

**SCHOOL DISTRICT**

**OF**

**SHREWSBURY**

**SHREWSBURY BOARD OF EDUCATION  
SHREWSBURY, NEW JERSEY**

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

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**OF THE**

**SHREWSBURY BOARD OF EDUCATION**

**SHREWSBURY, NEW JERSEY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**PREPARED BY**

**SHREWSBURY BOARD OF EDUCATION  
BUSINESS ADMINISTRATOR/BOARD SECRETARY**

**SHREWSBURY SCHOOL DISTRICT**

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## INTRODUCTORY SECTION

# Shrewsbury Borough Board of Education

Dehora A. Avento  
Business Administrator  
20 Obre Place  
Shrewsbury, New Jersey 07702

Telephone (732) 747-0887  
Fax (732) 747-0889

November 16th, 2018

Honorable President and  
Members of the Board of Education  
Shrewsbury School District  
County of Monmouth, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Shrewsbury School District ("District") for the fiscal year ended June 30<sup>th</sup>, 2018 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education ("Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operation 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, a roster of principal officials and a list of consultants and advisors. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget ("OMB") Circular A-133, Audits of State and Local Governments. 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 Shrewsbury School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The Board of Education and the Shrewsbury Borough School constitute the District's reporting entity.

The District provides a full range of educational services (regular and special) appropriate to grade levels Pre-K through 8. The District has an in-house Pre-School Tuition Program, has now developed a Pre-School Disabled ABA program in order to possibly take in tuition students from other districts that do not have that program as an option and has developed a district reading clinic. The District completed the 2017-18 fiscal year with an enrollment of 479 students.

The following details the changes in the student enrollment of the District over the last twenty years.



## 1. REPORTING ENTITY AND ITS SERVICES (Continued:)

<u>Fiscal Year Student</u>	<u>Average Daily Enrollment</u>	<u>Percent Changes</u>
2017/18	479	(5.15%)
2016/17	505	(1.37%)
2015/16	512	6%
2014/15	483	(1.0%)
2013/14	489	.41%
2012/13	487	(.41%)
2011/12	489	(.004%)
2010/11	491	(.034%)
2009/10	508	1.2%
2008/09	502	.8%
2007/08	498	(2.8%)
2006/07	512	0%
2005/06	512	(.031%)
2004/05	528	(5.04%)
2003/04	556	1.46%
2002/03	548	2.19%
2001/02	536	(.37%)
2000/01	538	1.13%
1999/00	532	3.86%
1998/99	512	8.02%
1997/98	474	3.26%

## 2. ECONOMIC CONDITION AND OUTLOOK:

The Shrewsbury Borough Public School System is located in the east central part of Monmouth County. The Borough covers 2.2 square miles and as per the June 30<sup>th</sup>, 2018 Monmouth County Planning Board estimates, has a population of approximately 4,181 who reside mainly in single-family homes.

The school system is a Pre-K through 8 grade District with one school building. The student population as of June 30, 2018 of 479 students includes three (3) full day kindergarten classes, a Pre-School Tuition Program, three (3) out of district tuition students for special education and two (2) out of district placements for ELL.

## 3. MAJOR INITIATIVES:

In the 2017-18 school year, the Board and Administration continued to review various maintenance projects on the school grounds that due to general aging over the last few years had become somewhat of a safety concern. Concrete repairs along with a new roof system over the main hallway were highlights.

The Board and the Administration are currently regrouping after a failed referendum and are continuing to look into options to repair and upgrade an aging facility. The district has conducted the required local government energy audit in order to look into several state initiatives to see what projects the district qualifies for in order to remediate some of the building concerns including the remaining sections of the roof and aging boilers.

### 3. MAJOR INITIATIVES: (Continued)

In the 2017-2018 school year the district also continued its priority of the health and safety of our students and staff. The district continued to prepare our students and staff for a variety of emergency situations which concluded this year included a full scale off site evacuation and reunification drill.

The trip to Washington for the eighth grade was spectacular, with 49 students spending three nights and four days in our nation's capital. The seventh grade trip to New York was highlighted with the class attending the play "School of Rock". The sixth grade continued their educational trip to the Pocono Environmental Educational Center (PEEC).

The Board and the Administration are constantly reviewing district programs that benefit both regular and special education students in order to improve the delivery of instruction to every child. Extensive Professional Development for the teaching staff continued and focused on Co-Teaching Models and Differentiated Instruction.

The Board and the Administration also continued to enrich the student experience in district by developing several new club opportunities for the students that including STEAM/STEM activities.

The district also continued our participation in a national anti-bullying program called Peace Builders. This program encompassed school wide initiatives to promote Character Education. Red Ribbon week is an anti-drug awareness week that partners with the School and Community Alliance and promotes Character Education as well. Both of these programs have been extremely well received and are now a staple in district. The district will continue these programs in the 2018-2019 school year.

The district also continued to administer the 2017-2018 PARCC (Partnership for Assessment of Readiness for College and Careers) testing.

### 4. INTERNAL ACCOUNTING CONTROLS:

The Administration of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse. They also 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 Administration.

As a recipient of federal and state financial assistance, the District is also 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 the District Administration.

As part of the District's single audit described earlier, tests are conducted to determine the adequacy of the internal control structure which includes reporting related to the federal and state financial assistance programs and reporting measures to the county and state 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 the legal provisions embodied in the annual appropriation of the district's budget. Annual appropriated budgets are adopted for the General Fund, the Special Revenue Fund, and the Debt Service Fund. The district has stayed within the 2% budget cap on the General Fund since the cap was imposed by the New Jersey Department of Education. The final budget amount as amended for the 2017-2018 fiscal year is reflected in the financial section.

#### 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. These funds and account groups are explained in Note 1 of the Notes to Financial Statements.

#### 7. CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in Note 2 of the Notes to Financial Statements. 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 Government Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

#### 8. RISK MANAGEMENT:

The Board carries various forms of insurance including, but not limited to, general liability, errors and omissions, automobile liability, comprehensive/collision, hazard, theft insurance on property and contents, fidelity bonds, and workman's compensation in compliance with state statutes.

#### 9. OTHER INFORMATION:

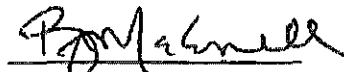
Independent Audit - State statutes require an annual audit by independent certified public accounts or registered municipal accountants. The accounting firm of Robert A. Hulsart and Company was selected by the Board to conduct the 2017-2018 audit was also designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules are 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.


**10. ACKNOWLEDGEMENTS:**

We would like to express our appreciation to the Members of the Board for their continued support and commitment to excellence while maintaining a delicate balance of supporting high quality innovative programs and remembering its fiscal responsibility to the taxpayers of Shrewsbury.

The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting support staff.

Respectfully Submitted,

  
Brent MacConnell  
Superintendent

  
Debora Avento  
Business Administrator

**SHREWSBURY BOROUGH BOARD OF EDUCATION  
SHREWSBURY, NEW JERSEY  
ROSTER OF OFFICIALS  
JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Pamela Hemel, President	2018
Mary Ellen Laughlin, Vice President	2018
Carolyn Barber	2019
Natalie Carroll	2020
Heather Gourley-Thompson	2020
Jessica Groom	2019
Karen Hepburn-Goldberg	2019
Rebecca Montgomery	2018
Donald Sweeney	2018

**Other District Officials:**

Brent MacConnell, Superintendent

Debora Avento, Business Administrator

William Donio, Esquire, Cooper Levenson Attorneys at Law, Board Attorney

Loretta Hill, Treasurer

**SHREWSBURY BOROUGH BOARD OF EDUCATION  
SHREWSBURY, NEW JERSEY  
CONSULTANTS AND ADVISORS  
JUNE 30, 2018**

**Auditor/Audit Firm:**

Robert A. Hulsart

Robert A. Hulsart & Company

2807 Hurley Pond Rd # 100

Wall Township, NJ 07719

**Attorney:**

William S. Donio, Esquire

Cooper Levenson, Attorneys at Law

1125 Atlantic Avenue

Atlantic City, NJ 08401

**Official Depositories:**

TD Bank

First Union National Bank

Chase Manhattan The Depository Trust Co.

The Bank of NY

**FINANCIAL SECTION**

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)  
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.  
ROBERT A. HULSART, JR., C.P.A., P.S.A.  
RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

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**INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Education  
Shrewsbury School District  
County of Monmouth  
Shrewsbury, New Jersey

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditors Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

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

### *Other Matters*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information 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 standard generally accepted in the United States of America. In our opinion, the accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018 on our consideration of the Shrewsbury's Board of Education internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Shrewsbury Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

**ROBERT A. HULSART AND COMPANY**

---

**Robert A. Hulsart**  
**Licensed Public School Accountant**  
**No. 322**  
**Robert A. Hulsart and Company**  
**Wall Township, New Jersey**

November 16, 2018

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

**SHREWSBURY BOROUGH PUBLIC SCHOOL DISTRICT**

**BOROUGH OF SHREWSBURY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The Management's Discussion and Analysis (MD&A) of Shrewsbury Board of Education provide an overview of the School District financial activities for the fiscal year ended June 30, 2018. The intent of the this discussion and analysis is to look at the School District's financial performance as a whole; it should be read in conjunction with the Comprehensive Annual Financial Report's (CAFR) Letter of Transmittal, which is found in the Introductory Section, and the School Board's financial statements found in the Financial Section and the notes thereto.

The MD & A is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – "Basic Financial Statement -and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999.

**Financial Highlights**

Key financial highlights for the 2017-2018 fiscal year are as follows:

- The School District had \$9,759,614 in expenses; only \$219,872 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) were adequate to provide for these programs.
- The local tax levy increased from 2016-2017 by \$510,900 to \$8,160,392 (including debt service) primarily due to increases in the general fund budget.
- On a budgetary basis, the unreserved, undesignated general fund balance is at 2% in the amount of \$265,852 per the imposed restriction of S1701.
- As in the prior year, per the state, the District was not permitted to record the 2017-2018 final state aid payments as a receivable or revenue in this fiscal year. The final state aid payments were received in July 2018.

## **Using this Comprehensive Annual Financial Report (CAFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Shrewsbury Public School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole school district, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Shrewsbury Public School District, the General Fund is the most significant fund, with the Special Revenue Fund and Capital Project's Fund also having significance.

The School Board's auditor has provided assurance in his Independent Auditor's Report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. A user of this report should read the Independent Auditor's Report carefully to ascertain the level of assurance being provided for each of the other parts of the Financial Section.

### **Reporting the School District as a Whole**

#### **Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2017-2018 fiscal year?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in activities. This change in net assets is important because it tells the reader that, for the school district as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

## **Statement of Net Position and the Statement of Activities (Continued)**

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental activities** – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- **Business-Type Activities** – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Enterprise Fund is reported as a business activity.

## **Reporting the School District's Most Significant Funds**

### **Fund Financial Statements**

The analysis of the School District's major (all) funds begin with Exhibit A-1. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

### **Governmental Funds**

The School District's activities are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and Governmental Funds is reconciled in the financial statements.

### **Enterprise Fund**

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

## The School District as a Whole

Table 1 provides a summary of the School District's net position as of June 30, 2018 and 2017.

**Table 1**  
**Net Position**

	<u>2018</u>	<u>2017</u>
<b><u>Assets</u></b>		
Current and Other Assets	\$ 1,066,899	1,468,887
Capital Assets, Net	<u>5,917,773</u>	<u>5,858,549</u>
Total Assets	<u>\$ 6,984,672</u>	<u>7,327,436</u>
<b><u>Deferred Outflow of Resources</u></b>		
Contribution to Pension Plan	<u>\$ 1,344,816</u>	<u>1,387,106</u>
<b><u>Deferred Inflow of Resources</u></b>		
Pension Deferrals	<u>\$ 730,579</u>	<u>142,229</u>
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 232,096	661,975
Other Liabilities	<u>4,084,795</u>	<u>4,736,357</u>
Total Liabilities	<u>\$ 4,316,891</u>	<u>5,398,332</u>
<b><u>Net Position</u></b>		
Invested in Capital Assets, Net of Debt	\$ 4,762,773	4,488,549
Restricted	810,481	794,843
Unrestricted	<u>(2,291,236)</u>	<u>(2,109,411)</u>
Total Net Position	<u>\$ 3,282,018</u>	<u>3,173,981</u>

Table 2 shows the changes in net position for fiscal year 2018. Revenue and expense comparisons to fiscal year 2017.

**Table 2**  
**Changes in Net Position**

	<u>2018</u>	<u>2017</u>
<b><u>Revenues</u></b>		
General Revenues		
Property Taxes	\$ 7,912,836	7,398,735
Taxes Levied for Debt Service	247,556	250,757
Grants and Entitlements	1,461,548	1,246,759
Other	<u>9,321</u>	<u>56,887</u>
Total Revenues	<u>9,631,261</u>	<u>8,953,138</u>
<b><u>Program Expenses</u></b>		
Instruction:		
Regular	2,775,544	2,831,053
Special Education	978,641	853,343
Other Instruction	101,084	106,375
Support Services:		
Student and Instructional Related Services	947,934	959,446
School Administration	91,401	91,371
General Administration	698,189	743,656
Operations and Maintenance of Facilities	641,762	523,573
Pupil Transportation	107,403	85,193
Unallocated Benefits	2,823,717	2,459,655
Interest on Debt	34,944	39,181
Food Service	(1,951)	3,853
Unallocated Depreciation	<u>341,074</u>	<u>331,988</u>
Total Expenses	<u>9,539,742</u>	<u>9,028,687</u>
Increase (decrease) in Net Position	<u>\$ 91,519</u>	<u>(75,549)</u>

### **Governmental Activities**

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 85% percent of revenues for governmental activities including debt service for the Shrewsbury Borough Public School District for fiscal year 2018. The District's total revenues were \$9,631,261 for the fiscal year ended June 30, 2018. Federal, state and local grants accounted for another 15%.

### **Business-Type Activities**

Revenues for the District's business-type activities (food service) were comprised of charges for services and federal and state reimbursements.

- Food service revenues were over expenses by \$1,951.
- Charges for services represent \$14,032 of revenue. This represents amount paid by patrons for daily food services.

### **Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

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

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

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

Extracurricular activities includes expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District.

Other includes unallocated depreciation and amortization.



## **The School Board' Funds**

The School Board uses funds to control and manage money for particular purposes. The Fund's basic financial statements allows the School Board to demonstrate its stewardship over and accountability for resources received from the taxpayers of Shrewsbury Borough and other entities, including the State of New Jersey and the Federal Government. These statements also allow the reader to obtain more insight into the financial workings of the district, and assess further the district's overall financial health.

As the School Board completed the fiscal year ended June 30, 2018, it reported a combined net position balance of \$3,282,018.

The Reconciliation of the Statement of Revenue Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities presents the reader with a detailed explanation of the differences between the net change in fund balances and changes in net assets.

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

Over the course of the year, the district revises its budget as it attempts to take into consideration unexpected changes in revenue and expenditures.

A schedule showing the district's original and final budget compared with actual operating results is provided in the section of the CAFR, entitled Budgetary Comparison Schedules. The School Board generally did better than had been budgeted in its General Fund since it practices conservative budgetary practices in which revenues are forecasted very conservatively and expenditures are budgeted with worst-case scenarios in mind.

The structuring of the debt during the April 1, 2002 bond issue was designed to maintain the current debt service level with principal and interest payments. The Debt Service will have level payments over the remaining years, unless additional debt service is incurred in future years. (The 2002 issue was refunded in 2012 creating an additional savings).

## Capital Assets

At June 30, 2018, the School Board had approximately \$5,913,038 million invested in a broad range of capital assets, including land, buildings, furniture, vehicles, computers, instructional equipment and other equipment. This amount is net of accumulated depreciation to date. Table II below shows the net book value of capital assets at the end of the 2018 fiscal year.

	<b><u>Governmental Activities</u></b>
Table II	
Capital Assets at June 30, 2018	
Land	\$ 69,345
Buildings & Sites	5,291,463
Machinery and Equipment	<u>552,230</u>
Total	<u>\$ 5,913,038</u>

## Debt Administration

At June 30, 2018, the School District had \$1,155,000 of outstanding debt.

## Economic Factors and Next Year's Budget

The Shrewsbury Borough School District is in very good financial condition presently. Future finances are not without challenges as the community continues to grow and state funding is decreased.

The Borough of Shrewsbury is primarily a residential community. Although a town-wide revaluation adjusted the ratables significantly during the prior year, increases in future ratables are limited. The majority of revenues needed to operate the District are derived from homeowners through property tax assessments and collections.

