

**SCHOOL DISTRICT
OF
STOW CREEK TOWNSHIP**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Stow Creek Township Board of Education

Cumberland, New Jersey

For the Fiscal Year Ended June 30, 2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

**Stow Creek Township Board of Education
Cumberland, New Jersey**

For the Fiscal Year Ended June 30, 2018

Prepared by

Stow Creek Township Board of Education

Finance Department

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE STOW CREEK TOWNSHIP SCHOOL DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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INTRODUCTORY SECTION

Stow Creek Township School District

11 GUM TREE CORNER ROAD
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BUSINESS OFFICE TEL (856) 299-4240

BRIDGETON, NJ 08302-8951
FAX (856) 455-0833
FAX (856) 299-8182

Scott Bonham
Board President

John Klug
Chief School Administrator

Stephanie Kuntz
Board Secretary/
School Business Administrator

January 24, 2019

Honorable President and
Members of the Board of Education
Stow Creek Township School District
Cumberland County, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Stow Creek Township School District for the fiscal year ended June 30, 2018 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (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 that we feel are necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic 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 Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), "Audits of States, Local Governments, and Non-Profit Organizations" and the State Treasury Circular Letter 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 the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

Stow Creek Township School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the district is organized on a basis of governmental, business-type and fiduciary funds, which are all included in this report. The Stow Creek Township Board of Education and its one school constitute the District's reporting entity.

Stow Creek Township School District provides a full range of educational services appropriate for grade levels Pre-K through Eighth grade. These include regular education, as well as special education for handicapped students. Our students in grades 9-12 are sent to Cumberland Regional High. The Stow Creek Township School District completed the 2017-2018 fiscal year with an enrollment of 110 students, which was the same number of students as the prior year. The following changes in the student enrollment of the District over the last ten years show a leveling off for the later years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2017-18	110	(6)%
2016-17	117	4%
2015-16	112	0%
2014-15	112	(3)%
2013-14	116	(1)%
2012-13	117	0%
2011-12	117	(12)%
2010-11	133	(1)%
2009-10	134	(2)%
2008-09	137	(1)%

2. ECONOMIC CONDITION AND OUTLOOK:

Stow Creek Township continues to experience limited growth, as depicted in the enrollment statistics. Approximately three-quarters of the total area of the Township is considered prime farmland, which has been a significant factor in terms of Stow Creek's planned development, encouraging the retention of prime farmland for agricultural use.

Future development in Stow Creek is governed by natural or environmental factors, in addition to agricultural suitability of soils. The Township has no central sewer system and therefore, soil suitability for on-site waste disposal systems is crucial in terms of development potential. In addition, the recent upgrading of requirements by the New Jersey Department of Health, regarding on-site systems, mandates that areas with only slight limitations will be further restricted in density. Wetland regulations also impact on development potential. Several landowners have sold properties to NJ Fish and Wildlife Management and the State has also established a state park in the Township.

3. MAJOR INITIATIVES:

Bearing on the District's Future

The Greenwich-Stow Creek Partnership between Stow Creek and Greenwich Township is entering its eleventh year. As the Partnership matures and continues to develop in new productive modes, Stow Creek Township School District foresees gaining increasingly more benefits from the economies of scale and opportunities generated by this alliance. It is anticipated that new and innovative uses of the partnership will allow the continued enhancement of the quality of instruction and the expansion of educational opportunities available to the children of both districts while at the same time maintaining fiscally prudent stewardship of taxpayers' dollars.

The new state commitment to the SFRA (Full Funding Formula) and its consequent reduction in Adjustment Aid for Stow Creek poses challenge to the district over the next six years and beyond. This reduction slashes available funding, but with taxation caps in place does not leave an avenue for relief without seriously cutting programs.

Stow Creek School District is continuing to use the economies of scale generated by its alliance with Greenwich Township in the Greenwich-Stow Creek Partnership Schools to enhance the quality of instruction and the educational opportunities available to the children of both districts while reducing costs.

Stow Creek School District has partnered with Greenwich School district to secure a Preschool Education Expansion Aid (PEEA) grant to open a full-day, preschool for four year old district residents on January 2, 2019. By this partnership and in collaboration with six other districts for various parts of the program, Stow Creek will be able to provide a high quality preschool for our students and provide them with all the social, educational and developmental benefits of such a program. Extensive professional development featuring cross-content and multi-year staff training this year will focus on the preschool curriculum and the changes necessary to Kindergarten and beyond to ensure a smooth and productive transition.

Stow Creek Township is continuing its major technology initiatives this year. The entire school has been rewired for a 50 times faster Internet connection to allow for effective use of a One-to-One laptop/tablet initiative for all 5th through 8th Grade students this year. The district has gone to completely digital textbooks in grades 5-8; this has the dual advantages of costs savings and considerably improved instructional materials in terms of interactivity, currency of information, motivation, and in particular enhanced and evolving differentiated instruction to the pupil level. Technology teacher to work with our staff as an in-house technology infusion specialist. We have also opened this intensive hands-on training-the trainer to neighboring school districts to share the cost. The rents received from the cell tower erected on school property continue to help fund these educational technology advances. With its 4-G capabilities the on-site tower has the extra advantage, in addition to the rent earned, of providing cost competition for internet service since previously only one internet provider operated in the district.

Stow Creek is also expanding the integrated, global computerized information system installed five years ago. In addition to a complete Student Information System, Discipline system online, teacher lesson plans online, grade books, and teacher web-sites, we are utilizing a student statistics tool to drill down on the specific skills that our students need to improve their

understanding of the subject area and a curriculum building tool to expedite our transition with the rest of New Jersey to the new State Educational Standards. We are also using this integrated system as the technology tool to go along with the Danielson teacher evaluation model for AchieveNJ. We are doing this in partnership with the six neighboring districts which make up the constituency of the local regional high school to allow us to reap considerable economies of scale in the required staff training.

As part of our Curriculum Revision Cycle carried out in concert with the other six constituent districts we updated our Math, Social Studies and Science standards to the new New Jersey standards effective this September 2018. In the upper middle school grades this will be the focus of our professional development and staff training this year.

