
1. GCSSDJIF Self Insured Retention	None
2. Member District Deductible	25,000
3. Member District Deductible - Mold Incident	100,000
VIII. Cyber Liability	
A. Limits of Liability:	1,000,000
1. GCSSDJIF Self Insured Retention	None
2. Member District Deductible	25,000
IX. Violent Malicious Acts	
A. Limits of Liability:	1,000,000
1. GCSSDJIF Self Insured Retention	None
2. Member District Deductible	15,000
X. Disaster Management Services	
A. Limits of Liability:	2,000,000
1. GCSSDJIF Self Insured Retention	None
2. Member District Deductible	15,000
Surety Bond - Massachusetts Bay Insurance Company	
Board Secretary/Business Administrator - Deborah Roncace	250,000

Source: District Records

SINGLE AUDIT SECTION

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
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Deanna L. Roller, CPA, RMA

EXHIBIT K-1

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

Honorable President and
Members of the Board of Education
Borough of Pitman School District
420 Hudson Avenue
Pitman, New Jersey 08071

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the Governmental activities, the Business-type Activities, each major fund, and the aggregate remaining fund information of the Borough of Pitman School District, in the County of Gloucester, 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 Borough of Pitman School District's basic financial statements, and have issued our report thereon dated January 22, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies 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 Borough of Pitman School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

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.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Licensed Public School Accountant #542
Glassboro, New Jersey

January 22, 2019

PETRONI & ASSOCIATES LLC

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EXHIBIT K-2

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL
ASSISTANCE REQUIRED BY *UNIFORM ADMINISTRATIVE REQUIREMENTS, COST
PRINCIPLES, AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE),
AND NEW JERSEY OMB'S CIRCULAR 15-08***

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Borough of Pitman School District
420 Hudson Avenue
Pitman, New Jersey 08071

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal and State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Pitman School District's major Federal and State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards (Uniform Guidance), *New Jersey State Aid/Grant Compliance Supplement*, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of

Federal Grants, State Grants and State Aid. Those standards, Uniform Guidance and New Jersey OMB's Circular 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal and State program occurred. An audit includes examining, on a test basis, evidence about the Borough of Pitman School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Programs

In our opinion, the Borough of Pitman School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal and State programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

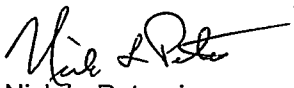
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material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

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

Report on Schedules of Expenditures of Federal Awards Required by Uniform Guidance and Expenditures of State Financial Assistance Required by NJ OMB's Circular 15-08

We have audited the financial statements Borough of Pitman School District as of and for the year ended June 30, 2018, and have issued our report thereon dated January 22, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by Uniform Guidance and NJ OMB's Circular 15-08 and are not a required part of the financial statements. Such information is the responsibility of Management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Licensed Public School Accountant #542
Glassboro, New Jersey

