

**BOROUGH OF SOMERDALE
SCHOOL DISTRICT
SOMERDALE, NEW JERSEY**



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

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INTRODUCTORY SECTION



Somerdale Public School District

301 Grace Street
Somerdale, New Jersey 08083
(856) 783-6261 (856) 783-2607 FAX
www.Somerdale-park.org



Mr. Robert Ford
Vice-Principal

Mr. Mark Pease
Superintendent
Principal

Ms. Melissa Engelhardt
Business Administrator
Board Secretary

February 7, 2019

Somerdale Board of Education
301 Grace Street
Somerdale, NJ 08083

Dear Somerdale Board of Education Members:

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

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District’s organizational chart and a list of principal officers. The financial section includes the 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the State of New Jersey Circular 15-08 OMB, “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments.*” Information related to this single audit, including the auditor’s report on compliance and internal control over financial reporting and administrative findings – financial, compliance and performance is included in the single audit section of this report.

1. **REPORTING ENTITY AND ITS SERVICES:** The Borough of Somerdale School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB), as established by GASB Statement No. 14. All funds for the District are included in this report. The Somerdale Board of Education and Somerdale Park Public School constitutes the District’s reporting entity.

Somerdale was incorporated as a Borough after division from Clementon Township in 1929. Somerdale is located in Camden County and encompasses 1.36 miles and borders on Hi-Nella, Stratford, Magnolia, Lawnside, Gloucester Township and Voorhees Township.

Somerdale Park School is the only school in the Borough of Somerdale. Somerdale Public School District is a member of the Sterling Interdistrict. The four K-8 school districts of Laurel Springs, Magnolia, Somerdale, and Stratford send their 9-12 students to the Sterling Regional High School District.

Board of Education

The Board of Education is composed of nine members. Each year the Board undergoes a Self-Evaluation procedure during which its members review its goals and objectives and rates itself on the attainment of those goals and objects. Areas of evaluation include Policy, Instructional Program, Financial Operations, Board Operations, Personnel Performance, Relationship with District/School Administrators, Relationship with Association/Other Staff Members and Parent/Community Relationships.

6. SAFETY AND SECURITY (CONT'D)

The BOE recognizes the public's right to be informed on a continuing basis of the activities of the Board of Education, the administrators, staff and its students. In-house publications, the PTA newsletter, the Somerdale Borough's newsletter, the interdistrict's Channel 19, and the District's website continue to inform the public on school events. Lastly, the lines of communication between and among the other districts within the Sterling Regional Interdistrict Schools are always "open" and very strong.

7. TECHNOLOGY

The District's Technology Committee revised and drafted a new (3) year (2016-2019) technology plan that was approved by the Camden County NJDOE. The District is now 95% paperless and has completed its 21st century goals with staff delivering and students receiving digital instruction using micro-soft 365 as its cloud based platform.

The District utilizes accounting/budgeting software known as CSI. The Business Office enters information into the system daily to ensure accuracy of the financial records. The payroll is outsourced through ADP Payroll Services. The Business Office staff enters the payroll data bi-weekly. The checks, reports, and payment of Federal and State taxes are made by CASA. They also issue all payments required to cover Agency accounts. Additionally, the District utilizes the PowerSchool Software which integrates with NJSMART System to maintain all student records for required state reporting including ASSA.

The District continues to use its cycling procedures to keep the all infrastructure and peripheral equipment update to date while maintaining costs without spiking from year to the next.

8. PURCHASING AND RECEIVING

Purchasing and receiving of supplies and equipment is being expanded to take advantage of standardized group purchasing and the substantial savings that can be realized along with the requirement to manage the District's fixed assets for both state, GASB and insurance purposes.

The School Business Administrator acts as the Purchasing Agent for the District. All quotes, bids and purchasing are conducted through the Business Office. Purchase requisitions are completed by staff members by entering the request into CSI which is then reviewed and approved by the Superintendent/Principal for educational accuracy, reviewed and approved by the Business Administrator/Board Secretary for budgetary accuracy, and reviewed by the Accounting Clerk to ensure that all parties have reviewed/approved the requisition and all pertinent information is present. Following review and approval, the purchase order is printed and forwarded to the vendor for completion of the purchase. The District has assigned an employee to receive, document and distribute supplies and materials that come into the school to each department and/or staff member. The process and procedures followed by the assigned staff member ensures the receipt of supplies and materials for the purchasing agent. (*School Business Administrator*)

Ancillary products and services that go arm-in-arm with computer technology, demonstrates the advancements in school purchasing procedures. Purchasing agents increasingly need to ensure they have support services for the products they buy. It is becoming a more demanding process and requires increased evaluation and work to understand the ramifications of what is being purchased before going out for a quote or bidding materials and equipment.

When instructional personnel evaluate a product or service, they focus on how it fits their need in the instructional program. They do not necessarily take into account the ensuring long-range cost associated with the process of purchasing the product or service. Purchasing departments have the responsibility to oversee both the evaluation and purchasing processes associated with these purchases. Although education supervisors make decisions regarding what they want to purchase, it is up to the School Business Administrator to see that the purchasing is done properly, either by quotes or the bidding process which is outlined in State regulations.

The Purchasing Agent is required by law to be able to verify that purchasing is conducted through a competitive quote/bid process. The agent is also responsible for making certain all purchases are carried out according to State law and District regulation and policy.

1. REPORTING ENTITY AND ITS SERVICES (CONT'D)

Administration

Mr. Cleve Bryan served as the Interim Superintendent/Principal from October 2017 to June 30, 2018; he also served as the acting director of special education for the District. As of July 1, 2018, Mr. Mark Pease serves as the Superintendent/Principal of the Somerdale School District with Mr. Greg Cesare being appointed the supervisor of special education. Ms. Melissa Engelhardt is the District's Business Administrator/Board Secretary and Mr. Robert Ford is Vice Principal. Mr. Gregg Ruggieri is in his sixth year as Shared Services Educational Facilities Manager alongside Mr. John Yanavok. The District utilizes a shared service with the Somerdale Borough for custodial and maintenance services.

Student Enrollment

Efforts continue to ensure that educational services are provided only to those students who legally reside within School District boundaries. Attempts by people to register their children who are not entitled to attend district schools continue to be identified and rejected with the exception of homelessness whereas the District is prohibited from requesting documentation.

The District completed the 2017-2018 fiscal year with an enrollment of 452 students. This count does not include out-of-district placements. The following details the changes in student enrollment in the District over the last five years.

	<u>Ending Enrollment</u>		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>	
2018	452	(9.6%)	
2017	500	(2.5%)	
2016	513	(3%)	
2015	529	.2%	
2014	528	3.5%	

2. ECONOMIC CONDITIONS AND OUTLOOK

Local Economy: The Borough of Somerdale has experienced very little residential growth over the last decade. However, it has experienced some growth in community retail and professional facilities recently but there is still a disproportionate residential taxpayer-based economy. Many of the residents are employed in the major cities of Philadelphia and Atlantic City or in the larger towns surrounding the Borough. While other portions of the State and other States in the Nation have experienced a distinct economic rebound during the past few years, the portion of Camden County in which the District is located has experienced a slower rate of recovery. However, the Mayor and Borough Council have been involved in various economic redevelopment/revitalization projects over the past few years, most notably, the rehabilitation of the plaza, and the opening of the new "Towne Centre." In conjunction with the Towne Centre opening, housing units opened in spring 2012.

3. MAJOR ACCOMPLISHMENTS

In conjunction with the mandates of Federal and State Departments of Education, we continued to monitor our K-8 assessment system, with a strong focus on our PARCC and MAP assessments at grades 3-8 for PARCC and grades K-8 for MAP. Overall, our students were competitive with other districts in our District Factor Group as we continued the process of evaluating and assessing the various sub-group categories as per the requirements for grades 3-8.

With regard to facilities, in conjunction with the architect-of-record, the District is reviewing the life of its roof and quality of HVAC systems. In July of 2017, Somerdale School District has begun to upgrade its HVAC control system and plans to continue those upgrades at a rate of one wing per year. In the last two and a half years the District has replaced all four boilers and has installed a new security camera system throughout the entire building and grounds.

4. STUDENT ACHIEVEMENT

The District's Language Arts PARCC results demonstrated 23% of grade 3-8 achieved a Level 3 (Approaching Expectations), 50% of grade 3-8 achieved a Level 4 or 5 (Met or Exceeded Expectations). Math PARCC results demonstrated 32% of grade 3-8 achieved a Level 3 (Approaching Expectations), 37% of grade 3-8 achieved a Level 4 or 5 (Met or Exceeded Expectations), with 16 out of 16 Algebra 1 students Meeting Expectations (15) and/or Exceeding Expectations (1)

Students in grades 5 and 8 participated in the new science assessments named the New Jersey Student Learning Assessment Science (NJSLA-S). Students in grade 4 at this time are not required to take the states science assessment. The 2018 administration of the NJSLA-A will be a field test and 2019 Administration will be a baseline year.

The District is in its fourth year of its one to one tablet initiative with every student and staff member grades K to 8 having a tablet and receiving 21st Century Learning.

5. CURRICULUM SERVICES

Staff Development: The school schedules are created to facilitate collaborative professional learning. Preparation periods are scheduled to provide common planning times for grade level partners. At least once weekly the grade level partners meet together. These meetings ensure our curriculum is consistent and ever improving across each grade level. Once a month teachers meet in professional learning communities. These meeting are focused on improving and aligning school curriculum, as well as using data analysis to drive instruction. There were five early dismissal days and two full days devoted to professional development training. There was also one full day interdistrict training as well. Finally, each teacher has the opportunity to take two professional development days to attend out of district workshops or classroom visitations.

Dr. Dolores Szymanski, has been hired for the 2018-2019 school year as a part-time Curriculum Coordinator. Dr. Szymanski brings over 35 years of experience in curriculum design and educational/instructional coaching

Summer Enrichment Program: Once again, the District offered a Summer School enrichment program to its students in the summer, 2017 term, and Response to Intervention (RTI) workshops to students in the summer, 2017 term. Low-income/disadvantaged and ESL students were given the opportunity to participate in a variety of programs.

New Teacher Training: A New Teacher Mentoring Program was developed and implemented by the District's Professional Development Committee; and key areas addressed included classroom management; home and school communication; effective instruction; curriculum development; and technology.

6. SAFETY AND SECURITY

The District continued to place a major focus and emphasis on crime prevention and drug and alcohol substance abuse awareness programs via our DARE, and other related drug and alcohol substance abuse programs. Activities continued to be developed to recognize and/or celebrate Red Ribbon and Violence and Vandalism weeks; as well as having had our Discipline Committee meet throughout the year to revise our discipline policy. The District has reviewed and revised its bullying and harassment policies for the 2017-18 school year.

An electronic security building entry system (buzzer) was installed at the Somerdale Park School during the 2002-03 school year. The system monitors all individuals entering and leaving the building in the course of the school day; with all external doors remaining locked. A list identifying the names and positions of all staff members who have been issued external door keys is on file with the Superintendent's Office. The District continuously works to expand the building security and has added additional cameras over the years and is working towards a key card entry system for the entire building. These measures are undertaken to ensure the safety and security of all students and staff during the school day. The coordinated efforts of school administration, teachers, other personnel, and municipal police, continues to promote a learning environment that is safe for both students and staff to learn and teach, respectively. Whenever breaches of safety are experienced, district personnel respond swiftly with fair and corrective action.

9. INTERNAL ACCOUNTING CONTROLS

Management 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 and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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 District Management.

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

10. BUDGETARY CONTROLS

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvement account in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as assignments of fund balance at June 30, 2017.

11. ACCOUNTING SYSTEM AND REPORTS

The District’s accounting records reflect generally accepted accounting principles as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in “Notes to the Financial Statement,” Note 1.

12. FINANCIAL INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the District has met its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2018 and the amount and percentage of (decreases/increases) in relation to prior year revenues.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase from 2017</u>	<u>Percent Increase</u>
Local	\$4,737,405.07	50.09%	\$147,317.64	3.21%
State Sources	4,408,463.31	46.61%	161,307.22	3.08%
Federal Sources	311,600.00	3.29%	15,623.00	5.28%
Total	\$9,457,468.38	100.00%	\$306,386.38	8.65%

12. FINANCIAL INFORMATION AT FISCAL YEAR-END (CONT'D)

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

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/(Decrease) From 2017</u>	<u>Percent Increase/ (Decrease)</u>
Current Expense:				
Instruction	\$3,848,463.61	42.90%	\$181,072.51	4.94%
Undistributed Expenditures	4,627,543.60	51.58%	51,926.33	1.13%
Capital Outlay	183,498.55	2.05%	(34,836.57)	(15.96%)
Debt Service	287,218.50	3.20%	(10,400.00)	(3.49%)
Transfer to Charter School	24,441.00	0.27%	(855.00)	(3.38%)
Total	\$8,971,165.26	100.00%	\$154,093.78	(16.76%)

13. DEBT ADMINISTRATION

At June 30, 2018, the District had outstanding debt issues in the amount of \$245,000.00.

14. CASH MANAGEMENT

The investment policy of the District is guided in part by State statute as detailed in “Notes to the Financial Statements,” Note 2. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed backing institution in New Jersey. The law requires government units to deposit public funds only in public depositories located in New Jersey where the funds are secured in accordance with the Act.

15. RISK MANAGEMENT

As part of the Risk Management Program the School Business Administrator continually reviews the District’s insurance programs.

The Risk Management Program of the District is handled through the School Business Administrator and her staff. Risk Management is an important part of the District’s ability to protect current and future assets. The Business Office continues to sort through many issues facing the District insurance program including worker’s compensation, property, general liability, errors and omissions and bonding, risk management and loss control, insurance brokerage services, student accidents, facility use, personnel, human resources, benefits administration, Medicare, COBRA, coordination of the Family Leave Program, employee orientation and training, Employee Assistance Program, legal assistance, safety and health issues, Safe School, Federal compliance with ADA (Americans with Disabilities Act), EOC Affirmative Action, AHERA compliance, Right-To-Know compliance, product survey and labeling, maintenance of MSDS, HSFS and hazardous chemical issues, PEOSHA filings, Blood borne Pathogens training and administration, disease prevention programs, exposure control compliance, property evaluation and appraisal, regulated medical waste and hazardous material management.

The safety program goes beyond the obvious of just properly maintaining buildings and grounds but is stressed as an attitude to be brought to the facility by students and employees. The School Superintendent reinforces the need to have a stress-free environment and disseminates his desires to the Principal, Teachers, Non-Certified Staff and Students.

The Buildings and Grounds Department is involved in periodic safety inspections throughout the school. Safety meetings are held quarterly with the School Business Administrator and the Safety Committee.

16. CAPITAL PROJECTS

During the 2016-17 fiscal year, with the use of capital reserve funds, the District updated its camera security system throughout the interior and exterior of the building and also purchased a third boiler using budget surplus. By the end of September 2017 the District replaced all four of the school’s boilers. During the summer of fiscal year 2017-18, the District has undergone a project correcting the poor drainage issues out by the Pre-school/Kindergarten playground utilizing shared services with the Borough of Somerdale. Also during the 2017-18 school year, the District continued upgrading the HVAC control system which it plans to have completed in the next two years. For 2018-2019 the Board of Education was authorized by referendum to issue bonds for replacing the roof and adding an additional parking lot to coincide with the payoff of the 1999 bond debt in May of 2019 in an effort to prevent spikes in the tax impact.

17. OTHER INFORMATION

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board at its Reorganization Meeting selected the accounting firm of Bowman & Co., LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act and the related Uniform Guidance and State of New Jersey Circular 15-08 OMB. The auditor’s report on the entity-wide financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of the report.

18. ACKNOWLEDGEMENTS

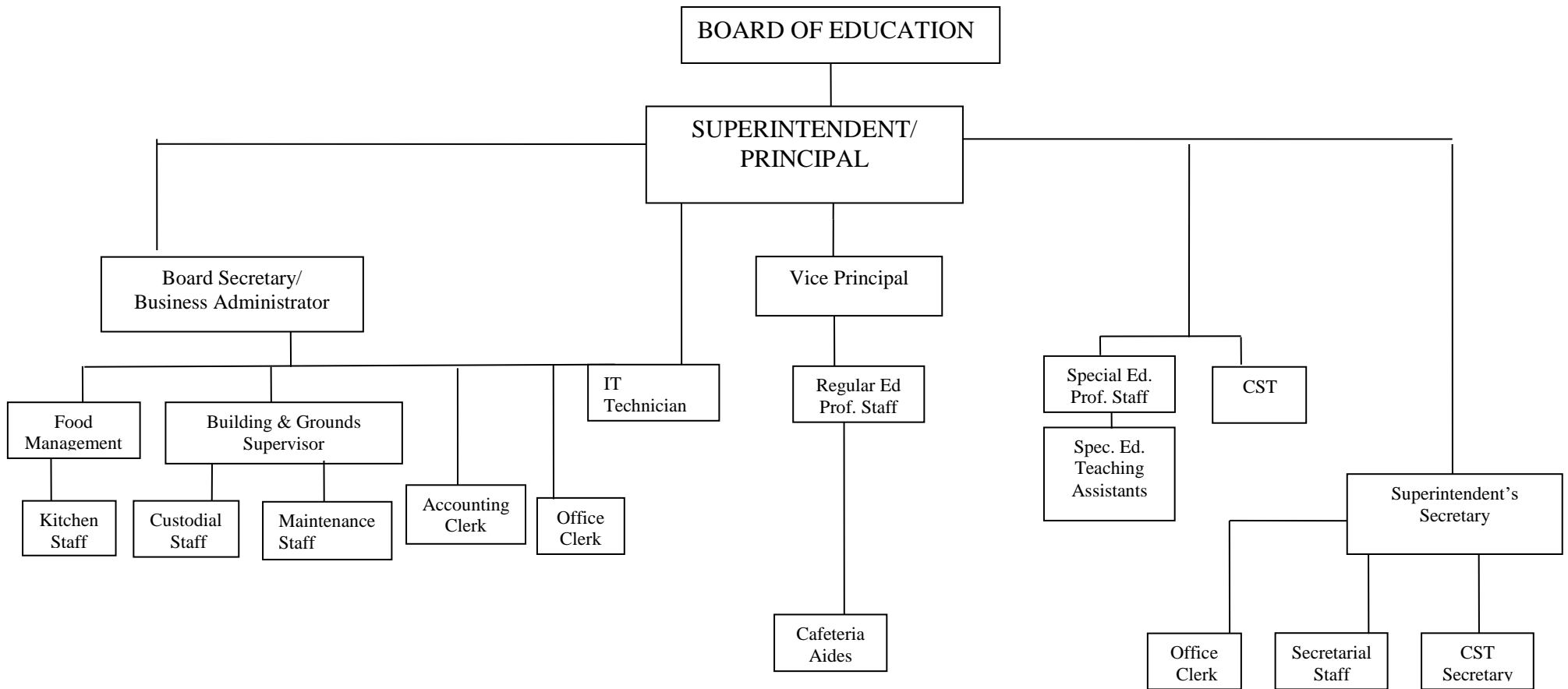
We would like to express our appreciation to the members of the Somerdale Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance of our financial operation.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

Respectfully submitted:



Mark Pease
Superintendent of
Schools

SOMERDALE PUBLIC SCHOOL'S ORGANIZATIONAL CHART



Responsibilities

*B/A

All Business Office/Budgetary Matters
 Grant Reimbursement Requests and
 Final Reports
 Maintenance Department/Facilities
 Federal/State Reports Pertaining to any
 Budgetary Matters
 Food service
 Shared Service/Joint Purchasing

*VP

Discipline grades 5-8
 504 and IR&S officer
 State test coordination and HIB
 8th grade to HS transition/scheduling
 Grade level placements grades 6-8
 NCLB Grant
 Regular Ed scheduling
 Classroom observations/evaluations

***Other duties assigned by the Superintendent**

Superintendent/Principal

Discipline grades K-4
 IEPs and Related Services
 Out of dist. Placements
 Grade level placement PK-5
 IDEA and Pre School grant
 Special Ed Scheduling
 Special Ed Budget
 Classroom observations/evaluations

**ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
James Walsh, President	2020
Dr. Monique Howard, Vice-President	2019
Susan Lowden	2018
Melissa Moore	2018
Alicia Conte	2018
James Anderson	2019
Colm Fidgeon	2019
Kim Barkoff	2020
Jason Bishop	2020

OTHER OFFICIALS

Mark Pease, Superintendent/Principal

Melissa Engelhardt, Board Secretary/Business Administrator

Christopher F. Long, Esq., Solicitor

**BOARD OF EDUCATION OF THE
BOROUGH OF SOMERDALE SCHOOL DISTRICT
SOMERDALE, NJ 08083**

CONSULTANTS AND ADVISORS

ARCHITECT

Spiezle Architectural Group
120 Sanhican Drive
Trenton, NJ 08618

AUDITING FIRM

Bowman & Company LLP
601 White Horse Road
Voorhees, NJ 08043

ATTORNEY

Christopher F. Long, Esq.
Wade, Long, Wood & Long, LLC
1250 Chews Landing Road
Laurel Springs, NJ 08021

OFFICIAL DEPOSITORY

First Colonial National Bank
1150 Haddon Avenue
Collingswood, NJ 08108

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Somerdale School District
Somerdale, New Jersey 08083

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 Borough of Somerdale School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Borough of Somerdale School District, in the County of Camden, State of New Jersey, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Adoption of New Accounting Principles

As discussed in note 1 to the financial statements, during the fiscal year ended June 30, 2018, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The adoption of this new accounting principle required the School District to recognize a revenue and expense on the government-wide statement of activities for the State's proportionate share of the postemployment expense associated with the School District. The related disclosures for the implementation of this new accounting pronouncement are included in note 11 in the notes to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the School District's proportionate share of the net pension liability, schedule of the School District's pension contributions, and schedule of changes in the School District's total OPEB liability and related ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Somerdale School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, statistical section and schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance, as required by State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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Other Matters (Cont'd)

Other Information (Cont'd)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2019 on our consideration of the Borough of Somerdale School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Somerdale School District's 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 Borough of Somerdale School District's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Kirk N. Applegate

Kirk N. Applegate
Certified Public Accountant
Public School Accountant No. 20CS00223300

Voorhees, New Jersey
February 7, 2019

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

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Somerdale School District
Somerdale, NJ 08083

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Somerdale School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated February 7, 2019. Our report on the financial statements included an emphasis of matter paragraph describing the adoption of a new accounting principle.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, state awarding agencies and pass-through entities, in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Kirk N. Applegate
Certified Public Accountant
Public School Accountant No. 20CS00223300

Voorhees, New Jersey
February 7, 2019

REQUIRED SUPPLEMENTARY INFORMATION
PART I



Somerdale Public School District

301 Grace Street
Somerdale, New Jersey 08083
(856) 783-6261 (856) 783-2607 FAX
www.Somerdale-park.org



Mr. Robert Ford
Vice-Principal

Mr. Mark Pease
Superintendent/Principal

Ms. Melissa Engelhardt
Business Administrator/
Board Secretary

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

The discussion and analysis of the Borough of Somerdale School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- During the fiscal year ended June 30, 2018, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The notes to the financial statements provide a more thorough discussion of the implementation of this GASB Statement and the effects to the financial statements.
- The total assets and deferred outflows of resources of the School District were over its total liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,307,634.77 (net position).
- In total, net position increased \$749,502.72.
- As of the close of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$1,548,437.11, an increase of \$478,334.13 in comparison with the prior year.