Stow Creek, on behalf of the partnership, is continuing to enter into other collaborative relationships with surrounding districts and businesses. We now share a World Languages teacher one period a day with Hopewell Crest, share CST services with Deerfield, business administrator services, as well as, Business office services with Hopewell Crest, as well as, our numerous shared services with Greenwich in the partnership. By negotiating as one larger entity and sharing those services and costs with Greenwich, Stow Creek has negotiated better contract terms with our Student Information System provider, our outsourced IT provider and our automated telephone contact system provider, technology providers, textbook publishers and others.

In conclusion, the School District has committed itself to educational excellence and continued parsimony. The new collaborations are allowing Stow Creek to provide better and new educational services to our children and keep costs in check. Stow Creek is taking the steps necessary to keep up with today's changing economic and regulatory conditions and still provide a world-class education for the children of Stow Creek Township.

4. 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 are 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 awards and state financial assistance, the District is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management.

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

5. BUDGETARY CONTROLS:

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

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

6. ACCOUNTING SYSTEM AND REPORTS:

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

7. FINANCIAL INFORMATION AT FISCAL YEAR END:

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

8. DEBT ADMINISTRATION:

As of June 30, 2018, the District does not have any debt, other \$63,198 in uncompensated absences. The amount available to authorize debt is \$3,262,189.

9. CASH MANAGEMENT:

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

10. RISK MANAGEMENT:

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

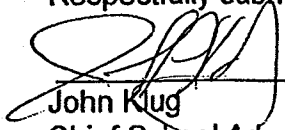
11. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nightlinger, Colavita and Volpa, PA. was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of New Jersey Treasury Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. The auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's report related specifically to the single audit are included in the single audit section of this report.

12. ACKNOWLEDGMENTS:

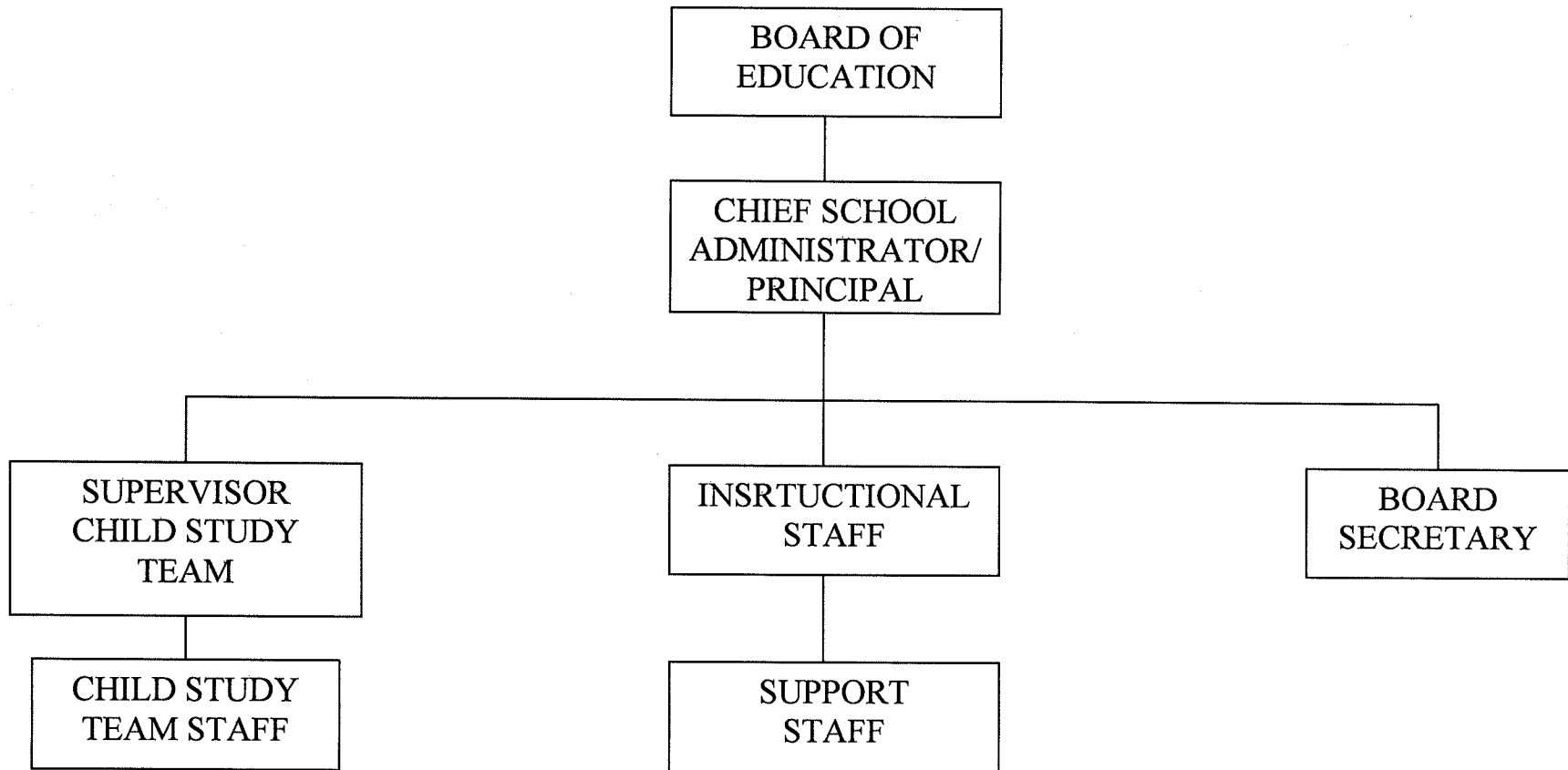
We would like to express our appreciation to the members of the Stow Creek Township Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial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

Respectfully submitted,



John Klug
Chief School Administrator

STOW CREEK TOWNSHIP SCHOOL DISTRICT
ORGANIZATIONAL CHART
(UNIT CONTROL)



STOW CREEK TOWNSHIP BOARD OF EDUCATION

ROSTER OF OFFICIALS

JUNE 30, 2018

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Scott Bonham, President	2019
Fred Hovermann, Vice President	2018
Kate Thompson	2018
Kevin Coll	2020
Andrea Levick	2020
Beth Iwaszkiewicz	2018
Leigha Saulin	2020
Noreen Gray	2019
Kelly Fithian	2019
<u>OTHER OFFICIALS</u>	<u>Bond Coverage</u>
John Klug, Chief School Administrator	
Pamela Zook, Board Secretary/Business Administrator (to June 30, 2018)	
Kimberly Fleetwood, Treasurer of School Monies	\$ 130,000
Jane B. Capasso, Esq., Solicitor (to June 30, 2018)	
Frank DiDomenico, Esq., Solicitor (from July 1, 2018)	