For the 2017-2018 school year, the Shrewsbury School District was able to sustain its general fund budget through the local tax levy, state education aid, federal aid and local revenue sources. Approximately 85% of the district's total revenue is from local tax levy, 15% is from State Aid, Federal Aid, and local revenues.

### **Economic Factors and Next Year's Budget (Continued)**

At this time, the most important factor affecting the budget is the unsettled situation with State Aid. While State aid may be frozen, the District may experience growth in student population. The tax levy will be the area that will need to absorb any increase in budget obligations.

In conclusion, the Shrewsbury Borough Public School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. Although future decreases in state aid will place an additional burden on the taxpayers of Shrewsbury Borough, the School District plans to continue its sound fiscal management to meet the challenge of the future.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Debi Avento, School Business Administrator/Board Secretary at The Shrewsbury Borough Board of Education, 20 Obre Place, Shrewsbury, New Jersey 07702.

**BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS – A**

STATEMENT OF NET POSITION

Exhibit A-1

JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 118,219	13,734	131,953
Receivables, Net	124,465		124,465
Restricted Assets:			
Cash and Cash Equivalents	365,169		365,169
Cash-Capital Reserve	445,312		445,312
Capital Assets, Net			
Non-Depreciable	69,345		69,345
Depreciable	5,843,693	4,735	5,848,428
Total Assets	<u>\$ 6,966,203</u>	<u>18,469</u>	<u>6,984,672</u>
<b><u>Deferred Outflow of Resources</u></b>			
Contribution to Pension Plan	<u>\$ 1,344,816</u>		<u>1,344,816</u>
<b><u>Deferred Inflow of Resources</u></b>			
Pension Deferrals	<u>\$ 730,579</u>		<u>730,579</u>
<b><u>Liabilities</u></b>			
Accrued Interest	\$ 12,096		12,096
Noncurrent Liabilities:			
Due Within One Year	220,000		220,000
Due Beyond One Year	4,084,795		4,084,795
Total Liabilities	<u>\$ 4,316,891</u>	<u>-</u>	<u>4,316,891</u>
<b><u>Net Position</u></b>			
Invested in Capital Assets, Net of Related Debt	\$ 4,758,038	4,735	4,762,773
Restricted For:			
Capital Projects	10,174		10,174
Debt Service	1		1
Other Purposes	800,306		800,306
Unrestricted	<u>(2,304,970)</u>	<u>13,734</u>	<u>(2,291,236)</u>
Total Net Position	<u>\$ 3,263,549</u>	<u>18,469</u>	<u>3,282,018</u>

The accompanying notes to financial statements are an integral part of this statement.

**SHREWSBURY SCHOOL DISTRICT**

Exhibit A-2

Sheet 1 of 2

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Functions/Programs</u></b>						
Governmental Activities:						
Instruction:						
Regular	\$ 2,775,544			(2,775,544)		(2,775,544)
Special Education	1,129,365		150,724	(978,641)		(978,641)
Other Instruction	101,084			(101,084)		(101,084)
Support Services:						
Tuition	53,235	26,500		(26,735)		(26,735)
Student & Instruction Related Services	949,815		28,616	(921,199)		(921,199)
School Administrative Services	91,401			(91,401)		(91,401)
General and Business Administrative Services	698,189			(698,189)		(698,189)
Plant Operations and Maintenance	641,762			(641,762)		(641,762)
Pupil Transportation	107,403			(107,403)		(107,403)
Unallocated Benefits	2,823,717			(2,823,717)		(2,823,717)
Interest on Long-Term Debt	34,944			(34,944)		(34,944)
Unallocated Depreciation	341,074			(341,074)		(341,074)
Total Government Activities	<u>9,747,533</u>	<u>26,500</u>	<u>179,340</u>	<u>(9,541,693)</u>	<u>-</u>	<u>(9,541,693)</u>
Business-Type Activities:						
Enterprise Funds	<u>12,081</u>	<u>14,032</u>			<u>1,951</u>	<u>1,951</u>
Total Business-Type Activities	<u>12,081</u>	<u>14,032</u>	<u>-</u>	<u>-</u>	<u>1,951</u>	<u>1,951</u>
Total Primary Government	<u>9,759,614</u>	<u>40,532</u>	<u>179,340</u>	<u>(9,541,693)</u>	<u>1,951</u>	<u>(9,539,742)</u>

**SHREWSBURY SCHOOL DISTRICT**

**Exhibit A-2**

**Sheet 2 of 2**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purpose, Net	7,912,836		7,912,836
Taxes Levied for Debt Service	247,556		247,556
Federal and State Aid Not Restricted	1,461,548		1,461,548
Miscellaneous Income	9,321		9,321
Total General Revenues, Special Items and Transfers	<u>9,631,261</u>	<u>-</u>	<u>9,631,261</u>
 Change in Net Position	89,568	1,951	91,519
 Net Position - Beginning	<u>3,173,981</u>	<u>16,518</u>	<u>3,190,499</u>
 Net Position - Ending	<u>\$ 3,263,549</u>	<u>18,469</u>	<u>3,282,018</u>

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



**FUND FINANCIAL STATEMENTS – B**

BALANCE SHEETGOVERNMENTAL FUNDSJUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Cash and Cash Equivalents	\$ 928,699			1	928,700
Receivables from Other Governments	26,619	12,645	85,201		124,465
Interfund Receivable	87,672				87,672
Total Assets	<u>\$ 1,042,990</u>	<u>12,645</u>	<u>85,201</u>	<u>1</u>	<u>1,140,837</u>
<b><u>Liabilities and Fund Balance</u></b>					
<b>Liabilities:</b>					
Interfunds Payable	\$ -	12,645	75,027		87,672
Total Liabilities	<u>-</u>	<u>12,645</u>	<u>75,027</u>	<u>-</u>	<u>87,672</u>
<b>Fund Balance:</b>					
<b>Restricted To:</b>					
Excess Surplus - Designated for Subsequent Year's Expenditures	25,000				25,000
Maintenance Reserve	170,005				170,005
Capital Reserve	445,312				445,312
<b>Assigned:</b>					
Designated for Subsequent Years Expenditures	102,522				102,522
Other Purposes	57,467				57,467
<b>Unassigned:</b>					
General Fund	242,684				242,684
Capital Projects			10,174		10,174
Debt Service				1	1
Total Fund Balances	<u>1,042,990</u>	<u>-</u>	<u>10,174</u>	<u>1</u>	<u>1,053,165</u>
Total Liabilities and Fund Balance	<u>\$ 1,042,990</u>	<u>12,645</u>	<u>85,201</u>	<u>1</u>	

Amounts reported for governmental activities in the Statement of Net Position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$11,375,626 the accumulated depreciation is \$5,462,588 .	5,913,038
Deferred outflow of resources - contributions to the pension plan	1,344,816
Deferred inflow of resources - acquisition of assets applicable to future reporting periods	(730,579)
Accrued Interest	(12,096)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(4,304,795)</u>
Net position of governmental activities	<u>\$ 3,263,549</u>

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

**SHREWSBURY SCHOOL DISTRICT**

**Exhibit B-2  
Sheet 1 of 2**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>					
Local Sources:					
Local Tax Levy	\$ 7,912,836			247,556	8,160,392
Tuition	26,500				26,500
Miscellaneous	9,321				9,321
Total Local Sources	<u>7,948,657</u>	<u>-</u>	<u>-</u>	<u>247,556</u>	<u>8,196,213</u>
State Sources	1,461,548	32,764			1,494,312
Federal Sources		146,576			146,576
Total Revenues	<u>9,410,205</u>	<u>179,340</u>	<u>-</u>	<u>247,556</u>	<u>9,837,101</u>
<b><u>Expenditures</u></b>					
Current:					
Regular Instruction	2,875,932				2,875,932
Special Education Instruction	978,641	150,724			1,129,365
Other Instruction	101,084				101,084
Support Services and Undistributed Costs:					
Tuition	53,235				53,235
Student and Instruction Related Services	921,199	28,616			949,815
School Administrative Services	91,401				91,401
Other Administrative Services	698,189				698,189
Plant Operations and Maintenance	641,762				641,762
Pupil Transportation	107,403				107,403
Unallocated Benefits	2,624,639				2,624,639
Capital Outlay	295,175				295,175
Debt Service Principal				215,000	215,000
Interest on Debt Service				36,557	36,557
Total Expenditures	<u>9,388,660</u>	<u>179,340</u>	<u>-</u>	<u>251,557</u>	<u>9,819,557</u>

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

**SHREWSBURY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

Exhibit B-2

Sheet 2 of 2

**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b><u>General Fund</u></b>	<b><u>Special Revenue Fund</u></b>	<b><u>Capital Projects Fund</u></b>	<b><u>Debt Service Fund</u></b>	<b><u>Total Governmental Funds</u></b>
Excess (Deficiency) of Revenues Over Expenditures	<u>21,545</u>	<u>-</u>	<u>-</u>	<u>(4,001)</u>	<u>17,544</u>
Net Change in Fund Balances	21,545	-	-	(4,001)	17,544
Fund Balance - July 1	<u>1,021,445</u>	<u>-</u>	<u>10,174</u>	<u>4,002</u>	<u>1,035,621</u>
Fund Balance - June 30	<u>\$ 1,042,990</u>	<u>-</u>	<u>10,174</u>	<u>1</u>	<u>1,053,165</u>

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

SHREWSBURY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURESAND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Exhibit B-3

TO THE STATEMENT OF ACTIVITIESFOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (From B-2)		\$ 17,544
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	395,563	
Depreciation Expense	<u>(341,074)</u>	
		54,489
Repayment of bond principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities		215,000
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		(42,290)
Pension related deferrals		(588,350)
Net Pension Liability		429,462
Compensated Absences		2,100
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.		<u>1,613</u>
Change in Net Position of Governmental Activities		<u>\$ 89,568</u>

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

SHREWSBURY SCHOOL DISTRICTSTATEMENT OF NET POSITION

Exhibit B-4

PROPRIETARY FUNDSJUNE 30, 2018

	<u>Business-Type Activities Enterprise Funds</u>
<b><u>Assets</u></b>	
Current Assets:	
Cash and Cash Equivalents	\$ 13,734
Total Current Assets	<u>13,734</u>
Noncurrent Assets:	
Equipment	21,397
Less: Accumulated Depreciation	<u>(16,662)</u>
Total Noncurrent Assets	<u>4,735</u>
Total Assets	<u>\$ 18,469</u>
<b><u>Net Position</u></b>	
Investment in Fixed Assets	\$ 4,735
Unrestricted	<u>13,734</u>
Total Net Position	<u>\$ 18,469</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN FUND NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2018

	<u>Business-Type Activities Enterprise Funds</u>
Operating Revenues:	
Local Sources:	
Daily Sales:	
School Lunch Program-Non-Reimbursable	\$ 14,032
Total Operating Revenue	<u>14,032</u>
Operating Expenses:	
Cost of Sales-Non Reimbursable	10,727
Depreciation	1,354
Total Operating Expenses	<u>12,081</u>
Change in Net Position	1,951
Net Position, July 1	<u>16,518</u>
Net Position, June 30	<u>\$ 18,469</u>

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

SHREWSBURY SCHOOL DISTRICTSTATEMENT OF CASH FLOWS

Exhibit B-6

PROPRIETARY FUNDSJUNE 30, 2018

	<u>Business-Type Activities Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 14,032
Payments to Suppliers & Miscellaneous	(10,727)
Net Cash Used by Operating Activities	<u>3,305</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	3,305
Cash and Cash Equivalents July 1	<u>10,429</u>
Cash and Cash Equivalents June 30	<u>\$ 13,734</u>
Cash Flows from Operating Activities:	
Operating Income (Loss)	<u>\$ 3,305</u>
Net Cash Used by Operating Activities	<u>\$ 3,305</u>

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



SHREWSBURY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

Exhibit B-7

FIDUCIARY FUNDS

JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
Assets:		
Cash and Cash Equivalents	<u>\$          25</u>	<u>112,153</u>
Total Assets	<u><u>\$          25</u></u>	<u><u>112,153</u></u>
Liabilities:		
Payroll Deductions and Withholdings		<u>112,153</u>
Total Liabilities		<u><u>112,153</u></u>
Net Position:		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$          25</u>	
Total Net Position	<u><u>\$          25</u></u>	

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

SHREWSBURY SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Exhibit B-8

FIDUCIARY FUNDSFOR THE YEAR ENDED JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>
<b><u>Additions</u></b>	
Contributions:	
Other	\$ 12,372
Total Contributions	<u>12,372</u>
<b><u>Deductions</u></b>	
Unemployment Claims	14,447
Total Deductions	<u>14,447</u>
Change in Net Position	(2,075)
Net Position - Beginning of Year	<u>2,100</u>
Net Position - End of the Year	<u>\$ 25</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**BOARD OF EDUCATION**  
**SHREWSBURY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 1: Summary of Significant Accounting Policies**

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

**A. Reporting Entity:**

The Shrewsbury Borough School District is a Type II district located in the County of Monmouth, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8.

The students Grades 9-12 are educated by the Red Bank High School District of which Shrewsbury Borough is a member.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Government 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

**B. Government-Wide Financial Statements**

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

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

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**B. Government-Wide and Fund Financial Statements (Continued)**

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

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

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

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. County tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. The Unemployment Trust Fund recognizes employer and employee contributions in the period in which contributions are due.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to apply current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term pension and compensated absences, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual includes Intergovernmental revenues, and the county tax levy. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for food sales and for services provided to other governmental entities. Principles operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**NOTE 1: Summary of Significant Accounting Policies (Continued)****D. Fund Accounting:**

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

**Governmental Fund Types**

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

Special Revenue Fund: The District accounts for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds.

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

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

**Proprietary Fund Type**

Enterprise Fund: To account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the District is that the costs of providing goods or services to the District on a continuing basis be financed or recovered primarily through user charges.

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued):**

**Fiduciary Fund Types**

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Unemployment Compensation Trust Fund: The trust fund is used to account for assets held under the terms of a formal trust agreement. The District reimburses the costs of unemployment benefits paid by the New Jersey Department of Labor.

Agency Funds (Payroll, Payroll Agency, Student Activities Fund and Tuition Fund): Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

**E. Budgets/Budgetary Control:**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office for review and approval. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2018 were insignificant.

The Public School Education Act of 1975, limits the annual increase of any district's net current expense budget. The Commissioner of Education certifies the allowable amount for each district but may grant a higher level of increase if he determines that the sums so provided would be insufficient to meet the identified goals and needs of the district or that an anticipated enrollment increase requires additional funds.

The Commissioner must also review every proposed local school district budget for the next school year. He examines every item of appropriations for current expenses and budgeted capital outlay to determine their adequacy in relation to the identified needs and goals of the district. If, in his view, they are insufficient, the Commissioner must order remedial action. If necessary, he is authorized to order changes in the local district budget.

Once a budget is approved, it can be amended by transfers or additional appropriation of fund balances by approval of a majority of the members of the Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual transfers were not material in relation to the original appropriations. All uncommitted budget appropriations lapse at year-end.

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**E. Budgets/Budgetary Control (Continued):**

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The following presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General, Special Revenues and Debt Service Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types. Note that the District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the last state aid payment.

**F. Encumbrances:**

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as 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.

**G. Short-Term Interfund Receivables/Payables:**

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

**H. Inventories and Prepaid Expenses**

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

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



**NOTE 1: Summary of Significant Accounting Policies (Continued)****I. Capital Assets and Depreciation**

The District's property, buildings and improvements, equipment, vehicles, furniture and fixtures with useful lives of five years or more are stated at historical or estimated historical cost and are reported in the government-wide financial statements. Proprietary Fund capital assets are reported in its respective fund.

The District utilized a program developed by ASBO during the 2003 fiscal year to provide a report with a comprehensive detail of capital assets and depreciation. The report included capital assets purchased during the 2002-2003 fiscal year and prior with a historical cost of \$2,000 or more. Accumulated depreciation prior to fiscal year 2003, fiscal year 2003 depreciation expense, total accumulated depreciation and book values were also provided and have been updated annually through June 30, 2018. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective amounts. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	20 – 50
Equipment and Vehicles	5 – 20
Furniture and Fixtures	5 – 20

The District currently uses Industrial Appraisal Company to maintain and update the fixed asset accounting records. An update was completed for 2008-2009. The District provided updates for 2017-2018.