Overview of the Financial Statements

The financial section of this annual report consists of two parts: Part I, management's discussion and analysis (this section), the basic financial statements with the accompanying note disclosures and Part II, budgetary comparison schedules, required supplementary information, notes to the required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the School District.

Overview of the Financial Statements (Cont'd)

- The first two statements, Exhibit A-1 and A-2 are government-wide financial statements that provide both long-term and short-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements.
- The governmental fund statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about those types of activities that operate like a business.
- Fiduciary fund statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The statements are followed by another section, Part II, which contains required supplementary information that further explains and supports the information in the financial statements including; budget schedules, reconciliations and individual fund statements.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position 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 facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental and business type activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and special schools.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's funds. The School District uses many funds to account for a multitude of financial transactions. The School District's 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 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 the reader 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 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 and do not require a reconciliation.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The School District as a Whole

The Statement of Net Position provides the perspective of the School District as a whole.

The following schedule provides a summary of the School District's Net Position for 2018 and 2017.

BOROUGH OF SOMERDALE SCHOOL DISTRICT'S NET POSITION						
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 1,563,047	\$ 1,114,152	\$ 78,075	\$ 35,380	\$ 1,641,122	\$ 1,149,532
Capital Assets	4,363,890	4,440,866	9,997	12,821	4,373,887	4,453,687
Total Assets	5,926,937	5,555,018	88,072	48,201	6,015,009	5,603,219
Deferred Outflows of Resources	275,343	428,334	-	-	275,343	428,334
Long-term Liabilities Outstanding	1,067,862	1,741,138			1,067,862	1,741,138
Other Liabilities	350,208	390,813	29,042	20,000	379,250	410,813
Total Liabilities	1,418,070	2,131,951	29,042	20,000	1,447,112	2,151,951
Deferred Inflows of Resources	476,575	262,440	-	-	476,575	262,440
Net Position:						
Net Investment in						
Capital Assets	4,036,607	3,828,121	9,997	12,821	4,046,604	3,840,942
Restricted	1,003,666	5,002			1,003,666	5,002
Unrestricted (Deficit)	(732,638)	(244,162)	49,033	15,380	(683,605)	(228,782)
Total Net Position	\$ 4,307,635	\$ 3,588,961	\$ 59,030	\$ 28,201	\$ 4,366,665	\$ 3,617,162

The School District as a Whole (Cont'd)

The District's combined net position was \$4,366,664.60 on June 30, 2018. This was an increase of \$749,502.72 from the June 30, 2017 net position.

The net position of the business type activities increased by \$30,829.10.

The following schedule shows changes in net position for fiscal year 2018 and 2017.

BOROUGH OF SOMERDALE SCHOOL DISTRICT'S CHANGES IN NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
	Revenues:					
Program Revenues:						
Charges for Services	\$ 38,566	\$ 55,062	\$ 749,159	\$ 394,259	\$ 787,725	\$ 449,320
Operating Grants and Contributions	2,176,744	2,982,512	116,220	114,035	2,292,964	3,096,547
Property Taxes	4,675,842	4,508,318			4,675,842	4,508,318
Grants and Contributions not Restricted to Specific Programs	4,317,080	4,107,556			4,317,080	4,107,556
Other	22,597	26,708	233	141	22,830	26,849
Total Revenues	11,230,829	11,680,156	865,612	508,435	12,096,441	12,188,591
Expenses:						
Instruction	3,885,241	3,704,465			3,885,241	3,704,465
Support Services	6,626,915	7,402,220			6,626,915	7,402,220
Food Service					-	-
Other			834,783	525,321	834,783	525,321
Total Expenses	10,512,156	11,106,685	834,783	525,320	11,346,938	11,632,005
Increase (Decrease) in Net Position before Transfers	718,673	573,471	30,829	(16,885)	749,503	556,586
Transfers	-	-	-	-	-	-
Increase (Decrease) in Net Position	718,673	573,471	30,829	(16,885)	749,502	556,586
Net Position, July 1	3,588,962	3,015,491	28,200	45,086	3,617,162	3,060,577
Net Position, June 30	\$ 4,307,635	\$ 3,588,962	\$ 59,029	\$ 28,200	\$ 4,366,665	\$ 3,617,162

Governmental Activities

Property taxes and federal and state aid made up 85.88% of revenues for governmental activities for the School District for fiscal year 2018. Federal, state and local grants accounted for 41.23% of revenue.

The total net cost of all programs and services for 2018 and 2017 was \$8,296,845.75 and \$8,069,111.09, respectively. Instruction comprises 42.45% of District net cost of services for 2018.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The schedule that follows shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

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

BOROUGH OF SOMERDALE SCHOOL DISTRICT						
NET COSTS OF GOVERNMENTAL ACTIVITIES						
		2018		2017		
<u>Governmental Activities</u>	<u>Source</u>	<u>Total Costs of Services</u>	<u>Net Costs of Services</u>	<u>Total Costs of Services</u>	<u>Net Costs of Services</u>	
Instruction:						
Regular	A-2	\$ 2,825,371	\$ 2,462,258	\$ 2,682,606	\$ 2,243,300	
Special Education	A-2	368,766	368,766	363,877	363,877	
Other Special Instruction	A-2	691,105	691,105	657,983	657,983	
Support Services:						
Tuition	A-2	136,899	136,899	195,420	195,420	
Student and Instruction Related Services	A-2	732,856	669,163	733,055	691,829	
School Administrative Services	A-2	687,064	687,064	686,496	686,496	
Plant Operations and Maintenance	A-2	823,760	823,760	874,848	874,848	
Pupil Transportation	A-2	142,643	142,643	85,199	85,199	
Unallocated Benefits	A-2	4,053,783	2,272,053	4,765,983	2,219,048	
Transfer to Charter School	A-2	24,441	24,441	25,296	25,296	
Assessment for Debt Service on SDA Fun	A-2	6,081	6,081	6,081	6,081	
Interest on Long-term Debt	A-2	19,389	12,615	29,842	19,734	
Total Governmental Activities		\$ 10,512,156	\$ 8,296,846	\$ 11,106,685	\$ 8,069,111	

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

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

School Administrative and General and Business Administrative services include expenses associated with establishing and administering policy for the School District and include board of education services and executive administration services.

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

Pupil transportation includes activities involved with the conveyance of students to/from school and to/from school related activities such as field trips and athletics.

Governmental Activities (Cont'd)

Unallocated benefits include the cost of benefits for the School District staff for social security, retirement contributions, workers' compensation, health benefits and other employee benefits.

Interest on debt involves the transactions associated with the payment of interest and other related charges to debt of the school district.

The School District's Funds

The School District's funds are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$9,449,499.39 and expenditures were \$8,971,165.26.

General Fund Budgeting Highlights

The School District's budget is prepared in accordance with New Jersey Law. The most significant budgeted fund is the General Fund. During the course of the 2018 fiscal year, the School District modified its General Fund budget numerous times. The net change in the total budget modification resulted from the rollover of previous year's encumbrances.

Capital Assets

At the end of fiscal year 2018, the School District had \$4,363,890.00 invested in land; buildings and improvements; and furniture, fixtures and equipment. The following schedule shows a summary of the fiscal 2018 and 2017 balances.

BOROUGH OF SOMERDALE SCHOOL DISTRICT'S CAPITAL ASSETS						
(NET OF ACCUMULATED DEPRECIATION)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land	\$ 38,163	\$ 38,163			\$ 38,163	\$ 38,163
Land Improvements	107,925	42,901			107,925	42,901
Building Improvements	3,679,819	3,841,245			3,679,819	3,841,245
Furniture, Fixtures and Equipment	537,983	518,557	\$ 9,997	\$ 12,821	547,980	531,378
Total	\$ 4,363,890	\$ 4,440,866	\$ 9,997	\$ 12,821	\$ 4,373,887	\$ 4,453,687

Debt Administration

As of June 30, 2018, the School District had \$1,367,986.57 of outstanding debt and other liabilities.

BOROUGH OF SOMERDALE SCHOOL DISTRICT				
LONG-TERM DEBT SCHEDULE				
Governmental Activity	Balance June 30, 2018	Balance June 30, 2017	Increase/ Decrease	% Change
General Serial Bonds	\$ 245,000.00	\$ 505,000.00	\$ (260,000.00)	(51.49%)
Net Pension Liability	753,664.00	1,163,101.00	(409,437.00)	(35.20%)
Obligations under				
Capital Lease	82,282.86	107,744.95	(25,462.09)	(23.63%)
Compensated				
Absences	287,039.71	278,616.24	8,423.47	3.02%
Total	\$ 1,367,986.57	\$ 2,054,462.19	\$ (686,475.62)	(33.41%)

Economic Factors and Next Year's Budget

The Borough of Somerdale School District is in good financial condition presently. While the District does not foresee significant growth, future finances are not without challenges in an era of uncertain State funding.

Contacting the School District's Financial Management

This financial report is designed to provide citizen groups, taxpayers, parents, students, other local officials and investors and creditors with a general overview of the School District's finances and to show its accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Ms. Melissa Engelhardt, School Business Administrator/Board Secretary, at Somerdale Park School Administration Office, 301 Grace Street, Somerdale, NJ 08083 or email at MEngelhardt@somerdale-park.org.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 1,494,798.20	\$ 49,202.49	\$ 1,544,000.69
Receivables, net	4,376.22	9,946.20	14,322.42
Intergovernmental Receivables	29,309.60	5,911.23	35,220.83
Internal Balances	20,000.00	(20,000.00)	
Prepaid Expenses	14,562.81		14,562.81
Inventory		13,014.60	13,014.60
Capital Assets, net (Note 7)	4,363,890.00	9,997.31	4,373,887.31
Total Assets	5,926,936.83	68,071.83	5,995,008.66
DEFERRED OUTFLOWS OF RESOURCES:			
Related to Pensions (Note 10)	275,343.00	-	275,343.00
LIABILITIES:			
Accounts Payable	48,385.72	9,042.00	57,427.72
Accrued Interest Payable	1,697.77		1,697.77
Noncurrent Liabilities:			
Due within One Year	300,124.54		300,124.54
Due beyond One Year	1,067,862.03		1,067,862.03
Total Liabilities	1,418,070.06	9,042.00	1,427,112.06
DEFERRED INFLOWS OF RESOURCES:			
Related to Pensions (Note 10)	476,575.00	-	476,575.00
NET POSITION:			
Net Investment in Capital Assets	4,036,607.14	9,997.31	4,046,604.45
Restricted for:			
Capital Reserve	998,661.53		998,661.53
Debt Service	5,004.05		5,004.05
Unrestricted (Deficit)	(732,637.95)	49,032.52	(683,605.43)
Total Net Position	\$ 4,307,634.77	\$ 59,029.83	\$ 4,366,664.60

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

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

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 2,825,370.80	\$ 38,565.60	\$ 324,547.49		\$ (2,462,257.71)		\$ (2,462,257.71)
Special Education	368,765.71				(368,765.71)		(368,765.71)
Other Special Instruction	691,104.69				(691,104.69)		(691,104.69)
Support Services:							
Tuition	136,898.72				(136,898.72)		(136,898.72)
Student and Instruction Related Services	732,855.65		63,692.63		(669,163.02)		(669,163.02)
School Administrative Services	687,063.67				(687,063.67)		(687,063.67)
Plant Operations and Maintenance	823,759.71				(823,759.71)		(823,759.71)
Pupil Transportation	142,643.43				(142,643.43)		(142,643.43)
Unallocated Benefits	4,053,782.53		1,781,730.00		(2,272,052.53)		(2,272,052.53)
Interest on Long-Term Debt	19,388.86		6,774.30		(12,614.56)		(12,614.56)
Assessment for Debt Service on SDA Funding	6,081.00				(6,081.00)		(6,081.00)
Transfer to Charter School	24,441.00				(24,441.00)		(24,441.00)
Total Governmental Activities	10,512,155.77	38,565.60	2,176,744.42	\$ -	(8,296,845.75)	\$ -	(8,296,845.75)
Business-Type Activities:							
Food Service	195,055.63	79,420.93	116,220.38			585.68	585.68
Other	639,726.93	669,737.62				30,010.69	30,010.69
Total Business-Type Activities	834,782.56	749,158.55	116,220.38	-	-	30,596.37	30,596.37
Total	\$ 11,346,938.33	\$ 787,724.15	\$ 2,292,964.80	\$ -	(8,296,845.75)	30,596.37	(8,266,249.38)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, net					4,675,842.00		4,675,842.00
Federal and State Aid not Restricted					4,317,080.09		4,317,080.09
Miscellaneous Income					22,997.28	232.73	23,230.01
Loss on Disposal of Capital Assets					(400.00)		(400.00)
Total General Revenues and Loss of Disposal of Capital Assets					9,015,519.37	232.73	9,015,752.10
Change in Net Position					718,673.62	30,829.10	749,502.72
Net Position -- July 1					3,588,961.15	28,200.73	3,617,161.88
Net Position -- June 30					\$ 4,307,634.77	\$ 59,029.83	\$ 4,366,664.60

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

FUND FINANCIAL STATEMENTS

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and Cash Equivalents	\$ 1,489,794.15		\$ 5,004.05	\$ 1,494,798.20
Receivables, net:				
Interfunds Receivable:				
Special Revenue Fund	20,272.62			20,272.62
Payroll Agency Fund	4,376.22			4,376.22
Proprietary Fund	20,000.00			20,000.00
Receivables from Other Governments	16,263.60	\$ 13,046.00		29,309.60
Prepaid Expenses	14,562.81			14,562.81
Total Assets	<u>\$ 1,565,269.40</u>	<u>\$ 13,046.00</u>	<u>\$ 5,004.05</u>	<u>\$ 1,583,319.45</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Interfund Payable		\$ 20,272.62		\$ 20,272.62
Accounts Payable	\$ 13,867.54	742.18		14,609.72
Total Liabilities	<u>13,867.54</u>	<u>21,014.80</u>	<u>\$ -</u>	<u>34,882.34</u>
Fund Balances:				
Nonspendable:				
Prepaid Expenses	14,562.81			14,562.81
Restricted:				
Capital Reserve	998,661.53			998,661.53
Debt Service			5,004.05	5,004.05
Excess Surplus - Subsequent Year's Expenditures	275,039.11			275,039.11
Assigned:				
Other Purposes	6,980.65			6,980.65
Subsequent Year's Expenditures	14,378.00			14,378.00
Unassigned	241,779.76	(7,968.80)		233,810.96
Total Fund Balances	<u>1,551,401.86</u>	<u>(7,968.80)</u>	<u>5,004.05</u>	<u>1,548,437.11</u>
Total Liabilities and Fund Balances	<u>\$ 1,565,269.40</u>	<u>\$ 13,046.00</u>	<u>\$ 5,004.05</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 \$7,738,450.37 and the accumulated depreciation is \$3,374,560.37.	4,363,890.00
Accrued interest payable is not due and payable in the current period and therefore is not reported as liabilities in the funds.	(1,697.77)
Net Pension Liability	(753,664.00)
Accounts payable related to the April 1, 2019 required PERS pension contribution that is not to be liquidated with current financial resources	(33,776.00)
Deferred Outflows of Resources - Related to Pensions	275,343.00
Deferred Inflows of Resources - Related to Pensions	(476,575.00)
Long-term liabilities, including bonds and leases payable and compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(614,322.57)</u>
Net position of governmental activities.	<u>\$ 4,307,634.77</u>

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

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local Sources	\$ 4,484,804.00		\$ 191,038.00	\$ 4,675,842.00
Tuition Charges	38,565.60			38,565.60
Miscellaneous	22,997.28			22,997.28
State Sources	4,233,753.39	\$ 76,640.12	90,101.00	4,400,494.51
Federal Sources		311,600.00		311,600.00
Total Revenues	8,780,120.27	388,240.12	281,139.00	9,449,499.39
EXPENDITURES:				
Current:				
Regular Instruction	2,409,546.92	379,046.29		2,788,593.21
Special Education Instruction	368,765.71			368,765.71
Other Special Instruction	691,104.69			691,104.69
Undistributed Expenditures:				
Tuition	136,898.72			136,898.72
Student and Instruction Related Services	669,163.02	63,692.63		732,855.65
School Administrative Services	669,748.12			669,748.12
Plant Operations and Maintenance	643,240.62			643,240.62
Pupil Transportation	142,643.43			142,643.43
Unallocated Benefits	1,247,517.17			1,247,517.17
Reimbursed TPAF and Social Security	1,054,639.89			1,054,639.89
Debt Service:				
Interest			21,137.50	21,137.50
Redemption of Principal			260,000.00	260,000.00
Assessment for Debt Service on SDA Funding	6,081.00			6,081.00
Capital Outlay	183,498.55			183,498.55
Transfer to Charter School	24,441.00			24,441.00
Total Expenditures	8,247,288.84	442,738.92	281,137.50	8,971,165.26
Excess (Deficiency) of Revenues over Expenditures	532,831.43	(54,498.80)	1.50	478,334.13

(Continued)

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund	\$ (46,530.00)	\$ 46,530.00		
Total Other Financing Sources and Uses	<u>(46,530.00)</u>	<u>46,530.00</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	486,301.43	(7,968.80)	1.50	478,334.13
Fund Balance -- July 1	<u>1,065,100.43</u>	<u>-</u>	<u>5,002.55</u>	<u>1,070,102.98</u>
Fund Balance -- June 30	<u>\$ 1,551,401.86</u>	<u>\$ (7,968.80)</u>	<u>\$ 5,004.05</u>	<u>\$ 1,548,437.11</u>

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

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

Total Net Change in Fund Balances - Governmental Funds	\$ 478,334.13
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>	
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>	
Total Capital Outlay per Exhibit B-2	\$ 183,498.55
Depreciation Expense	<u>(260,074.32)</u>
	(76,575.77)
<p>Repayment of capital leases principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Position and is not reported in the statement of activities.</p>	
	25,462.09
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>	
	260,000.00
<p>In the statement of activities, the loss on the disposal of capital assets is reported, whereas in the governmental funds it is not reported. Thus, the change in net position will differ from the change in fund balance by the loss on the disposal of capital assets.</p>	
	(400.00)
<p>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.</p>	
	1,748.64
<p>Governmental funds report school district pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the school district's pension contribution in the current period.</p>	
	38,528.00
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount the difference is an addition to the reconciliation.</p>	
	<u>(8,423.47)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 718,673.62</u></u>