STOW CREEK TOWNSHIP SCHOOL DISTRICT
CONSULTANTS AND ADVISORS

AUDIT FIRM

Raymond Colavita, CPA, RMA
Nightlinger, Colavita and Volpa, P. A.
Certified Public Accountants
991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

ATTORNEY

Jane B. Capasso, Esquire
Lipman, Antonelli, Batt, Gilson, Malestein, Rothman & Capasso
110 North Sixth Street
Vineland, NJ 08362-0729
(to June 30, 2018)

Frank DiDomenico
8 Lasalle Drive, PO Box 1356
Vineland, NJ 08362
(from July 1, 2018)

OFFICIAL DEPOSITORY

Bank of America
500 Shiloh Pike
Bridgeton, New Jersey 08302

Cape Bank, FSB
85 W. Broad Street
Bridgeton, New Jersey 08302

State of New Jersey Cash Management Fund
Citi Fund Services
PO Box 182218
Columbus, OH 43216

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

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Fax (856) 728-2245
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INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Stow Creek Township School District
County of Cumberland, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Stow Creek Township School District in the County of Cumberland, 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 Stow Creek Township School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

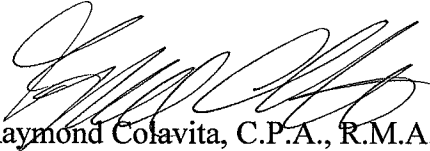
The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 24, 2019 on our consideration of the Stow Creek Township Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Stow Creek Township Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governments Auditing Standards* in considering Stow Creek Township Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant

No. 915

January 24, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

Stow Creek Township School District Management Discussion and Analysis

(Unaudited)

This section of the Stow Creek Township School District's Comprehensive Annual Financial Report presents our discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2018. Comparative information between the current year (2017-18) and the prior year (2016-17) is required to be presented in the MD&A. The intent of the discussion and analysis is to look at the District's financial performance as a whole. Interested parties should review the basic financial statements and notes in concert with this document in order to enhance and clarify their understanding of the finances of the District.

Using the Comprehensive Annual Financial Report (CAFR)

The Comprehensive Annual Financial Report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

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

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

Key financial highlights for 2018 are as follows:

- The assets of the Stow Creek School District exceeded its liabilities at the close of the most recent fiscal year on June 30, 2018 by \$497,448.
- Total net position of governmental activities increased by \$17,813, comprised of changes in various assets and liabilities. The net position of Business-type Activities increased by \$5,604.
- As of the close of the current fiscal year, the Township of Stow Creek School District's Governmental Funds reflected combined ending fund balances of \$587,603, which is an increase of \$27,554 from the prior year.

- General revenues accounted for \$2,326,275, which was 80.1% percent of total revenues. Program specific revenues in the form of charges for services, operating grants and contributions accounted for \$579,241 or 19.9% percent to total revenues of \$2,905,516.
- The School District had \$2,882,099 in expenses, of which \$579,241 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily federal awards, state aid and property taxes) were adequate to provide for these programs, which include the Business-type Activities.
- The General Governmental Fund had \$2,235,839 in revenues, \$2,188,607 in expenditures and \$19,678 in other net financing uses transferred to the Food Service Enterprise Fund. The General Fund balance increased \$27,554 over 2017. This increase was anticipated by the Board of Education, although fund balance of \$123,480 was used to balance the budget.

District-wide Financial Statements – Reporting the School District as a Whole

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

The two district-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's overall financial position.

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

In the Statement of Net Position and the Statement of Activities, which represent the district-wide financial statements, the School District is divided into two distinct kinds of activities:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major (all) funds begins on page 22. Fund financial reports provide detailed information about these major funds. The School District uses numerous funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

The District may implement four types of funds:

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

The School District as a Whole

Table 1 provides a comparative summary of the School District's net position for the years ended in 2018 and 2017.

	2018	2017
Assets		
Current and Other Assets	\$ 714,911	\$ 843,637
Capital Assets, Net	371,525	403,769
Total Assets	1,086,436	1,247,406
Deferred Outflow of Resources	163,667	163,667
Liabilities		
Current Liabilities	501,851	813,075
Long-term Liabilities	63,198	84,743
Total Liabilities	565,049	897,818
Deferred Inflow of Resources	39,224	39,224
Net Position		
Invested in Capital Assets, Net of Debt	371,525	381,147
Restricted	367,016	388,213
Unrestricted (Deficit)	(241,093)	(295,329)
Total Net Position	\$ 497,448	\$ 474,031

Table 2 shows the changes in net position from fiscal year's 2018 and 2017.

Table 2
Changes in Net Position

	2018	2017
Revenues		
Programs Revenues		
Charges for Services	\$ 55,284	\$ 64,562
Operating Grants	523,957	580,801
General Revenues		
Property Taxes	1,078,995	1,044,065
Grants and Entitlements	1,177,083	975,767
Other	70,197	36,194
Total Revenues	2,905,516	2,701,389
Program Expenses		
Instruction	851,054	819,517
Tuition	7,451	20,258
Pupil and Instructional Staff	127,865	157,887
General Administration, School		
Administration, Business	188,217	161,750
Operations and Maintenance of Facilities	198,128	220,251
Pupil Transportation	169,573	118,682
Employee Benefits	1,249,367	1,069,535
Food Service & After School Care	89,705	90,701
Interest on Debt	739	739
Total Expenses	2,882,099	2,659,320
Less: Fixed Asset Adjustment		
Increase in Net Position	\$ 23,417	\$ 42,069

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. The District's Property taxes made up 46.8% percent of the net revenues for governmental activities of \$2,306,556. Federal, state and local grants accounted for another 51.0% and other net revenues were 2.2%. The total cost of services, as shown below, was \$2,882,099. The net cost of all governmental programs and services, which excludes charges for services and operating grants, was \$2,288,743. Instruction comprises 33.6% of these net District expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows a comparison of 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.