January 22, 2019

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

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2018			MEMO Cumulative Total Expenditures
					From	To							(Accounts Receivable)	Deferred Revenue	Due to Grantor	
U.S. Department of Education																
Passed-through State Department of Education:																
General Fund:																
Medical Assistance Program (SEMI)	93.778	1705NJ5MAP	N/A	\$ 19,522	07/1/17	06/30/18			\$ 19,522	\$ (19,522)						\$ 19,522
Medical Assistance Program (SEMI)	93.778	1705NJ5MAP	N/A	43,461	07/1/16	06/30/17	\$ (8,990)		8,990							43,461
Total General Fund							(8,990)		28,512	(19,522)						62,983
U.S. Department of Education																
Passed-through State Department of Education:																
Special Revenue Fund:																
Title I - Part A	84.010	S010A170030	ESEA414018	157,703	07/1/17	06/30/18			157,703	(157,703)						157,703
Title I -SIA	84.010A	S010A170030	ESEA414018	28,941	07/1/17	06/30/18				(28,941)		\$ (28,941)				28,941
Subtotal									157,703	(186,644)			(28,941)			186,644
Special Education Cluster																
IDEA Part B, Basic Regular	84.027A	H027A170100	IDEA414018	361,450	07/1/17	06/30/18			361,450	(361,450)						361,450
IDEA Part B, Preschool	84.173	H173A170114	IDEA414018	14,258	07/1/17	06/30/18			14,258	(14,258)						14,258
Total Special Education Cluster									375,708	(375,708)						375,708
Title II A, Teacher & Principal Training	84.367	S367A170029	ESEA414018	36,086	07/1/17	06/30/18			36,086	(36,086)						36,086
Title III	84.365	S365A170030	ESEA414018	920	07/1/17	06/30/18		\$ 80	376	(920)			(464)			920
Title III	84.365	S365A160030	NCLB414017	1,097	07/1/16	06/30/17	(595)		595							1,097
Title III	84.365	S365A150030	NCLB414016	1,928	07/1/15	06/30/16	80	(80)								1,848
Subtotal							(515)		971	(920)			(464)			3,865
Total Special Revenue Fund							(515)		570,468	(599,358)			(29,405)			602,303
U.S. Department of Agriculture																
Passed-through State Department of Education:																
Enterprise Fund:																
Child Nutrition Cluster																
Food Distribution Program	10.555	171NJ304N1099	N/A	20,517	07/1/17	06/30/18			20,517	(16,878)			\$ 3,639			16,878
Food Distribution Program	10.555	171NJ304N1099	N/A	21,525	07/1/16	06/30/17	4,303			(4,303)						21,525
School Breakfast Program	10.553	171NJ304N1099	N/A	19,984	07/1/17	06/30/18			18,669	(19,984)			(1,315)			19,984
School Breakfast Program	10.553	171NJ304N1099	N/A	13,292	07/1/16	06/30/17	(2,716)		2,716							13,292
National School Lunch Program	10.555	171NJ304N1099	N/A	110,133	07/1/17	06/30/18			102,909	(110,133)			(7,224)			110,133
National School Lunch Program	10.555	171NJ304N1099	N/A	113,111	07/1/16	06/30/17	(20,063)		20,063							113,111
Special Milk Program	10.556	171NJ304N1099	N/A	144	07/1/17	06/30/18			134	(144)			(10)			144
Special Milk Program	10.556	171NJ304N1099	N/A	289	07/1/16	06/30/17	(52)		52							289
Total Enterprise Fund/Child Nutrition Cluster							(18,528)		165,060	(151,442)			(8,549)	3,639		295,356
Total Federal Financial Awards							\$ (28,033)		\$ 764,040	\$ (770,322)			\$ (37,954)	\$ 3,639		\$ 960,642

The accompanying notes to schedules of expenditures of awards and financial assistance are an integral part of this schedule.

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

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017			Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Expenditures	Balance at June 30, 2018			MEMO		
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount				(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
State Department of Education																
General Fund:																
Transportation Aid	18-495-034-5120-014	\$ 148,522	07/1/17	06/30/18			\$ 148,522	\$ (148,522)						\$ 13,896	\$ 148,522	
State Aid Public																
Equalization Aid	18-495-034-5120-078	7,117,182	07/1/17	06/30/18			7,117,182	(7,117,182)						665,918	7,117,182	
Special Education Categorical Aid	18-495-034-5120-089	802,068	07/1/17	06/30/18			802,068	(802,068)						75,045	802,068	
Security Aid	18-495-034-5120-084	136,140	07/1/17	06/30/18			136,140	(136,140)						12,738	136,140	
Adjustment Aid	18-495-034-5120-085	1,420,276	07/1/17	06/30/18			1,420,276	(1,420,276)						132,888	1,420,276	
PARCC Readiness Aid	18-495-034-5120-098	13,720	07/1/17	06/30/18			13,720	(13,720)						1,284	13,720	
Per Pupil Growth Aid	18-495-034-5120-097	13,720	07/1/17	06/30/18			13,720	(13,720)						1,284	13,720	
Professional Learning Community Aid	18-495-034-5120-101	13,035	07/1/17	06/30/18			13,035	(13,035)						1,220	13,035	
Extraordinary Aid	18-100-034-5120-044	108,825	07/1/17	06/30/18				(108,825)			\$ (108,825)				108,825	
Extraordinary Aid	17-100-034-5120-044	61,041	07/1/16	06/30/17	\$ (61,041)		61,041								61,041	
Lead Testing for School's Aid	18-495-034-5120-104	4,965	07/1/17	06/30/18			4,965		\$ (4,965)						4,965	
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	894,690	07/1/17	06/30/18			852,599	(894,690)				(42,091)			894,690	
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	887,358	07/1/16	06/30/17	(83,073)		83,073								887,358	
On-Behalf TPAF Pension	18-495-034-5094-002	1,733,632	07/1/17	06/30/18			1,733,632	(1,733,632)							1,733,632	
On-Behalf TPAF Long-term Disability Insurance	18-495-034-5094-004	1,849	07/1/17	06/30/18			1,849	(1,849)							1,849	
On-Behalf TPAF Post-retirement Medical	18-495-034-5094-001	1,119,716	07/1/17	06/30/18			1,119,716	(1,119,716)							1,119,716	
Total General Fund							<u>13,521,538</u>	<u>(13,523,375)</u>			<u>(4,965)</u>	<u>(150,916)</u>		<u>904,273</u>	<u>14,476,739</u>	
Debt Service Fund:																
Debt Service Aid Type II	18-495-034-5120-017	408,884	07/1/17	06/30/18			408,884	(408,884)							408,884	
State Department of Agriculture																
Enterprise Fund:																
National School Lunch Program (State Share)	18-100-010-3350-023	3,665	07/1/17	06/30/18			3,431	(3,665)				(234)			3,665	
National School Lunch Program (State Share)	17-100-010-3350-023	3,483	07/1/16	06/30/17	(617)		617								3,483	
Total Enterprise Fund							<u>4,048</u>	<u>(3,665)</u>				<u>(234)</u>			<u>7,148</u>	
Total State Financial Assistance							<u>\$ 13,934,470</u>	<u>\$ (13,935,924)</u>			<u>(4,965)</u>	<u>\$ (151,150)</u>		<u>\$ 904,273</u>	<u>\$ 14,892,771</u>	
Less: On-Behalf TPAF Pension System Contributions															\$ (2,855,197)	
Total for State Financial Assistance - Major Program Determinations																<u>\$ (11,080,727)</u>