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

BOROUGH OF SOMERDALE SCHOOL DISTRICT

Proprietary Fund
Statement of Net Position
As of June 30, 2018

	Business-Type Activities-- Enterprise Funds		
	Food <u>Service</u>	Park Tech <u>Services</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 4,293.08	\$ 44,909.41	\$ 49,202.49
Accounts Receivable:			
State	129.14		129.14
Federal	5,782.09		5,782.09
Other		9,946.20	9,946.20
Inventories	13,014.60		13,014.60
Total Current Assets	<u>23,218.91</u>	<u>54,855.61</u>	<u>78,074.52</u>
Noncurrent Assets:			
Furniture, Fixtures and Equipment	123,399.90		123,399.90
Less: Accumulated Depreciation	<u>(113,402.59)</u>		<u>(113,402.59)</u>
Total Noncurrent Assets	<u>9,997.31</u>	<u>-</u>	<u>9,997.31</u>
Total Assets	<u>33,216.22</u>	<u>54,855.61</u>	<u>88,071.83</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable		9,042.00	9,042.00
Interfund Loan Payable	20,000.00		20,000.00
Total Liabilities	<u>20,000.00</u>	<u>9,042.00</u>	<u>29,042.00</u>
NET POSITION:			
Net Investment in Capital Assets	9,997.31		9,997.31
Unrestricted (Deficit)	<u>3,218.91</u>	<u>45,813.61</u>	<u>49,032.52</u>
Total Net Position	<u>\$ 13,216.22</u>	<u>\$ 45,813.61</u>	<u>\$ 59,029.83</u>

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

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

	Business-Type Activities-- Enterprise Funds		
	<u>Food Service</u>	<u>Park Tech Services</u>	<u>Total</u>
OPERATING REVENUES:			
Local Sources:			
Daily Sales - Reimbursable Programs:	\$ 50,442.12		\$ 50,442.12
Daily Sales Non-Reimbursable Programs	28,978.81		28,978.81
Sales - Hardware		\$ 348,691.34	348,691.34
Sales - Software		72,374.28	72,374.28
Managed Services		180,279.00	180,279.00
Other On-site Services		68,393.00	68,393.00
	<u>79,420.93</u>	<u>669,737.62</u>	<u>749,158.55</u>
Total Operating Revenue			
OPERATING EXPENSES:			
Cost of sales-reimbursable programs	61,868.74		61,868.74
Cost of sales-non-reimbursable programs	13,477.19		13,477.19
Salaries	81,404.95	46,664.93	128,069.88
Management Fee	13,194.72		13,194.72
Supplies	5,431.65		5,431.65
Other Purchased Services		592,242.62	592,242.62
Insurance Fee	2,793.59		2,793.59
Miscellaneous Fee	6,663.04	819.38	7,482.42
Repairs and Maintenance	7,397.80		7,397.80
Depreciation	2,823.95		2,823.95
	<u>195,055.63</u>	<u>639,726.93</u>	<u>834,782.56</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(115,634.70)</u>	<u>30,010.69</u>	<u>(85,624.01)</u>
NONOPERATING REVENUES:			
State Sources:			
State School Lunch Program	2,159.28		2,159.28
Federal Sources:			
National School Lunch Program	82,594.07		82,594.07
School Breakfast Program	14,195.32		14,195.32
Food Distribution Program	17,271.71		17,271.71
Interest Revenue	54.62	178.11	232.73
	<u>116,275.00</u>	<u>178.11</u>	<u>116,453.11</u>
Total Nonoperating Revenues			
Change in Net Position	640.30	30,188.80	30,829.10
Net Position - July 1	<u>12,575.92</u>	<u>15,624.81</u>	<u>28,200.73</u>
Net Position - June 30	<u>\$ 13,216.22</u>	<u>\$ 45,813.61</u>	<u>\$ 59,029.83</u>

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

BOROUGH OF SOMERDALE SCHOOL DISTRICT
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	Business-Type Activities-- Enterprise Funds		
	Food Service	Park Tech Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 79,420.93	\$ 659,791.42	\$ 739,212.35
Payments to Employees	(81,404.95)	(46,664.93)	(128,069.88)
Payments to Suppliers	(93,866.68)	(584,020.00)	(677,886.68)
Net Cash Provided by (Used for) Operating Activities	(95,850.70)	29,106.49	(66,744.21)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
State Sources	2,158.97		2,158.97
Federal Sources	96,780.59		96,780.59
Net Cash Provided by Non-Capital Financing Activities	98,939.56	-	98,939.56
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Revenue	54.62	178.11	232.73
Net Cash Provided by Investing Activities	54.62	178.11	232.73
Net Increase (Decrease) in Cash and Cash Equivalents	3,143.48	29,284.60	32,428.08
Balance -- July 1	1,149.60	15,624.81	16,774.41
Balance -- June 30	\$ 4,293.08	\$ 44,909.41	\$ 49,202.49
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	\$ (115,634.70)	\$ 30,010.69	\$ (85,624.01)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	2,823.95		2,823.95
Federal Commodities	17,271.71		17,271.71
Change in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable		(9,946.20)	(9,946.20)
(Increase)/Decrease in Inventory	(311.66)		(311.66)
Increase/(Decrease) in Accounts Payable		9,042.00	9,042.00
Total Adjustments	19,784.00	(904.20)	18,879.80
Net Cash Provided by (Used for) Operating Activities	\$ (95,850.70)	\$ 29,106.49	\$ (66,744.21)

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

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

	Private-Purpose Trust Fund	Agency Funds		Total
	Unemployment Compensation <u>Insurance</u>	Student <u>Activity</u>	<u>Payroll</u>	
ASSETS:				
Cash and Cash Equivalents	\$ 49,908.60	\$ 16,836.90	\$ 46,157.44	\$ 112,902.94
LIABILITIES:				
Payroll Deductions Payable			\$ 41,781.22	41,781.22
Interfund Payable:				
General Fund			4,376.22	4,376.22
Payable to Student Groups		\$ 16,836.90		16,836.90
Total Liabilities	-	\$ 16,836.90	\$ 46,157.44	62,994.34
NET POSITION:				
Held in Trust for Unemployment Claims and Other Purposes	49,908.60			49,908.60
Total Net Position	\$ 49,908.60			\$ 49,908.60

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

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

	Private Purpose Trust Fund Unemployment Compensation Trust
ADDITIONS:	
Investment Earnings:	
Interest	\$ 155.62
Total Additions	155.62
Change in Net Position	155.62
Net Position -- July 1	49,752.98
Net Position -- June 30	\$ 49,908.60

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

BOROUGH OF SOMERDALE SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of the Financial Reporting Entity

The School District is a Type II district located in the County of Camden, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education (the "Board"). The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The Superintendent is appointed by the Board to act as executive officer of the School District. The purpose of the School District is to educate students in grades Pre-K through eighth at its school. The School District has an approximate enrollment at June 30, 2018 of 452.

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

Component Units

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Government-wide and Fund Financial Statements**

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied. The Camden County Board of Taxation is responsible for the assessment of properties, and the respective municipal tax collector is responsible for the collection of property taxes. Assessments are certified and property taxes are levied on January 1. Property tax payments are due February 1, May 1, August 1 and November 1. Unpaid property taxes are considered delinquent the following January 1 and are then subject to municipal lien. In accordance with New Jersey State Statute, the School District is entitled to receive moneys under an established payment schedule, and any unpaid amount is considered as an accounts receivable. The governing body of each municipality is required to pay over to the School District, within forty (40) days after the beginning of the school year, twenty percent (20%) of the moneys from school tax due. Thereafter, but prior to the last day of the school year, the municipality must pay the balance of moneys from school tax due for school purposes in such amounts as requested, with certain limitations, from time to time by the School District, within thirty days after each request.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

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

The School District reports the following major governmental funds:

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

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

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

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

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, or from the general fund by way of transfers from capital outlay or the capital reserve account.

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

The School District reports the following major proprietary funds:

Enterprise Funds

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

Park Technology Services Fund - This fund accounts for the financial transactions related to the technology service operations of the School District.

Fiduciary funds are used to account for assets held by the School District on behalf of outside related organizations or on behalf of other funds within the School District. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The School District maintains the following fiduciary funds:

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

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

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

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

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

Budgets / Budgetary Control

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Budgets / Budgetary Control (Cont'd)**

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only, and the special revenue fund. N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

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

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance at fiscal year-end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

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

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

Cash, Cash Equivalents and Investments

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Cash, Cash Equivalents and Investments (Cont'd)**

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Inventories

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

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

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

Tuition Receivable

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

Prepaid Expenses

Prepaid expenses recorded on the government-wide and in the governmental funds financial statements represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

Short-Term Interfund Receivables / Payables

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Capital Assets**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 20 Years
Buildings and Improvements	10 - 50 Years
Furniture, Fixtures and Equipment	5 - 20 Years

The School District does not possess any infrastructure assets.

Deferred Outflows and Deferred Inflows of Resources

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

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

Tuition Payable

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

Unearned Revenue

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Accrued Salaries and Wages**

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Pensions

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**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) it employed to previously commit those amounts.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Balance (Cont'd)**

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

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

Interfund Activity

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

Accounting Estimates

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

Impact of Recently Issued Accounting Principles**Recently Issued and Adopted Accounting Pronouncements**

The School District implemented the following GASB Statements for the fiscal year ended June 30, 2018:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The adoption of this Statement required the School District to recognize a revenue and expense on the government-wide statement of activities for the State's proportionate share of the postemployment expense associated with the School District. In addition, the School District was required to include additional note disclosures (see note 11) and required supplementary information related to postemployment benefits.

Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The adoption of this Statement had no impact on the basic financial statements of the School District.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued and Adopted Accounting Pronouncements (Cont'd)**

The GASB has issued the following Statements that will become effective for the School District for fiscal years ending after June 30, 2018:

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement will become effective for the School District in the fiscal year ending June 30, 2020. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the School District.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement will become effective for the School District in the fiscal year ending June 30, 2021. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the School District.

Note 2: CASH AND CASH EQUIVALENTS

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

As of June 30, 2018, the School District's bank balances of \$1,845,443.53 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$ 1,714,717.70
Uninsured and Uncollateralized	<u>130,725.83</u>
Total	<u><u>\$ 1,845,443.53</u></u>

Note 3: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District by inclusion of \$125,000.00 on June 11, 2015 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. Subsequent to the establishment of the capital reserve account, the School District transferred \$82,217.05 from its balance in capital projects fund to the capital reserve account. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

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

Beginning Balance, July 1, 2017		\$ 604,487.15
Increased by:		
Interest Earnings	\$ 1,434.26	
Deposits:		
Transfer approved by Board Resolution on June 7, 2018	500,000.00	
		501,434.26
		1,105,921.41
Decreased by:		
Withdrawals:		
Cash Disbursements - Budget		107,259.88
Ending Balance, June 30, 2018		\$ 998,661.53

The capital reserve balance at June 30, 2018 is less than the local support costs of uncompleted capital projects in the District's approved LRFP. The withdrawals from the capital reserve were for use in a Department of Education approved facilities projects, consistent with the School District's LRFP.

Note 4: TRANSFERS FROM CAPITAL RESERVE TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2018, the School District transferred \$107,259.88 to the capital outlay accounts. The transfer was made from the capital reserve account to supplement capital projects previously approved by the voters in the budget certified for taxes pursuant to N.J.A.C. 6A:23A-8.4.

Note 5: ACCOUNTS RECEIVABLE

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

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

<u>Description</u>	<u>Governmental Funds</u>			<u>Proprietary Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Activities</u>	<u>Food Service Fund</u>	<u>Park Tech Services</u>	<u>Total Business-Type Activities</u>	
Interfund (Fiduciary)	\$ 4,376.22		\$ 4,376.22				\$ 4,376.22
Federal Awards		\$ 13,046.00	13,046.00	\$ 5,782.09		\$ 5,782.09	18,828.09
State Awards	16,263.60		16,263.60	129.14		129.14	16,392.74
Other					\$ 9,946.20	9,946.20	9,946.20
	<u>\$ 20,639.82</u>	<u>\$ 13,046.00</u>	<u>\$ 33,685.82</u>	<u>\$ 5,911.23</u>	<u>\$ 9,946.20</u>	<u>\$ 15,857.43</u>	<u>\$ 49,543.25</u>

Note 6: INVENTORY

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

Food	\$ 11,595.36
Supplies	<u>1,419.24</u>
	<u>\$ 13,014.60</u>

Note 7: CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental Activities:					
Capital Assets, not being Depreciated:					
Land	\$ 38,163.00				\$ 38,163.00
Total Capital Assets, not being Depreciated	38,163.00	\$ -	\$ -	\$ -	38,163.00
Capital Assets, being Depreciated:					
Land Improvements	92,460.00	69,030.00			161,490.00
Buildings and Improvements	6,556,756.25				6,556,756.25
Furniture, Fixtures and Equipment	873,157.57	114,468.55		(5,585.00)	982,041.12
Total Capital Assets, being Depreciated	7,522,373.82	183,498.55	-	(5,585.00)	7,700,287.37
Total Capital Assets, Cost	7,560,536.82	183,498.55	-	(5,585.00)	7,738,450.37
Less Accumulated Depreciation for:					
Land Improvements	(49,559.50)	(4,005.28)			(53,564.78)
Buildings and Improvements	(2,715,511.27)	(161,426.35)			(2,876,937.62)
Furniture, Fixtures and Equipment	(354,600.28)	(94,642.69)		5,185.00	(444,057.97)
Total Accumulated Depreciation	(3,119,671.05)	(260,074.32)	-	5,185.00	(3,374,560.37)
Total Capital Assets, being Depreciated, Net	4,402,702.77	(76,575.77)	-	(400.00)	4,325,727.00
Governmental Activities Capital Assets, Net	<u>\$ 4,440,865.77</u>	<u>\$ (76,575.77)</u>	<u>\$ -</u>	<u>\$ (400.00)</u>	<u>\$ 4,363,890.00</u>
Business-Type Activities:					
Capital Assets, being Depreciated:					
Furniture, Fixtures and Equipment	\$ 123,399.90				\$ 123,399.90
Less Accumulated Depreciation	(110,578.64)	\$ (2,823.95)			(113,402.59)
Business-Type Activities Capital Assets, Net	<u>\$ 12,821.26</u>	<u>\$ (2,823.95)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,997.31</u>

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

Governmental Activities:	
Instruction	\$ 36,777.59
General and Business Administrative Services	17,315.55
Plant Operations and Maintenance	205,981.18
Total Depreciation Expense - Governmental Activities	<u>\$ 260,074.32</u>
Business-Type Activities:	
Food Service	<u>\$ 2,823.95</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,823.95</u>

Note 8: LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due within</u> <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 505,000.00	\$ -	\$ 260,000.00	\$ 245,000.00	\$ 245,000.00
Other Liabilities:					
Obligations under Capital Lease	107,744.95		25,462.09	82,282.86	26,420.57
Compensated Absences	278,616.24	36,285.09	27,861.62	287,039.71	28,703.97
Net Pension Liability (note 9)	1,163,101.00	495,472.00	904,909.00	753,664.00	
Postemployment Benefits (note xx)					
Total Other Liabilities	<u>1,549,462.19</u>	<u>531,757.09</u>	<u>958,232.71</u>	<u>1,122,986.57</u>	<u>55,124.54</u>
Governmental Activities Long-Term Liabilities	<u>\$ 2,054,462.19</u>	<u>\$ 531,757.09</u>	<u>\$ 1,218,232.71</u>	<u>\$ 1,367,986.57</u>	<u>\$ 300,124.54</u>

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

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

On February 1, 1999, the School District issued \$4,288,000.00 general obligation bonds at an interest rate of 4.7% for various construction and renovation projects. In May 2009, the District refunded the remaining 1999 bonds by issuing Series 2009 refunding bonds totaling \$2,565,000.00. The final maturity of these bonds is May 1, 2019. The bonds will be paid from property taxes.

Principal and interest due on bonds outstanding is as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>\$ 245,000.00</u>	<u>\$ 10,412.50</u>	<u>\$ 255,412.50</u>

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

Obligations under Capital Lease - The School District is leasing lighting equipment totaling \$185,449.50 under capital leases. This capital lease's term is for seven years. Capital leases are depreciated in a manner consistent with the School District's depreciation policy for owned assets.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2018.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 55,200.53	\$ 5,704.34	\$ 60,904.87
2020	57,470.31	3,434.56	60,904.87
2021	28,447.15	1,070.85	29,518.00
	<u>\$ 141,117.99</u>	<u>\$ 10,209.75</u>	<u>\$ 151,327.74</u>

Note 8: LONG-TERM LIABILITIES (CONT'D)

Compensated Absences - As previously stated, compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 15 for a description of the School District's policy.

Net Pension Liability - For details on the net pension liability, refer to note 10. The School District's annual required contribution to the Public Employees' Retirement System is budgeted and paid from the general fund on an annual basis.

Note 9: OPERATING LEASES

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2019	\$ 130,333.48
2020	131,608.69
2021	28,778.40
2022	<u>18,807.20</u>
	<u>\$ 309,527.77</u>

Rental payments under operating leases for the fiscal year ended June 30, 2018 were \$126,991.45.

Note 10: PENSION PLANS

A substantial number of the School District's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), which are administered by the New Jersey Division of Pensions and Benefits (the "Division"). In addition, certain School District employees may participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This plan is administered by Prudential Financial for the Division. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements, required supplementary information and detailed information about the PERS and TPAF plan's fiduciary net position which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.nj.gov/treasury/pensions/gasb-notices.shtml>

General Information about the Pension Plans**Plan Descriptions**

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The State of New Jersey (the "State") is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF's Board of Trustees is primarily responsible for the administration of the TPAF.

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the School District, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Note 10: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions**

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

The following represents the membership tiers for TPAF:

Tier Definition

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

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

Public Employees' Retirement System - 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 the PERS.

The membership tiers for PERS are the same as previously noted for TPAF.

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

Note 10: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Teachers' Pension and Annuity Fund - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's contribution is based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions*.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 9.84% of the School District's covered payroll, of which 0.00% of payroll was required from the School District and 100.00% of payroll was required from the State of New Jersey. The School District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2018 because of the 100.00% special funding situation with the State of New Jersey.

Based on the most recent TPAF measurement date of June 30, 2017, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2018 was \$359,790.00, and was paid by April 1, 2018. School District employee contributions to the pension plan during the fiscal year ended June 30, 2018 were \$268,462.83.

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10%. Employer contribution amounts are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

Note 10: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

Public Employees' Retirement System (Cont'd) The School District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 14.63% of the School District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2017, the School District's contractually required contribution to the pension plan for the fiscal year ended June 30, 2018 was \$29,993.00, and was paid by April 1, 2018. School District employee contributions to the pension plan during the fiscal year ended June 30, 2018 were \$17,139.57.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended June 30, 2018, the School District did not have any employees enrolled in the Defined Contribution Retirement Program.

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

Teachers' Pension and Annuity Fund - At June 30, 2018, the School District was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

The State's proportionate share of net pension liability, attributable to the School District is as follows:

School District's Proportionate Share of Net Pension Liability	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the School District	21,603,068.00
	<u>\$ 21,603,068.00</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. For the June 30, 2017 measurement date, the School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At June 30, 2017, the School District proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2017 measurement date, the State's proportionate share of the TPAF net pension liability associated with the School District was .0320408073%, which was an increase of .0017279170% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the School District recognized \$1,496,551.00 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2017 measurement date.

Note 10: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Public Employees' Retirement System - At June 30, 2018, the School District reported a liability of \$753,664.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2017 measurement date, the School District's proportion was .0032376101%, which was a decrease of .0006895129% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the School District recognized pension expense of (\$8,536.00), in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2017 measurement date.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 17,746.00	\$ -
Changes of Assumptions	151,837.00	151,281.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	5,132.00	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	66,852.00	325,294.00
School District Contributions Subsequent to the Measurement Date	<u>33,776.00</u>	<u>-</u>
	<u>\$ 275,343.00</u>	<u>\$ 476,575.00</u>

Deferred outflows of resources totaling \$33,776.00 will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ (45,153.00)
2020	(36,122.00)
2021	(47,635.00)
2022	(77,205.00)
2023	<u>(28,893.00)</u>
	<u>\$ (235,008.00)</u>

Note 10: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Public Employees' Retirement System (Cont'd) - The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48

Note 10: PENSION PLANS (CONT'D)**Actuarial Assumptions**

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>TPAF</u>	<u>PERS</u>
Inflation	2.25%	2.25%
Salary Increases:		
2012-2021	Varies Based on Experience	-
Through 2026	-	1.65% - 4.15% Based on Age
Thereafter	Varies Based on Experience	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2012 - June 30, 2015	July 1, 2011 - June 30, 2014

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

For PERS, pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For TPAF and PERS, in accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in TPAF's and PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Note 10: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate - The discount rates used to measure the total pension liability at June 30, 2017 were 4.25% and 5.00% for TPAF and PERS, respectively. For TPAF and PERS, the respective single blended discount rates were 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 rates for TPAF and PERS 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 amount for TPAF and PERS and the local employers contributed 100% of the actuarially determined amount for PERS. 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 for TPAF and 2040 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036 for TPAF and 2040 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Note 10: PENSION PLANS (CONT'D)**Sensitivity of School District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

Teachers' Pension and Annuity Fund (TPAF) - As previously mentioned, TPAF, has a special funding situation where the State pays 100% of the School District's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2017, the pension plans measurement date, attributable to the School District is \$0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the School District, using a discount rate of 4.25%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	TPAF		
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
School District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the School District	25,665,122.00	21,603,068.00	18,256,730.00
	<u>\$ 25,665,122.00</u>	<u>\$ 21,603,068.00</u>	<u>\$ 18,256,730.00</u>

Public Employees' Retirement System (PERS) - The following presents the School District's proportionate share of the net pension liability at June 30, 2017, the plans measurement date, calculated using a discount rate of 5.00%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	PERS		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
School District's Proportionate Share of the Net Pension Liability	\$ 934,971.00	\$ 753,664.00	\$ 602,612.00

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the TPAF and PERS and additions to/deductions from TPAF and PERS's respective fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about TPAF and PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.nj.gov/treasury/pensions/gasb-notices.shtml>.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN****General Information about the OPEB Plan**

Plan Description and Benefits Provided - The State Health Benefit Local Education Retired Employees Plan (the "OPEB Plan") is a multiple-employer defined benefit OPEB plan, with a special funding situation, that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75 - *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*. The OPEB Plan is administered by the State of New Jersey Division of Pensions and Benefits (the "Division") and is part of the New Jersey State Health Benefits Program (SHBP). The Division issues a publically available financial report that includes financial statements and required supplementary information which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

The OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

Employees Covered by Benefit Terms - At June 30, 2018, the entire State Health Benefit Local Education Retired Employees OPEB Plan consisted of the following members.

Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but Not Yet Receiving Benefit Payments	-
	<hr/>
	<u>366,078</u>

Total Non-Employer OPEB Liability

The State of New Jersey, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to the OPEB Plan for qualified retired TPAF, PERS, PFRS and ABP participants. The School District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the School District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. The State's proportionate share of the net OPEB liability associated with the School District as of June 30, 2018 was \$16,946,334.00. Since the OPEB liability associated with the School District is 100% attributable to the State, the OPEB liability will be referred to as the total Non-Employer OPEB Liability.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****Total Non-Employer OPEB Liability (Cont'd)**

The total Non-Employer OPEB Liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total Non-Employer OPEB Liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. For the June 30, 2017 measurement date, the State's proportionate share of the Non-Employer OPEB Plan Liability associated with the School District was 0.0315928113%, which was a decrease of 0.0000985886% from its proportion measured as of June 30, 2016.

Actuarial Assumptions and Other Inputs - The actuarial assumptions and other inputs vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation at June 30, 2016 used the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases -

	<u>TPAF/ABP (1)</u>	<u>PERS (2)</u>	<u>PFRS (2)</u>
Through 2026	1.55% - 4.55%	2.15% - 4.15%	2.10% - 8.98%
Thereafter	2.00% - 5.45%	3.15% - 5.15%	3.10% - 9.98%

(1) - Based on years of service

(2) - Based on age

Inflation Rate - 2.50%.

Mortality Rates - 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.

Experience Studies - 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.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****Total Non-Employer OPEB Liability (Cont'd)**

Changes in the Total Non-Employer OPEB Liability - The below table summarizes the State's proportionate share of the change in the Total Non-Employer OPEB Liability associated with the School District:

Balance at June 30, 2017		\$ 18,327,702.00
Changes for the Year:		
Service Cost	\$ 767,909.00	
Interest Cost	538,875.00	
Changes in Assumptions	(2,310,092.00)	
Gross Benefit Payments	(392,513.00)	
Member Contributions	<u>14,453.00</u>	
Net Changes		<u>(1,381,368.00)</u>
Balance at June 30, 2018		<u>\$ 16,946,334.00</u>

There were no changes in benefit terms between the June 30, 2016 measurement date and the June 30, 2017 measurement date.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% for the June 30, 2016 measurement date to 3.58% for the June 30, 2017 measurement date.

Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Discount Rate - The State's proportionate share of the total Non-Employer OPEB Liability as of June 30, 2017, associated with the School District, using a discount rate of 3.58%, as well as using a discount rate that is 1% lower or 1% higher than the current rate used is as follows:

	1% Decrease <u>(2.58%)</u>	Current Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the School District	<u>\$ 20,116,521.07</u>	<u>\$ 16,946,334.00</u>	<u>\$ 14,431,711.48</u>

Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Healthcare Cost Trend Rates - The State's proportionate share of the total Non-Employer OPEB Liability as of June 30, 2017, associated with the School District, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the School District	<u>\$ 13,936,721.51</u>	<u>\$ 16,946,334.00</u>	<u>\$ 20,943,063.97</u>

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - (CONT'D)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****Total Non-Employer OPEB Liability (Cont'd)**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Non-Employer OPEB Liability - For the fiscal year ended June 30, 2018, the School District recognized \$1,064,854.00 in OPEB expense and revenue, in the government-wide financial statements, for the State's proportionate share of the OPEB Plan's OPEB Expense, associated with the School District. This expense and revenue was based on the OPEB Plan's June 30, 2017 measurement date.

In accordance with GASBS No. 75, the School District's proportionate share of the OPEB liability is zero. As such, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources by the School District. However, at June 30, 2018, the State's proportionate share of the total Non-Employer OPEB Liability's deferred outflows of resources and deferred inflows of resources, associated with School District, from the following sources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Proportion	\$ -	\$ 45,052.00
Changes of Assumptions or Other Inputs	-	2,004,175.00
	<u>\$ -</u>	<u>\$ 2,049,227.00</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the State's proportionate share of the total Non-Employer OPEB Liability, associated with the School District, will be recognized in OPEB expense as follows:

**Year Ending
June 30,**

2019	\$ (239,955.91)
2020	(239,955.91)
2021	(239,955.91)
2022	(239,955.91)
2023	(239,955.91)
Thereafter	(849,447.45)
	<u>\$ (2,049,227.00)</u>

Note 12: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2018, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF, in the fund financial statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, non-contributory insurance, post-retirement medical costs, and long-term disability insurance were \$462,490.00, \$11,223.00, \$305,962.00, and \$1,202.00, respectively.

Note 13: RISK MANAGEMENT

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

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

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>School</u> <u>District</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Interest</u> <u>Income</u>	<u>Claims</u> <u>Incurred</u>	<u>Ending</u> <u>Balance</u>
2018	\$ -	\$ -	\$ 155.62	\$ -	\$ 49,908.60
2017	-	6,946.93	111.14	741.97	49,752.98
2016	28,000.00	6,187.10	81.48	19,201.00	43,436.88

Joint Insurance Fund - The School District is a member of the New Jersey Schools Insurance Group (the "Group"). The Fund provides its members with the following coverage:

- Workers' Compensation and Employer's Liability
- Liability other than Motor Vehicles
- Property Damage other than Motor Vehicles
- Motor Vehicles Liability
- School Board Legal Liability
- Boiler & Machinery
- Umbrella Liability
- Crime Bonds
- Student Accident

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

The Group publishes its own financial report for the fiscal year ended June 30, 2018, which can be obtained from:

New Jersey Schools Insurance Group
6000 Midlantic Drive
Mount Laurel, New Jersey 08054

Note 14: DEFERRED COMPENSATION

The School District offers its employees a choice of three deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrators are as follows:

The Equitable
Thomas Seely Agency
Lincoln Investment Planning

Note 15: COMPENSATED ABSENCES

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

School District employees who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. School District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. School District employees are entitled to two personal days which may be carried forward to subsequent years. Vacation days not used during the year may not be accumulated and carried forward. Benefits paid in any future year will be calculated according to formulas outlined in the School Districts' agreements with the various employee unions and included in the current years' budget.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. At June 30, 2018, the liability for compensated absences reported on the government-wide statement of net position was \$287,039.71.

Note 16: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 44,648.84	
Special Revenue		\$ 20,272.62
Food Service		20,000.00
Fiduciary		4,376.22
	<u>\$ 44,648.84</u>	<u>\$ 44,648.84</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2019, the School District expects to liquidate such interfunds, depending upon the availability of cash flow.

During the fiscal year ended June 30, 2018, the general fund transferred \$46,530.00 to the special revenue fund as a local contribution to the preschool program.

Note 17: CONTINGENCIES

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

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

Note 18: CONCENTRATIONS

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

Note 19: DEFICIT FUND BALANCES

The School District has a deficit fund balance of \$7,968.80 in the special revenue fund as of June 30, 2018 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Note 20: FUND BALANCES**NONSPENDABLE**

As stated in note 1, 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 nonspendable fund balances of the School District, as of June 30, 2018, are summarized as follows:

General Fund - The School District disbursed funds in 2017-18 that were for the subsequent year's budget. As a result, because the prepaid expense is recorded as an asset, it is necessary to set aside fund balance at fiscal year-end by an amount equal to the prepayment. As of June 30, 2018, the nonspendable fund balance was \$14,562.81.

RESTRICTED

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

General Fund

For Excess Surplus - In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. There was no excess fund balance at June 30, 2018. Excess fund balance - budgetary basis (Exhibit C-1) at June 30, 2018 is \$316,042.77. Additionally, \$275,039.11 of excess fund balance generated during 2016-2017 has been restricted and designated for utilization in the 2018-2019 budget.

Note 20: FUND BALANCES (CONT'D)**RESTRICTED (CONT'D)****General Fund (Cont'd)**

For Capital Reserve Account - As of June 30, 2018, the balance in the capital reserve account is \$998,661.53. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP).

For Debt Service Fund - In accordance with N.J.A.C. 6A:23A-8.6, a district board of education shall appropriate annually all debt service fund balances in the budget certified for taxes unless expressly authorized and documented by the voters in a bond referendum. The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2019 budget, debt service fund balance totaling \$5,002.00.

ASSIGNED

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

General Fund

For Subsequent Year's Expenditures - The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2019 \$14,378.00 of general fund balance at June 30, 2018.

Other Purposes - As of June 30, 2018, the School District had \$6,980.65 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

UNASSIGNED

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

General Fund - As of June 30, 2018, \$241,779.87 of general fund balance was unassigned.

Note 21: TAX ABATEMENTS

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

The Borough of Somerdale has entered into various property tax abatement agreements with properties having aggregate assessed valuations of \$8,225,000.00. Based on the School District's 2018 certified tax rate of \$1.435, abated taxes totaled \$118,028.75.

Note 22: SUBSEQUENT EVENTS

On October 2, 2018, a referendum authorizing the sale of bonds totaling \$3,157,000.00 was approved. Bonds were sold on December 12, 2018 with interest rates ranging from 3% to 3.5%. The bonds are being issued to provide funds which will be used for the purchase and installation of a new roof, planning, design and construction of an additional parking lot and the purchase and installation of recreational and playground improvements, and site/building utility work related to drainage for same, at the Somerdale Park School.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

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

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 4,484,804.00		\$ 4,484,804.00	\$ 4,484,804.00	
Tuition	20,000.00		20,000.00	38,565.60	\$ 18,565.60
Unrestricted Miscellaneous Revenues	9,700.00		9,700.00	22,997.28	13,297.28
Total - Local Sources	4,514,504.00	\$ -	4,514,504.00	4,546,366.88	31,862.88
State Sources:					
Equalization Aid	2,449,846.00	85,951.00	2,535,797.00	2,535,797.00	
Categorical Transportation Aid	5,588.00		5,588.00	5,588.00	
Categorical Special Education Aid	257,488.00		257,488.00	257,488.00	
Categorical Security Aid	28,521.00		28,521.00	28,521.00	
School Choice Aid	245,295.00		245,295.00	245,295.00	
Under Adequacy Aid	36,799.00		36,799.00	36,799.00	
Per Pupil Growth Aid	5,540.00		5,540.00	5,540.00	
PARCC Readiness Aid	5,540.00		5,540.00	5,540.00	
Additional Adjustment Aid	54,510.00		54,510.00	54,510.00	
Professional Learning Community Aid	4,930.00		4,930.00	4,930.00	
On-Behalf T.P.A.F. Post Retirement Medical Contributions (non-budgeted)				305,962.00	305,962.00
On-Behalf T.P.A.F. Normal Pension Contributions (non-budgeted)				462,490.00	462,490.00
On-Behalf T.P.A.F. Non-Contributory Insurance (non-budgeted)				11,223.00	11,223.00
On-Behalf T.P.A.F. Long-Term Disability Insurance Contributions (non-budgeted)				1,202.00	1,202.00
Reimbursed T.P.A.F. Social Security Contributions (non-budgeted)				273,762.89	273,762.89
Total - State Sources	3,094,057.00	85,951.00	3,180,008.00	4,234,647.89	1,054,639.89
Total Revenues	7,608,561.00	85,951.00	7,694,512.00	8,781,014.77	1,086,502.77

(Continued)

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

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES:					
GENERAL CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Kindergarten	\$ 221,118.00		\$ 221,118.00	\$ 221,118.00	
Grades 1 - 5	1,135,487.00	\$ (3,775.65)	1,131,711.35	1,131,640.97	\$ 70.38
Grades 6 - 8	804,097.00	(10,344.00)	793,753.00	779,174.27	14,578.73
Regular Programs - Home Instruction:					
Salaries of Teachers	1,225.00	(165.00)	1,060.00	1,060.00	
Purchased Professional - Educational Services		3,697.96	3,697.96	3,697.96	
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	59,823.00	8,655.54	68,478.54	54,786.05	13,692.49
Lease / Purchase & Rentals	139,154.00		139,154.00	127,932.16	11,221.84
Other Purchased Services	7,663.00		7,663.00	870.00	6,793.00
General Supplies	97,239.00	8,413.00	105,652.00	87,358.31	18,293.69
Textbooks	2,993.00	(470.80)	2,522.20	1,701.20	821.00
Miscellaneous Expenditures	508.00		508.00	208.00	300.00
Total Regular Programs	<u>2,469,307.00</u>	<u>6,011.05</u>	<u>2,475,318.05</u>	<u>2,409,546.92</u>	<u>65,771.13</u>
Special Education:					
Resource Room/Center:					
Salaries of Teachers	294,152.00		294,152.00	294,152.00	
Purchased Professional - Educational Services	104,844.00	(53,294.81)	51,549.19	39,378.00	12,171.19
General Supplies	1,466.00	1,583.51	3,049.51	3,049.51	
Textbooks	88.00	(88.00)			
Total - Resource Room/Center	<u>400,550.00</u>	<u>(51,799.30)</u>	<u>348,750.70</u>	<u>336,579.51</u>	<u>12,171.19</u>
Home Instruction					
Salaries of Teachers	1,400.00	2,920.00	4,320.00	3,920.00	400.00
Purchased Professional - Educational Services	25,570.00	4,721.20	30,291.20	28,266.20	2,025.00
Total - Home Instruction	<u>26,970.00</u>	<u>7,641.20</u>	<u>34,611.20</u>	<u>32,186.20</u>	<u>2,425.00</u>
Total - Special Education	<u>427,520.00</u>	<u>(44,158.10)</u>	<u>383,361.90</u>	<u>368,765.71</u>	<u>14,596.19</u>

(Continued)

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

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
Basic Skills/Remedial:					
Salaries of Teachers	\$ 357,284.00	\$ (2,920.00)	\$ 354,364.00	\$ 346,041.20	\$ 8,322.80
Purchased Professional - Educational Services	46,638.00	21,962.00	68,600.00	51,442.97	17,157.03
General Supplies	7,842.00	(22.95)	7,819.05	6,121.90	1,697.15
Total - Basic Skills/Remedial	411,764.00	19,019.05	430,783.05	403,606.07	27,176.98
Bilingual Education:					
Salaries of Teachers	114,113.00		114,113.00	114,113.00	
Purchased Professional - Educational Services	21,590.00		21,590.00	979.20	20,610.80
General Supplies	3,268.00	1,320.22	4,588.22	3,878.19	710.03
Textbooks	3,300.00	(1,320.22)	1,979.78	1,971.61	8.17
Total - Bilingual Education	142,271.00	-	142,271.00	120,942.00	21,329.00
Extra-Curricular Activities:					
Salaries	43,010.00		43,010.00	37,927.75	5,082.25
Purchased Professional - Educational Services	4,464.00		4,464.00	734.40	3,729.60
Rentals	1,720.00		1,720.00	534.93	1,185.07
Purchased Services	12,935.00		12,935.00	7,257.37	5,677.63
Supplies and Materials	6,815.00		6,815.00	5,215.00	1,600.00
Total - Extra-Curricular Activities	68,944.00	-	68,944.00	51,669.45	17,274.55
School Sponsored Athletics:					
Salaries	18,550.00		18,550.00	18,410.00	140.00
Purchased Services	7,025.00		7,025.00	6,556.00	469.00
Supplies and Materials	5,300.00	3,329.46	8,629.46	8,212.31	417.15
Transportation	7,195.00	4,010.54	11,205.54	10,290.00	915.54
Total - School Sponsored Athletics	38,070.00	7,340.00	45,410.00	43,468.31	1,941.69

(Continued)

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

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
Summer School - Instruction					
Salaries	\$ 27,360.00	\$ (5,390.00)	\$ 21,970.00	\$ 16,461.60	\$ 5,508.40
Purchased Professional & Technical Services	4,200.00	(1,103.36)	3,096.64	2,346.00	750.64
Purchased Services	2,520.00	7,830.01	10,350.01	10,350.01	
Total Summer School - Instruction	<u>34,080.00</u>	<u>1,336.65</u>	<u>35,416.65</u>	<u>29,157.61</u>	<u>6,259.04</u>
Summer School - Support Services					
Salaries	10,881.00	(810.00)	10,071.00	8,495.55	1,575.45
Other Salaries of Instruction	16,480.00	810.00	17,290.00	14,150.00	3,140.00
Purchased Professional & Technical Services	5,440.00	(2,117.65)	3,322.35	2,299.50	1,022.85
Purchased Services	4,230.00	26.00	4,256.00	4,256.00	
Total - Summer School - Support Services	<u>37,031.00</u>	<u>(2,091.65)</u>	<u>34,939.35</u>	<u>29,201.05</u>	<u>5,738.30</u>
Total - Summer School	<u>71,111.00</u>	<u>(755.00)</u>	<u>70,356.00</u>	<u>58,358.66</u>	<u>11,997.34</u>
Other Alternative Education Programs - Instruction					
Purchased Professional & Technical Services		23,754.00	23,754.00	13,060.20	10,693.80
Total - Other Alternative Education Programs - Instruction	-	<u>23,754.00</u>	<u>23,754.00</u>	<u>13,060.20</u>	<u>10,693.80</u>
Total - Instruction	<u>3,628,987.00</u>	<u>11,211.00</u>	<u>3,640,198.00</u>	<u>3,469,417.32</u>	<u>170,780.68</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs within the State - Regular	30,000.00		30,000.00		30,000.00
Tuition to CSSD & Regional Day Schools	49,705.00		49,705.00	18,916.14	30,788.86
Tuition to Private Schools for the Disabled Within the State	87,785.00		87,785.00	40,896.38	46,888.62
Tuition - State Facilities	32,952.00		32,952.00	32,952.00	
Tuition - Other	44,280.00		44,280.00	44,134.20	145.80
Total - Instruction	<u>244,722.00</u>	<u>-</u>	<u>244,722.00</u>	<u>136,898.72</u>	<u>107,823.28</u>

(Continued)

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

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
Undistributed Expenditures (Cont'd):					
Attendance and Social Work Services:					
Salaries	\$ 25,964.00		\$ 25,964.00	\$ 25,963.44	\$ 0.56
Purchased Professional and Technical Services	9,849.00		9,849.00	7,830.00	2,019.00
Total Attendance and Social Work Services	35,813.00	\$ -	35,813.00	33,793.44	2,019.56
Health Services:					
Salaries	81,614.00		81,614.00	81,614.00	
Purchased Professional and Technical Services	4,930.00		4,930.00	2,673.75	2,256.25
Other Purchased Services	950.00		950.00	453.76	496.24
Supplies and Materials	2,750.00		2,750.00	2,629.07	120.93
Other Objects	315.00		315.00	284.50	30.50
Total - Health Services	90,559.00	-	90,559.00	87,655.08	2,903.92
Other Support Services-Students-Related Services:					
Salaries	79,862.00	639.90	80,501.90	80,501.90	
Purchased Professional Education Services	44,680.00	(7.00)	44,673.00	25,734.98	18,938.02
Supplies and Materials	855.00	7.00	862.00	861.94	0.06
Total - Other Support Services-Students-Related Services	125,397.00	639.90	126,036.90	107,098.82	18,938.08
Other Support Services - Students - Extra Services:					
Purchased Professional Education Services	6,600.00	2,648.01	9,248.01	9,171.25	76.76
Supplies and Materials	3,000.00	(2,648.01)	351.99	151.99	200.00
Total Other Support Services - Students - Extra Services	9,600.00	-	9,600.00	9,323.24	276.76
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	28,022.00		28,022.00	28,021.68	0.32
Supplies and Materials		292.00	292.00		292.00
Total Other Support Services - Students - Guidance	28,022.00	292.00	28,314.00	28,021.68	292.32

(Continued)