Table 3

	<u>Total Cost of Services 2018</u>	<u>Net Cost of Services 2018</u>	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>
Instruction	\$ 851,054	\$ 768,222	\$ 819,517	\$ 775,329
Tuition	7,451	7,451	20,258	20,258
Pupil and Instructional Staff	127,865	92,460	157,877	121,106
General Administration, School Administration, Business	188,217	188,217	161,750	161,750
Operation and Maintenance of Facilities	198,128	198,128	220,251	220,251
Pupil Transportation	169,573	169,573	118,682	118,682
Employee Benefits	1,249,367	863,953	1,069,535	590,879
Enterprise Funds	89,705		90,701	
Interest on Debt	739	739	739	739
Total Expenses	<u>\$ 2,882,099</u>	<u>\$ 2,288,743</u>	<u>\$ 2,659,310</u>	<u>\$ 2,008,994</u>

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

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development. Curriculum and staff development expenses (included in support services) are related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Co-curricular activities include instructional expenses related to student activities provided by the School district, which are designated to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District as well as internal service fund expenses.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition as well as internal service fund expenses.

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

Unallocated Depreciation reflects the cost of fixed assets spread over the estimated useful lives of the individual assets

Business-Type Activities

Revenues for the District's business-type activities (Food Service and After School Child Care Programs) were comprised of charges for services and federal and state reimbursements.

- Expenditures exceeded Revenues by \$24,138 in the Food Service Fund and Revenues exceeded Expenditures by \$10,023 in the After School Childcare Program. The net deficit of \$14,115 was offset by a board subsidy of \$19,678 and miscellaneous income of \$41. This resulted in a positive change in net position of \$5,604.

- Charges for services represent \$33,285 in the Food Service Fund and \$21,999 in the After School Childcare Program. This represents amount paid by patrons for daily food service activities and after school childcare.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and donated commodities, were \$20,306.

The School District's Funds

Information about the School District's major funds starts on page 22. These funds are accounted for using the modified accrual basis of accounting. The governmental funds used (i.e., General Fund, Special Revenue Fund and Capital Project Fund presented in the fund-based statements) had total revenues of \$2,358,905, expenditures of \$2,311,673 and other net financing uses of \$19,678. The net financing sources represented a transfer of \$19,678 to the Food Service Fund. The net change in fund balance for the year was \$27,554. This demonstrates that the District was able to meet current operating costs with no urgent need for additional funds other than \$123,480 in surplus appropriated to balance the 2017-18 budget.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the Governmental Funds (excluding Capital Projects) for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2017</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$ 1,149,151	48.72%	\$ 68,910	6.38%
State Sources	1,102,886	46.75%	22,974	2.13%
Federal Sources	106,868	4.53%	32,958	44.59%
Total	\$ 2,358,905	100.00%	\$ 124,842	5.59%

The increase in Local sources is attributed to increases in the tax levy of \$34,930 and miscellaneous revenues of \$44,210, offset by decreases in tuition of \$3,520 and general fund transportation of \$6,710.

The increase in State sources is attributed to increases in State Public School aid of \$19,269 and Special Revenue Fund Grants of \$3,705.

The above schedule includes the two last state aid payments for 2016-17 of \$78,686 received in July 2017 and does not include the two last state aid payments for 2017-2018 received in July 2018 in the amount of \$76,965.

The increase in Federal sources is due to various increases in the Special Revenue Fund Grants. In addition, the 2018 figures do not include deferred revenue in accordance with GAAP accounting.

The following schedule presents a summary of General Fund and Special Revenue Fund Expenditures for the fiscal year ended June 30, 2018 and the percentage of increases and 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:				
Instruction	\$ 845,521	36.58%	\$ 31,928	3.92%
Undistributed expenditures	1,465,413	63.39%	157,328	12.03%
Capital Outlay	739	0.03%	(27,325)	-97.37%
Total	<u>\$ 2,311,673</u>	<u>100.00%</u>	<u>\$ 161,931</u>	<u>7.53%</u>

The increase in Instructional Expenditures is attributed to increase in Regular Instruction of \$94,825 and Other Instructional Expenses of \$23,140, offset by an increase of \$86,037 in Special Education Instruction Expenses.

The increase in Undistributed Expenditures was due to increases in Employee Benefits of \$120,448, Transportation costs of \$75,270 and Administration/Central Services costs of \$26,468, offset by decreases in Tuition of \$12,807, Plant and Maintenance costs of \$22,029 and Student Related costs of \$30,022.

The decrease in Capital Outlay is attributed to a decrease in facility acquisition costs.

General Fund Budgeting Highlights

The School District's Budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2018, the School District amended its General Fund budget as needed. The School District uses program based budgeting. These budgeting systems are designed to tightly control total program budgets while providing flexibility for program management to address the following:

- Staffing changes based on student needs
- Additional costs for student transportation both in regular education and special education
- Changes in maintenance and operations
- Changes in appropriations to prevent budget overruns

While the District's final budget for the general fund anticipated that revenues, including surplus appropriated, would roughly equal expenditures, the actual results for the year show an increase of \$25,833 as shown on Exhibit C-1.

- Actual revenues were \$7,631 more than expected, excluding on-behalf pension and social security reimbursements of \$265,317, due to the increased adjustment aid.
- Actual expenditures were \$200,676 less than expected. This excludes state on-behalf pension and social security reimbursements of \$265,317 and reflects favorable variances in most expenditure accounts.

Capital Assets

At the end of the fiscal year 2018, the School District had \$371,525 (net of accumulated depreciation) invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2018 balances compared to 2017.

Table 4
Capital Assets (Net of Depreciation) at June 30

	<u>2018</u>	<u>2017</u>
Land Improvements	\$ 7,227	\$ 8,282
Building and Improvements	166,003	171,392
Vehicles	165,161	186,798
Equipment	33,134	37,297
Totals	<u>\$ 371,525</u>	<u>\$ 403,769</u>

Overall net Capital Assets decreased by \$32,244 from fiscal year 2017 to fiscal year 2018, representing depreciation expense of \$32,244.

Long-Term Debt:

At year-end, the District had outstanding long-term debt of compensated absences of \$63,198. There was no other outstanding debt authorized or issued (Note 6 to the Financial Statements). The amount of debt available for authorization by statute is \$3,262,189.