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

	<b><u>Balance</u></b> <b><u>July 1, 2017</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2018</u></b>
Governmental Activities:				
Capital Assets that are				
Not Being Depreciated:				
Land	\$ 69,345	_____	_____	69,345
Depreciable Assets:				
Sites	714,744	21,175		735,919
Buildings	9,081,367	125,750		9,207,117
Machinery & Equipment	<u>1,114,607</u>	<u>248,638</u>		<u>1,363,245</u>
Total	<u>10,910,718</u>	<u>395,563</u>	_____	<u>11,306,281</u>
Less: Accumulated				
Depreciation:				
Sites	(222,382)	(36,807)		(259,189)
Buildings	(4,163,104)	(229,280)		(4,392,384)
Machinery & Equipment	<u>(736,028)</u>	<u>(74,987)</u>		<u>(811,015)</u>
Total Accumulated				
Depreciation	<u>(5,121,514)</u>	<u>(341,074)</u>	_____	<u>(5,462,588)</u>

**NOTE 1: Summary of Significant Accounting Policies (Continued)****I. Capital Assets and Depreciation (Continued)**

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
Net Depreciable Assets	<u>5,789,204</u>	<u>54,489</u>	<u>      </u>	<u>5,843,693</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,858,549</u>	<u>54,489</u>	<u>      </u>	<u>5,913,038</u>
Business-Type Activities:				
Equipment	\$ 21,397			21,397
Less: Accumulated Depreciation For:				
Equipment	<u>(15,308)</u>	<u>(1,356)</u>	<u>      8</u>	<u>(16,656)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,089</u>	<u>(1,356)</u>	<u>      8</u>	<u>4,741</u>

Depreciation expense was charged to governmental functions as follows:

Unallocated	<u>\$ 341,074</u>
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**J. Deferred Revenue**

Deferred revenue in the special revenue fund represents cash, which has been received but not yet earned. See note 1(e) regarding the special revenue fund.

**K. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

**L. Fund Equity**

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Grants, entitlements, or shared revenues which are restricted for the acquisition or construction of capital assets are also recorded as contributed capital. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**M. Tuition Receivable**

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

**N. Net Position**

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

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

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

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

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

**Fund Balance**

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

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

*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) if employed to previously commit those amounts.

**NOTE 1: Summary of Significant Accounting Policies (Continued)****N. Net Position (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. Such authority of the business administrator is established by way of a formal job description for the position and standard operating procedures, approved by the Board of Education.

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

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

**NOTE 2: Cash and Cash Equivalents and Investments**

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

Investments are stated at cost, which approximates market. The District classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

**Deposits**

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

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

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

**NOTE 2: Cash and Cash Equivalents and Investments (Continued)****Deposits (Continued)**

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

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

**Investments**

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or any United States Bank for cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following two categories described below:

FDIC	\$ 250,000
GUPDA	<u>1,064,575</u>
	<u>\$ 1,314,575</u>

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

	<b>Cash and Cash</b>
	<b><u>Equivalents</u></b>
Interest Bearing Checking Accounts	<u>\$ 1,185,229</u>

The carrying amount of the District's cash and cash equivalents and investments at June 30, 2018 was \$1,185,229 and the bank balance was \$1,314,575. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,064,575 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**NOTE 2: Cash and Cash Equivalents and Investments (Continued)****Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk.

The District had no uninsured deposits.

**NOTE 3: General Long-Term Debt**

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Long-Term</u> <u>Portion</u>	<u>2017-18</u> <u>Payment</u>
Pension Liability	\$ 3,515,607		(429,462)	3,086,145	3,086,145	
Compensated Absences Payable	65,750		(2,100)	63,650	63,650	
Bonds Payable	<u>1,370,000</u>		<u>(215,000)</u>	<u>1,155,000</u>	<u>935,000</u>	<u>220,000</u>
	<u>\$ 4,951,357</u>		<u>(646,562)</u>	<u>4,304,795</u>	<u>4,084,795</u>	<u>220,000</u>

**A. Bonds Payable**

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

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

Year Ending Jun	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 220,000	32,256	252,256
2020	225,000	27,856	252,856
2021	230,000	23,075	253,075
2022	235,000	15,600	250,600
2023	<u>245,000</u>	<u>7,963</u>	<u>252,963</u>
	<u>\$ 1,155,000</u>	<u>106,750</u>	<u>1,261,750</u>

Bonds issued 1/24/12 at interest from 2% to 3.25 % maturing 2/15/23 with a balance of \$1,555,000 at 6/30/18.

**NOTE 4: Pension Plans**

**Description of Plans** – All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**Teachers' Pension and Annuity Fund (TPAF)** – The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer 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.

**Public Employees' Retirement System (PERS)** – The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 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 mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

**Vesting and Benefit Provisions** – The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provide for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provision of the System.

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

**NOTE 4: Pension Plans (Continued)**

**Significant Legislation** - During the year ended June 30, 1997, legislation was enacted Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997), changed the asset valuation method from market related value to full-market value. This legislation also contains a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits, accordingly, the pension costs for TPAF and PERS were reduced.

**Funding Policy** – The contribution policy is set by New Jersey State Statutes and contributions are required 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 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Legislation enacted during 1993 provides early retirement incentives for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1994 fiscal year. The early retirement incentives included: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an additional \$500 per month for two years for employees at least age 60 with 10 years but less than 20 years of service. The Board will assume the increased cost for the early retirement as it affects their districts.

During the year ended June 30, 2018, the State of New Jersey contributed \$912,779 to the TPAF for post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$280,326 during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditure in accordance with GASB 24.



**NOTE 4: Pension Plans (Continued)****Three-Year Trend Information for PERS**

<b><u>Year Funding</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
6/30/18	\$ 126,188	100%	0
6/30/17	106,737	100%	0
6/30/16	109,555	100%	0

**Three-Year Trend Information for TPAF (Paid On-Behalf of the District)**

<b><u>Year Funding</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
6/30/18	\$ 912,779	100%	0
6/30/17	729,681	100%	0
6/30/16	589,830	100%	0

**Pension Expense Deferred Outflows/Inflows – PERS****Plan Description**

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

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

The following represents the membership tiers for PERS:

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

**NOTE 4: Pension Plans (Continued)****Pension Expense Deferred Outflows/Inflows – PERS (Continued)****Plan Description**

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

**Basis of Presentation**

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Allocation Methodology and Reconciliation to Financial Statements**

GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2016 through June 30, 2017. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

**NOTE 4: Pension Plans (Continued)****Allocation Methodology and Reconciliation to Financial Statements (Continued)**

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amount by employer. The allocation percentages for each group of June 30, 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2017.

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

For the year ended June 30, 2018, the District recognized pension expense of \$126,188. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience	\$ 72,668	
Changes of Assumptions	621,752	619,472
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	21,015	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	503,193	111,107
District Contributions Subsequent to the Measurement Date	<u>126,188</u>	<u>          </u>
Total	<u>\$ 1,344,816</u>	<u>730,579</u>

**NOTE 4: Pension Plans (Continued)****Allocation Methodology and Reconciliation to Financial Statements (Continued)**

\$1,344,816 reported as deferred outflows of resources related to pensions resulting from school district, charter school, or renaissance school project 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:

**Additional Information**

Collective balances at December 31, 2017 and 2016 are as follows:

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Collective Deferred Outflows of Resources	\$ 1,344,816	1,387,106
Collective Deferred Inflows of Resources	730,579	142,229
Collective Net Pension Liability	3,086,145	3,515,607
District's Proportion	.01326%	.01187%

**Components of Net Pension Liability**

The components of the collective net pension liability of the participating employers as of June 30, 2017 were as follows:

	<u>2017</u>		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 32,535,896,852	44,852,367,051	77,388,263,903
Plan Fiduciary Net Position	<u>6,890,274,055</u>	<u>21,573,965,463</u>	<u>28,464,239,518</u>
Net Pension Liability	<u>\$ 25,645,622,797</u>	<u>23,278,401,588</u>	<u>48,924,024,385</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	21.18%	48.10%	36.78%

The components of the collective net pension liability of the participating employers as of June 30, 2016 were as follows:

	<u>2016</u>		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 36,295,189,928	49,474,698,146	85,769,888,074
Plan Fiduciary Net Position	<u>6,904,504,223</u>	<u>19,857,566,387</u>	<u>26,762,070,610</u>
Net Pension Liability	<u>\$ 29,390,685,705</u>	<u>29,617,131,759</u>	<u>59,007,817,464</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	19.02%	40.14%	31.20%

**NOTE 4: Pension Plans (Continued)****Components of Net Pension Liability (Continued)**

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

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% – 5.15% Based on Age
Investment Rate of Return	7.00%

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 (setback 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.

**NOTE 4: Pension Plans (Continued)****Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

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

**Discount Rate**

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

**NOTE 4: Pension Plans (Continued)****Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<b>2017</b>		
	<b>At 1%</b>	<b>At Current</b>	<b>At 1%</b>
	<b><u>Decrease (4.00%)</u></b>	<b><u>Discount</u></b>	<b><u>Increase (6.00%)</u></b>
State	\$ 29,818,581,732	25,645,622,797	22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
Total	<u>\$ 58,697,018,759</u>	<u>48,924,024,385</u>	<u>40,792,456,582</u>
	<b>2016</b>		
	<b>At 1%</b>	<b>At Current</b>	<b>At 1%</b>
	<b><u>Decrease (3.90%)</u></b>	<b><u>Discount</u></b>	<b><u>Increase (5.90%)</u></b>
State	\$ 34,422,851,197	29,390,685,705	25,246,574,457
Local	<u>36,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
Total	<u>\$ 70,715,189,252</u>	<u>59,007,817,464</u>	<u>49,352,744,647</u>

**Teachers Pensions and Annuity Fund (TPAF)****Plan Description**

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contribution, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

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

**NOTE 4: Pension Plans (Continued)****Teachers Pensions and Annuity Fund (TPAF) (Continued)**

The following represents the membership tiers for TPAF:

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

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

**Basis of Presentation**

The Schedule of employers and nonemployer allocations and the schedule of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of TPAF and the State as an employer/nonemployer entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of TPAF or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of TPAF to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Allocation Methodology**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocation and applied to, presented in the schedule of pension amount by employer and nonemployer are based on the ration of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2017. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.



**NOTE 4: Pension Plans (Continued)****Allocation Methodology (Continued)**

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation had modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, State's pension contribution was less than the actuarial determined amount.

**Special Funding Situation**

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

**Components of Net Pension Liability**

The components of the net pension liability of the State as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Total Pension Liability	\$ 90,726,371,000	101,746,770,000
Plan Fiduciary Net Position	<u>23,056,161,829</u>	<u>22,717,862,967</u>
Net Pension Liability	<u>\$ 67,670,209,171</u>	<u>79,028,907,033</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%

**State Proportionate Share of Net Pension Liability Attributable to District**

	<u>2017</u>	<u>2016</u>
District's Liability	<u>\$ 23,817,989</u>	<u>26,454,031</u>
District's Proportion	.03520%	.03347%

**NOTE 4: Pension Plans (Continued)****State Proportionate Share of Net Pension Liability Attributable to District (Continued)**

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

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

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

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

**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

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

**NOTE 4: Pension Plans (Continued)****Discount Rate**

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

	<u>At 1% Decrease</u>	<u>At Current Discount Rate</u>	<u>At 1% Increase</u>
2017 (3.25%, 4.25%, 5.25%)	\$ 80,394,331,171	67,670,209,171	57,188,022,171
2016 (2.22%, 3.22%, 4.22%)	94,378,176,033	79,028,907,033	66,494,248,033

**NOTE 5: Post-Retirement Benefits****General Information about the OPEB Plan****Plan description and benefits provided**

P.O. 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 (APB) who retired from a board of education or county college with 25 years of service. (GASB Cod. Sec. 2300.106(g))

**NOTE 5: Post-Retirement Benefits (Continued)**

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.

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

Employees covered by benefit terms. At June 30, 2017, 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.

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

Inflation rate 2.50%

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

**NOTE 5: Post-Retirement Benefits (Continued)**

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

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

***Health Care Trend Assumptions***

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

***Discount Rate***

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

	<b>Total <u>OPEB Liability</u></b>
Balance at 6/30/2016 Measurement Date	\$ 57,831,784,184
Changes for the Year:	
Service Cost	2,391,878,884
Interest on Total OPEB Liability	1,699,441,736
Change of Assumptions	(7,086,599,129)
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	
Gross Benefit Payments	(1,242,412,566)
Contributions from the Member	<u>45,748,749</u>
Balance at 6/30/2017 Measurement Date	<u>\$ 53,639,841,858</u>

**NOTE 5: Post-Retirement Benefits (Continued)**

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents 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-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u> <u>(2.58%)</u>	<u>Discount Rate</u> <u>(3.58%)</u>	<u>1% Increase</u> <u>(4.58%)</u>
Total OPEB Liability (School Retirees)	\$ 63,674,362,200	53,639,841,858	45,680,364,453

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 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

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

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the year ended June 30, 2018, the Board of Education recognized OPEB expense of \$1,235,028 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 GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the Shrewsbury 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, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>
Change in Proportion	\$ 99,843,255	99,843,255
Changes of Assumptions	<hr style="width: 100%;"/>	6,343,769,032
Total	<u>\$ 99,843,255</u>	<u>6,443,612,287</u>

**NOTE 5: Post-Retirement Benefits (Continued)**

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 June 30:	
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)

**NOTE 6: Compensated Absences**

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

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

**NOTE 7: 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 student accident and surety bonds.

**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 the State. The following 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 year:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Reimbursed</u>	<u>Ending Balance</u>
2017-2018	None	12,372	14,447	25
2016-2017	None	16,074	19,125	2,100
2015-2016	None	25,269	24,192	5,151

**NOTE 8: Economic Dependency**

The District receives 13% of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the District's programs and activities.

**NOTE 9: Contingent Liabilities**

It is the opinion of the school board officials that there is no litigation threatened or pending that would materially affect the financial position of the school district.

**NOTE 10: Interfund Receivables and Payables**

	<u>From</u>	<u>To</u>
Special Revenue Fund	\$ 12,645	
Capital Projects Fund	75,027	
General Fund	<u>          </u>	<u>87,672</u>
	<u>\$ 87,672</u>	<u>87,672</u>

The interfund loan due General is for Federal and State Aid reimbursements due to the Special Revenue and Capital Projects Funds. Once received, the loans will be eliminated, which is expected to be within one year.

**NOTE 11: Fair Values of Financial Instruments**

The following methods and assumptions were used by the Shrewsbury Board of Education in estimating its fair value disclosures for financial instruments.

Cash and Cash Equivalents: The carrying amounts reported in the combined balance sheet for cash and cash equivalents are the fair values of those assets.

**NOTE 12: 2% Calculation of Excess Surplus**

2017-18 Total General Fund Expenditures Per the CAFR	\$ 9,388,660
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(1,193,105)</u>
Adjusted 2017-2018 General Fund Expenditures	<u>\$ 8,195,555</u>
2% of Adjusted 2017-18 General Fund Expenditures	<u>\$ 163,911</u>
Enter Above or \$250,000, whichever is greater	\$ 250,000
Increased by Allowable Adjustments	<u>15,852</u>
Maximum Unassigned Fund Balance	<u>\$ 265,852</u>



**NOTE 12: 2% Calculation of Excess Surplus (Continued)****Section 2**

Total General Fund – Fund Balance @ 6-30-18	\$ 1,066,158
Decreased by:	
Maintenance Reserve	(170,005)
Capital Reserve	(445,312)
Reserve for Encumbrances	(57,467)
Designated for Subsequent Year’s Expenditures	(102,522)
Designated for Subsequent Year’s Expenditures – Excess Surplus	<u>(25,000)</u>
Total Unassigned Fund Balance	<u>\$ 265,852</u>

**Section 3**

Excess Surplus Designated for Subsequent Year’s Expenditures	\$ 25,000
Excess Surplus – Reserved Fund Balance	<u>0</u>
	<u>\$ 25,000</u>

**Detail of Allowable Adjustments**

Extraordinary Aid	\$ 13,570
Non-Public Transportation	<u>2,282</u>
	<u>\$ 15,852</u>

**Reserves**

Maintenance Reserve	\$ 170,005
Capital Reserve	<u>445,312</u>
	<u>\$ 615,317</u>

**NOTE 13: Significant Accounting Pronouncements**

In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the District has updated references to GAAP in its financial statements issued for the period ended June 30, 2018. The adoption of FASB ASC 105 did not impact the District’s financial position or results of operations.