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

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
Undistributed Expenditures (Cont'd):					
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	\$ 181,243.00		\$ 181,243.00	\$ 181,243.00	
Salaries of Secretarial and Clerical Assistants	30,000.00		30,000.00	30,000.00	
Purchased Professional Education Services	11,560.00	\$ (657.32)	10,902.68	7,705.39	\$ 3,197.29
Other Purchased Services		365.32	365.32	365.32	
Supplies and Materials	3,110.00		3,110.00	2,296.11	813.89
Total Other Support Services - Students - Child Study Teams	225,913.00	(292.00)	225,621.00	221,609.82	4,011.18
Improvement Instructional Services:					
Salaries of Supervisors of Instruction	46,170.00	(6,931.93)	39,238.07	25,933.44	13,304.63
Salaries of Secretarial and Clerical Assistants	14,670.00		14,670.00	14,669.52	0.48
Other Purchased Services	31,782.00		31,782.00	29,658.50	2,123.50
Other Objects	250.00		250.00	200.00	50.00
Total Improvement Instructional Services	92,872.00	(6,931.93)	85,940.07	70,461.46	15,478.61
Educational Media Services/School Library:					
Salaries	89,630.00		89,630.00	89,629.92	0.08
Purchased Professional and Technical Services	3,330.00	35.00	3,365.00	2,047.80	1,317.20
Supplies and Materials	12,212.00	(685.00)	11,527.00	2,545.39	8,981.61
Total Educational Media Services/School Library	105,172.00	(650.00)	104,522.00	94,223.11	10,298.89
Instructional Staff Training Services:					
Other Salaries	25,375.00	(1,360.00)	24,015.00	12,982.00	11,033.00
Other Purchased Services	26,276.00	(525.00)	25,751.00	3,309.49	22,441.51
Supplies and Materials		1,245.10	1,245.10	684.88	560.22
Total Instructional Staff Training Services	51,651.00	(639.90)	51,011.10	16,976.37	34,034.73

(Continued)

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

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
Undistributed Expenditures (Cont'd):					
Support Services General Administration:					
Salaries	\$ 188,344.00	\$ 5,932.01	\$ 194,276.01	\$ 191,925.63	\$ 2,350.38
Legal Services	21,600.00		21,600.00	15,100.00	6,500.00
Audit Fees	29,650.00		29,650.00	25,300.00	4,350.00
Architectural/Engineering Services	4,500.00		4,500.00	3,340.10	1,159.90
Other Purchased Professional Services	5,190.00	6,494.26	11,684.26	11,485.00	199.26
Purchased Technical Services	5,248.00		5,248.00	2,975.28	2,272.72
Communications/Telephone	48,098.00	(978.00)	47,120.00	33,435.60	13,684.40
Misc. Other Purchased Services	24,980.00	(3,261.66)	21,718.34	21,184.48	533.86
General Supplies	6,800.00	1,600.00	8,400.00	8,026.96	373.04
Miscellaneous Expenditures	3,400.00	(1,850.00)	1,550.00	1,550.00	
BOE Membership Dues and Fees	4,525.00	395.90	4,920.90	4,920.90	
Total Support Services General Administration	342,335.00	8,332.51	350,667.51	319,243.95	31,423.56
Support Services School Administration:					
Salaries of Principals/Assistant Principals	43,223.00	(0.44)	43,222.56	43,222.56	
Salaries of Secretarial and Clerical Assistants	26,323.00	(0.28)	26,322.72	26,322.72	
Purchased Professional and Technical Services	995.00	1,505.00	2,500.00	2,500.00	
Other Purchased Services	3,100.00	1,000.00	4,100.00	2,675.87	1,424.13
Supplies and Materials	2,200.00	(19.85)	2,180.15	2,166.59	13.56
Other Objects	1,445.00	(290.01)	1,154.99	1,154.99	
Total Support Services School Administration	77,286.00	2,194.42	79,480.42	78,042.73	1,437.69

(Continued)

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

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
Undistributed Expenditures (Cont'd):					
Central Services:					
Salaries	\$ 143,750.00		\$ 143,750.00	\$ 143,749.92	\$ 0.08
Purchased Professional Services	11,323.00	\$ 588.32	11,911.32	10,939.11	972.21
Misc. Purchased Services	7,375.00		7,375.00	4,416.48	2,958.52
Supplies and Materials	3,055.00	(588.32)	2,466.68	2,026.34	440.34
Miscellaneous Expenditures	2,895.00		2,895.00	2,669.00	226.00
Total Central Services	168,398.00	-	168,398.00	163,800.85	4,597.15
Administrative Information Technology:					
Salaries	63,860.00		63,860.00	51,620.87	12,239.13
Purchased Professional Services	5,000.00	(3,500.00)	1,500.00		1,500.00
Purchased Technical Services	38,702.00		38,702.00	34,253.16	4,448.84
Supplies and Materials	25,447.00		25,447.00	22,786.56	2,660.44
Total Administrative Information Technology	133,009.00	(3,500.00)	129,509.00	108,660.59	20,848.41
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	74,750.00	3,880.28	78,630.28	59,737.90	18,892.38
General Supplies	27,500.00	(4,600.00)	22,900.00	12,550.31	10,349.69
Other Objects		214.00	214.00		214.00
Total - Required Maintenance for School Facilities	102,250.00	(505.72)	101,744.28	72,288.21	29,456.07
Custodial Services:					
Purchased Professional and Technical Services	337,375.00		337,375.00	337,111.97	263.03
Cleaning, Repair & Maintenance Services	17,760.00	6,705.72	24,465.72	24,135.42	330.30
Lease Purchase Payments - Energy Savings Improvement Program	29,518.00		29,518.00	29,518.00	
Other Purchased Property Services	12,800.00		12,800.00	11,857.54	942.46
Insurance	36,818.00	(1,460.00)	35,358.00	30,562.43	4,795.57
General Supplies	35,860.00	10,100.00	45,960.00	32,858.21	13,101.79
Energy (Heat & Electricity)	149,088.00		149,088.00	99,449.36	49,638.64
Total - Custodial Services	619,219.00	15,345.72	634,564.72	565,492.93	69,071.79

(Continued)

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

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
Undistributed Expenditures (Cont'd):					
Care and Upkeep of Grounds:					
Cleaning, Repair & Maintenance Services	\$ 3,200.00		\$ 3,200.00	\$ 1,949.98	\$ 1,250.02
Total - Care and Upkeep of Grounds	3,200.00	\$ -	3,200.00	1,949.98	1,250.02
Security:					
Purchased Professional and Technical Services	2,055.00	279.50	2,334.50	2,334.50	
General Supplies	1,902.00	(279.50)	1,622.50	1,175.00	447.50
Total - Security	3,957.00	-	3,957.00	3,509.50	447.50
Student Transportation Services:					
Management Fee - Transportation Programs		4,085.91	4,085.91	3,841.00	244.91
Contracted Services - Aid in Lieu of Payment for Non-Public School	884.00	(884.00)			
Contracted Services - Aid in Lieu of Payment for Charter School	2,652.00	(1,768.00)	884.00	884.00	
Contracted Services - Aid in Lieu of Payment for Choice Public	1,768.00	(1,404.66)	363.34	363.34	
Contracted Services (Between Home & School) - Vendors	26,000.00	7,551.00	33,551.00	27,445.40	6,105.60
Contracted Services (Other than between Home & School) - Vendors	10,450.00	(2,220.25)	8,229.75	5,778.00	2,451.75
Contracted Services (Special Ed. Students) - Vendors	56,100.00	(31,765.19)	24,334.81	16,909.00	7,425.81
Contracted Services (Special Ed. Students) - ESC's & CTSA's	7,000.00	80,422.69	87,422.69	87,422.69	
Total Student Transportation Services	104,854.00	54,017.50	158,871.50	142,643.43	16,228.07
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	48,744.00		48,744.00	35,309.02	13,434.98
Other Retirement Contributions - PERS	43,108.00		43,108.00	29,993.00	13,115.00
Other Retirement Contributions - Regular	1,082.00		1,082.00		1,082.00
Unemployment Compensation	15,275.00	(10,150.50)	5,124.50	124.50	5,000.00
Workers Compensation	54,725.00	(6,292.00)	48,433.00	48,433.00	
Health Benefits	1,179,936.00	(7,575.00)	1,172,361.00	978,580.63	193,780.37
Tuition Reimbursement	13,500.00		13,500.00	13,500.00	
Other Employee Benefits	153,877.00		153,877.00	141,577.02	12,299.98
Total Unallocated Benefits - Employee Benefits	1,510,247.00	(24,017.50)	1,486,229.50	1,247,517.17	238,712.33

(Continued)

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

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
Undistributed Expenditures (Cont'd):					
On-Behalf T.P.A.F. Post Retirement Medical Contributions (non-budgeted)				\$ 305,962.00	\$ (305,962.00)
On-Behalf T.P.A.F. Normal Pension Contributions (non-budgeted)				462,490.00	(462,490.00)
On-Behalf T.P.A.F. Non-Contributory Insurance (non-budgeted)				11,223.00	(11,223.00)
On-Behalf T.P.A.F. Long-Term Disability Insurance Contributions (non-budgeted)				1,202.00	(1,202.00)
Reimbursed T.P.A.F. Social Security Contributions (non-budgeted)				273,762.89	(273,762.89)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,054,639.89</u>	<u>(1,054,639.89)</u>
Total On-behalf Contributions					
Total Undistributed Expenses	<u>4,074,476.00</u>	<u>44,285.00</u>	<u>4,118,761.00</u>	<u>4,563,850.97</u>	<u>(445,089.97)</u>
Total Expenditures - Current Expense	<u>7,703,463.00</u>	<u>55,496.00</u>	<u>7,758,959.00</u>	<u>8,033,268.29</u>	<u>(274,309.29)</u>
CAPITAL OUTLAY					
Undistributed Expenditures:					
Care and Upkeep of Grounds		9,786.45	9,786.45	9,784.00	2.45
Required Maintenance for School Facilities - Equipment		111,468.55	111,468.55	111,468.55	
	<u>-</u>	<u>121,255.00</u>	<u>121,255.00</u>	<u>121,252.55</u>	<u>2.45</u>
Total Equipment					
Facilities Acquisition and Construction Services:					
Construction Services	62,246.00		62,246.00	62,246.00	
Capital Reserve Projects	112,800.00	(112,800.00)			
Other Objects - Assessment for Debt Service on SDA Funding	6,081.00		6,081.00	6,081.00	
	<u>181,127.00</u>	<u>(112,800.00)</u>	<u>68,327.00</u>	<u>68,327.00</u>	<u>-</u>
Total Facilities Acquisition and Construction Services					
Total Capital Outlay	<u>181,127.00</u>	<u>8,455.00</u>	<u>189,582.00</u>	<u>189,579.55</u>	<u>2.45</u>
Transfer of Funds to Charter Schools	<u>20,243.00</u>	<u>22,000.00</u>	<u>42,243.00</u>	<u>24,441.00</u>	<u>17,802.00</u>

(Continued)

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

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
Total Expenditures	\$ 7,904,833.00	\$ 85,951.00	\$ 7,990,784.00	\$ 8,247,288.84	\$ (256,504.84)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(296,272.00)	-	(296,272.00)	533,725.93	829,997.93
Other Financing Sources (Uses):					
Operating Transfers Out:					
Transfer to Special Revenue Fund - Preschool Programs - Regular	(46,530.00)	-	(46,530.00)	(46,530.00)	-
Total Other Financing Sources (Uses)	(46,530.00)	-	(46,530.00)	(46,530.00)	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	(342,802.00)	-	(342,802.00)	487,195.93	829,997.93
Fund Balances, July 1	1,373,906.13	-	1,373,906.13	1,373,906.13	-
Fund Balances, June 30	\$ 1,031,104.13	\$ -	\$ 1,031,104.13	\$ 1,861,102.06	\$ 829,997.93
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Capital Reserve			\$ 998,661.53		
For Excess Surplus (2017-18)			316,042.77		
For Excess Surplus (2016-17) - Designated for Subsequent Year's Expenditures			275,039.11		
				\$ 1,589,743.41	
Assigned Fund Balance:					
Year-End Encumbrances			6,980.65		
Designated for Subsequent Year's Expenditure			14,378.00		
				21,358.65	
Unassigned Fund Balance				250,000.00	
				1,861,102.06	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(309,700.20)	
Fund Balance per Governmental Funds (GAAP)				\$ 1,551,401.86	

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

	Original Budget	Budget Adjustments/ Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
State Sources:					
Preschool Education Aid	\$ 84,608.92		\$ 84,608.92	\$ 84,608.92	\$ -
Total - State Sources	<u>84,608.92</u>	<u>\$ -</u>	<u>84,608.92</u>	<u>84,608.92</u>	<u>-</u>
Federal Sources:					
Title I	142,342.00		142,342.00	142,342.00	
Title IIA	18,478.00		18,478.00	18,478.00	
Title IV	10,000.00		10,000.00	10,000.00	
I.D.E.A. - Part B Basic	136,884.00		136,884.00	136,884.00	
I.D.E.A. - Part B Preschool	<u>3,896.00</u>		<u>3,896.00</u>	<u>3,896.00</u>	
Total - Federal Sources	<u>311,600.00</u>	<u>-</u>	<u>311,600.00</u>	<u>311,600.00</u>	<u>-</u>
Total Revenues	<u>\$ 396,208.92</u>	<u>\$ -</u>	<u>\$ 396,208.92</u>	<u>\$ 396,208.92</u>	<u>\$ -</u>
EXPENDITURES:					
Instruction:					
Salaries	\$ 110,799.00	\$ (8,583.36)	\$ 102,215.64	\$ 102,215.64	
Purchased Professional - Educational Services	131,544.00		131,544.00	131,544.00	
Purchased Professional - Technical Services	142,342.00		142,342.00	142,342.00	
General Supplies	<u>2,235.92</u>	<u>708.73</u>	<u>2,944.65</u>	<u>2,944.65</u>	
Total Instruction	<u>386,920.92</u>	<u>(7,874.63)</u>	<u>379,046.29</u>	<u>379,046.29</u>	<u>\$ -</u>
Support Services:					
Personal Services - Employee Benefits	18,478.00	(3,500.00)	14,978.00	14,978.00	
Purchased Professional - Technical Services	20,140.00	18,774.63	38,914.63	3,500.00	
Other Purchased Services	7,200.00		7,200.00	42,614.63	
Supplies and Materials	<u>10,000.00</u>	<u>(7,400.00)</u>	<u>2,600.00</u>	<u>2,600.00</u>	
Total Support Services	<u>55,818.00</u>	<u>7,874.63</u>	<u>63,692.63</u>	<u>63,692.63</u>	<u>-</u>
Total Expenditures	<u>442,738.92</u>	<u>-</u>	<u>442,738.92</u>	<u>442,738.92</u>	<u>-</u>
OTHER FINANCING SOURCES					
Transfer from General Fund	<u>46,530.00</u>	<u>-</u>	<u>46,530.00</u>	<u>46,530.00</u>	<u>-</u>
Total Outflows	<u>396,208.92</u>	<u>-</u>	<u>396,208.92</u>	<u>396,208.92</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOROUGH OF SOMERDALE SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

For the Fiscal Year Ended June 30, 2018

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

	General Fund	Special Revenue Fund
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 8,781,014.77	\$ 396,208.92
Differences - Budget to GAAP:		
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	308,805.70	
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)	<u>(309,700.20)</u>	<u>(7,968.80)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 8,780,120.27</u>	<u>\$ 388,240.12</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 8,247,288.84	\$ 442,738.92
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 8,247,288.84</u>	<u>\$ 442,738.92</u>

REQUIRED SUPPLEMENTARY INFORMATION
PART III

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

	<u>Measurement Date Ending June 30,</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.0032376101%	0.0039271230%	0.0053143317%	0.0045840200%	0.0049402799%
School District's Proportionate Share of the Net Pension Liability	\$ 753,664.00	\$ 1,163,101.00	\$ 1,192,961.00	\$ 858,254.00	\$ 944,186.00
School District's Covered Payroll (Plan Measurement Period)	\$ 224,300.00	\$ 280,172.00	\$ 407,556.00	\$ 337,920.00	\$ 375,716.00
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	336.01%	415.14%	292.71%	253.98%	251.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

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

BOROUGH OF SOMERDALE SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of the School District's Contributions
 Public Employees' Retirement System (PERS)
 Last Five Fiscal Years

	Fiscal Year Ended June 30,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 33,776.00	\$ 29,993.00	\$ 34,888.00	\$ 45,689.00	\$ 37,790.00
Contributions in Relation to the Contractually Required Contribution	<u>(33,776.00)</u>	<u>(29,993.00)</u>	<u>(34,888.00)</u>	<u>(45,689.00)</u>	<u>(37,790.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll (Fiscal Year)	\$ 230,842.00	\$ 237,028.00	\$ 224,300.00	\$ 332,560.00	\$ 359,047.00
Contributions as a Percentage of School District's Covered Payroll	14.63%	12.65%	15.55%	13.74%	10.53%

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

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

	Measurement Date Ending June 30,				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.00%	0.00%	0.00%	0.00%	0.00%
State's Proportion of the Net Pension Liability Associated with the School District	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
School District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the School District	<u>21,603,068.00</u>	<u>23,846,050.00</u>	<u>19,390,099.00</u>	<u>16,709,222.00</u>	<u>15,292,518.00</u>
	<u>\$ 21,603,068.00</u>	<u>\$ 23,846,050.00</u>	<u>\$ 19,390,099.00</u>	<u>\$ 16,709,222.00</u>	<u>\$ 15,292,518.00</u>
School District's Covered Payroll (Plan Measurement Period)	\$ 3,892,424.00	\$ 3,835,620.00	\$ 3,513,852.00	\$ 3,595,192.00	\$ 3,437,828.00
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	0%	0%	0%	0%	0%
State's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	555.00%	621.70%	551.82%	464.77%	444.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%	33.64%	33.76%

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

BOROUGH OF SOMERDALE SCHOOL DISTRICT

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

This schedule is not applicable.

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

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

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

Teachers' Pension and Annuity Fund (TPAF)

Changes in Benefit Terms - None

Changes in Assumptions - For 2017, the discount rate changed to 4.25% and the long-term expected rate of return changed to 7.00%. For 2016, the discount rate changed to 3.22% and the long-term expected rate of return changed to 7.65% from 7.90%. Further, the demographic assumptions were revised to reflect those recommended on the basis of the July 1, 2012 - June 30, 2015 experience study. For 2015, the discount rate changed to 4.13%. For 2014, the discount rate was at 4.68%.