Factors Bearing on the District's Future

The Greenwich-Stow Creek Partnership between Stow Creek and Greenwich Township is entering its tenth year. As the Partnership matures and continues to develop in new productive modes, Stow Creek Township School District foresees gaining increasingly more benefits from the economies of scale and opportunities generated by this alliance. It is anticipated that new and innovative uses of the partnership will allow the continued enhancement of the quality of instruction and the expansion of educational opportunities available to the children of both districts while at the same time maintaining fiscally prudent stewardship of taxpayers' dollars.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Stephanie Kuntz, School Business Administrator/Board Secretary, at Stow Creek Township School District, 11 Gum Tree Corner Road, Bridgeton, NJ 08302.

BASIC FINANCIAL STATEMENTS

DISTRICT WIDE FINANCIAL STATEMENTS

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

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

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Cash and Cash Equivalents	\$ 140,288	\$ 48,514	\$ 188,802
Receivables, Net	297,550	13,972	311,522
Interfunds Receivable	32,920		32,920
Inventory		1,087	1,087
Restricted Assets:			
Cash	180,580		180,580
Capital Assets, Net (Note 5)	367,725	3,800	371,525
Total Assets	1,019,063	67,373	1,086,436
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Pension Outflows	110,119		110,119
LIABILITIES			
Current Liabilities:			
Accounts Payable	6,492	44,651	51,143
Payable to State Governments	12,290		12,290
Unearned Revenue	44,953	287	45,240
Net Pension Liability	393,178		393,178
Noncurrent Liabilities:			
Due Within One Year			
Due Beyond One Year	63,198		63,198
Total Liabilities	520,111	44,938	565,049
DEFERRED INFLOWS OF RESOURCES:			
Deferred Pension Inflows	134,058		134,058
Net Position			
Invested in Capital Assets, Net of Related Debt	367,725	3,800	371,525
Restricted for:			
Capital Projects	75,580		75,580
Excess Surplus	186,436		186,436
Other Purposes	105,000		105,000
Unrestricted (Deficit)	(259,728)	18,635	(241,093)
Total Net Position	\$ 475,013	\$ 22,435	\$ 497,448

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

**STOW CREEK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 794,950	\$	\$ 82,832	\$ (712,118)	\$	\$ (712,118)
Special Education	1,209			(1,209)		(1,209)
Other Instruction	54,895			(54,895)		(54,895)
Support Services:						
Tuition	7,451			(7,451)		(7,451)
Student & Instruction Related Services	127,865		35,405	(92,460)		(92,460)
General and Business Administrative Services	141,760			(141,760)		(141,760)
School Administrative Services	25,558			(25,558)		(25,558)
Central Services	20,899			(20,899)		(20,899)
Plant Operations and Maintenance	198,128			(198,128)		(198,128)
Pupil Transportation	169,573			(169,573)		(169,573)
Unallocated Benefits	1,249,367		385,414	(863,953)		(863,953)
Interest on Debt	739			(739)		(739)
Total Governmental Activities	2,792,394		503,651	(2,288,743)		(2,288,743)
Business-type Activities:						
Food Service	77,729	33,285	20,306		(24,138)	(24,138)
After School Childcare	11,976	21,999			10,023	10,023
Total Business-type Activities	89,705	55,284	20,306		(14,115)	(14,115)
Total Primary Government	\$ 2,882,099	\$ 55,284	\$ 523,957	(2,288,743)	(14,115)	(2,302,858)
General revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				1,078,995		1,078,995
Federal and State Aid not restricted				1,177,083		1,177,083
Tuition Received				3,200		3,200
Miscellaneous Income				66,956		66,956
Transfer				(19,678)	19,678	
Interest					41	41
Total General Revenues, Special Items, Extraordinary Items and Transfers				2,306,556	19,719	2,326,275
				Change in Net Position	17,813	5,604
				Net Position - Beginning	457,200	16,831
				Net Position - Ending	\$ 475,013	\$ 22,435

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

**STOW CREEK TOWNSHIP BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 162,426	\$	\$ 162,426
Cash - Capital Reserve	75,580		75,580
Cash - Maintenance Reserve	105,000		105,000
Accounts Receivables:			
Local District School Tax	209,528		209,528
State	4,356		4,356
Federal		83,666	83,666
Interfund Receivable	74,625		74,625
Total Assets	\$ 631,515	\$ 83,666	\$ 715,181
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 4,742	\$ 1,750	\$ 6,492
Interfund Payable	22,138	41,705	63,843
Payable to State Government		12,290	12,290
Unearned Revenue	17,032	27,921	44,953
Total Liabilities	43,912	83,666	127,578
Fund Balances:			
Restricted For:			
Capital Reserve	75,580		75,580
Maintenance Reserve	105,000		105,000
Excess Surplus - Designated for Subsequent Year's Expenditures	122,125		122,125
Excess Surplus	64,311		64,311
Assigned Fund Balance:			
Designated for Subsequent Year's Expenditures	46,392		46,392
Unassigned, Reported In:			
General Fund	174,195		174,195
Total Fund Balances	587,603		587,603
Total Liabilities and Fund Balances	\$ 631,515	\$ 83,666	

Amounts reported for *governmental activities* in the Statement of Net Assets (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 \$956,142 and the accumulated depreciation is \$588,417 (Note 5).	367,725
Deferred Outflows of Resources - Deferred Pension Contributions	110,119
Deferred Inflows of Resources - Pension Actuarial gains	(134,058)
Long-term Liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(393,178)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 6).	(63,198)
Net Position of Governmental Activities	\$ 475,013

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

STOW CREEK TOWNSHIP BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local Sources:			
Local Tax Levy	\$ 1,078,995	\$	\$ 1,078,995
Tuition from Individuals	3,200		3,200
Unrestricted Miscellaneous Revenues	66,456		66,456
Interest Earned on Capital Reserve funds	500		500
Total Local Sources	1,149,151		1,149,151
State Sources	1,086,688	16,198	1,102,886
Federal Sources		106,868	106,868
Total Revenues	2,235,839	123,066	2,358,905
EXPENDITURES			
Current:			
Regular Instruction	706,585	82,832	789,417
Special Education Instruction	1,209		1,209
Other Instruction	54,895		54,895
Support Services:			
Tuition	7,451		7,451
Student & Instruction Related Services	92,460	35,405	127,865
General Administration	141,744		141,744
School Administrative Services	25,558		25,558
Central Services	20,899		20,899
Plant Operations and Maintenance	196,793		196,793
Pupil Transportation	167,341		167,341
Employee Benefits	772,933	4,829	777,762
Capital Outlay	739		739
Total Expenditures	2,188,607	123,066	2,311,673
Excess (Deficiency) of Revenues Over Expenditures	47,232		47,232
OTHER FINANCING SOURCES (USES)			
Transfer to Food Service Fund	(19,678)		(19,678)
Total Other Financing Sources and Uses	(19,678)		(19,678)
Net Change in Fund Balances	27,554		27,554
Fund Balance—July 1	560,049		560,049
Fund Balance—June 30	\$ 587,603	\$	\$ 587,603

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

STOW CREEK TOWNSHIP BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 27,554

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

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

Depreciation expense	\$	(31,738)	
Capital outlays			
		(31,738)	(31,738)

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including Service and interest cost, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.