In May 2009, the FASB updated ASC 855, Subsequent Events, which is effective for reporting periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued, or are available to be issued. The District adopted the amended sections of ASC 855 and it did not have an impact on the District’s financial statements. The District evaluated all events or transactions that occurred after June 30, 2018 through December 1, 2018.

**NOTE 14: Judgment**

On April 26, 2018, a judgment was rendered against the Shrewsbury Board of Education by the State of New Jersey Office of Administrative Law for three years starting with the 2017-2018 school year at \$31,000 per year for a total of \$61,000.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES – C**

**SHREWSBURY SCHOOL DISTRICT**

Exhibit C-1  
Sheet 1 of 11

**GENERAL FUND - BUDGETARY COMPARISON SCHEDULE**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 7,912,836		7,912,836	7,912,836	-
Tuition-Preschool	12,000		12,000	26,500	14,500
Tuition-Other LEA's within State	26,500		26,500		(26,500)
Miscellaneous			-	9,321	9,321
Total Local Sources	<u>7,951,336</u>	<u>-</u>	<u>7,951,336</u>	<u>7,948,657</u>	<u>(2,679)</u>
State Sources:					
Special Education Aid	211,198		211,198	223,365	12,167
Transportation Aid	5,422		5,422	5,422	-
Security Aid	7,973		7,973	7,973	-
Adjustment Aid	2,810		2,810	2,810	-
Per Pupil Growth Aid	4,620		4,620	4,620	-
PARCC Readiness Aid	4,620		4,620	4,620	-
Professional Learning Community Aid	5,000		5,000	5,000	-
Extraordinary Aid				13,570	13,570
Non-Public Transportation Aid			-	2,282	2,282
On-Behalf TPAF Pension Contributions (non-budgeted)				912,779	912,779
Reimbursed TPAF Social Security (non-budgeted)			-	280,326	280,326
Total State Sources	<u>241,643</u>	<u>-</u>	<u>241,643</u>	<u>1,462,767</u>	<u>1,221,124</u>
Total Revenues	<u>8,192,979</u>	<u>-</u>	<u>8,192,979</u>	<u>9,411,424</u>	<u>1,218,445</u>

**SHREWSBURY SCHOOL DISTRICT**

Exhibit C-1  
Sheet 2 of 11

**GENERAL FUND - BUDGETARY COMPARISON SCHEDULE**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Current Expense:					
Regular Programs - Instruction:					
Preschool-Salaries of Teachers	53,820	358	54,178	53,784	394
Kindergarten - Salaries of Teachers	210,369	(71,972)	138,397	138,396	1
Grades 1-5 - Salaries of Teachers	1,198,919	(32,549)	1,166,370	1,143,796	22,574
Grades 6-8 - Salaries of Teachers	832,532	28,577	861,109	846,381	14,728
Home Instruction:					
Salaries of Teachers	5,000		5,000	1,501	3,499
Purchased Professional Services	700		700		700
Regular Programs - Undistributed:					
Other Salaries for Instruction	348,828	(9,768)	339,060	334,358	4,702
Purchased Technical Services	154,500	29,024	183,524	151,003	32,521
Other Purchased Services	25,055	1,000	26,055	25,923	132
General Supplies	198,149	(7,598)	190,551	176,980	13,571
Other Objects	5,500	(506)	4,994	3,810	1,184
Total Regular Programs - Instruction	<u>3,033,372</u>	<u>(63,434)</u>	<u>2,969,938</u>	<u>2,875,932</u>	<u>94,006</u>
Learning and/or Language Disabilities:					
Salaries of Teachers	74,755	855	75,610	75,610	-
Other Salaries for Instruction	24,898		24,898	24,490	408
General Supplies	900	3,000	3,900	3,053	847
Total Learning and/or Language Disabilities	<u>100,553</u>	<u>3,855</u>	<u>104,408</u>	<u>103,153</u>	<u>1,255</u>
Behavioral Disabilities					
Salaries of Teachers	91,268	1,712	92,980	91,671	1,309
General Supplies	1,000		1,000	99	901
Total Behavioral Disabilities	<u>92,268</u>	<u>1,712</u>	<u>93,980</u>	<u>91,770</u>	<u>2,210</u>

**SHREWSBURY SCHOOL DISTRICT**

**Exhibit C-1  
Sheet 3 of 11**

**GENERAL FUND - BUDGETARY COMPARISON SCHEDULE**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Resource Room/Center:					
Salaries of Teachers	610,911	80,319	691,230	691,229	1
General Supplies	2,000		2,000		2,000
Total Resource Room/Center	<u>612,911</u>	<u>80,319</u>	<u>693,230</u>	<u>691,229</u>	<u>2,001</u>
Preschool Disabilities-Part time:					
Salaries-Teachers	64,976	(1,712)	63,264	60,220	3,044
Other Salaries For Instruction	6,500		6,500	5,154	1,346
General Supplies	3,000		3,000		3,000
Total Preschool Disabilities-Part time	<u>74,476</u>	<u>(1,712)</u>	<u>72,764</u>	<u>65,374</u>	<u>7,390</u>
Total Special Education - Instruction	<u>880,208</u>	<u>84,174</u>	<u>964,382</u>	<u>951,526</u>	<u>12,856</u>
Other Instructional Programs:					
School Sponsored Co-Curricular Activities - Instruction:					
Salaries	22,500	2,227	24,727	24,727	-
Other Objects	500		500		500
Total School Sponsored Co-Curricular Activities - Instr.	<u>23,000</u>	<u>2,227</u>	<u>25,227</u>	<u>24,727</u>	<u>500</u>

SHREWSBURY SCHOOL DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

Exhibit C-1  
Sheet 4 of 11

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
School Sponsored Athletics - Instruction:					
Salaries	20,000		20,000	15,012	4,988
Supplies and Materials	1,500		1,500		1,500
Total School Sponsored Athletics - Instruction	<u>21,500</u>	<u>-</u>	<u>21,500</u>	<u>15,012</u>	<u>6,488</u>
Supplemental At Risk Programs:					
Salaries	57,053	506	57,559	57,558	1
Supplies and Materials	3,276	835	4,111	3,787	324
Total Supplemental At Risk Programs - Instruction	<u>60,329</u>	<u>1,341</u>	<u>61,670</u>	<u>61,345</u>	<u>325</u>
Total Instruction	<u>4,018,409</u>	<u>24,308</u>	<u>4,042,717</u>	<u>3,928,542</u>	<u>114,175</u>
Undistributed Expenditures:					
Instruction:					
Tuition To Other LEAs Within The State-Regular	3,260		3,260	2,935	325
Tuition To Other LEAs Within The State-Special		21,600	21,600	18,700	2,900
Tuition to Private Schools for the Disabled within State	72,390	(21,600)	50,790	31,600	19,190
Total Undistributed Expenditures - Instruction	<u>75,650</u>	<u>-</u>	<u>75,650</u>	<u>53,235</u>	<u>22,415</u>
Attendance and Social Work:					
Salaries	26,905	211	27,116	27,115	1



SHREWSBURY SCHOOL DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Exhibit C-1

Sheet 5 of 11

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Health Services:					
Salaries	73,495	(5,600)	67,895	63,302	4,593
Purchased Professional/Technical Services	6,000		6,000	1,764	4,236
Other Purchased Services	100		100		100
Supplies and Materials	4,000		4,000	1,076	2,924
Total Health Services	<u>83,595</u>	<u>(5,600)</u>	<u>77,995</u>	<u>66,142</u>	<u>11,853</u>
Other Support Services - Student - Related Services:					
Salaries	137,548		137,548	134,946	2,602
Purchased Professional - Educational Services	113,000	19,575	132,575	101,547	31,028
Supplies and Materials	5,400		5,400	3,997	1,403
Total Other Support Services - Student - Related Services	<u>255,948</u>	<u>19,575</u>	<u>275,523</u>	<u>240,490</u>	<u>35,033</u>
Other Support Services - Student - Extra Services:					
Supplies and Materials	5,400	(5,400)	-		-
Total Other Support Services - Student - Extra Services	<u>5,400</u>	<u>(5,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Support Services - Students - Regular:					
Salaries of Other Professional Staff	64,613	1,441	66,054	66,053	1
Other Purchased Services	500		500	137	363
Supplies and Materials	2,000	(300)	1,700	1,667	33
Total Other Support Services - Student Regular	<u>67,113</u>	<u>1,141</u>	<u>68,254</u>	<u>67,857</u>	<u>397</u>

SHREWSBURY SCHOOL DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Exhibit C-1  
Sheet 6 of 11

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
Other Support Student - Special:					
Salaries of Other Professional Staff	317,948	(12,084)	305,864	303,630	2,234
Salaries of Secretarial & Clerical	38,381		38,381	20,289	18,092
Purchased Professional-Educational Services	11,000		11,000	7,241	3,759
Other Purchased Professional-Technical Services	14,000		14,000	12,969	1,031
Other Purchased Services	5,000	(586)	4,414	44	4,370
Supplies and Materials	14,000	195	14,195	12,556	1,639
Other Objects	4,000		4,000	970	3,030
Total Other Support Student - Special	<u>404,329</u>	<u>(12,475)</u>	<u>391,854</u>	<u>357,699</u>	<u>34,155</u>
Improvement of Instructional Services:					
Salaries of Supervisors	81,081	(1,407)	79,674	70,556	9,118
Purchased Professional-Educational Services	5,000		5,000	-	5,000
Other Purchased Services	200		200	85	115
Supplies and Materials	2,000	(500)	1,500	949	551
Other Objects	1,500	1,267	2,767	1,767	1,000
Total Improvement of Instructional Services	<u>89,781</u>	<u>(640)</u>	<u>89,141</u>	<u>73,357</u>	<u>15,784</u>
Educational Media/School Library:					
Salaries	53,182	5,503	58,685	58,685	-
Salaries-Technical Coordinators	24,879	3,582	28,461	24,903	3,558
Purchased Professional-Technical Services	1,000	(246)	754	413	341
Other Purchased Services	6,500	(2,012)	4,488	4,488	-
Supplies & Materials	9,000	5,076	14,076	8,007	6,069
Other Objects	1,000		1,000		1,000
Total Educational Media/Library	<u>95,561</u>	<u>11,903</u>	<u>107,464</u>	<u>96,496</u>	<u>10,968</u>

**SHREWSBURY SCHOOL DISTRICT**

**Exhibit C-1  
Sheet 7 of 11**

**GENERAL FUND - BUDGETARY COMPARISON SCHEDULE**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
Instructional Staff Training Services:					
Purchased Professional/Technical Services	15,000	3,656	18,656	15,785	2,871
Other Purchased Services	15,000	(1,690)	13,310	3,153	10,157
Supplies and Materials	1,500	(1,169)	331	220	111
Total Instructional Staff Training Services	<u>31,500</u>	<u>797</u>	<u>32,297</u>	<u>19,158</u>	<u>13,139</u>
Support Services - General Administration:					
Salaries	135,313	(11,952)	123,361	119,457	3,904
Legal Services	60,000	10,226	70,226	70,207	19
Audit Fees	10,500		10,500	10,500	-
Architectural Services	10,000	(8,670)	1,330		1,330
Other Purchased Professional Services	10,430	3,025	13,455	13,455	-
Purchased Technical Services	26,000	(12,025)	13,975	10,045	3,930
Communications/Telephone	38,000	712	38,712	22,848	15,864
BOE Other Purchased Services	3,000	2,392	5,392	1,100	4,292
Other Purchased Services	48,633	4,166	52,799	52,212	587
General Supplies	22,000	(9,470)	12,530	12,180	350
BOE In-House Training/Meeting Supplies	200		200		200
Judgments		16,348	16,348	13,079	3,269
Miscellaneous Expenditures	7,500		7,500	5,545	1,955
BOE Membership Dues and Fees	4,206		4,206	4,206	-
Total Support Services - General Administration	<u>375,782</u>	<u>(5,248)</u>	<u>370,534</u>	<u>334,834</u>	<u>35,700</u>
Support Services - School Administration:					
Salaries of Principals/Vice Principals	86,582	(16,349)	70,233	68,906	1,327
Salaries of Secretarial & Clerical	24,297		24,297	21,875	2,422
Other Purchased Services	200		200		200
Supplies and Materials	1,000	(27)	973	620	353
Total Support Services - School Administration	<u>112,079</u>	<u>(16,376)</u>	<u>95,703</u>	<u>91,401</u>	<u>4,302</u>

**SHREWSBURY SCHOOL DISTRICT**

**GENERAL FUND - BUDGETARY COMPARISON SCHEDULE**

**Exhibit C-1  
Sheet 8 of 11**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b><u>Original Budget</u></b>	<b><u>Budget Transfers</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Final to Actual</u></b>
Central Services:					
Salaries	266,573	11,952	278,525	278,524	1
Purchased Technical Services	21,000	4,000	25,000	23,088	1,912
Other Purchased Services	5,500		5,500	4,764	736
Supplies and Materials	7,000	1,936	8,936	8,758	178
Other Objects	4,700	(1,982)	2,718	1,972	746
Total Central Services	<u>304,773</u>	<u>15,906</u>	<u>320,679</u>	<u>317,106</u>	<u>3,573</u>
Administrative Information Technology:					
Salaries	46,203	46	46,249	46,249	-
Total Administrative Information Technology	<u>46,203</u>	<u>46</u>	<u>46,249</u>	<u>46,249</u>	<u>-</u>
Required Maintenance For School Facilities:					
Cleaning, Repairs and Maintenance	80,000	32,402	112,402	111,625	777
General Supplies	44,206	5,144	49,350	48,841	509
Other Objects	1,000		1,000	1,000	-
Total Required Maintenance For School Facilities	<u>125,206</u>	<u>37,546</u>	<u>162,752</u>	<u>161,466</u>	<u>1,286</u>
Other Operations and Maintenance of Plant:					
Salaries	278,812	(12,129)	266,683	266,683	-
Salaries of Non-Instructional Aides	45,201	(9,880)	35,321	35,257	64
Other Purchased Property Services	16,500		16,500	15,201	1,299
Insurance	32,185	(4,216)	27,969	27,968	1
Miscellaneous Purchased Services	200		200		200
Supplies	2,200		2,200	2,101	99
Energy (Electricity)	79,000	(2,159)	76,841	76,841	-
Energy (Natural Gas)	60,000	(16,858)	43,142	43,142	-
Other Objects	700		700	288	412
Total Other Operations and Maintenance Of Plant	<u>514,798</u>	<u>(45,242)</u>	<u>469,556</u>	<u>467,481</u>	<u>2,075</u>

**SHREWSBURY SCHOOL DISTRICT**

**GENERAL FUND - BUDGETARY COMPARISON SCHEDULE**

**Exhibit C-1  
Sheet 9 of 11**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b><u>Original Budget</u></b>	<b><u>Budget Transfers</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Final to Actual</u></b>
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance	9,000		9,000		9,000
Supplies	16,000	(2,010)	13,990	12,815	1,175
Total Care and Upkeep of Grounds	<u>25,000</u>	<u>(2,010)</u>	<u>22,990</u>	<u>12,815</u>	<u>10,175</u>
Security:					
Salaries	9,000		9,000		9,000
Total Operation & Maintenance of Plant	<u>674,004</u>	<u>(9,706)</u>	<u>664,298</u>	<u>641,762</u>	<u>22,536</u>
Student Transportation:					
Contracted Services Home/School - Vendors	3,000	(3,000)	-		-
Contracted Services Other Than Home/School-Vendors	900	(900)	-		-
Contracted Services Home/School - Joint Agreement	45,000	11,632	56,632	53,059	3,573
Contracted Services Special Education - Vendors	91,000	(3,207)	87,793	54,344	33,449
Total Student Transportation	<u>139,900</u>	<u>4,525</u>	<u>144,425</u>	<u>107,403</u>	<u>37,022</u>
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	115,000		115,000	101,440	13,560
Other Retirement Contributions - PERS	120,000	6,188	126,188	126,188	-
Unemployment Compensation	20,000		20,000	1,259	18,741
Workmen's Compensation	57,048	5,334	62,382	62,382	-
Health Benefits	1,167,587	(32,118)	1,135,469	1,097,667	37,802
Tuition Reimbursement	15,000		15,000	15,000	-
Other Employee Benefits		27,598	27,598	27,598	-
Total Unallocated Benefits - Employee Benefits	<u>1,494,635</u>	<u>7,002</u>	<u>1,501,637</u>	<u>1,431,534</u>	<u>70,103</u>
On Behalf TPAF Pension Contributions (Non-Budgeted)			-	912,779	(912,779)
Reimbursed TPAF Social Security Contr. (Non-Budgeted)			-	280,326	(280,326)
Total Undistributed Expenditures	<u>4,283,158</u>	<u>5,661</u>	<u>4,288,819</u>	<u>5,164,943</u>	<u>(876,124)</u>