The accompanying notes to schedules of expenditures of awards and financial assistance are an integral part of this schedule.

BOROUGH OF PITMAN 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 activity of the Board of Education, Borough of Pitman 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, is included on the Schedule 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 basis of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200 - *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 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.

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 NJSA 18A:22-44-.2. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of 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 June state aid payments in the current budget year, consistent with NJSA 18A:22-4-.2.

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

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$34,985 for the General Fund and \$0 for the Special Revenue Fund. See Note A (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:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 19,522	\$ 13,558,360	\$ 13,577,882
Special Revenue Fund	599,358		599,358
Debt Service Fund		408,884	408,884
Food Service Fund	150,778	3,665	154,443
Total Financial Assistance	<u>\$ 769,658</u>	<u>\$ 13,970,909</u>	<u>\$ 14,740,567</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: FOOD DISTRIBUTION PROGRAM

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. Non-monetary assistance is reported in the schedule at the market value of the commodities received and disbursed. At June 30, 2018, the Borough of Pitman School District has food commodities totaling \$3,639 in inventory.

NOTE 6: OTHER

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: INDIRECT COST RATE

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

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

**NOTE 8: ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT
MAJOR PROGRAM DETERMINATION**

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are excluded from State single audit major program determination. The Schedule of State Financial Assistance provides a reconciliation of State Financial Assistance reported in the District's financial statements and the amounts subject to State single audit and major program determination.

**NOTE 9: ADJUSTMENT TO THE SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE**

The adjustment for Lead Testing in School's Aid in the amount of \$4,965 is to realize the amount expended in the prior fiscal year.

BOROUGH OF PITMAN 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 that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to basic financial statements noted? Yes X No

Federal Awards

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 2 CFR 200 section .516(a)? Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>FAIN Number</u>	<u>Name of Federal Program or Cluster</u>
84.027	H027A160100	Special Education Cluster (IDEA) IDEA Basic
84.173	H173A160114	IDEA Preschool

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

Section I – Summary of Auditor’s Results (Continued)

State 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 NJ OMB’s Circular 15-08? Yes X No

Identification of major programs:

<u>State Grant/Project Numbers</u>	<u>Name of State Program</u>
	State Aid Public:
495-034-5120-078	Equalization Aid
495-034-5120-089	Special Education Aid
495-034-5120-085	Adjustment Aid
495-034-5120-084	Security Aid
495-034-5120-098	PARCC Readiness Aid
495-034-5120-097	Per Pupil Growth Aid
495-034-5120-101	Professional Learning Community Aid

Section II – Financial Statement Findings

No matters reported.

FEDERAL AWARDS

No matters reported.

STATE AWARDS

No matters reported.

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

Status of Prior Year Findings

N/A

Findings

N/A

Condition

N/A

Current Status

N/A