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

REQUIRED SUPPLEMENTARY INFORMATION
PART IV

BOROUGH OF SOMERDALE SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of Changes in the School District's Total OPEB Liability and Related Ratios
 Last Plan Year

	Measurement Date Ending <u>June 30,</u> <u>2017</u>
Total Non-Employer OPEB Liability - State's Proportionate Share of the Total OPEB Liability Associated with the School District	
Changes for the Year:	
Service Cost	\$ 767,909.00
Interest Cost	538,875.00
Changes in Assumptions	(2,310,092.00)
Gross Benefit Payments	(392,513.00)
Member Contributions	<u>14,453.00</u>
Net Change in Total Non-Employer OPEB Liability	(1,381,368.00)
Total Non-Employer OPEB Liability - Beginning of Fiscal Year	<u>18,327,702.00</u>
Total Non-Employer OPEB Liability - End of Fiscal Year	<u>\$ 16,946,334.00</u>
School District's Covered Payroll (Plan Measurement Period)	<u>\$ 3,811,555.00</u>
State's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the School District as a Percentage of Covered Payroll	444.60%

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

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

Changes of Benefit Terms - None

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

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

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

	<u>E.S.E.A. / N.C.L.B.</u>				<u>I. D. E. A. -- Part B</u>		<u>Preschool Education Aid</u>
	<u>Total</u>	<u>Title I</u>	<u>Title IIA</u>	<u>Title IVA</u>	<u>Basic</u>	<u>Preschool</u>	
REVENUES:							
Federal Sources	\$ 311,600.00	\$ 142,342.00	\$ 18,478.00	\$10,000.00	\$ 136,884.00	\$ 3,896.00	
State Sources	84,608.92						\$ 84,608.92
Total Revenues	\$ 396,208.92	\$ 142,342.00	\$ 18,478.00	\$10,000.00	\$ 136,884.00	\$ 3,896.00	\$ 84,608.92
EXPENDITURES:							
Instruction:							
Salaries	\$ 102,215.64						\$ 102,215.64
Purchased Professional - Educational Services	131,544.00				\$ 129,684.00	\$ 1,860.00	
Purchased Professional - Technical Services	142,342.00	\$ 142,342.00					
General Supplies	2,944.65					2,036.00	908.65
Total Instruction	379,046.29	142,342.00	\$ -	\$ -	129,684.00	3,896.00	103,124.29
Support Services:							
Personal Services - Employee Benefits	14,978.00		14,978.00				
Purchased Professional - Technical Services	3,500.00		3,500.00				
Other Purchased Services	42,614.63			7,400.00	7,200.00		28,014.63
Supplies and Materials	2,600.00			2,600.00			
Total Support Services	63,692.63	-	18,478.00	10,000.00	7,200.00	-	28,014.63
Total Expenditures	442,738.92	142,342.00	18,478.00	10,000.00	136,884.00	3,896.00	131,138.92
OTHER FINANCING SOURCES							
Transfer from General Fund	46,530.00	-	-	-	-	-	46,530.00
Total Outflows	396,208.92	142,342.00	18,478.00	10,000.00	136,884.00	3,896.00	84,608.92
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BOROUGH OF SOMERDALE SCHOOL DISTRICT
 Special Revenue Fund
 Schedule of Preschool Education Aid
 Budgetary Basis
 For the Fiscal Year Ended June 30, 2018

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 102,215.64	\$ 102,215.64	
General Supplies	<u>908.65</u>	<u>908.65</u>	
	103,124.29	103,124.29	\$ -
Support Services:			
Other Purchased Professional Services	<u>28,014.63</u>	<u>28,014.63</u>	-
Total Expenditures	<u>\$ 131,138.92</u>	<u>\$ 131,138.92</u>	<u>\$ -</u>

Calculation of Budget and Carryover

Total Revised 2017-2018 Preschool Expansion Aid Allocation	\$ 79,688.00
Add: Actual Preschool Education Aid Carryover (June 30, 2017)	4,920.92
	<u>46,530.00</u>
Total Preschool Education Aid Funds Available for 2017-2018 Budget	131,138.92
Less: 2017-2018 Budgeted Preschool Education Aid (Including prior year budget carryover)	<u>131,138.92</u>
Available and Unbudgeted Preschool Education Aid as of June 30, 2018	-
Add: June 30, 2018 Unexpended Preschool Education Aid	<u>-</u>
2017-2018 Carryover - Preschool Education Aid/Preschool	<u>\$ -</u>
2017-2018 Preschool Education Aid Carryover Budgeted in 2018-2019	<u>\$ -</u>

PROPRIETARY FUNDS

BOROUGH OF SOMERDALE SCHOOL DISTRICT

Proprietary Fund
Statement of Net Position
As of June 30, 2018

	Business-Type Activities-- Enterprise Funds		
	<u>Food Service</u>	<u>Park Tech Services</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 4,293.08	\$ 44,909.41	\$ 49,202.49
Accounts Receivable:			
State	129.14		129.14
Federal	5,782.09		5,782.09
Other		9,946.20	9,946.20
Inventories	<u>13,014.60</u>		<u>13,014.60</u>
Total Current Assets	<u>23,218.91</u>	<u>54,855.61</u>	<u>78,074.52</u>
Noncurrent Assets:			
Furniture, Fixtures and Equipment	123,399.90		123,399.90
Less: Accumulated Depreciation	<u>(113,402.59)</u>		<u>(113,402.59)</u>
Total Noncurrent Assets	<u>9,997.31</u>	<u>-</u>	<u>9,997.31</u>
Total Assets	<u>33,216.22</u>	<u>54,855.61</u>	<u>88,071.83</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable		9,042.00	9,042.00
Interfund Loan Payable	<u>20,000.00</u>		<u>20,000.00</u>
Total Liabilities	<u>20,000.00</u>	<u>9,042.00</u>	<u>29,042.00</u>
NET POSITION:			
Net Investment in Capital Assets	9,997.31		9,997.31
Unrestricted	<u>3,218.91</u>	<u>45,813.61</u>	<u>49,032.52</u>
Total Net Position	<u>\$ 13,216.22</u>	<u>\$ 45,813.61</u>	<u>\$ 59,029.83</u>

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

	Business-Type Activities-- Enterprise Funds		
	<u>Food Service</u>	<u>Park Tech Services</u>	<u>Total</u>
OPERATING REVENUES:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 50,442.12		\$ 50,442.12
Daily Sales - Non-Reimbursable Programs	28,978.81		28,978.81
Sales - Hardware		\$ 348,691.34	348,691.34
Sales - Software		72,374.28	72,374.28
Managed Services		180,279.00	180,279.00
Other On-site Services		68,393.00	68,393.00
	<u>79,420.93</u>	<u>669,737.62</u>	<u>749,158.55</u>
Total Operating Revenue			
OPERATING EXPENSES:			
Cost of Sales - Reimbursable Programs	61,868.74		61,868.74
Cost of Sales - Non-reimbursable Programs	13,477.19		13,477.19
Salaries	81,404.95	46,664.93	128,069.88
Management Fee	13,194.72		13,194.72
Supplies	5,431.65		5,431.65
Other Purchased Services		592,242.62	592,242.62
Insurance Fee	2,793.59		2,793.59
Miscellaneous Fee	6,663.04	819.38	7,482.42
Repairs and Maintenance	7,397.80		7,397.80
Depreciation	2,823.95		2,823.95
	<u>195,055.63</u>	<u>639,726.93</u>	<u>834,782.56</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(115,634.70)</u>	<u>30,010.69</u>	<u>(85,624.01)</u>
NONOPERATING REVENUES:			
State Sources:			
State School Lunch Program	2,159.28		2,159.28
Federal Sources:			
National School Lunch Program	82,594.07		82,594.07
School Breakfast Program	14,195.32		14,195.32
Food Distribution Program	17,271.71		17,271.71
Interest Revenue	54.62	178.11	232.73
	<u>116,275.00</u>	<u>178.11</u>	<u>116,453.11</u>
Total Nonoperating Revenues			
Change in Net Position	640.30	30,188.80	30,829.10
Net Position -- July 1	<u>12,575.92</u>	<u>15,624.81</u>	<u>28,200.73</u>
Net Position -- June 30	<u>\$ 13,216.22</u>	<u>\$ 45,813.61</u>	<u>\$ 59,029.83</u>

BOROUGH OF SOMERDALE SCHOOL DISTRICT

Proprietary Fund

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

	Business-Type Activities-- Enterprise Funds		
	Food Service	Park Tech Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 79,420.93	\$ 659,791.42	\$ 739,212.35
Payments to Employees	(81,404.95)	(46,664.93)	(128,069.88)
Payments to Suppliers	(93,866.68)	(584,020.00)	(677,886.68)
Net Cash Provided by (Used for) Operating Activities	(95,850.70)	29,106.49	(66,744.21)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
State Sources	2,158.97		2,158.97
Federal Sources	96,780.59		96,780.59
Net Cash Provided by Non-Capital Financing Activities	98,939.56	-	98,939.56
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Revenue	54.62	178.11	232.73
Net Cash Provided by Investing Activities	54.62	178.11	232.73
Net Increase (Decrease) in Cash and Cash Equivalents	3,143.48	29,284.60	32,428.08
Balance -- July 1	1,149.60	15,624.81	16,774.41
Balance -- June 30	\$ 4,293.08	\$ 44,909.41	\$ 49,202.49
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	\$(115,634.70)	\$ 30,010.69	\$ (85,624.01)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	2,823.95		2,823.95
Federal Commodities	17,271.71		17,271.71
Change in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable		(9,946.20)	(9,946.20)
(Increase)/Decrease in Inventory	(311.66)		(311.66)
Increase/(Decrease) in Accounts Payable		9,042.00	9,042.00
Total Adjustments	19,784.00	(904.20)	18,879.80
Net Cash Provided by (Used for) Operating Activities	\$ (95,850.70)	\$ 29,106.49	\$ (66,744.21)

FIDUCIARY FUNDS

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

	Private Purpose Trust Fund	Agency Funds		Total
	Unemployment Compensation <u>Insurance</u>	Student <u>Activity</u>	<u>Payroll</u>	
ASSETS:				
Cash and Cash Equivalents	\$ 49,908.60	\$ 16,836.90	\$ 46,157.44	\$ 112,902.94
LIABILITIES:				
Payroll Deductions Payable			\$ 41,781.22	41,781.22
Interfund Payable:				
General Fund			4,376.22	4,376.22
Payable to Student Groups		\$ 16,836.90		16,836.90
Total Liabilities	-	\$ 16,836.90	\$ 46,157.44	62,994.34
NET POSITION:				
Held in Trust for Unemployment Claims and Other Purposes	49,908.60			49,908.60
Total Net Position	\$ 49,908.60			\$ 49,908.60

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

	Private Purpose Trust Fund Unemployment Compensation Trust
ADDITIONS:	
Investment Earnings:	
Interest	\$ 155.62
Total Additions	155.62
Change in Net Position	155.62
Net Position -- July 1	49,752.98
Net Position -- June 30	\$ 49,908.60

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

	<u>Balance June 30, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2018</u>
ELEMENTARY SCHOOLS:				
Park School	<u>\$ 15,965.42</u>	<u>\$ 48,010.06</u>	<u>\$ 47,138.58</u>	<u>\$ 16,836.90</u>
Total Student Activity	<u><u>\$ 15,965.42</u></u>	<u><u>\$ 48,010.06</u></u>	<u><u>\$ 47,138.58</u></u>	<u><u>\$ 16,836.90</u></u>

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

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 56,304.86	\$ 4,728,377.53	\$ 4,738,524.95	\$ 46,157.44
Total Assets	<u>\$ 56,304.86</u>	<u>\$ 4,728,377.53</u>	<u>\$ 4,738,524.95</u>	<u>\$ 46,157.44</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 51,941.27	\$ 2,113,264.35	\$ 2,123,424.40	\$ 41,781.22
Interfund Accounts Payable	4,363.59	175.34	162.71	4,376.22
Net Payroll	<u> </u>	<u>2,614,937.84</u>	<u>2,614,937.84</u>	<u> </u>
Total Liabilities	<u>\$ 56,304.86</u>	<u>\$ 4,728,377.53</u>	<u>\$ 4,738,524.95</u>	<u>\$ 46,157.44</u>

LONG-TERM DEBT

BOROUGH OF SOMERDALE SCHOOL DISTRICT
 Debt Service Fund
 Statement of Serial Bonds
 For the Fiscal Year Ended June 30, 2018

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance June 30, 2017</u>	<u>Decreased</u>	<u>Balance June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>				
Refunding Bonds	05/01/09	\$ 2,565,000.00	5/1/2019	<u>\$ 245,000.00</u>	4.250%	<u>\$ 505,000.00</u>	<u>\$ 260,000.00</u>	<u>\$ 245,000.00</u>

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

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 191,038.00		\$ 191,038.00	\$ 191,038.00	
State Sources:					
Debt Service Aid Type II	90,101.00		90,101.00	90,101.00	
Total Revenues	<u>281,139.00</u>	<u>\$ -</u>	<u>281,139.00</u>	<u>281,139.00</u>	<u>\$ -</u>
EXPENDITURES:					
Regular Debt Service:					
Interest	21,139.00		21,139.00	21,137.50	1.50
Redemption of Principal	260,000.00		260,000.00	260,000.00	
Total Regular Debt Service	<u>281,139.00</u>	<u>-</u>	<u>281,139.00</u>	<u>281,137.50</u>	<u>1.50</u>
Total Expenditures	<u>281,139.00</u>	<u>-</u>	<u>281,139.00</u>	<u>281,137.50</u>	<u>1.50</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	1.50	1.50
Fund Balance, July 1	<u>5,002.55</u>	<u>-</u>	<u>5,002.55</u>	<u>5,002.55</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 5,002.55</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,002.55</u></u>	<u><u>\$ 5,004.05</u></u>	<u><u>\$ 1.50</u></u>

STATISTICAL SECTION

Financial Trends Information

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

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

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013 *	2012	2011	2010	2009
Governmental Activities:										
Net Investment in Capital Assets	\$ 4,036,607	\$ 3,828,121	\$ 3,560,350	\$ 3,451,331	\$ 2,898,329	\$ 2,758,361	\$ 2,608,524	\$ 2,501,625	\$ 2,154,681	\$ 1,706,888
Restricted	1,003,666	5,003	5,002	1	187,630	187,630	200,631	209,065	44,405	683,970
Unrestricted (Deficit)	(732,638)	(244,162)	(549,861)	(1,002,463)	44,894	75,417	336,240	76,095	53,895	(314,633)
Total Governmental Activities Net Position/Assets	\$ 4,307,634	\$ 3,588,961	\$ 3,015,491	\$ 2,448,870	\$ 3,130,853	\$ 3,021,408	\$ 3,145,394	\$ 2,786,785	\$ 2,252,981	\$ 2,076,225
Business-type Activities:										
Net Investment in Capital Assets	\$ 9,997	\$ 12,821	\$ 16,827	\$ 20,833	\$ 25,124	\$ 29,700	\$ 34,383	\$ 17,471	\$ 18,296	\$ 21,491
Unrestricted	49,033	15,379	28,259	27,036	19,777	14,394	30,866	55,614	44,108	34,322
Total Business-type Activities Net Position/Assets	\$ 59,030	\$ 28,201	\$ 45,086	\$ 47,869	\$ 44,901	\$ 44,094	\$ 65,250	\$ 73,085	\$ 62,404	\$ 55,813
District-wide:										
Net Investment in Capital Assets	\$ 4,046,604	\$ 3,840,942	\$ 3,577,177	\$ 3,472,164	\$ 2,923,453	\$ 2,788,060	\$ 2,642,908	\$ 2,519,096	\$ 2,172,977	\$ 1,728,379
Restricted	1,003,666	5,003	5,002	1	187,630	187,630	200,631	209,065	44,405	683,970
Unrestricted (Deficit)	(683,605)	(228,783)	(521,602)	(975,427)	64,671	89,811	367,106	131,709	98,003	(280,311)
Total District-wide Net Position/Assets	\$ 4,366,665	\$ 3,617,162	\$ 3,060,577	\$ 2,496,739	\$ 3,175,754	\$ 3,065,502	\$ 3,210,644	\$ 2,859,870	\$ 2,315,385	\$ 2,132,038

* District Implemented GASB 63

Source: District Records

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

	Fiscal Year Ended June 30,									
	<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:										
Instruction:										
Regular	\$ 2,825,371	\$ 2,682,606	\$ 2,589,645	\$ 3,040,668	\$ 2,760,188	\$ 2,650,533	\$ 2,306,668	\$ 2,149,380	\$ 2,209,026	\$ 2,241,449
Special Education	368,766	363,877	397,317	453,149	464,744	513,003	502,045	415,538	487,014	481,132
Other Special Education	691,105	657,983	580,769	421,236	323,783	226,942	196,081	176,665	275,320	187,645
Support Services:										
Tuition	136,899	195,420	128,519	25,119	190,260	241,507	244,599	226,463	184,951	155,780
Student and Instruction Related Services	732,856	733,055	745,209	685,787	578,008	570,240	604,264	551,433	637,934	577,274
School Administrative Services	687,064	686,496	680,406	645,560	666,082	574,870	534,681	567,406	600,605	576,114
Plant Operations and Maintenance	823,760	874,848	878,543	766,836	789,503	680,511	729,049	666,386	615,571	643,094
Pupil Transportation	142,643	85,199	72,808	61,648	94,839	144,554	114,664	121,974	107,197	59,105
Unallocated Benefits	4,053,783	3,650,351	2,984,938	2,795,785	2,012,121	1,962,229	1,667,680	1,735,064	1,640,923	1,205,973
Reimbursed TPAF and Social Security										407,239
Interest on Long-Term Debt	19,389	29,841.84	38,207.13	46,035	52,956	64,571	74,622	80,617	96,642	130,801
Unallocated Amortiation of Deferred Costs							6,266	6,266	6,266	527
Capital Outlay	6,081	6,081	6,081	6,081	6,081	33,791	2,162		38,154	(130,402)
Transfer to Charter Schools	24,441	25,296			11,151					
Special Schools						13,181	16,847	19,288	11,640	17,794
Total Governmental Activities Expenses	<u>10,512,156</u>	<u>9,991,053</u>	<u>9,102,442</u>	<u>8,947,904</u>	<u>7,949,715</u>	<u>7,675,931</u>	<u>6,999,628</u>	<u>6,716,480</u>	<u>6,911,244</u>	<u>6,553,525</u>
Business-type Activities:										
Food Service	195,056	229,485	203,114	190,403	188,293	213,581	200,505	173,067	173,510	174,997
Other	639,727	295,836	8,730							
Total Business-type Activities Expense	<u>834,783</u>	<u>525,321</u>	<u>211,845</u>	<u>190,403</u>	<u>188,293</u>	<u>213,581</u>	<u>200,505</u>	<u>173,067</u>	<u>173,510</u>	<u>174,997</u>
Total District Expenses	<u>\$ 11,346,938</u>	<u>\$ 10,516,374</u>	<u>\$ 9,314,287</u>	<u>\$ 9,138,307</u>	<u>\$ 8,138,008</u>	<u>\$ 7,889,512</u>	<u>\$ 7,200,133</u>	<u>\$ 6,889,547</u>	<u>\$ 7,084,754</u>	<u>\$ 6,728,522</u>

(Continued)

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

	Fiscal Year Ended June 30,									
	<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>
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Instruction: Tuition	\$ 38,566	\$ 55,062	\$ 47,421	\$ 31,510	\$ 26,494	\$ 1,228	\$ 23,938		\$ 1,730	\$ 47,696
Operating Grants and Contributions	2,176,744	1,866,880	1,392,528	1,186,121	391,989.92	462,181	453,754	\$ 501,239	439,430	886,940
Capital Grants and Contributions								175,687	213,326	
Total Governmental Activities Program Revenues	<u>2,215,310</u>	<u>1,921,942</u>	<u>1,439,950</u>	<u>1,217,631</u>	<u>418,484</u>	<u>463,409</u>	<u>477,692</u>	<u>676,926</u>	<u>654,486</u>	<u>934,637</u>
Business-type activities:										
Charges for services										
Food Service	79,421	84,186	79,817	75,675	69,503	68,413	77,968	86,805	77,949	89,946
Other	669,738	310,072	10,060							
Operating Grants and Contributions	116,220	114,036	119,116	117,621	119,522	123,711	113,900	96,712	95,217	83,556
Total Business-type Activities Program Revenues	<u>865,379</u>	<u>508,294</u>	<u>208,993</u>	<u>193,296</u>	<u>189,025</u>	<u>192,124</u>	<u>191,868</u>	<u>183,517</u>	<u>173,166</u>	<u>173,503</u>
Total District Program Revenues	<u>\$ 3,080,689</u>	<u>\$ 2,430,236</u>	<u>\$ 1,648,943</u>	<u>\$ 1,410,927</u>	<u>\$ 607,509</u>	<u>\$ 655,533</u>	<u>\$ 669,561</u>	<u>\$ 860,443</u>	<u>\$ 827,652</u>	<u>\$ 1,108,139</u>
Net (Expense)/Revenue:										
Governmental Activities	\$ (8,296,846)	\$ (8,069,111)	\$ (7,662,493)	\$ (7,730,273)	\$ (7,531,231)	\$ (7,212,522)	\$ (6,521,936)	\$ (6,039,555)	\$ (6,256,758)	\$ (5,618,889)
Business-type Activities	30,596	(17,027)	(2,851)	2,893	732	(21,457)	(8,636)	10,451	(344)	(1,494)
Total District-wide Net Expense	<u>\$ (8,266,249)</u>	<u>\$ (8,086,138)</u>	<u>\$ (7,665,344)</u>	<u>\$ (7,727,380)</u>	<u>\$ (7,530,499)</u>	<u>\$ (7,233,979)</u>	<u>\$ (6,530,572)</u>	<u>\$ (6,029,104)</u>	<u>\$ (6,257,102)</u>	<u>\$ (5,620,383)</u>

(Continued)

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

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013 *	2012	2011	2010	2009
General Revenues and Other Changes in Net Position/Assets:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 4,675,842	\$ 4,508,318	\$ 4,315,328	\$ 4,291,793	\$ 4,018,380	\$ 3,655,665	\$ 3,586,334	\$ 3,544,500	\$ 3,513,395	\$ 3,398,238
Federal and State Aid not restricted	4,317,080	4,107,556	3,910,054	3,788,542	3,608,210	3,454,859	3,275,871	2,974,093	2,929,141	2,495,910
Miscellaneous Income	22,997	26,708	17,607	17,553	14,086	21,873	18,340	54,766	20,485	108,530
Loss on Bond Refunding										(7,000)
Cancellation of Federal Grant Receivable									(10,223)	
Loss on Disposal of Assets	(400)		(13,876)						(12,504)	
Transfers									(6,780)	(7,113)
Total Governmental Activities	9,015,519	8,642,582	8,229,114	8,097,888	7,640,676	7,132,398	6,880,545	6,573,358	6,433,514	5,988,565
Business-type Activities:										
Miscellaneous Income	233	141	68	75	75	301	801	143	155	294
Cancellation of Prior Year Payables								88		
Transfers									6,780	7,113
Total Business-type Activities	233	141	68	75	75	301	801	231	6,935	7,407
Total District-wide	\$ 9,015,752	\$ 8,642,723	\$ 8,229,182	\$ 8,097,964	\$ 7,640,751	\$ 7,132,699	\$ 6,881,346	\$ 6,573,589	\$ 6,440,449	\$ 5,995,972
Change in Net Position/Assets:										
Governmental Activities	\$ 718,673	\$ 573,470	\$ 566,621	\$ 367,615	\$ 109,445	\$ (80,124)	\$ 358,609	\$ 533,804	\$ 176,756	\$ 369,676
Business-type Activities	30,829	(16,886)	(2,783)	2,968	807	(21,156)	(7,835)	10,682	6,591	5,913
Total District	\$ 749,502	\$ 556,585	\$ 563,838	\$ 370,583	\$ 110,252	\$ (101,280)	\$ 350,774	\$ 544,485	\$ 183,347	\$ 375,589