SHREWSBURY SCHOOL DISTRICT

Exhibit C-1  
Sheet 10 of 11

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Interest Earned on Maintenance Reserve			-		-
Total General Current Expense	<u>8,301,567</u>	<u>29,969</u>	<u>8,331,536</u>	<u>9,093,485</u>	<u>(761,949)</u>
Capital Outlay:					
Equipment and Facilities Acquisition:					
Improvement to Sites		266,862	266,862	266,862	-
Roof Repairs	119,112	(97,509)	21,603	15,685	5,918
Other Objects-SDA Assessment	12,628		12,628	12,628	-
Total Equipment and Facilities Acquisition	<u>131,740</u>	<u>169,353</u>	<u>301,093</u>	<u>295,175</u>	<u>5,918</u>
Interest Deposit to Capital Reserve			-		-
Total Capital Outlay	<u>131,740</u>	<u>169,353</u>	<u>301,093</u>	<u>295,175</u>	<u>5,918</u>
Total Expenditures	<u>8,433,307</u>	<u>199,322</u>	<u>8,632,629</u>	<u>9,388,660</u>	<u>(756,031)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(240,328)</u>	<u>(199,322)</u>	<u>(439,650)</u>	<u>22,764</u>	<u>462,414</u>
Fund Balance July 1	<u>1,043,394</u>		<u>1,043,394</u>	<u>1,043,394</u>	-
Fund Balance June 30	<u>\$ 803,066</u>	<u>(199,322)</u>	<u>603,744</u>	<u>1,066,158</u>	<u>462,414</u>

SHREWSBURY SCHOOL DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Recapitulation:					
Restricted to:					
Excess Surplus - Designated for Subsequent Year's Expenditures				\$ 25,000	
Maintenance Reserve				170,005	
Capital Reserve				445,312	
Assigned To:					
Year End Encumbrances				57,467	
Unrestricted Fund Balance - Designated for Subsequent Year's Expenditures				102,522	
Unassigned Fund Balance				265,852	
				<u>1,066,158</u>	
Reconciliation to Governmental Fund Statements (GAAP):					
Final State Aid Payments Not Recognized on GAAP Basis				<u>(23,168)</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 1,042,990</u>	

SHREWSBURY SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
State Sources	\$ 35,003	(2,239)	32,764	32,764	
Federal Sources	<u>148,093</u>	<u>(1,517)</u>	<u>146,576</u>	<u>146,576</u>	
Total Revenues	<u>\$ 183,096</u>	<u>(3,756)</u>	<u>179,340</u>	<u>179,340</u>	<u>-</u>
Expenditures:					
Instruction:					
Purchased Professional and Technical Services	\$ 2,756		2,756	2,756	
Tuition	114,190	(1,736)	112,454	112,454	
Textbooks	1,150		1,150	1,150	
General Supplies	<u>35,000</u>	<u>(636)</u>	<u>34,364</u>	<u>34,364</u>	
Total Instruction	<u>153,096</u>	<u>(2,372)</u>	<u>150,724</u>	<u>150,724</u>	<u>-</u>
Support Services:					
Purchased Professional Educational Services	30,000	(2,384)	27,616	27,616	
Other Purchased Services	<u>30,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	
Total Support Services	<u>30,000</u>	<u>(1,384)</u>	<u>28,616</u>	<u>28,616</u>	<u>-</u>
Total Expenditures	<u>\$ 183,096</u>	<u>(3,756)</u>	<u>179,340</u>	<u>179,340</u>	<u>-</u>



**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGET TO GAAP RECONCILIATION**

**NOTE TO RSI**

**JUNE 30, 2018**

	<b><u>General Fund</u></b>	<b><u>Special Revenue Fund</u></b>
<b><u>Sources/Inflows of Resources</u></b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 9,411,424	179,340
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	21,949	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(23,168)</u>	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 9,410,205</u>	<u>179,340</u>
<b><u>Uses/Outflows of Resources</u></b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 9,388,660	179,340
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 9,388,660</u>	<u>179,340</u>

**REQUIRED SUPPLEMENTARY INFORMATION – PART III**

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

**SHREWBURY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE**

**NET PENSION LIABILITY - PERS**

**Exhibit L-1**

**LAST FIVE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	100.000%	100.000%	100.000%	100.000%	100.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,086,145	3,515,607	2,860,532	1,992,675	1,865,974
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,086,145</u>	<u>3,515,607</u>	<u>2,860,532</u>	<u>1,992,675</u>	<u>1,865,974</u>
District's Covered-Employee Payroll	\$ 926,119	885,497	803,674	787,568	724,822
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	30.01%	25.19%	28.10%	39.52%	38.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	36.78%	31.20%	38.21%	42.74%	40.71%

**SIREWSBURY SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS - PERS**

**Exhibit L-2**

**LAST FIVE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 106,737	105,453	109,555	87,740	76,912
Contributions in Relation to the Contractually Required Contribution	<u>106,737</u>	<u>105,453</u>	<u>109,555</u>	<u>87,740</u>	<u>76,912</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's Covered-Employee Payroll	\$ 926,119	885,497	803,674	787,568	724,822
Contributions as a Percentage of Covered-Employee Payroll	11.53%	11.91%	13.63%	11.14%	10.61%

**SHREWSBURY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE**

**NET PENSION LIABILITY - TPAF**

**Exhibit L-3**

**LAST FIVE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.000%	0.000%	0.000%	0.000%	0.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	-	-	-	-
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>23,817,979</u>	<u>26,454,031</u>	<u>22,205,105</u>	<u>17,427,526</u>	<u>17,103,899</u>
Total	<u>\$ 23,817,979</u>	<u>26,454,031</u>	<u>22,205,105</u>	<u>17,427,526</u>	<u>17,103,899</u>
District's Covered-Employee Payroll	\$ 3,712,579	3,752,811	3,531,911	3,331,019	3,262,901
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	15.59%	14.19%	15.91%	19.11%	19.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%	33.64%	33.76%

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING  
FOR OPEB (GASB 75) - M**



**SHREWSBURY SCHOOL DISTRICT****SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS****LAST TWO FISCAL YEARS**

Exhibit M-1

	<u>2017</u>	<u>2016</u>
<b><u>State of New Jersey's Total OPEB Liability</u></b>		
Service Cost	\$ 2,391,878,884	1,723,999,319
Interest	1,699,441,736	1,823,643,792
Benefit Payments	(1,242,412,566)	(1,223,298,019)
Member Contributions	45,748,749	46,273,747
Change of Assumptions	(7,086,599,129)	8,611,513,521
Net Change in Total OPEB Liability	<u>(4,191,942,326)</u>	<u>10,982,132,360</u>
Total OPEB Liability - Beginning	<u>57,831,784,184</u>	<u>46,849,651,824</u>
Total OPEB Liability - Ending	<u>\$ 53,639,841,858</u>	<u>57,831,784,184</u>
<b><u>State's OPEB Liability Attributable to the District</u></b>		
Service Cost	\$ 903,214	*
Interest	571,657	*
Benefit Payments	(418,101)	*
Member Contributions	15,396	*
Change of Assumptions or Other Inputs	(2,375,945)	*
Net Change in Total OPEB Liability	<u>(1,303,779)</u>	<u>*</u>
Total Attributable OPEB Liability - Beginning	<u>19,354,864</u>	<u>*</u>
Total Attributable OPEB Liability - Ending	<u>\$ 18,051,085</u>	<u>19,354,864</u>
District's Proportionate Share of Total OPEB Liability	Zero	Zero
District's Covered Payroll	\$ 4,638,698	4,638,308
District's Proportionate Share of OPEB Liability as a Percentage of its Covered-Employee Payroll	0.00%	0.00%
District's Contribution	None	None
State Covered Employee Payroll (6/30/16 Census Data)	\$ 13,493,400,208	13,493,400,208
Total State OPEB Liability as a Percentage of its Covered-Employee Payroll	397.53%	428.59%

\* - Information not available

Source: GASB 75 report on State of New Jersey Health Benefits Program; District Records.

Note: This schedule is required by GASB 75 to show information for a 10 year period. However, information is only currently available for two years. Additional years will be presented as they become available.

**OTHER SUPPLEMENTARY INFORMATION**

**SCHOOL LEVEL SCHEDULES – D**

**N/A**

**SPECIAL REVENUE FUND – E**

**SHREWSBURY SCHOOL DISTRICT**

Exhibit E-1

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Title I	Title IIA	Title IV	I.D.E.A.		Non-Public Nursing	Non-Public Technology	Non-Public Textbooks	Non-Public Security	Suppelmentary Instruction	Corrective Speech	Exam & Classification		Totals 2018
				Basic	Preschool							Annual	Initial	
Revenues:														
State Sources	\$ -	-				3,524	1,811	1,150	3,675	3,172	11,428	365	7,639	32,764
Federal Sources	12,599	6,012	10,000	112,454	5,511									146,576
<b>Total Revenues</b>	<b>\$ 12,599</b>	<b>6,012</b>	<b>10,000</b>	<b>112,454</b>	<b>5,511</b>	<b>3,524</b>	<b>1,811</b>	<b>1,150</b>	<b>3,675</b>	<b>3,172</b>	<b>11,428</b>	<b>365</b>	<b>7,639</b>	<b>179,340</b>
Expenditures:														
Instruction:														
Purchased Professional Services	\$ -				2,756									2,756
Tuition				112,454										112,454
Textbooks								1,150						1,150
General Supplies	12,599		10,000		2,755	3,524	1,811		3,675					34,364
<b>Total Instruction</b>	<b>12,599</b>	<b>-</b>	<b>10,000</b>	<b>112,454</b>	<b>5,511</b>	<b>3,524</b>	<b>1,811</b>	<b>1,150</b>	<b>3,675</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,724</b>
Support Services:														
Other Purchased Services		1,000												1,000
Purchased Professional Services		5,012							3,172	11,428	365	7,639		27,616
<b>Total Support Services</b>	<b>-</b>	<b>6,012</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,172</b>	<b>11,428</b>	<b>365</b>	<b>7,639</b>	<b>-</b>	<b>28,616</b>
<b>Total Expenditures</b>	<b>\$ 12,599</b>	<b>6,012</b>	<b>10,000</b>	<b>112,454</b>	<b>5,511</b>	<b>3,524</b>	<b>1,811</b>	<b>1,150</b>	<b>3,675</b>	<b>3,172</b>	<b>11,428</b>	<b>365</b>	<b>7,639</b>	<b>179,340</b>

**CAPITAL PROJECTS FUND – F**

SHREWSBURY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

Exhibit F-1

SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2018

Fund Balance - Beginning	\$ 10,174
Fund Balance - Ending	\$ 10,174

**PROPRIETARY FUNDS – G**

N/A



**FIDUCIARY FUND – H**

**BOROUGH OF SHREWSBURY SCHOOL DISTRICT**

**Exhibit H-1**

**TRUST AND AGENCY FUND**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION**

**AS OF JUNE 30, 2018**

	<u>Net Payroll</u>	<u>Student Activity</u>	<u>Payroll Agency</u>	<u>Unemployment Compensation Expendable Trust</u>	<u>Total 2018</u>
Assets:					
Cash and Cash Equivalents	\$ 7,316	77,580	112,153	25	197,074
Total Assets	<u>\$ 7,316</u>	<u>77,580</u>	<u>112,153</u>	<u>25</u>	<u>197,074</u>
Liabilities and Fund Balances:					
Liabilities:					
Payroll Deductions and Withholdings			112,153		112,153
Due to Student Groups		77,580			77,580
Net Salary Accumulation	7,316				7,316
Total Liabilities	<u>\$ 7,316</u>	<u>77,580</u>	<u>112,153</u>		<u>197,049</u>
Net Position:					
Reserved - Unemployment Benefits				25	25
Total Net Position				<u>25</u>	<u>25</u>

BOROUGH OF SHREWSBURY SCHOOL DISTRICTEXPENDABLE TRUST FUND

Exhibit H-2

STATEMENT OF CHANGESIN FIDUCIARY NET POSITIONJUNE 30, 2018

	<u>Unemployment Compensation Insurance Trust Fund</u>
Additions:	
Local Sources:	
Contributions	\$ 12,372
Total Additions	<u>12,372</u>
Deductions:	
Unemployment Claims	14,447
Total Deductions	<u>14,447</u>
Change in Net Position	(2,075)
Net Position, July 1	<u>2,100</u>
Net Position, June 30	<u><u>\$ 25</u></u>

**BOROUGH OF SHREWSBURY SCHOOL DISTRICT**

**Exhibit H-3**

**STUDENT ACTIVITY ACCOUNT**

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b><u>Balance</u></b> <b><u>July 1, 2017</u></b>	<b><u>Cash</u></b> <b><u>Receipts</u></b>	<b><u>Cash</u></b> <b><u>Disbursements</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2018</u></b>
Elementary Schools: Shrewsbury	\$ 65,330	108,163	95,913	77,580

BOROUGH OF SHREWSBURY SCHOOL DISTRICTPAYROLL AGENCY FUND

Exhibit H-4

SCHEDULE OF RECEIPTS AND DISBURSEMENTSJUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Assets:				
Cash and Cash Equivalents	\$ 225,017	3,719,078	3,831,942	112,153
Total Assets	<u>\$ 225,017</u>	<u>3,719,078</u>	<u>3,831,942</u>	<u>112,153</u>
Liabilities:				
Payroll Deductions, Withholdings	\$ 225,017	3,719,078	3,831,942	112,153
Total Liabilities	<u>\$ 225,017</u>	<u>3,719,078</u>	<u>3,831,942</u>	<u>112,153</u>

**LONG-TERM DEBT - I**

**SHREWSBURY SCHOOL DISTRICT**

**Exhibit I-1**

**GENERAL LONG-TERM DEBT ACCOUNT GROUP**

**SCHEDULE OF SERIAL BONDS PAYABLE**

**JUNE 30, 2018**

<b><u>Issue</u></b>	<b><u>Date of Issue</u></b>	<b><u>Amount of Issue</u></b>	<b><u>Annual Maturities</u></b>		<b><u>Interest Rate</u></b>	<b><u>Balance July 1, 2017</u></b>	<b><u>Retired</u></b>	<b><u>Balance June 30, 2018</u></b>
			<b><u>Date</u></b>	<b><u>Amount</u></b>				
Refunding Bonds of 2012	1/24/12	\$ 2,395,000	2/15/19	220,000	2.000%	\$ 1,370,000	215,000	1,155,000
			2/15/20	225,000	2.125%			
			2/15/21	230,000	3.250%			
			2/15/22	235,000	3.250%			
			2/15/23	245,000	3.250%			
					<u>\$ 1,370,000</u>	<u>215,000</u>	<u>1,155,000</u>	

SHREWSBURY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

Exhibit I-3

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 247,556		247,556	247,556	-
Total Revenues	<u>247,556</u>	<u>-</u>	<u>247,556</u>	<u>247,556</u>	<u>-</u>
Expenditures:					
Regular Debt Service:					
Interest	36,557		36,557	36,557	-
Redemption of Principal	215,000		215,000	215,000	-
Total Expenditures	<u>251,557</u>	<u>-</u>	<u>251,557</u>	<u>251,557</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,001)	-	(4,001)	(4,001)	-
Fund Balance July 1	<u>4,002</u>	<u>-</u>	<u>4,002</u>	<u>4,002</u>	
Fund Balance June 30	<u>\$ 1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>