The issuance of long-term debt through bonds or leases provides current financial resources to the governmental funds, while the repayment of principal on long-term debt represents a use of resources in governmental funds. The payment of long-term debt principal is not a use of funds in the statement of activities.		22,622	
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Pension Expense recognized for GAAP but not for budgetary purposes.		452	
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In the Statement of Activities, certain operating expenses are measured by the amounts earned during the year, such as compensated absences. In the governmental funds, however, expenditures are reported when the corresponding financial resources are used or paid.		(1,077)	
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Change in Net Position of Governmental Activities (A-2)	\$	17,813	
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The accompanying Notes to Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

STOW CREEK TOWNSHIP BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities		
	Enterprise Fund		
	Food Service	After School Childcare	Total Enterprise
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 9,826	\$ 16,550	\$ 26,376
Accounts Receivable:			
State	84		84
Federal	2,924		2,924
Other Program Fees	8,768	2,196	10,964
Interfund Receivable	22,138		22,138
Inventory	1,087		1,087
Total Current Assets	44,827	18,746	63,573
Noncurrent Assets:			
Furniture, Machinery & Equipment	35,147		35,147
Less Accumulated Depreciation	(31,347)		(31,347)
Total Noncurrent Assets	3,800		3,800
Total Assets	\$ 48,627	\$ 18,746	\$ 67,373
LIABILITIES AND FUND EQUITY:			
Current Liabilities:			
Accounts Payable	\$ 44,651		\$ 44,651
Unearned Revenue	176	111	287
Total Current Liabilities	44,827	111	44,938
Net Position			
Invested in Capital Assets, Net of Related Debt	3,800		3,800
Unrestricted		18,635	18,635
Total Net Position	3,800	18,635	22,435
Total Liabilities & Net Position	\$ 48,627	\$ 18,746	\$ 67,373

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

STOW CREEK TOWNSHIP BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Fund		
	Food Service	After School Childcare	Total Enterprise
Operating Revenues:			
Charges for Services:			
Food Sales Reimbursable Programs	\$ 13,935		\$ 13,935
Food Sales Non-Reimbursable Programs	19,350		19,350
After School Childcare Fees		21,999	21,999
Total Operating Revenue:	33,285	21,999	55,284
Operating Expenses:			
Salaries	29,891	11,301	41,192
Supplies and Materials	7,198	675	7,873
Cost of Sales	15,777		15,777
Cost of Sales - Non Program Food	9,049		9,049
Management Fee	12,500		12,500
Miscellaneous	2,808		2,808
Depreciation	506		506
Total Operating Expenses	77,729	11,976	89,705
Operating Income (Loss)	(44,444)	10,023	(34,421)
Non-operating Revenues (Expenses):			
State Sources:			
State School Breakfast Program	457		457
Federal Sources:			
National School Lunch Program	14,423		14,423
School Breakfast Program	814		814
Food Distribution Program	4,612		4,612
Interest	41		41
Total Non-operating Revenues (Expenses)	20,347		20,347
Income (Loss) before Contributions & Transfers	(24,097)	10,023	(14,074)
Transfer from General Fund	19,678		19,678
Change in Net Position	(4,419)	10,023	5,604
Total Net Position - Beginning	8,219	8,612	16,831
Total Net Position - Ending	\$ 3,800	\$ 18,635	\$ 22,435

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

STOW CREEK TOWNSHIP BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities		
	Enterprise Funds		
	Food Service	After School Childcare	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 33,285	\$ 21,999	\$ 55,284
Payments to Employees	(29,891)	(11,301)	(41,192)
Payments to Suppliers	(28,277)		(28,277)
Payment to Others	(5,316)	(1,290)	(6,606)
Net Cash Provided by (used for) Operating Activities	(30,199)	9,408	(20,791)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	457		457
Federal Sources	19,849		19,849
Interfund Transfer	19,678		19,678
Net Cash Provided by (used for) Non-capital Financing Activities	39,984		39,984
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Net Cash Used by Capital Financing			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	41		41
Net Cash Provided by (used for) Investing Activities	41		41
Net Increase (Decrease) in Cash and Cash Equivalents	9,826	9,408	19,234
Balances—Beginning of Year		7,142	7,142
Balances—End of Year	\$ 9,826	\$ 16,550	\$ 26,376
Reconciliation of Operating Income (Loss) to Net Cash Provided			
(Used) by Operating Activities:			
Operating Income (Loss)	\$ (44,444)	\$ 10,023	\$ (34,421)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Depreciation and Net Amortization	506		506
(Increase)Decrease in Accounts Receivable, Net	(9,430)	(2,196)	(11,626)
(Increase)Decrease in Interfund Receivable, Net	(9,775)		(9,775)
(Increase)Decrease in Other Program Fees Receivable		1,548	1,548
(Increase)Decrease in Inventories	319		319
Increase(Decrease) in Accounts Payable	41,474		41,474
Increase(Decrease) in Cash Overdraft	(8,883)		(8,883)
Increase(Decrease) in Unearned Revenue	34	33	67
Total Adjustments	14,245	(615)	13,630
Net Cash Provided by (used for) Operating Activities	\$ (30,199)	\$ 9,408	\$ (20,791)

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

FIDUCIARY FUNDS

STOW CREEK TOWNSHIP BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Trust Funds</u>	<u>Agency Funds</u>	
	<u>Unemployment Compensation Trust</u>	<u>Student Activity</u>	<u>Payroll</u>
ASSETS			
Cash and Cash Equivalents	\$ 24,695	\$ 27,434	\$ 33,498
Accounts Receivable		1,000	
Total Assets	<u>\$ 24,695</u>	<u>\$ 28,434</u>	<u>\$ 33,498</u>
LIABILITIES			
Payable to Student Groups	\$	\$ 28,298	\$
Accounts Payable		136	
Payroll Deductions and Withholdings			578
Due to General Fund			32,920
Total Liabilities	<u>\$</u>	<u>\$ 28,434</u>	<u>\$ 33,498</u>
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 24,695</u>		