* District Implemented GASB 63

Source: District Records

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

	Fiscal Year Ended June 30,									
	<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:										
Nonspendable:										
Prepaid Expenses	\$ 14,563	\$ 15,940	\$ 18,953							
Restricted:										
Excess Surplus	275,039						\$ 94,605	\$ 347,943		
Capital Reserve	998,662	604,487	408,782	\$ 125,000						\$ 100,001
Assigned:										
Other Purposes	6,981			63,619		\$ 79,404	178,874	4,195	\$ 340	1,190
Subsequent Year's Expenditures	14,378	230,002	130,599	261,417	\$ 165,503	110,482	314,378	100,000		
Unassigned (Deficit)	241,780	214,672	157,804	77,355	216,308	148,357	15,668	8,657	368,737	595,710
Total General Fund	<u>\$ 1,551,402</u>	<u>\$ 1,065,100</u>	<u>\$ 716,138</u>	<u>\$ 527,391</u>	<u>\$ 381,811</u>	<u>\$ 338,243</u>	<u>\$ 603,526</u>	<u>\$ 460,795</u>	<u>\$ 369,077</u>	<u>\$ 696,901</u>
All Other Governmental Funds:										
Restricted:										
Capital Projects Fund				\$ 82,217	\$ 187,629	\$ 187,629	\$ 200,629	\$ 200,629.25	\$ 35,970	
Restricted - Debt Service Fund	\$ 5,004	\$ 5,003	\$ 5,002	1	1	1	1	8,436	8,435	
Total All Other Governmental Funds	<u>\$ 5,004</u>	<u>\$ 5,003</u>	<u>\$ 5,002</u>	<u>\$ 82,218</u>	<u>\$ 187,630</u>	<u>\$ 187,630</u>	<u>\$ 200,631</u>	<u>\$ 209,065</u>	<u>\$ 44,405</u>	<u>\$ -</u>

Source: District Records

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

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Tax Levy	\$ 4,675,842	\$ 4,508,318	\$ 4,315,328	\$ 4,291,793	\$ 4,018,380	\$ 3,655,665	\$ 3,586,334	\$ 3,544,500	\$ 3,513,395	\$ 3,398,238
Tuition Charges	38,566	55,062	47,421	31,510	26,494	1,228	23,938		1,730	47,696
Miscellaneous	22,997	22,997	17,607	17,553	14,086	21,873	18,340	54,766	20,485	45,343
State Sources	4,408,463	4,247,156	4,047,287	3,923,235	3,725,992	3,598,744	3,359,141	3,298,141	2,846,693	3,150,824
Federal Sources	311,600	295,977	314,052	318,174	274,208	318,297	370,484	352,878	735,204	232,026
Total Revenue	9,457,468	9,129,510	8,741,696	8,582,265	8,059,160	7,595,807	7,358,238	7,250,284	7,117,506	6,874,128
Expenditures:										
Instruction										
Regular Instruction	2,788,593	2,645,531	2,563,991	3,017,969	2,739,563	2,636,680	2,298,940	2,119,390	2,179,036	2,211,459
Special Education Instruction	368,766	363,877	397,317	453,149	464,744	513,003	502,045	415,538	487,014	481,132
Other Special Instruction	691,105	657,983	580,769	421,236	323,783	226,942	196,081	176,665	275,320	187,645
Unidistributed										
Tuition	136,899	195,420	128,519	25,119	190,260	241,507	244,599	226,463	184,951	155,780
Student and Instruction Related Services	732,856	733,055	745,209	685,787	578,008	570,240	604,264	551,433	637,934	576,552
School Administrative Services	669,748	669,181	665,316	636,845	662,407	571,327	530,816	562,876	588,895	566,799
Plant Operations and Maintenance	643,241	718,674	731,718	638,111	635,514	527,274	576,810	530,736	488,202	511,531
Pupil Transportation	142,643	85,199	72,808	61,648	94,839	144,554	114,664	121,974	107,197	59,105
Unallocated Benefits	1,247,517	1,253,739	1,265,832	1,388,336	1,351,879	1,324,738	1,263,481	1,292,410	1,274,152	1,161,370
On-Behalf TPAF Pension Contributions										224,707
Reimbursed TPAF Social Security Contributions	1,054,640	920,350	789,785	674,805	585,050	639,903	520,053	411,130	416,239	182,532
Special Schools						13,181	16,847	19,288	11,640	17,794
Capital Outlay	183,499	218,335	388,314	311,822	64,339	143,123	24,159	219,521	399,985	103,854
Debt Service	287,219	297,619	300,587	307,306	314,057	321,619	331,181	346,481	333,357	355,801
Transfer to Charter Schools	24,441	25,296			11,151					
Total Expenditures	8,971,165	8,784,258	8,630,164	8,622,134	8,015,593	7,874,091	7,223,941	6,993,906	7,383,923	6,796,061
Excess (Deficiency) of Revenues Over (Under) Expenditures	486,303	345,252	111,532	(39,869)	43,567	(278,283)	134,297	256,378	(266,417)	78,067
Other Financing Sources (Uses):										
Capital Leases (Non-Budgeted)				185,450						
Accounts Receivable/Payable Canceled									(10,223)	
Transfers Out									(6,780)	(7,113)
Total Other Financing Sources (Uses)	-	-	-	185,450	-	-	-	-	(17,003)	(7,113)
Net Change in Fund Balances	\$ 486,303	\$ 345,252	\$ 111,532	\$ 145,581	\$ 43,567	\$ (278,283)	\$ 134,297	\$ 256,378	\$ (283,419)	\$ 70,953
Debt Service as a Percentage of Noncapital Expenditures	3.3%	3.5%	3.6%	3.7%	3.9%	4.2%	4.6%	5.1%	4.8%	5.3%

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

	Fiscal Year Ended June 30,									
	<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>
Interest on Investments	\$ 9,275	\$ 4,183	\$ 3,628	\$ 2,635	\$ 2,612	\$ 7,067	\$ 8,665	\$ 2,978	\$ 2,911	\$ 7,119
Refund of Prior Year Expenditure	1,259	4,253	3,474	5,234	5,616	7,219	2,494	39,866	9,712	
E-Rate Revenue		553	8,907	7,763	4,825	7,566	3,072			1,140
Picture Rebates							632	1,570	257	452
Book Fines	119	81	120		80			177		
Student Activity Fees							1,445			
Miscellaneous Refunds			1,381	1,668	190					2,511
Accounts Payable					762					
Tablets	11,871	14,146								
Other	473	3,491	96	253		21	2,032	10,175	7,605	34,121
	<u>\$ 22,997</u>	<u>\$ 26,708</u>	<u>\$ 17,607</u>	<u>\$ 17,553</u>	<u>\$ 14,086</u>	<u>\$ 21,873</u>	<u>\$ 18,340</u>	<u>\$ 54,765</u>	<u>\$ 20,485</u>	<u>\$ 45,343</u>

Source: District Records

Revenue Capacity Information

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

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

Year Ended Dec. 31	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities (1)	Net Valuation Taxable	Tax-Exempt Property	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate (2)
2018	\$ 5,865,300	\$ 254,517,500	\$ -	\$ 48,314,600	\$ 10,775,200	\$ 10,668,300	\$ 330,140,900	\$ -	\$ 330,140,900	\$ 41,507,620	\$ 330,140,900	\$ 1.377
2017	6,724,800	250,669,200	-	46,902,000	10,775,200	10,668,300	325,739,500	100	325,739,600	40,550,920	325,739,600	1.348
2016	6,704,500	246,715,700	-	46,806,000	10,775,200	10,668,300	321,669,700	100	321,669,800	40,413,520	321,699,700	1.372
2015	7,849,900	242,242,700	-	47,337,200	10,593,000	10,668,300	318,691,100	100	318,691,200	39,998,120	318,691,100	1.351
2014	7,592,900	238,044,700	-	48,685,600	10,593,900	10,668,300	315,585,400	467,993	316,053,393	40,013,920	315,585,400	1.316
2013	9,882,300	270,815,900	-	55,083,926	12,420,900	11,534,300	359,737,326	468,108	360,205,434	42,741,020	359,737,326	1.065
2012	7,740,700	269,216,800	-	55,460,926	13,320,900	11,734,300	357,473,626	493,524	357,967,150	41,831,020	345,179,630	1.011
2011	11,652,500	268,415,200	-	37,583,526	13,695,100	11,861,200	343,207,526	482,451	343,689,977	41,831,020	346,388,041	1.038
2010	11,202,300	268,689,200	-	38,260,600	13,852,200	12,198,500	344,202,800	618,511	344,821,311	41,860,020	347,597,140	1.024
2009	11,899,200	268,224,800	-	39,040,800	14,238,200	12,198,500	345,601,500	520,073	346,121,573	40,635,820	330,415,433	0.999

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

(2) Tax rates are per \$100

Source: Camden County Board of Taxation

BOROUGH OF SOMERDALE SCHOOL DISTRICT

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(Rate per \$100 of Assessed Value)

Unaudited

Year Ended Dec. 31	District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	<u>Basic Rate</u>	General Obligation Debt <u>Service</u>	Total Direct School <u>Tax Rate</u>	<u>Somerdale Borough</u>	<u>Regional School</u>	<u>Camden County</u>	
2018	\$ 1.377	\$ 0.058	\$ 1.435	\$ 1.103	\$ 0.814	\$ 0.953	\$ 4.305
2017	1.348	0.061	1.409	1.099	0.809	0.942	4.259
2016	1.308	0.064	1.372	1.094	0.750	0.925	4.141
2015	1.285	0.066	1.351	1.090	0.725	0.916	4.082
2014	1.248	0.068	1.316	1.084	0.642	0.870	3.912
2013	1.065	N/A	1.065	0.937	0.605	0.769	3.376
2012	1.011	N/A	1.011	0.905	0.590	0.812	3.318
2011	1.038	N/A	1.038	0.875	0.621	0.740	3.274
2010	1.024	N/A	1.024	0.839	0.686	0.662	3.211
2009	0.999	N/A	0.999	0.813	0.641	0.618	3.071

N/A - Information not Available

Source: Municipal Tax Collector

BOROUGH OF SOMERDALE SCHOOL DISTRICT
Principal Property Tax Payers
Current Year and Ten Years Ago
Unaudited

<u>Taxpayer</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
Wal-Mart	\$ 17,573,100	1	5.32%	\$ 3,454,000	4	1.00%
Buchman, Myron & Tanya Toby	3,700,000	2	1.12%	4,138,600	2	1.20%
National Reality Property Owners	3,130,600	3	0.95%	3,597,900	3	1.04%
East Coast Warwick Terrace, LLC	2,029,000	4	0.61%			
Somerdale Equities, LLC	1,924,900	5	0.58%			
JMK Investment Co., Inc.	1,906,100	6	0.58%	5,315,900	1	1.54%
P. Kiejdan Family, LLC	1,624,000	7	0.49%	2,690,000	5	0.78%
Rite Aid of New Jersey	1,512,900	8	0.46%	1,559,300	10	0.45%
WAWN, LLC	1,338,200	9	0.41%			
Somerdale Partners, LLC	1,891,100	10	0.58%	2,483,200	6	0.72%
Warwick Terrace Apartments				2,464,000	7	0.71%
600 White Horse Pike, LLC				2,180,800	8	0.63%
Shire Cornell				1,575,400	9	0.46%
Total	\$ 36,629,900		11.10%	\$ 29,459,100		8.53%

Source: District CAFR & Municipal Tax Assessor

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

<u>Fiscal Year Ended June 30,</u>	<u>School District Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the</u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2018	\$ 4,675,842	\$ 4,675,842	100.00%	-
2017	4,508,318	4,508,318	100.00%	-
2016	4,315,328	4,315,328	100.00%	-
2015	4,291,793	4,291,793	100.00%	-
2014	4,018,380	4,018,380	100.00%	-
2013	3,437,121	3,437,121	100.00%	-
2012	3,369,726	3,369,726	100.00%	-
2011	3,544,500	3,544,500	100.00%	-
2010	3,513,395	3,513,395	100.00%	-
2009	3,398,238	3,398,238	100.00%	-

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

Source: District Records

Debt Capacity Information

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

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

Fiscal Year Ended June 30.	Governmental Activities				Business-Type Activities		Percentage of Personal Income (2)	Per Capita Personal Income (3)
	General Obligation Bonds (1)	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2018	\$ 245,000	\$ -	\$ 82,283	\$ -	\$ -	\$ 327,283	N/A	N/A
2017	505,000	-	107,745	-	-	612,745	N/A	\$ 92
2016	765,000	-	132,283	-	-	897,283	0.33%	139
2015	1,020,000	-	155,932	-	-	1,175,932	0.45%	187
2014	1,280,000	-	-	-	-	1,280,000	0.51%	238
2013	1,540,000	-	-	-	-	1,540,000	0.65%	291
2012	1,795,000	-	-	-	-	1,795,000	0.77%	343
2011	2,050,000	-	-	-	-	2,050,000	0.90%	398
2010	2,315,000	-	-	-	-	2,315,000	1.07%	449
2009	2,565,000	-	-	-	-	2,565,000	1.21%	504

N/A - Information not Available

Sources:

- (1) District Records
- (2) Personal income has been estimated based upon the municipal population and per capita personal income presented.
- (3) Per capita personal income by municipality-estimated based upon the 2000 Census published by the US Bureau of Economic Analysis

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Assessed Valuation Taxable (2)	Per Capita (3)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2018	\$ 245,000	\$ -	\$ 245,000	0.07%	Unavailable
2017	505,000	-	505,000	0.16%	\$ 92
2016	765,000	-	765,000	0.24%	139
2015	1,020,000	-	1,020,000	0.32%	187
2014	1,280,000	-	1,280,000	0.40%	238
2013	1,540,000	-	1,540,000	0.43%	291
2012	1,795,000	-	1,795,000	0.50%	343
2011	2,050,000	-	2,050,000	0.60%	398
2010	2,315,000	-	2,315,000	0.67%	449
2009	2,565,000	-	2,565,000	0.74%	504

Sources:

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

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

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Statutory Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to Somerdale Borough</u>	<u>Debt Authorized But Not Issued</u>
Municipal Debt: (1)					
Borough of Somerdale School District	\$ 4,763,000.00	\$ 4,763,000.00			
Borough of Somerdale Sewer Utility	3,652,629.86	3,652,629.86			
Borough of Somerdale	5,870,309.00		\$ 5,870,309.00	\$ 5,870,309.00	
	<u>14,285,938.86</u>	<u>8,415,629.86</u>	<u>5,870,309.00</u>	<u>5,870,309.00</u>	<u>\$ -</u>
Overlapping Debt Apportioned to the Municipality:					
County of Camden: (2)					
General:					
Bonds	36,125,000.00	8,342,385.00 (3)	27,782,615.00	254,557.95	11,960,225.00
Notes	35,461,125.00		35,461,125.00	324,912.23	
Loan Agreement	314,966,900.00		314,966,900.00	2,885,881.28	
Bonds Issued by Other Public Bodies Guaranteed by the County	276,594,254.00	276,594,254.00 (4)			
	<u>663,147,279.00</u>	<u>284,936,639.00</u>	<u>378,210,640.00</u>	<u>3,465,351.46</u>	<u>11,960,225.00</u>
	<u>\$ 677,433,217.86</u>	<u>\$ 293,352,268.86</u>	<u>\$ 384,080,949.00</u>	<u>\$ 9,335,660.46</u>	<u>\$ 11,960,225.00</u>

Sources:

- (1) 2017 Annual Debt Statement
- (2) County's 2017 Audit Report
- (3) Includes Reserve for Payment of Bonds, Other Accounts Receivable and General Obligation Pension Refunding Bonds.
- (4) Such debt is allocated as a proportion of the Borough's share of the total 2017 Equalized Value, which is 0.92%.
The source for this computation was the 2017 Table of Equalized Valuations, which is supplied by the New Jersey Division of Taxation.

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

Legal Debt Margin Calculation for Fiscal Year 2018

	Equalized valuation basis (1)	
	2017	\$ 345,832,460
	2016	338,421,568
	2015	<u>331,486,478</u>
	[A]	\$ 1,015,740,506
	Average equalized valuation of taxable property	[A/3] <u>\$ 338,580,169</u>
	Debt limit (3% of average equalization value) (2)	[B] \$ 10,157,405 (1)
	Total Net Debt Applicable to Limit	[C] <u>245,000</u>
	Legal Debt Margin	[B-C] <u>\$ 9,912,405</u>

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt limit	\$ 10,157,405.06	\$ 9,977,889.81	\$ 9,828,431.13	\$ 9,802,494.73	\$ 9,982,741.28	\$ 10,355,388.89	\$ 10,311,008.00	\$ 10,226,325.00	\$ 9,912,463.00	\$ 8,662,458.00
Total net debt applicable to limit (3)	<u>245,000.00</u>	<u>505,000.00</u>	<u>765,000.00</u>	<u>1,020,000.00</u>	<u>1,280,000.00</u>	<u>1,540,000.00</u>	<u>2,050,000.00</u>	<u>2,315,000.00</u>	<u>2,565,000.00</u>	<u>2,783,000.00</u>
Legal debt margin	<u>\$ 9,912,405.06</u>	<u>\$ 9,472,889.81</u>	<u>\$ 9,063,431.13</u>	<u>\$ 8,782,494.73</u>	<u>\$ 8,702,741.28</u>	<u>\$ 8,815,388.89</u>	<u>\$ 8,261,008.00</u>	<u>\$ 7,911,325.00</u>	<u>\$ 7,347,463.00</u>	<u>\$ 5,879,458.00</u>
Total net debt applicable to the limit as a percentage of debt limit	2.41%	5.06%	7.78%	10.41%	12.82%	14.87%	19.88%	22.64%	25.88%	32.13%

Sources:
 (1) Equalized valuation bases were provided by the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.
 (2) Limit set by NJSA 18A:24-19 for a K through 8 district.
 (3) District Records

Demographic and Economic Information

Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within which the School District operates and (2) to provide information that facilitates comparisons of financial statement information over time and among school districts. Please refer to the following exhibits for a historical view of the demographic and economic statistics and factors prevalent in the location in which the School District operates.