**STATISTICAL SECTION**

**(Unaudited)**

**SHREWSBURY SCHOOL DISTRICT**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**UNAUDITED**

J-1

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental Activities										
Invested in Capital Assets, net of Related Debt	\$ 4,758,038	4,488,549	4,419,281	4,020,434	3,441,723	2,993,350	2,766,742	2,645,514	1,918,828	1,941,807
Restricted	810,481	805,018	696,522	581,670	482,507	297,338	374,861	284,372	42,552	161,403
Unrestricted	<u>(2,304,970)</u>	<u>(2,119,586)</u>	<u>(1,862,683)</u>	<u>(1,671,645)</u>	<u>231,434</u>	<u>401,785</u>	<u>36,102</u>	<u>(104,562)</u>	<u>239,719</u>	<u>69,109</u>
Total Governmental Activities	<u>\$ 3,263,549</u>	<u>3,173,981</u>	<u>3,253,120</u>	<u>2,930,459</u>	<u>4,155,664</u>	<u>3,692,473</u>	<u>3,177,705</u>	<u>2,825,324</u>	<u>2,201,099</u>	<u>2,172,319</u>
Business Type Activities										
Invested in Capital Assets, net of Related Debt	\$ 4,735		7,443	-	-	4,970	-	-	606	1,653
Unrestricted	<u>13,734</u>	<u>16,518</u>	<u>12,928</u>	<u>30,290</u>	<u>17,957</u>	<u>7,830</u>	<u>16,111</u>	<u>23,996</u>	<u>29,921</u>	<u>37,150</u>
Total Business Type Activities	<u>\$ 18,469</u>	<u>16,518</u>	<u>20,371</u>	<u>30,290</u>	<u>17,957</u>	<u>12,800</u>	<u>16,111</u>	<u>23,996</u>	<u>30,527</u>	<u>38,803</u>
District-wide										
Invested in Capital Assets, net of related Debt	\$ 4,762,773	4,488,549	4,426,724	4,029,241	3,441,723	2,998,320	2,766,742	2,645,514	1,919,434	1,943,460
Restricted	810,481	805,018	696,522	581,670	482,507	297,338	374,861	284,372	42,552	161,403
Unrestricted	<u>(2,291,236)</u>	<u>(2,103,068)</u>	<u>(1,849,755)</u>	<u>(1,650,162)</u>	<u>249,391</u>	<u>409,615</u>	<u>52,213</u>	<u>(80,566)</u>	<u>269,640</u>	<u>106,259</u>
Total District Assets	<u>\$ 3,282,018</u>	<u>3,190,499</u>	<u>3,273,491</u>	<u>2,960,749</u>	<u>4,173,621</u>	<u>3,705,273</u>	<u>3,193,816</u>	<u>2,849,320</u>	<u>2,231,626</u>	<u>2,211,122</u>

**SHREWSBURY SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**UNAUDITED**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expenses:										
Governmental Activities	\$ 9,747,533	9,237,844	9,898,711	8,257,512	8,305,723	8,197,993	8,060,094	7,636,123	7,927,148	7,657,290
Business Type Activities	12,081	17,221	12,303	31,386	73,991	89,897	67,722	95,729	118,772	59,083
Total District Expenses	<u>9,759,614</u>	<u>9,255,065</u>	<u>9,911,014</u>	<u>8,288,898</u>	<u>8,379,714</u>	<u>8,287,890</u>	<u>8,127,816</u>	<u>7,731,852</u>	<u>8,045,920</u>	<u>7,716,373</u>
Program Revenues:										
Governmental Activities	205,840	213,010	2,124,928	182,225	200,639	198,411	180,496	277,037	188,492	142,897
Business Type Activities	14,032	13,368	12,570	43,719	76,273	81,616	59,837	73,254	95,257	35,868
Total District Program Revenues	<u>219,872</u>	<u>226,378</u>	<u>2,137,498</u>	<u>225,944</u>	<u>276,912</u>	<u>280,027</u>	<u>240,333</u>	<u>350,291</u>	<u>283,749</u>	<u>178,765</u>
Net (Expense)										
Governmental Activities	9,541,693	9,024,834	(7,773,783)	8,075,287	(8,105,084)	(7,999,582)	(7,879,598)	(7,359,086)	(7,738,656)	(7,514,393)
Business Type Activities	<u>(1,951)</u>	<u>(3,853)</u>	268	<u>(9,709)</u>	2,282	8,281	(7,885)	<u>(22,475)</u>	<u>(23,515)</u>	<u>(23,215)</u>
Total District-wide Net Expense	<u>9,539,742</u>	<u>9,020,981</u>	<u>(7,773,515)</u>	<u>8,065,578</u>	<u>(8,102,802)</u>	<u>(7,991,301)</u>	<u>(7,887,483)</u>	<u>(7,381,561)</u>	<u>(7,762,171)</u>	<u>(7,537,608)</u>
General Revenues and Other Changes in Net Assets:										
Governmental Activities	9,631,261	8,953,138	8,166,594	8,660,055	8,348,519	8,362,721	8,053,883	7,808,223	7,953,564	7,607,413
Business Type Activities				2,624	-	-	-	15,244	15,239	15,143
Total District-wide	<u>9,631,261</u>	<u>8,953,138</u>	<u>8,166,594</u>	<u>8,662,679</u>	<u>8,348,519</u>	<u>8,362,721</u>	<u>8,053,883</u>	<u>7,823,467</u>	<u>7,968,803</u>	<u>7,622,556</u>
Change in Net Position:										
Governmental Activities	89,568	(71,696)	392,811	(1,407,907)	243,435	363,139	174,285	449,137	214,908	93,020
Business Type Activities	1,951	<u>(3,853)</u>	268	12,333	2,282	<u>(8,281)</u>	<u>(7,885)</u>	<u>(7,231)</u>	<u>(8,276)</u>	<u>(8,072)</u>
Total District	<u>\$ 91,519</u>	<u>(75,549)</u>	<u>393,079</u>	<u>(1,395,574)</u>	<u>245,717</u>	<u>354,858</u>	<u>166,400</u>	<u>441,906</u>	<u>206,632</u>	<u>84,948</u>

**SHREWSBURY SCHOOL DISTRICT**  
**FUND BALANCES, GOVERNMENT FUNDS**  
**LAST TEN FISCAL YEARS**  
**UNAUDITED**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund:										
Reserved	\$ 800,306	790,842	760,738	569,495	470,332	418,452	355,449	284,372	32,378	161,398
Unreserved	<u>242,684</u>	<u>230,603</u>	<u>238,080</u>	<u>(1,671,645)</u>	<u>252,795</u>	<u>273,728</u>	<u>198,319</u>	<u>292,752</u>	<u>278,315</u>	<u>69,109</u>
Total General Fund	<u>\$ 1,042,990</u>	<u>1,021,445</u>	<u>998,818</u>	<u>(1,102,150)</u>	<u>723,127</u>	<u>692,180</u>	<u>553,768</u>	<u>577,124</u>	<u>310,693</u>	<u>230,507</u>
All Other Governmental Funds:										
Unreserved, Reported in:										
Capital Projects Fund	\$ 10,174	10,174	10,174	10,174	10,174	10,174	10,174	10,174	10,174	-
Debt Service Fund	<u>1</u>	<u>4,002</u>	<u>4,001</u>	<u>2,001</u>	<u>2,001</u>	<u>9,237</u>	<u>9,238</u>	<u>1</u>	<u>1</u>	<u>5</u>
Total All Other Government Funds	<u>\$ 10,175</u>	<u>14,176</u>	<u>14,175</u>	<u>12,175</u>	<u>12,175</u>	<u>19,411</u>	<u>19,412</u>	<u>10,175</u>	<u>10,174</u>	<u>5</u>

**SHREWSBURY SCHOOL DISTRICT**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST TEN YEARS**  
**UNAUDITED**

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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues</b>										
Tax Levy	\$ 8,160,392	7,649,492	7,797,268	7,650,085	7,504,695	7,380,817	7,277,745	7,155,850	6,992,795	6,776,480
Other Local Revenue	35,821	99,276	123,564	41,852	70,683	81,593	77,239	132,595	50,392	29,818
State Sources	1,494,312	1,269,407	1,134,848	1,017,462	854,087	976,838	776,677	611,909	931,909	830,805
Federal Sources	146,576	147,973	149,259	131,096	127,657	130,777	129,238	200,145	182,212	128,350
<b>Total Revenues</b>	<b>9,837,101</b>	<b>9,166,148</b>	<b>9,204,939</b>	<b>8,840,495</b>	<b>8,557,122</b>	<b>8,570,025</b>	<b>8,260,899</b>	<b>8,100,499</b>	<b>8,157,308</b>	<b>7,765,453</b>
<b>Expenditures</b>										
<b>Instruction:</b>										
Regular	2,875,932	2,831,053	2,785,650	2,755,286	2,882,168	2,811,757	2,558,987	2,294,414	2,603,256	2,449,230
Special	978,641	853,343	918,832	661,831	338,061	307,865	420,686	547,211	651,930	715,463
Other			-		4,959	49,177	90,883	66,974	64,978	54,357
School-sponsored/other instructional	101,084	106,375	95,661	98,909	68,651	97,530	168,618	20,894	42,814	43,686
<b>Total instruction</b>	<b>3,955,657</b>	<b>3,790,771</b>	<b>3,800,143</b>	<b>3,516,026</b>	<b>3,293,839</b>	<b>3,266,329</b>	<b>3,239,174</b>	<b>2,929,493</b>	<b>3,362,978</b>	<b>3,262,736</b>
<b>Undistributed:</b>										
Instruction/Tuition	53,235	42,389	13,560	53,350	42,010	51,928	94,749	82,681	1,500	16,705
Support Services	921,199	959,446	935,128	993,037	1,047,035	901,200	914,463	741,499	724,137	741,366
General Administration	698,189	743,656	284,711	319,649	599,209	580,434	239,159	400,792	391,725	367,820
School Administration	91,401	91,371	434,219	412,624	98,877	116,022	415,282	462,946	437,276	302,811
Operations and Maintenance	641,762	650,188	597,295	658,936	772,817	673,034	586,963	535,210	613,167	681,709
Student Transportation	107,403	85,193	91,684	110,918	115,674	122,730	119,008	97,889	70,005	85,514
Unallocated Benefits	2,624,639	2,287,045	2,075,105	1,069,050	1,261,268	1,291,256	1,354,766	1,259,942	1,225,205	1,112,891
TPAF Pension & Social Security				752,870	610,008	710,749	569,359	484,146	487,172	466,705
Education Jobs							401			
<b>Total Undistributed</b>	<b>5,137,828</b>	<b>4,859,288</b>	<b>4,431,702</b>	<b>4,370,434</b>	<b>4,546,898</b>	<b>4,447,353</b>	<b>4,294,150</b>	<b>4,065,105</b>	<b>3,950,187</b>	<b>3,775,521</b>
<b>Capital Outlay:</b>										
Equipment		16,833	240,860	20,786			9,201	21,408	18,768	
Other	295,175	55,251		154,558	12,628	12,628				
<b>Total Capital Outlay</b>	<b>295,175</b>	<b>72,084</b>	<b>240,860</b>	<b>175,344</b>	<b>12,628</b>	<b>12,628</b>	<b>9,201</b>	<b>21,408</b>	<b>18,768</b>	<b>-</b>
<b>Total General Fund Expenditures</b>	<b>9,388,660</b>	<b>8,722,143</b>	<b>8,472,705</b>	<b>8,061,804</b>	<b>7,853,365</b>	<b>7,726,310</b>	<b>7,542,525</b>	<b>7,016,006</b>	<b>7,331,933</b>	<b>7,038,257</b>
<b>Special Revenue:</b>										
Local					4,196	3,901	3,336			250
State	32,764	22,648		12,490	9,186	11,805	1,697	9,821	6,280	13,297
Federal	146,576	147,973		131,096	127,657	130,777	128,837	187,356	182,212	129,350
<b>Total Special Revenue Expenditures</b>	<b>179,340</b>	<b>170,621</b>	<b>-</b>	<b>143,586</b>	<b>141,039</b>	<b>146,483</b>	<b>133,870</b>	<b>197,177</b>	<b>188,492</b>	<b>142,897</b>
<b>Capital Projects Fund Expenditures</b>									158,226	
<b>Debt Service Expenditures</b>	<b>251,557</b>	<b>250,756</b>	<b>541,606</b>	<b>538,651</b>	<b>539,936</b>	<b>545,529</b>	<b>576,481</b>	<b>579,535</b>	<b>576,884</b>	<b>578,287</b>
<b>Total Governmental Fund Expenditures</b>	<b>9,819,557</b>	<b>9,143,520</b>	<b>9,014,311</b>	<b>8,744,041</b>	<b>8,534,340</b>	<b>8,418,322</b>	<b>8,252,876</b>	<b>7,792,718</b>	<b>8,255,535</b>	<b>7,759,441</b>
<b>Excess(Deficiency) of Revenues</b>										
Over(Under) Expenditures	17,544	22,628	190,628	96,454	22,782	151,703	8,023	307,781	(98,227)	6,012
<b>Other Financing Sources (Uses)</b>				1,785	(7,964)	(8,893)	(26,520)	(15,239)	(15,252)	(15,143)
<b>Net Change in Fund Balance</b>	<b>\$ 17,544</b>	<b>22,628</b>	<b>190,628</b>	<b>98,239</b>	<b>14,818</b>	<b>142,810</b>	<b>(18,497)</b>	<b>292,542</b>	<b>(113,479)</b>	<b>(9,131)</b>

Source: District records

**SHREWSBURY SCHOOL DISTRICT**  
**GENERAL FUND OTHER LOCAL REVENUE BY SOURCE**  
**LAST TEN FISCAL YEARS**  
**UNAUDITED**

J-5

	<u>Tuition</u>	<u>Interest on Investments</u>	<u>Miscellaneous</u>	<u>Total</u>
2009		4,411	25,407	29,818
2010	44,171	1,725	4,496	50,392
2011	79,860	581	52,154	132,595
2012	46,225	10	31,004	77,239
2013	64,956		12,736	77,692
2014	59,600		6,887	66,487
2015	38,639		3,213	41,852
2016	120,318		2,000	122,318
2017	96,927		2,349	99,276
2018	26,500	5,158	4,163	35,821

**Source: District records**

For years 2005 to 2012 interest is included in Miscellaneous  
2013 and 2014 interest is included in Miscellaneous  
2014-2015 miscellaneous includes an outstanding judgment

SHREWSBURY BOROUGH SCHOOL DISTRICT

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

J-6

<b>Fiscal Year Ended June 30,</b>	<b>Vacant Land</b>	<b>Residential</b>	<b>Farm Reg.</b>	<b>Ofarm</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Apartment</b>	<b>Estimated Full Cash Valuations</b>	<b>Less: Tax Exempt Property</b>	<b>Public Utilities</b>	<b>Net Valuation Taxable</b>	<b>Total Direct School Tax Rate</b>	<b>Estimated Actual (County Equalized) Value</b>
2009	7,693,000	522,019,400	778,700	10,900	281,708,500			812,210,500			813,679,312	0.885	\$ 1,251,361,981
2010	7,668,100	518,386,500	914,500	10,900	279,625,900			806,605,000			808,166,606	0.885	1,180,978,687
2011	7,542,600	517,700,300	914,500	5,200	264,051,000			790,213,600			791,587,495	0.920	1,139,709,288
2012	13,612,600	516,029,100	914,500	5,200	258,315,600			788,877,000			790,268,280	0.934	1,058,940,276
2013	21,767,200	616,776,800	1,119,600	12,000	360,260,900			999,936,500			1,001,423,693	0.749	999,464,408
2014	18,647,200	622,889,200	1,119,600	12,000	359,911,200			1,002,579,200			1,003,601,221	0.762	1,048,541,096
2015	7,986,400	702,100,400	1,138,600	12,300	354,940,100			1,066,177,600			1,067,333,117	0.731	1,063,413,883
2016	5,628,000	744,629,400	1,121,200	5,600	365,264,800			1,116,649,000			1,116,649,000	0.068	1,120,448,571
2017	5,747,800	774,208,900	1,133,500	5,500	366,951,800			1,148,047,500			1,149,161,895	0.710	1,172,908,786
2018	10,320,500	795,060,500	1,155,900	5,600	361,883,700			1,168,426,200			1,169,547,013	0.716	1,172,908,786

Source: District Records, Monmouth County Tax Assessor, Municipal Tax Assessor.

Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation.

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

b. Tax rates are per \$100

**SHREWSBURY BOROUGH SCHOOL DISTRICT**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES**

J-7

**LAST TEN FISCAL YEARS**

**(Rate per \$100 of Assessed Value)**

<b><u>Fiscal Year Ended June 30,</u></b>	<b><u>Shrewsbury School</u></b>	<b><u>Red Bank Regional School</u></b>	<b><u>Total Direct</u></b>	<b><u>Borough of Shrewsbury</u></b>	<b><u>Monmouth County</u></b>	<b><u>Total Direct and Overlapping Tax Rate</u></b>
2009	0.860	0.540	1.400	0.745	0.409	2.554
2010	0.885	0.570	1.455	0.776	0.403	2.634
2011	0.920	0.591	1.511	0.802	0.396	2.709
2012	0.934	0.554	1.488	0.819	0.387	2.694
2013	0.749	0.463	1.212	0.649	0.307	2.168
2014	0.762	0.521	1.283	0.663	0.325	2.271
2015	0.731	0.499	1.230	0.632	0.314	2.176
2016	0.684	0.478	1.162	0.649	0.299	2.110
2017	0.710	0.486	1.196	0.644	0.296	2.136
2018	0.716	0.497	1.213	0.642	0.296	2.151



SHREWSBURY BOROUGH SCHOOL DISTRICTPRINCIPAL PROPERTY TAX PAYERS,

J-8

CURRENT YEAR

<u>Block</u>	<u>Lot</u>	<u>Owner Name</u>	<u>Assessed Value</u>	<u>% of Assessed Value</u>
38	4	Route 35 Shrewsbury (The Grove)	\$ 58,997,600	37.00%
31	1	Marzulla, Allen Brown National Real	36,365,300	21.00%
70.01	2	Treasure Island Plaza LLC ISJ Mgt	12,652,000	7.00%
31	4	American National C/O Harding & Carbone	11,700,000	7.00%
21	1.01	Shresbury Commons LP C/O Sher Prtn	9,746,300	6.00%
29	15	Satellite Selfstorage of Shrewsbury	9,250,100	5.00%
3	11	Shrewsbury Physician Group, LLC	9,083,800	5.00%
30	8.01	Bal Sycamore LLC Brandywine SL	9,000,000	5.00%
3	4	555 Shrewsbury Avenue, LLC	8,134,800	4.00%
31	3	SBC Holdings C/O National Realty	7,521,100	3.00%
Total Assessed Valuation			<u>\$ 172,451,000</u>	100%

SHREWSBURY BOROUGH SCHOOL DISTRICTPROPERTY TAX LEVIES AND COLLECTIBLES

J-9

LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied for The Fiscal Year</u>	<u>Amount</u>	<u>Percentage of Levy</u>	<u>Collections in Subsequent Years</u>
2009	6,776,480	6,776,480	100%	
2010	6,992,795	6,992,795	100%	
2011	7,155,850	7,155,850	100%	
2012	7,277,745	7,277,745	100%	
2013	7,380,817	7,380,817	100%	
2014	7,504,695	7,504,695	100%	
2015	7,650,085	7,650,085	100%	
2016	7,797,268	7,797,268	100%	
2017	7,649,492	7,649,492	100%	
2018	8,160,392	8,160,392	100%	

Source: Municipal Tax Collector, District records including the Certificate and Report of School Taxes (Form A4F).

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

**SHREWSBURY BOROUGH SCHOOL DISTRICT**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

J-10

**LAST TEN FISCAL YEARS**

**(Dollars in Thousands, Except Per Capita)**

<b><u>Fiscal Year Ended June 30,</u></b>	<b><u>General Obligation Bonds</u></b>	<b><u>Certificates of Participation</u></b>	<b><u>Capital Leases</u></b>	<b><u>Bond Anticipation Notes (BANs)</u></b>	<b><u>Business-Type Activities Capital Leases</u></b>	<b><u>Total District</u></b>	<b><u>Percentage of Personal Income</u></b>	<b><u>Per Capita</u></b>
2009	5,489,000					5,489,000	1.04%	45,379
2010	4,229,000					4,229,000	1.37%	48,535
2011	3,849,000					3,849,000	1.59%	47,425
2012	3,440,000					3,440,000	1.83%	47,698
2013	2,995,000					2,995,000	2.11%	58,355
2014	2,540,000					2,540,000	2.60%	51,045
2015	2,070,000					2,070,000	3.19%	57,219
2016	1,580,000					1,580,000	4.18%	57,110
2017	1,370,000					1,370,000	4.20%	57,651
2018	1,155,000					1,155,000	5.00%	57,530

SHREWSBURY BOROUGH SCHOOL DISTRICTRATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

J-11

LAST TEN FISCAL YEARS(Dollars in Thousands, Except Per Capita)

<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Deductions</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2009	5,489,000		5,489,000	0.67%	1,455
2010	4,229,000		4,229,000	0.52%	1,111
2011	3,849,000		3,849,000	0.49%	1,015
2012	3,440,000		3,440,000	0.44%	905
2013	2,995,000		2,995,000	0.30%	775
2014	2,540,000		2,540,000	0.25%	628
2015	2,070,000		2,070,000	0.19%	501
2016	1,580,000		1,580,000	0.14%	382
2017	1,370,000		1,370,000	0.16%	328
2018	1,155,000		1,155,000	0.10%	288

SHREWSBURY BOROUGH SCHOOL DISTRICTRATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

J-12

AS OF DECEMBER 31, 2017

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Share of Overlapping Debt</u>
Shrewsbury Borough (as of December 31, 2017)		100.00%	\$ 4,318,000
Monmouth County (Shrewsbury Share)		0.90%	3,908,500
Regional School Debt		100.00%	700,406
Other Debt			None
Subtotal, Overlapping Debt			<u>8,926,906</u>
Shrewsbury Borough School District Debt (as of December 31, 2017)		100.00%	<u>1,370,000</u>
			<u><u>\$ 10,296,906</u></u>

Sources: Shrewsbury Borough Annual Debt Statement, District Records.

SHREWSBURY BOROUGH SCHOOL DISTRICTLEGAL DEBT MARGIN INFORMATION

J-13

Debt Limit	<u>2017</u> \$ 46,079,163
Total Net Debt Applicable to Limit	<u>1,370,000</u>
Legal Debt Margin	<u>\$ 44,709,163</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.06%

## Legal Debt Margin Calculation for Year 2017

## Equalized Valuation Basis

2015	\$ 1,119,293,254
2016	1,164,849,593
2017	<u>1,171,794,391</u>
Average Equalized Valuation of Taxable Property	<u>\$ 1,151,979,079</u>
Debt Limit (4% of Average)	\$ 46,079,163
Net Bonded School Debt	<u>1,370,000</u>
Legal Debt Margin	<u>\$ 44,709,163</u>

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey. Department of the Treasury, Division of Taxation, Monmouth County Abstract of Ratables.

**SHREWSBURY BOROUGH SCHOOL DISTRICT****DEMOGRAPHIC AND ECONOMIC STATISTICS**

Exhibit J-14

**LAST TEN FISCAL YEARS**

<b>Year</b>	<b>Population (a)</b>	<b>Personal Income (Thousands of Dollars) (b)</b>	<b>Per Capita Personal Income ©</b>	<b>Unemployment Rate(d)</b>
2009	3,772	216,275,164	57,337	2.4%
2010	3,816	220,380,384	57,873	2.4%
2011	3,828	231,581,966	61,039	2.5%
2012	3,909	239,466,801	63,001	2.6%
2013	4,029	243,753,955	63,067	2.5%
2014	4,424	267,178,893	66,019	4.5%
2015	4,131	243,753,955	N/A	3.5%
2016	4,280	244,430,800	57,110	3.8%
2017	4,181	241,038,831	57,651	4.2%
2018	4,214	242,431,420	57,530	3.8%

## Source:

- (a) Population information provided by the NJ Department of Labor and Workforce Development
- (b) Personal income - Per Capita Income
- (c) Per Capita for Monmouth County
- (d) Unemployment data provided by the NJ Department of Labor and Workforce Development

SHREWSBURY BOROUGH SCHOOL DISTRICT

PRINCIPAL EMPLOYERS

Exhibit J-15

CURRENT YEAR AND TEN YEARS AGO

2018

Data Not Available

2009

Data Not Available



**SHREWSBURY BOROUGH SCHOOL DISTRICT**

**FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM**

J-16

**LAST TEN FISCAL YEARS**

<b><u>Function/Program</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Instruction:									
Regular	41	39	38.5	37.5	38.5	38.5	35.5	39	39
Special Education	7	9	10	7	5	5	5	7	8
Support Services:									
Student & Instruction Related Services	23	22.1	22.1	19.6	22	17	16.5	13	13.6
School Administrative Services	1	1	1	1	1	2	2	2	2
General & Business Administrative Services	1	1	1	1	1	1	1	1	1
Plant Operations & Maintenance	7	6	6	7	7	7	7	6	7
Business & Other Support Services	6	6	6	6	6	6.5	6	7	7
Food Service	3.5	3	3.5	3	3	3	3	3	3
<b>Total</b>	<b><u>89.5</u></b>	<b><u>87.1</u></b>	<b><u>88.1</u></b>	<b><u>82.1</u></b>	<b><u>83.5</u></b>	<b><u>80.0</u></b>	<b><u>76.0</u></b>	<b><u>78.0</u></b>	<b><u>80.6</u></b>

Source: District Personnel Records

SHREWSBURY BOROUGH SCHOOL DISTRICT

OPERATING STATISTICS

LAST TEN FISCAL YEARS

J-17

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff (b)</u>	<u>Elementary</u>	<u>Middle School</u>	<u>Senior High School</u>	<u>Average Daily Enrollment (ADA) (c)</u>	<u>Average Daily Attendance (ADA) (c)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2008	512	7,020,804	13,713	10.69%		1:18	1:19		510	487	0.00%	95%
2009	508	7,038,257	13,855	1.04%		1:19	1:20		504	497	-1.20%	99%
2010	510	7,331,933	14,376	3.76%		1:19	1:20		506	486	0.39%	96%
2011	491	7,016,006	14,289	13.00%		1:19	1:20		487	467	-0.39%	96%
2012	489	7,542,525	15,424	7.94%		1:19	1:20		485	473	-0.41%	98%
2013	487	7,726,310	15,865	2.86%		1:19	1:20		478	460	-0.15%	96%
2014	489	7,853,365	16,060	1.23%		1:17	1:18		484	454	1.26%	94%
2015	483	8,061,804	16,691	3.78%		1:17	1:18		476	461	-1.70%	97%
2016	510	8,231,847	16,141	-3.30%		1:17	1:18		507	494	6.51%	97%
2017	505	8,820,680	17,467	7.60%		1:19	1:19		470	453	-7.30%	96%

SHREWSBURY BOROUGH SCHOOL DISTRICT

SCHOOL BUILDING INFORMATION

UNAUDITED

J-18

District Buildings

Shrewsbury Borough School

2009    2010    2011    2012    2013    2014    2015    2016    2017    2018

Not Available

Number of Schools at June 30, 2018

Elementary = 1

Source: District records.

Note: Year of original construction is shown in parentheses. Increased in square footage and capacity are the result of additions. Enrollment is based on the annual October district count.

SHREWSBURY BOROUGH SCHOOL DISTRICT

SCHEDULE OF REQUIRED MAINTENANCE

LAST TEN FISCAL YEARS

J-19

Undistributed Expenditures - Required Maintenance for School Facilities

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total School Facilities</u>
Shrewsbury Borough School	<u>109,683</u>	<u>71,593</u>	<u>77,635</u>	<u>78,265</u>	<u>189,401</u>	<u>165,369</u>	<u>149,114</u>	<u>104,869</u>	<u>155,182</u>	<u>125,206</u>	<u>1,226,317</u>

\*School facilities as defined under EFCFA.

Source: District records.

**Exhibit J-20**

New Jersey Schools Insurance Group  
**Monmouth Ocean County Shared Services Insurance Fund**  
 Package Policy Declarations



Policy Number: P807AI

**Article VI - Automobile**

**Liability**

Symbol 1 Any Auto

Bodily Injury and Property Damage

\$16,000,000 per accident

Symbol 6 Uninsured/Underinsured Motorists - Private Passenger Autos

\$1,000,000 Per Accident

Symbol 6 Uninsured/Underinsured Motorists - All Other Vehicles

\$15,000 Bodily Injury Per Person

\$30,000 Bodily Injury Per Accident

\$5,000 Property Damage Per Accident

Symbol 5 Personal Injury Protection (including pedestrians)

\$250,000

Medical Payments

\$10,000 private passenger vehicles

\$5,000 all other vehicles

Terrorism

\$1,000,000 per occurrence/annual  
NJSIG aggregate

Deductible

N/A

**Physical Damage** (Scheduled vehicles only)

Symbol 7 Comprehensive

\$1,000 deductible

Collision

\$1,000 deductible

Hired Car Physical Damage \$110,000 Limit

\$1,000 deductible

Replacement Cost

Not Covered

**Garage Keepers**

Included

## Exhibit J-20

New Jersey Schools Insurance Group  
**Monmouth Ocean County Shared Services Insurance Fund**  
 Package Policy Declarations



Policy Number: P807AI

## Article IV - Crime

Insuring Agreements	Limits	Deductibles
Insuring Agreement 1 - Public Employee Dishonesty with Faithful Performance	\$50,000	\$500
Insuring Agreement 2 - Theft, Disappearance and Destruction - Loss of Money & Securities On or Off Premises	\$25,000	\$500
Insuring Agreement 3 - Theft, Disappearance and Destruction - Money Orders & Counterfeit Paper Currency	\$25,000	\$500
Insuring Agreement 4 - Forgery or Alteration	\$25,000	\$500
Insuring Agreement 5 - Computer Fraud	\$25,000	\$500
Public Officials Bond:		
Treasurer	\$175,000	\$1,000
Board Secretary	\$100,000	\$1,000

## Article V - Comprehensive General Liability

Bodily Injury and Property Damage	\$16,000,000 per occurrence
Products and Completed Operations	\$16,000,000 annual aggregate
Sexual Abuse	\$16,000,000 per occurrence \$17,000,000 annual NJSIG aggregate
Personal Injury and Advertising Injury	\$16,000,000 per occurrence/annual aggregate
Employee Benefits Liability	\$16,000,000 per occurrence/annual aggregate
Employee Benefits Liability Deductible	\$1,000 each claim
Premises Medical Payments	\$10,000 per accident \$5,000 limit per person
Terrorism	\$1,000,000 per occurrence/annual NJSIG aggregate
Deductible	N/A

## Exhibit J-20



New Jersey Schools Insurance Group  
**Monmouth Ocean County Shared Services Insurance Fund**  
 Package Policy Declarations

Policy Number: P807AI

**Article II - Electronic Data Processing**

Data Processing Equipment Including Data and Media, Extra Expense, Business Income, Duplicates, Transit and Debris Removal	\$250,000 per occurrence
Terrorism	Included in Property
Computer Virus	\$250,000 (\$10,000,000 NJSIG Annual Aggregate)
Deductible:	\$1,000 per occurrence
Special Flood Hazard Area Flood Deductible:	\$500,000 per building contents
All Other Flood Zones Flood Deductible:	\$10,000 per member/per occurrence

**Article III - Equipment Breakdown**

Combined Single Limit per Accident for Property Damage and Business Income	\$100,000,000
SubLimits: Property Damage	Included
Off Premises Property Damage	\$100,000
Business Income	Included
Extra Expense	\$10,000,000
Service Interruption	\$10,000,000
Perishable Goods	\$500,000
Data Restoration	\$100,000
Contingent Business Income	\$100,000
Demolition	\$1,000,000
Ordinance or Law	\$1,000,000
Expediting Expenses	\$500,000
Hazardous Substances	\$500,000
Newly Acquired Locations (120 days notice)	\$250,000
Terrorism	Included

Deductibles: \$5,000 per Accident for Property Damage  
 12 Hours for Indirect Coverages  
 Service Interruption Waiting Period 24 Hours

Exhibit J-20



New Jersey Schools Insurance Group  
**Monmouth Ocean County Shared Services Insurance Fund**  
 School Leaders Errors & Omissions Liability Policy Declarations

Policy Number: E807AI

Premium: \$15,785.53

**Named Insured:**

Shrewsbury Borough Board of Education  
 20 Obre Place  
 Shrewsbury, NJ 07702-4124

**Agent:**

Balken Risk Management Services, LLC  
 143 Washington Street  
 Morristown, NJ 07960

Policy Term: July 1, 2017 to July 1, 2018 12:01 AM Eastern Standard Time

**Coverage A**

Limit of Liability

NJSIG

\$15,000,000 each policy period Excess of:

QBE Specialty Ins. Co.