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

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
2017	5,508	Unavailable	Unavailable	4.9%
2016	5,506	\$ 271,952,352	\$ 49,392	5.6%
2015	5,460	262,871,700	48,145	6.2%
2014	5,369	251,730,934	46,195	7.6%
2013	5,288	238,367,176	44,754	9.7%
2012	5,229	233,955,918	44,224	10.1%
2011	5,157	227,501,055	43,571	9.9%
2010	5,151	216,305,943	41,561	10.1%
2009	5,093	212,077,613	41,164	9.6%
2008	5,091	210,629,943	41,143	6.1%

Source:

- (1) Population information provided by the NJ Dept of Labor and Workforce Development
- (2) Personal income has been estimated based upon the municipal population and per capita personal income presented
- (3) Per capita personal income by municipality-estimated based upon the 2000 Census published by the US Bureau of Economic Analysis
- (4) Unemployment data provided by the NJ Dept of Labor and Workforce Development

BOROUGH OF SOMERDALE SCHOOL DISTRICT
 Principal Non-Governmental Employers
 Current Year and Ten Years Ago
Unaudited

<u>Employer</u>	<u>2018</u>			<u>2009</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Municipal Employment</u>

INFORMATION IS NOT AVAILABLE

Operating Information

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

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

Function/Program	Fiscal Year Ended June 30,									
	<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>
Instruction										
Regular	35.0	37.0	33.0	33.0	33.0	32.0	34.0	30.1	32.6	30.1
Special Education	6.0	5.0	5.5	5.5	5.5	5.0	7.6	7.5	6.5	14.0
Other	8.0	8.0	7.6	7.2	6.4	3.0	6.0	5.6	7.7	8.0
Support Services:										
Student & instruction related services	4.8	4.8	4.8	4.8	19.0	10.0	20.0	12.6	14.0	11.4
School Administrative Services	9.0	8.0	8.0	8.0	8.8	3.0	3.0	3.4	3.4	8.4
Plant Operations and Maintenance	-	-	-	-	-	-	-	-	1.0	1.3
Total	<u>62.8</u>	<u>62.8</u>	<u>58.9</u>	<u>58.5</u>	<u>72.7</u>	<u>53.0</u>	<u>70.6</u>	<u>59.2</u>	<u>65.2</u>	<u>73.1</u>

Source: District Records

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

Fiscal Year Ended <u>June 30.</u>	<u>Enrollment</u>	Operating <u>Expenditures</u>	Cost Per <u>Pupil</u>	Percentage <u>Change</u>	Teaching <u>Staff</u>	<u>Pupil/Teacher Ratio</u>			Average Daily Enrollment <u>(ADE)</u>	Average Daily Attendance <u>(ADA)</u>	% Change in Average Daily <u>Enrollment</u>	Student Attendance <u>Percentage</u>
						<u>Elementary</u>	<u>Middle School</u>	<u>High School</u>				
2018	452	\$ 10,486,686	\$ 23,201	16.53%	50	49	-	-	485.0	468.7	-1.78%	96.64%
2017	500	9,955,130	19,910	12.76%	50	50	-	-	493.8	479.2	-5.14%	97.04%
2016	513	9,058,154	17,657	14.37%	45.7	46	-	-	520.6	497.8	-1.56%	95.62%
2015	529	8,166,791	15,438	3.30%	45.7	46	-	-	528.8	502.7	-0.63%	95.06%
2014	528	7,890,678	14,944	0.58%	44.9	45	-	-	532.1	524.6	3.39%	98.59%
2013	510	7,577,570	14,858	12.68%	41.6	37	-	-	514.7	505.7	-2.39%	98.25%
2012	525	6,922,844	13,186	1.15%	41.6	42	-	-	527.3	511.2	3.96%	96.94%
2011	509	6,635,863	13,037	-4.71%	38	17	-	-	507.2	481.8	6.94%	94.99%
2010	488	6,553,127	13,681	0.82%	41	19	-	-	474.3	454.8	-1.01%	96.33%
2009	479	6,649,249	13,570	-1.47%	41	12	-	-	480.9	463.3	3.25%	96.01%

Sources: District Records

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

	Fiscal Year Ended June 30,									
	<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>
<u>District Building</u>										
<u>Elementary</u>										
Somerdale Park School										
Square Feet	82,557	82,557	82,557	82,557	82,557	82,557	82,557	82,557	82,557	82,557
Capacity (students)	485	485	485	485	485	485	485	485	485	485
Enrollment	452	500	513	529	528	510	525	509	488	479
<u>Other</u>										
Administration Building										
Square Feet	1,728	1,728	1,728	1,728	1,728	1,728	1,728	1,728	1,728	1,728
Number of Schools at June 30, 2018										
Elementary = 1										
Middle School = 0										
High School = 0										
Other = 0										

Source: District Records

BOROUGH OF SOMERDALE SCHOOL DISTRICT
 Schedule of Required Maintenance
 Last Ten Fiscal Years
Unaudited

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

<u>School Facilities</u>	<u>School # (s)</u>	<u>Fiscal Year Ended June 30,</u>									
		<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Somerdale Park School	4790	\$ 72,288	\$ 116,954	\$ 81,653	\$ 58,454	\$ 85,256	\$ 36,748	\$ 40,751	\$ 23,878	\$ 92,826	\$ 100,075
Total School Facilities		<u>\$ 72,288</u>	<u>\$ 116,954</u>	<u>\$ 81,653</u>	<u>\$ 58,454</u>	<u>\$ 85,256</u>	<u>\$ 36,748</u>	<u>\$ 40,751</u>	<u>\$ 23,878</u>	<u>\$ 92,826</u>	<u>\$ 100,075</u>

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

Source: District Records

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

		<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSIG:			
Buildings & Contents	(1) \$	16,588,800	\$ 1,000
Extra Expense - Blanket	(1)	50,000,000	1,000
General Liability	(2)	6,000,000	N/A
Valuable Papers Blanket		10,000,000	1,000
Electronic Data Processing		150,000	1,000
Money & Securities		10,000	500
Public Employees Dishonesty		25,000	500
Equipment Breakdown		100,000,000	1,000
Environmental Package		1,000,000	Various
Automobile Liability	(3)	6,000,000	N/A
Workers Compensation	(4)	Statutory	-
Accident Policies:			
Student Catastrophic Accident	(1)	500,000	-
Student/Volunteer Accident	(1)	1,000,000	-
School Board Legal Liability			
Errors and Omissions	(3)	6,000,000	5,000
Equipment Breakdown - NJSIG			
Extra Expense		100,000,000	1,000
		10,000,000	-
Bonds			
Board Secretary		200,000	1,000

- (1) Limit each occurrence, No annual aggregate
(2) Limit each occurrence, annual unaggregated
(3) Per claim/ annual aggregate
(4) Each accident

Source: District Records

SINGLE AUDIT SECTION

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE STATE OF NEW JERSEY CIRCULAR 15-08-OMB**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Somerdale
Somerdale, New Jersey 08083

Report on Compliance for Each State Program

We have audited the Borough of Somerdale School District's, in the County of Camden, State of New Jersey, compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major state programs for the fiscal year ended June 30, 2018. The School District'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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District'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; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and State of New Jersey Circular 15-08-OMB, 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 state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Somerdale School District's, in the County of Camden, State of New Jersey, 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 School District's compliance.

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Kirk N. Applegate
Certified Public Accountant
Public School Accountant No. CS 20CS00223300

Voorhees, New Jersey
February 7, 2019

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

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Federal FAIN Number	Pass-Through Entity Identifying Number	Program or Award Amount	Grant Period		Balance June 30, 2017
					From	To	
Special Revenue Fund:							
U.S. Department of Education							
Passed-through State Department of Education:							
N.C.L.B. / E.S.S.A.:							
Title I	84.010	S010A170030	NCLB5560-18	\$ 142,342.00	7-1-2017	6-30-2018	
Title I	84.010	S010A160030	NCLB5560-17	140,235.00	7-1-2016	6-30-2017	\$ (13,006.00)
Total Title I							(13,006.00)
Title II - Part A	84.367A	S367A170029	NCLB5560-18	18,478.00	7-1-2017	6-30-2018	
Total Title II - Part A							-
Title III	84.365	S365A170030	NCLB5560-18	3,264.00	7-1-2017	6-30-2018	
Total Title III							-
Title IV - Part A	84.424A	S424A170031	NCLB5560-18	10,000.00	7-1-2017	6-30-2018	
Total Title IV - Part A							-
I.D.E.A. Part B Programs:							
Special Education Cluster:							
Basic Regular	84.027	H027A170100	IDEA-404001	136,884.00	7-1-2017	6-30-2018	
Basic Regular	84.027	H027A160100	IDEA-404001	141,200.00	7-1-2016	6-30-2017	(9,449.00)
Preschool	84.173	H173A170114	IDEA-404001	3,896.00	7-1-2017	6-30-2018	
Preschool	84.173	H173A160114	IDEA-404001	3,960.00	7-1-2016	6-30-2017	(2,240.00)
Total I.D.E.A. Part B Special Education Cluster							(11,689.00)
Total Special Revenue Fund							(24,695.00)
Enterprise Fund:							
U.S. Department of Agriculture							
Passed-through State Department of Agriculture:							
Child Nutrition Cluster:							
Non-Cash Assistance (Food Distribution):							
National School Lunch Program	10.555	N/A	N/A	18,032.86	7-1-2017	6-30-2018	
National School Lunch Program	10.555	N/A	N/A	23,232.48	7-1-2016	6-30-2017	8,537.46
Cash Assistance:							
School Breakfast Program	10.553	181NJ304N1099	N/A	14,195.32	7-1-2017	6-30-2018	
School Breakfast Program	10.553	171NJ304N1099	N/A	14,844.46	7-1-2016	6-30-2017	(826.67)
National School Lunch Program	10.555	181NJ304N1099	N/A	82,594.07	7-1-2017	6-30-2018	
National School Lunch Program	10.555	171NJ304N1099	N/A	78,675.39	7-1-2016	6-30-2017	(4,946.62)
Total Enterprise Fund (Child Nutrition Cluster)							2,764.17
Total Federal Financial Assistance							\$ (21,930.83)

(A) District decided not to accept these funds.

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

These funds were not audited in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), since the total of all grant award expenditures was less than \$750,000.00.

Carryover / (Walkover) Amount	<u>Budgetary Expenditures</u>				Passed- Through to Subrecipients	Adjustments	Repayment of Prior Years' Balances	<u>Balance at June 30, 2018</u>		
	Cash Received	Pass-Through Funds	Direct Funds	Total Budgetary Expenditures				(Accounts Receivable)	Unearned Revenue	Due to Grantor
	\$ 133,214.00 13,006.00	\$ 142,342.00		\$ 142,342.00				\$ (9,128.00)		
\$ -	146,220.00	142,342.00	\$ -	142,342.00	\$ -	\$ -	\$ -	(9,128.00)	\$ -	\$ -
	18,478.00	18,478.00		18,478.00						
-	18,478.00	18,478.00	-	18,478.00	-	-	-	-	-	-
								(A)		
-	-	-	-	-	-	-	-	-	-	-
	7,631.00	10,000.00		10,000.00				(2,369.00)		
-	7,631.00	10,000.00	-	10,000.00	-	-	-	(2,369.00)	-	-
	135,971.00 9,449.00	136,884.00		136,884.00				(913.00)		
	3,260.00 2,240.00	3,896.00		3,896.00				(636.00)		
-	150,920.00	140,780.00	-	140,780.00	-	-	-	(1,549.00)	-	-
-	323,249.00	311,600.00	-	311,600.00	-	-	-	(13,046.00)	-	-
	18,032.86	8,734.25 8,537.46		8,734.25 8,537.46					9,298.61	
	13,392.99 826.67	14,195.32		14,195.32				(802.33)		
	77,614.31 4,946.62	82,594.07		82,594.07				(4,979.76)		
-	114,813.45	114,061.10	-	114,061.10	-	-	-	(5,782.09)	9,298.61	-
\$ -	\$ 438,062.45	\$ 425,661.10	\$ -	\$ 425,661.10	\$ -	\$ -	\$ -	\$ (18,828.09)	\$ 9,298.61	\$ -

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

State Grantor/ Program or Cluster Title	Grant or State Project Number	Program or Award Amount	Local Match	Grant Period		Balance at June 30, 2017 Unearned Revenue/ (Accounts Receivable)	Due to Grantor
				From	To		
General Fund:							
New Jersey Department of Education:							
State Aid - Public Cluster							
Equalization Aid	18-495-034-5120-078	\$ 2,535,797.00		7-1-2017	6-30-2018		
Equalization Aid	17-495-034-5120-078	2,449,846.00		7-1-2016	6-30-2017	\$ (244,384.60)	
Categorical Special Education Aid	18-495-034-5120-089	257,488.00		7-1-2017	6-30-2018		
Categorical Special Education Aid	17-495-034-5120-089	257,488.00		7-1-2016	6-30-2017	(25,748.80)	
Categorical Security Aid	18-495-034-5120-084	28,521.00		7-1-2017	6-30-2018		
Categorical Security Aid	17-495-034-5120-084	28,521.00		7-1-2016	6-30-2017	(2,852.10)	
School Choice Aid	18-495-034-5120-068	245,295.00		7-1-2017	6-30-2018		
School Choice Aid	17-495-034-5120-068	245,295.00		7-1-2016	6-30-2017	(24,529.50)	
Under Adequacy Aid	18-495-034-5120-096	36,799.00		7-1-2017	6-30-2018		
Under Adequacy Aid	17-495-034-5120-096	36,799.00		7-1-2016	6-30-2017	(3,679.90)	
Per Pupil Growth Aid	18-495-034-5120-097	5,540.00		7-1-2017	6-30-2018		
Per Pupil Growth Aid	17-495-034-5120-097	5,540.00		7-1-2016	6-30-2017	(554.00)	
PARCC Readiness Aid	18-495-034-5120-098	5,540.00		7-1-2017	6-30-2018		
PARCC Readiness Aid	17-495-034-5120-098	5,540.00		7-1-2016	6-30-2017	(554.00)	
Additional Adjustment Aid	18-495-034-5120-085	54,510.00		7-1-2017	6-30-2018		
Additional Adjustment Aid	17-495-034-5120-085	54,510.00		7-1-2016	6-30-2017	(5,451.00)	
Professional Learning Community Aid	18-495-034-5120-101	4,930.00		7-1-2017	6-30-2018		
Professional Learning Community Aid	17-495-034-5120-101	4,930.00		7-1-2016	6-30-2017	(493.00)	
Total State Aid - Public Cluster						(308,246.90)	\$ -
Transportation Aid							
Categorical Transportation Aid	18-495-034-5120-014	5,588.00		7-1-2017	6-30-2018		
Categorical Transportation Aid	17-495-034-5120-014	5,588.00		7-1-2016	6-30-2017	(558.80)	
Total Transportation Aid						(558.80)	-
Extraordinary Special Education Costs Aid	18-100-034-5120-473			7-1-2017	6-30-2018	(14,378.00)	
Total Extraordinary Special Education Costs Aid						(14,378.00)	-
Reimbursed T.P.A.F. Social Security Aid	18-495-034-5094-003	273,762.89		7-1-2017	6-30-2018		
Reimbursed T.P.A.F. Social Security Aid	17-495-034-5094-003	258,400.84		7-1-2016	6-30-2017	(12,973.83)	
Total Reimbursed T.P.A.F. Social Security Aid						(12,973.83)	-
Lead Water Testing for Schools Aid	17-495-034-5120-104			7-1-2016	6-30-2017	(1,005.25)	
Total Lead Water Testing for Schools Aid						(1,005.25)	-
Total General Fund						(337,162.78)	-
Special Revenue Fund:							
New Jersey Department of Education:							
Preschool Education Aid	18-495-034-5120-086	79,688.00	\$ 46,530.00	7-1-2017	6-30-2018		
Preschool Education Aid	17-495-034-5120-086	129,493.00	1,890.00	7-1-2016	6-30-2017	(12,949.30)	
Preschool Education Aid	16-495-034-5120-086	129,493.00	7,580.00	7-1-2015	6-30-2016	4,920.92	
Total Preschool Education Aid						(8,028.38)	-
Total Special Revenue Fund						(8,028.38)	-
Debt Service Fund:							
New Jersey Department of Education:							
Debt Service Aid Type II	18-495-034-5120-075	90,101.00		7-1-2017	6-30-2018	-	-
Enterprise Fund:							
New Jersey Department of Agriculture:							
State School Lunch Program	18-100-034-5120-122	2,159.28		7-1-2017	6-30-2018		
State School Lunch Program	17-100-034-5120-122	1,994.87		7-1-2016	6-30-2017	(128.83)	
Total Enterprise Fund						(128.83)	-
Total State Financial Assistance subject to Major Program Determination for State Single Audit						(345,319.99)	-
State Financial Assistance not subject to Calculation for Major Program Determination for State Single Audit:							
General Fund (Non-Cash Assistance):							
New Jersey Department of the Treasury:							
On-behalf Contributions:							
T.P.A.F. Pension Contributions - Post-Retirement Medical	495-034-5094-001	N/A	305,962.00	7-1-2017	6-30-2018		
T.P.A.F. Pension Contributions - Normal Cost	495-034-5094-002	N/A	462,490.00	7-1-2017	6-30-2018		
T.P.A.F. Long-Term Disability Insurance Contribution	495-034-5094-004	N/A	1,202.00	7-1-2017	6-30-2018		
T.P.A.F. Non-Contributory Insurance (non-budgeted)	495-034-5094-045	N/A	11,223.00	7-1-2017	6-30-2018		
Total General Fund (Non-Cash Assistance)						-	-
Total State Financial Assistance						\$ (345,319.99)	\$ -

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

Carryover/ (Walkover) Amount	Cash Received	Adjustments	Total Budgetary Expenditures	Passed- Through to Subrecipients	Balance at June 30, 2018			(Memo Only)	
					(Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary Receivable June 30, 2018	Cumulative Total Expenditures
	\$ 2,290,517.90		\$ 2,535,797.00		\$ (245,279.10)			\$ (245,279.10)	\$ 2,535,797.00
	244,384.60								
	231,739.20		257,488.00		(25,748.80)			(25,748.80)	257,488.00
	25,748.80								
	25,668.90		28,521.00		(2,852.10)			(2,852.10)	28,521.00
	2,852.10								
	220,765.50		245,295.00		(24,529.50)			(24,529.50)	245,295.00
	24,529.50								
	33,119.10		36,799.00		(3,679.90)			(3,679.90)	36,799.00
	3,679.90								
	4,986.00		5,540.00		(554.00)			(554.00)	5,540.00
	554.00								
	4,986.00		5,540.00		(554.00)			(554.00)	5,540.00
	554.00								
	49,059.00		54,510.00		(5,451.00)			(5,451.00)	54,510.00
	5,451.00								
	4,437.00		4,930.00		(493.00)			(493.00)	4,930.00
	493.00								
\$ -	3,173,525.50	\$ -	3,174,420.00	\$ -	(309,141.40)	\$ -	\$ -	(309,141.40)	3,174,420.00
	5,029.20		5,588.00		(558.80)			(558.80)	5,588.00
	558.80								
-	5,588.00	-	5,588.00	-	(558.80)	-	-	(558.80)	5,588.00
	14,378.00				14,378.00				
-	14,378.00	-	-	-	14,378.00	-	-	-	-
	260,912.05		273,762.89		(12,850.84)				273,762.89
	12,973.83								
-	273,885.88	-	273,762.89	-	(12,850.84)	-	-	-	273,762.89
	1,005.25				1,005.25				
-	1,005.25	-	-	-	1,005.25	-	-	-	-
-	3,468,382.63	-	3,453,770.89	-	(307,167.79)	-	-	(309,700.20)	3,453,770.89
4,920.92	118,249.20		131,138.92		(7,968.80)			(7,968.80)	131,138.92
	12,949.30								
(4,920.92)									
-	131,198.50	-	131,138.92	-	(7,968.80)	-	-	(7,968.80)	131,138.92
-	131,198.50	-	131,138.92	-	(7,968.80)	-	-	(7,968.80)	131,138.92
-	90,101.00	-	90,101.00	-	-	-	-	-	90,101.00
	2,030.14		2,159.28		(129.14)				2,159.28
	128.83								
-	2,158.97	-	2,159.28	-	(129.14)	-	-	-	2,159.28
-	3,691,841.10	-	3,677,170.09	-	(315,265.73)	-	-	(317,669.00)	3,677,170.09
	305,962.00		305,962.00						305,962.00
	462,490.00		462,490.00						462,490.00
	1,202.00		1,202.00						1,202.00
	11,223.00		11,223.00						11,223.00
-	780,877.00	-	780,877.00	-	-	-	-	-	780,877.00
\$ -	\$ 4,472,718.10	\$ -	\$ 4,458,047.09	\$ -	\$ (315,265.73)	\$ -	\$ -	\$ (317,669.00)	\$ 4,458,047.09

BOROUGH OF SOMERDALE SCHOOL DISTRICT
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2018

Note 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance (“the schedules”) include federal and state award activity of the Borough of Somerdale School District (hereafter referred to as the “School District”). The School District is defined in note 1 to the School District’s basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules. Because these schedules present only a selected portion of the operations of the School District, it is not intended to and does not present the financial position and changes in operations of the School District.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedules are presented using the budgetary basis of accounting, with the following exception: programs recorded in the enterprise fund are presented using the accrual basis of accounting. These bases of accounting are described in note 1 to the School District’s basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONT'D)

There are no adjustments needed to reconcile expenditures from the budgetary basis to the GAAP basis for the general fund and special revenue fund. See exhibit C-3, notes to required supplementary information, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

Awards and financial assistance expenditures reported in the School District's basic financial statements on a GAAP basis are presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General		\$ 3,452,876.39	\$ 3,452,876.39
Special Revenue	\$ 311,600.00	76,640.12	388,240.12
Debt Service		90,101.00	90,101.00
Food Service	114,061.10	2,159.28	116,220.38
	<u>114,061.10</u>	<u>2,159.28</u>	<u>116,220.38</u>
Total Awards and Financial Assistance	<u>\$ 311,600.00</u>	<u>\$ 3,619,617.51</u>	<u>\$ 3,931,217.51</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: REIMBURSED AND ON-BEHALF PAYMENTS

During the fiscal year ended June 30, 2018, the School District was the recipient of federal and state assistance that represented either a reimbursement to the School District or payments made on-behalf of the School District. Revenues and expenditures reported under the federal food distribution program represent the current year value received and the current year distribution, respectively, of American-grown United States Department of Agriculture foods utilized in the School District's food service program. 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 fiscal year. Lastly, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs, non-contributory insurance, post-retirement medical costs, and long-term disability insurance related to TPAF members.

Note 6: MAJOR PROGRAMS

Major programs are identified in the *Summary of Auditor's Results* section of the *Schedule of Findings and Questioned Costs*.

BOROUGH OF SOMERDALE SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2018

Section 1- Summary of Auditor's Results (Cont'd)

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? ___ yes x no

Significant deficiency(ies) identified? ___ yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with New Jersey Circular 15-08-OMB? ___ yes x no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
_____	State Aid Public: _____
18-495-034-5120-078	Equalization Aid
18-495-034-5120-089	Special Education Categorical Aid
18-495-034-5120-084	Security Aid
18-495-034-5120-068	School Choice Aid
18-495-034-5120-096	Under Adequacy Aid
18-495-034-5120-097	Per Pupil Growth Aid
18-495-034-5120-085	Additional Adjustment Aid
18-495-034-5120-098	PARCC Readiness Aid
18-495-034-5120-101	Professional Learning Community Aid
_____	_____

Dollar threshold used to determine Type A programs \$ 750,000.00

Auditee qualified as low-risk auditee? x yes ___ no

BOROUGH OF SOMERDALE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

None

BOROUGH OF SOMERDALE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Not applicable

BOROUGH OF SOMERDALE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section 4- Schedule of State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by State of New Jersey Circular 15-08-OMB.

None

BOROUGH OF SOMERDALE SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and State of New Jersey Circular 15-08-OMB.

FINANCIAL STATEMENT FINDINGS

N/A - None

FEDERAL AWARDS

N/A - None

STATE FINANCIAL ASSISTANCE PROGRAMS

N/A - None