\$1,000,000 each policy period/ \$3,000,000 annual aggregate

Deductible

\$25,000 each claim

**Coverage B**

Limit of Liability

\$100,000 each claim

Deductible

\$300,000 each policy period

\$25,000 each claim

These are claims-made and reported policies. By acceptance of these policies, the Insured agrees that the statements in the Declarations and the application and any attachments hereto are the Insured's agreements and representations and that these policies embody all agreements existing between the Insured and the Companies or any of its agents relating to this insurance.

**Retroactive Dates for Coverages A & B**

It is agreed that notwithstanding any provision of these policies to the contrary, these policies do not apply, as respects Coverages A & B, to claims made against the Insured arising out of a single act, error, omission, misstatement or misleading statement which occurred prior to:

Retro Date for Coverage A July 1, 1986

Retro Date for Coverage B July 1, 1986

Policy Forms: NJSIG-E1 (7/15)

In witness whereof, the New Jersey Schools Insurance Group has caused this agreement to be signed by its Executive Director.

NJSIG Executive Director

NJSIG-D-EO (7/17)

Page 1



## Exhibit J-20

New Jersey Schools Insurance Group  
**Monmouth Ocean County Shared Services Insurance Fund**  
 Package Policy Declarations



**Policy Number:** P807A1

**Premium:** \$42,633.06

**Named Insured:**

Shrewsbury Borough Board of Education  
 20 Obre Place  
 Shrewsbury, NJ 07702-4124

**Agent:**

Balken Risk Management Services, LLC  
 143 Washington Street  
 Morristown, NJ 07960

**Policy Term:** 07/01/2017 to 07/01/2018 12:01 AM Eastern Standard Time

**Article I - Property**

Real and Personal Property	\$500,000,000 per occurrence NJSIG Limit
Extra Expense	\$50,000,000 per occurrence NJSIG Limit
Valuable Papers and Records	\$10,000,000 per occurrence NJSIG Limit
Demolition and Increased Cost of Construction	\$25,000,000 per occurrence NJSIG Limit
Loss of Rents	Not Covered
Loss of Business Income/Tuition	Not Covered
Limited Builders Risk	\$10,000,000 per occurrence NJSIG Limit
Fire Department Service Charge	\$10,000 per occurrence
Arson Reward	\$10,000 per occurrence
Pollutant Cleanup and Removal	\$250,000 per occurrence
Fine Arts	Not Covered
Sublimits: Special Flood Hazard Area Flood Zones	\$25,000,000 per occurrence/ NJSIG annual aggregate
Accounts Receivable	\$250,000 per occurrence
All Flood Zones	\$75,000,000 per occurrence /NJSIG annual aggregate
Earthquake	\$50,000,000 per occurrence /NJSIG annual aggregate
Terrorism	\$1,000,000 per occurrence /NJSIG annual aggregate
Deductibles:	
Real & Personal	\$5,000 per occurrence
Extra Expense	\$5,000 per occurrence
Valuable Papers	\$5,000 per occurrence
Special Flood Hazard Area Flood Deductibles:	\$500,000 per building
	\$500,000 per building contents
All Other Flood Zones Flood Deductible:	\$10,000 per member/per occurrence

**SINGLE AUDIT SECTION**

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)  
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.  
ROBERT A. HULSART, JR., C.P.A., P.S.A.

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RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

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

K-1

Honorable President and Members  
of the Board of Education  
Shrewsbury School District  
County of Monmouth  
Shrewsbury, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Shrewsbury Board of Education, County of Monmouth, State of New Jersey as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Shrewsbury Board of Education, County of Monmouth, State of New Jersey's basic financial statements, and have issued our report thereon dated November 16, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Shrewsbury Board of Education, County of Monmouth, State of New Jersey's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shrewsbury Board of Education, County of Monmouth, State of New Jersey's internal control. Accordingly, we do not express an opinion on the effectiveness of the Shrewsbury Board of Education, County of Monmouth, State of New Jersey'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 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 purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Respectfully submitted,

**ROBERT A. HULSART AND COMPANY**

***Robert A. Hulsart***

**Licensed Public School Accountant  
No. 322  
Robert A. Hulsart and Company  
Wall Township, New Jersey**

November 16, 2018

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)  
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.  
ROBERT A. HULSART, JR., C.P.A., P.S.A.  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE AND SCHEDULES OF EXPENDITURE OF STATE  
FINANCIAL ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

K-2

Honorable President and Members  
of the Board of Education  
Shrewsbury School District  
County of Monmouth  
Shrewsbury, New Jersey

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

We have audited the Board of Education of the Shrewsbury School District, County of Monmouth, State of New Jersey's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Board of Education of the Shrewsbury School District, County of Monmouth, State of New Jersey's major state programs for the year ended June 30, 2018. The Board of Education of the Shrewsbury School District, County of Monmouth, State of New Jersey's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Board of Education of the Shrewsbury School District, County of Monmouth, State of New Jersey's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. Code of Federal Regulations CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and U.S. 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 state program occurred. An audit includes examining, on a test basis, evidence about the Board of Education of the Shrewsbury School District, County of Monmouth, State of New Jersey's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Board of Education of the Shrewsbury School District, County of Monmouth, State of New Jersey's compliance.

### ***Opinion on Each Major State Program***

In our opinion, the Board of Education of the Shrewsbury School District, County of Monmouth, State of New Jersey's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

Management of the Board of Education of the Shrewsbury School District, County of Monmouth, State of New Jersey's 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 Board of Education of the Shrewsbury School District, County of Monmouth, State of New Jersey's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the U.S. Uniform Guidance and New Jersey OMB 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 Board of Education of the Shrewsbury School District, County of Monmouth, State of New Jersey's internal control over compliance.

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

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

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

Respectfully submitted,

**ROBERT A. HULSART AND COMPANY**

*Robert A. Hulsart*

**Licensed Public School Accountant  
No. 322  
Robert A. Hulsart and Company  
Wall Township, New Jersey**

November 16, 2018

SHREWSBURY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Schedule A  
K-3

Department of Education Project/Title	Federal C.F.D.A. Number	Federal Fain Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2017	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Balance at June 30, 2018			
					From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor	
Special Revenue Fund:															
U.S. Department of Education															
Pass-Through State Department of Education															
Title IV Part A	84.424	S424A170031	N/A	\$10,000	09/01/2017	08/31/2018	\$ -		9,432	(10,000)		(568)			
Title I Part A	84.010	S010A160030	N/A	12,599	09/01/2017	08/31/2018			9,432	(12,599)		(3,167)			
Title II A Part A	84.367A	S367A170029	N/A	6,012	09/01/2017	08/31/2018			5,671	(6,012)		(341)			
IDEA Basic	84.027	H027A170100	N/A	112,454	09/01/2017	08/31/2018			112,454	(112,454)					
IDEA Preschool	84.173	H173A170114	N/A	5,511	09/01/2017	08/31/2018			5,511	(5,511)					
Total Special Revenue Fund							-	-	142,500	(146,576)	-	(4,076)	-	-	
Total Federal Financial Assistance							\$ -	-	142,500	(146,576)	-	(4,076)	-	-	

See accompanying notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.



**SHREWSBURY SCHOOL DISTRICT**

**SCHEDULE OF STATE FINANCIAL ASSISTANCE**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

State Grantor/Program State Department of Education:	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2017		Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year Balances	Balance at June 30, 2018			MEMO	
			From	To	Unearned Revenue (Accts Rec)	Due To Grantor				(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Total Cumulative Expenditures
<b>General Fund:</b>														
Special Education Aid	18-495-034-5120-089	223,365	07/01/2017	06/30/2018	\$ -		223,365	(223,365)					(20,124)	223,365
Transportation Aid	18-495-034-5120-014	5,422	07/01/2017	06/30/2018			5,422	(5,422)					(542)	5,422
Security Aid	18-495-034-5120-084	7,973	07/01/2017	06/30/2018			7,973	(7,973)					(797)	7,973
Adjustment Aid	18-495-034-5120-085	2,810	07/01/2017	06/30/2018			2,810	(2,810)					(281)	2,810
PARCC Readiness Aid	18-495-034-5120-098	4,620	07/01/2017	06/30/2018			4,620	(4,620)					(462)	4,620
Per Pupil Growth Aid	18-495-034-5120-097	4,620	07/01/2017	06/30/2018			4,620	(4,620)					(462)	4,620
Professional Learning Community Aid	18-495-034-5120-101	5,000	07/01/2017	06/30/2018			5,000	(5,000)					(500)	5,000
Extraordinary Aid	18-495-034-5120-044	13,570	07/01/2017	06/30/2018				(13,570)		(13,570)				13,570
Non-Public Transportation	18-495-034-5120-014	2,282	07/01/2017	06/30/2018				(2,282)		(2,282)				2,282
Non-Public Transportation	17-495-034-5120-014	2,552	07/01/2016	06/30/2017	(2,552)		2,552							
On-Behalf Teachers Pension & Annuity Fund	18-495-034-5094-002	912,779	07/01/2017	06/30/2018			912,779	(912,779)						912,779
Reimbursed TPAF Social Security Contributions	18-495-034-5095-003	280,326	07/01/2017	06/30/2018			278,361	(280,326)		(1,965)				280,326
Reimbursed TPAF Social Security Contributions	17-495-034-5095-002	272,501	07/01/2016	06/30/2017	(13,774)		13,774							
<b>Total General Fund</b>					(16,326)	-	1,461,276	(1,462,767)	-	(17,817)	-	-	(23,168)	1,462,767
<b>Special Revenue Fund:</b>														
Non-Public Textbooks	18-100-034-5120-064	2,684	07/01/2017	06/30/2018			2,684	(1,150)			1,534			1,150
Non-Public Textbooks	17-100-034-5120-064	3,055	07/01/2016	06/30/2017		1871			(1,871)					
Non-Public Nursing	17-100-034-5120-070	4,770	07/01/2016	06/30/2017		1504			(1,504)					
Non-Public Nursing	18-100-034-5120-070	4,753	07/01/2017	06/30/2018			4,753	(3,524)			1,229			3,524
Non-Public Technology	18-100-034-5120-373	1,813	07/01/2017	06/30/2018			1,813	(1,811)			2			1,811
Non-Public Technology	17-100-034-5120-373	1,378	07/01/2016	06/30/2017		1			(1)					
Non-Public Security	18-100-034-5120-509	3,675	07/01/2017	06/30/2018			3,675	(3,675)						3,675
Non-Public Security	17-100-034-5120-509	2,650	07/01/2016	06/30/2017		30			(30)					
Exam and Classification Initial	18-100-034-5120-066	7,639	07/01/2017	06/30/2018			7,639	(7,639)						7,639
Exam and Classification Annual	18-100-034-5120-066	365	07/01/2017	06/30/2018			365	(365)						365
Supplemental Instruction	18-100-034-5120-066	3,172	07/01/2017	06/30/2018			3,172	(3,172)						3,172
Corrective Speech	18-100-034-5120-066	11,428	07/01/2017	06/30/2018			11,428	(5,624)			5,804			5,624
Corrective Speech	17-100-034-5120-066	8,747	07/01/2016	06/30/2017		1590			(1,590)					
<b>Total Special Revenue Fund</b>					-	4,996	35,529	(26,960)	(4,996)	-	-	8,569	-	26,960
<b>Capital Projects Fund:</b>														
Renovations and Additions	N/A	2,171,600	7/1/2001	6/30/2002	(371,084)		348,064			(23,020)				
Generator Grant FEC EDA	4770-050-09-1001	67,360	7/1/2009	6/30/2010	(57,186)					(57,186)				
<b>Total Capital Projects Fund</b>					(428,270)	-	348,064	-	-	(80,206)	-	-	-	-
<b>Total State Financial Assistance</b>					\$ (444,596)	4,996	1,844,869	(1,489,727)	(4,996)	(98,023)	-	8,569	(23,168)	1,489,727
								(912,779)						
								\$583,983						

See accompanying Notes to Schedules of Federal Awards and State Financial Assistance.

**BOARD OF EDUCATION**

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**SHREWSBURY SCHOOL DISTRICT****NOTES TO SCHEDULES OF AWARDS OF FINANCIAL ASSISTANCE****JUNE 30, 2018****NOTE 1: General**

The accompanying schedules of financial assistance present the activity of all federal and state financial assistance programs of the Board of Education, Shrewsbury School District. The Board of Education is defined in Note 1(A) to the Board's general-purpose financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included on the schedule of federal financial assistance.

**NOTE 2: Basis of Accounting**

The accompanying schedules of 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. Programs recorded in the food service fund include the National School Lunch Program, the School Breakfast Program, and the U.S.D.A Commodities Program. These bases of accounting are described in the Note 1(C) to the Board's general-purpose financial statements.

**NOTE 3: Relationship to General Purpose Financial Statements**

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to P.L. 2003, c.97.(A3521). For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment 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.

Awards and financial assistance revenues are reported in the Board's general purpose financial statements on a GAAP basis as presented below:

**NOTE 3: Relationship to General Purpose Financial Statements (Continued)**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b><u>State Assistance</u></b>			
Actual Amounts (Budgetary) “Revenues” from the Schedule of Expenditures of State Financial Assistance	\$ 1,462,767	29,960	1,489,727
Difference -- Budget to “GAAP” Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized			
The Last State Aid Payment Is Recognized as Revenue for Budgetary Purposes, and Differs from GAAP Which does not Recognize This Revenue Until the Subsequent Year When the State Recognizes the Related Expense (GASB 33)	(1,219)	—	(1,219)
Total State Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 1,461,548</u>	<u>26960</u>	<u>1,488,508</u>

**NOTE 3: Relationship to General Purpose Financial Statements (Continued)**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b><u>Federal Assistance</u></b>			
Actual Amounts (Budgetary) “Revenues” from the Schedule of Expenditures of Federal Awards	\$	179,340	179,340
Difference – Budget to “GAAP” Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and the Related Revenue is Recognized	_____	_____	_____
Total Federal Revenue as Reported on the Statement of Revenue, Expenditures and Changes in Fund Balances	<u>\$</u>	<u>179,340</u>	<u>179,340</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: Other**

The amount reported as TPAF Pension Contributions represents the amount paid by the state of 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.

SHREWSBURY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

*Part 1 - Summary of Auditor's Results*

Financial Statement Section

Unmodified

Type of auditor's report issued:

Internal control over financial reporting:

1) Material weakness(es) identified?

\_\_\_\_\_ Yes      x   No

2) Reportable conditions(s) identified that are not considered to be material weaknesses?

\_\_\_\_\_ Yes      x   None Reported

Noncompliance material to general purpose financial statements noted?

\_\_\_\_\_ Yes      x   No

**SHREWSBURY SCHOOL DISTRICT****SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

K-6

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018*****Part 1 - Summary of Auditor's Results (Continued)*****State Awards**Dollar threshold used to distinguish between type A and type B programs: \$750,000Auditee qualified as low-risk auditee?  x  Yes   NoType of auditor's report issued on compliance for major programs: Unmodified

Internal Control over major programs:

(1) Material Weakness(es) identified?   Yes  x  No(2) Reportable condition(s) identified that are not considered to material weaknesses?   Yes  x  None ReportedAny audit findings disclosed that are required to be reported in accordance with N.J. OMB's Circular 04-04?   Yes  x  No

Identification of major programs:

**GMIS Number(s)**18-495-034-5120-08918-495-034-5120-08418-495-034-5120-08518-495-034-5095-00218-495-034-5120-09818-495-034-5120-097**Name of State Program**Special Education Aid (Public Cluster)Security Aid (Public Cluster)Adjustment Aid (Public Cluster)Reimbursed TPAF Social SecurityPARCC Readiness Aid (Public Cluster)Per Pupil Growth Aid (Public Cluster)

SHREWSBURY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

*Part 2 - Financial Statement Findings*

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the general purpose financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

Finding: None

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Cause: N/A

Recommendation: N/A

Management's Response: N/A

SHREWSBURY SCHOOL DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2018*Part 3 - Schedule of Federal and State Award Findings and Questioned Costs*

This section identifies audit findings required to be reported by Title 2 U.S. Code of Federal Regulation Part 200 and OMB Circular Letter 15-08.

**FEDERAL AWARDS**

Finding: NONE

Information on the Federal Program: N/A

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Cause: N/A

Recommendation: N/A

Management's response: N/A

**STATE AWARDS**

Finding: NONE

Information on the State Program: N/A

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A



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

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*Part 3 - Federal Awards and State Financial Assistance Findings and Questioned Costs (Continued)*

**STATE AWARDS (Continued)**

Cause: N/A

Recommendation: N/A

Management's response: N/A

SHREWSBURY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

K-7

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prior Audit Findings:

None