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

STOW CREEK TOWNSHIP BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Plan Member	\$
Investments and Earnings:	
Interest	50
Total Additions	<u>50</u>
DEDUCTIONS:	
Unemployment Claims	
Total Deductions	<u></u>
Change in Net Position	50
Net Position - July 1	<u>24,645</u>
Net Position - June 30	<u>\$ 24,695</u>

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

A. Reporting Entity:

The Stow Creek Township School District is a Type II district located in the County of Salem, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of seven members elected to three-year terms. These terms are staggered so that two or three members' terms expire each year. The purpose of the district is to educate students in grades PreK-8. The Stow Creek Township School District had an approximate enrollment at June 30, 2018 of 110 students.

Business Administrator/Board Secretary services are contracted with the Upper Deerfield School District including responsibility for the administrative control of the district.

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

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

Based on the aforementioned criteria, as stipulated in GASB No. 114, the District has no component units.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation:

The District's basic financial statements consist of District-wide statements, including a statement of Net Position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

District-wide Statements: The statement of net position and the statements of activities display information about the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activities of the District at the fiscal year end while the statement of activities presents a comparison between direct expenses and program revenues for each different business-type activity of the District and for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses—expenses of the District related to the administration and support of the District's programs, such as personnel and accounting—are not allocated to programs.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A. Basis of Presentation:

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

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

B. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and accounts are grouped in the financial statements in this report as follows:

GOVERNMENTAL FUNDS

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

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to 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. These resources can be transferred from and to Current Expense by board resolution.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting: (continued)

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. The district currently has no capital projects and, therefore, has not included a capital projects fund.

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

Permanent Fund - The Permanent Fund is used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the District's programs, which are stipulated for the benefit of the School District or its students. The School District does not maintain a non-expendable scholarship fund that would require a permanent fund.

PROPRIETARY FUNDS

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District.

Enterprise Funds - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The School District's Enterprise funds are a follows:

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

School Age Child Care Program - This fund accounts for the financial activity related to providing day care services to the students.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting: (continued)

Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund - Equipment	10 to 20 Years
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FIDUCIARY FUNDS

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Expendable Trust Fund - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. They account for assets where both the principal and interest may be spent. Expendable Trusts include Unemployment Compensation Insurance and scholarship funds, if any:

Nonexpendable Trust Fund - A Nonexpendable Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. The District does not maintain a nonexpendable trust fund.

Agency Funds - Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include payroll and student activities funds. This includes a Flexible Medical Spending Plan.

C. Basis of Accounting and Measurement Focus:

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

District-wide, Proprietary and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of Unearned Revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under the New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Accounting and Measurement Focus: (continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989. The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds, which are submitted to the county office. 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 and 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, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in 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. The Board of Education did not make any material supplemental budgetary appropriations during the fiscal year.

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis, which differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. Exhibit C-3 presents a reconciliation of the general fund and special revenue fund from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E. Encumbrance Accounting:

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

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

F. Tuition Receivable:

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

G. Tuition Payable:

Tuition charges for the fiscal years 2015-16, 2016-17 and 2017-18 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Inventories and Prepaid Expenses:

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Assets, Liabilities and Equity:

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

Inventories - On District-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method and is expended when used. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

J. Assets, Liabilities and Equity: (continued)

At June 30, 2018, there was an ending inventory of \$1,087 in the Food Service Fund, of which \$176 was federal commodities.

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1986, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements. The District receives federal commodity food for meal service provided through a vended meal contract.

Capital Assets - General fixed assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The general fixed assets acquired or constructed prior to June 30, 2018 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. General fixed assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported in the general fixed assets account group. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Assets in the general fixed assets account group are not depreciated.

Capital assets are depreciated in the district-wide financial statements using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Building	50
Building Improvements	20
Equipment	5-10

K. Compensated Absences:

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

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the district-wide statement of net position. In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

L. Unearned Revenue:

Unearned Revenue in the special revenue fund represents cash that has been received but not yet earned.

M. Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

N. Allocation of Indirect Expenses:

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

O. Extraordinary and Special Items:

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

P. Fund Equity:

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

Q. Comparative Data/Reclassifications:

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain immaterial amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

R. Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

S. Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

T. Net Position:

Net Position represents the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

U. Fund Balance Reserves:

The School District reserves those portions of fund balance, which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

V. Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or for the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, interest, and tuition.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

W. New Accounting Standards:

The School District has adopted the following GASB statements:

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

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

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

W. New Accounting Standards: (continued)

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

W. New Accounting Standards: (continued)

- GASB No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*: The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is evaluating the potential impact of the adoption of GASB 89 on the School District's financial statements.

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

X. Bond and Lease Acquisition Costs:

As part of any long-term Bond or lease agreement, providing for the use of school buildings, payments constituting professional fees will be expensed when incurred in accordance with GASB Statement No. 65. There were no such bonds or leases for the year ended June 30, 2018.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents 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. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity for any discount or premium. The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

Deposits:

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

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

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

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

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Investments:

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives, which have a maturity date no greater than twelve months from the date of purchase.
- c. Bonds of other obligations of the School District.

As of June 30, 2018, cash and cash equivalents in the fund financial statements of the District consisted of the following:

	<u>Cash and Cash</u> <u>Equivalents</u>
Checking accounts	\$ 455,145
Total	<u>\$ 455,145</u>

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 t seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies. The program is administered by the Commissioner of the NJ Department of Banking and Insurance.

Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. As of June 30, 2018, the School District's bank balance of \$465,919 was subject to custodial credit risk as follows:

Insured	\$ 251,885
Uninsured and collateralized with securities held by pledging financial institutions	<u>214,034</u>
	<u>\$ 465,919</u>

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Township of Stow Creek Board of Education by inclusion of \$35,947 on June 30, 1998 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *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	\$ 75,080
Interest Earnings	500
Transfer from Capital Projects Fund	
Withdrawal in Budget	
Ending Balance, June 30, 2018	<u>\$ 75,580</u>

The LRFP balance of local support costs of uncompleted capital projects at June 30, 2018 is \$201,939. There were no withdrawals from the capital reserve during fiscal year 2017-18.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account may be established by the District for the accumulation of funds for maintenance expenditures in subsequent fiscal years. This reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the maintenance reserve account are restricted to maintenance expenditures in the District's annual general fund budget certified for taxes. During the 2016-17 school year \$45,000 was transferred to the maintenance reserve account, resulting in a balance at June 30, 2018 of \$105,000, which is within the maximum allowed for the district of \$114,400.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6. CAPITAL ASSETS

Capital Asset Activity for the Year Ended June 30, 2018 was as Follows:

	Beginning Balance July 1, 2017	Additions	Adjustment/ Retirements	Ending Balance June 30, 2018
Governmental Activities:				
Capital Assets that are not Being Depreciated:				
Total Capital Assets not Being Depreciated				
Land Improvements	\$ 73,284	\$		\$ 73,284
Building and Building Improvements	375,123			375,123
Vehicles	383,643			383,643
Equipment	124,092			124,092
Totals at Historical Cost	956,142			956,142
Less Accumulated Depreciation for :				
Land Improvements	(65,002)	(1,055)		(66,057)
Building and Improvements	(203,731)	(5,389)		(209,120)
Vehicles	(196,845)	(21,637)		(218,482)
Equipment	(91,101)	(3,657)		(94,758)
Total Accumulated Depreciation	(556,679)	(31,738)		(588,417)
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	399,463	(31,738)		367,725
Government Activities Capital Assets, Net	\$ 399,463	\$ (31,738)		\$ 367,725
	To A-1			To A-1
Business-type Activities - Equipment	\$ 35,147			\$ 35,147
Less Accumulated Depreciation	(30,841)	(506)		(31,347)
Business-type Activities Capital Assets, Net	\$ 4,306	\$ (506)		\$ 3,800

The opening balance on the Statement of Net Position has been restated to reflect the Governmental Activity adjustment above.

Depreciation Expense was Charged to Governmental Functions as Follows:

Instruction	\$ 5,533
Administration	16
Maintenance	1,335
Transportation	24,854
	<u>\$ 31,738</u>

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7. GENERAL LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>	<u>Long-term Portion</u>
Governmental Activities:						
Capital Lease	\$ 22,622	\$ -	\$ (22,622)	\$ -	\$ -	\$ -
Compensated Absences Payable	62,121	1,077		63,198		63,198
Total Other Liabilities	<u>\$ 84,743</u>	<u>\$ 1,077</u>	<u>\$ (22,622)</u>	<u>\$ 63,198</u>	<u>\$ -</u>	<u>\$ 63,198</u>

To A-1

Bonds Authorized and Issued -- As of June 30, 2018, the District had no bonds authorized but not issued.

Capital Leases – The District was leasing a School Bus under a capital lease, which was paid off during the year.

NOTE 8. PENSION PLANS

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

The following represents the membership tiers for PERS and TPAF:

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

Public Employees' Retirement System

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Continued)

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

Contributions - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 7.34% of employees' annual compensation through June 30, 2018. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 13.37% of covered payroll. The District's contributions to PERS for the years ended June 30, 2018, and 2017, were \$15,966 and \$16,406 respectively, equal to the required contributions for each year. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The total payroll for the year ended June 30, 2018 was \$1,206,341. Payroll covered by PERS was \$121,829 for fiscal year 2018. Contributions to the system for the year ended June 30, 2018 were as follows:

	<u>PERS</u>
Employees	\$ 8,942
District	<u>15,966</u>
Total	\$ <u>24,908</u>

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

Public Employees Retirement System					
<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by District</u>
2018	\$ 2,059	\$ 12,825	\$ 15,966	\$ N/A	\$ 15,966

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Continued)

Components of Net Pension Liability - At June 30, 2018, the District's proportionate share of the PERS net pension liability was \$393,178. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The District's proportion measured as of June 30, 2017 was 0.001689% which was a decrease of 0.00014% from its proportion measured as of June 30, 2016.

Pension Expense and Deferred Outflows/Inflows of Resources - The District's 2018 PERS pension expense, with respect to GASB 68, was \$14,755. The District's 2018 deferred outflows of resources and deferred inflows of resources were from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,258	\$
Changes of assumptions	79,212	78,921
Net difference between projected and actual earnings on pension plan investments	2,677	
Changes in proportion	3,006	55,137
Contributions subsequent to the measurement date	<u>15,966</u>	
Total	<u>\$ 110,119</u>	<u>\$ 134,058</u>

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</u>		<u>PERS</u>
2018	\$	(9,120)
2019		(3,277)
2020		(6,630)
2021		(18,938)
2022		(1,940)
Thereafter		
Total	\$	<u>(39,905)</u>

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Continued)

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

Year	6/30/2018		6/30/2017	
Collective deferred outflows of resources	\$	110,119	\$	163,667
Collective deferred inflows of resources	\$	134,058	\$	39,224
Collective Net Pension Liability	\$	393,178	\$	542,012
District's Proportion		0.001689%		0.001830%

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

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

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Continued)

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

	PERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Client oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Total	100.00%	

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Continued)

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

	1% Decrease (4.00%)	Current Discount (5.00%)	1% Increase (6.00%)
District's proportionate share of the net pension liability	\$ <u>487,764</u>	\$ <u>393,178</u>	\$ <u>314,376</u>

Teachers' Pension and Annuity Fund

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

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

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8. PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (Continued)

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

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

<u>Year</u> <u>Funding</u>		<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>			<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/18	\$	122,203	100	%	\$	N/A
6/30/17		140,427	100			N/A
6/30/16		140,427	100			N/A

During the fiscal year ended June 30, 2018, the State of New Jersey contributed \$122,203 to the TPAF for pension contributions, \$78,928 for post-retirement benefits on behalf of the School, and \$60 for long-term disability. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$64,126 during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

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

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

Pension Expense - For the year ended June 30, 2018, the District recognized pension expense of \$380,585 and revenue of \$380,585 for support provided by the State.

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

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8. PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (Continued)

Long-Term Expected Rate of Return - Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	TPAF Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Client oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Total	100.00%	

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

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

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

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

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

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

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

TPAF participant retirees

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

PERS participant retirees

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

Basis of Presentation

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Total OPEB Liability

The State of New Jersey's total OPEB liability, as of the measurement date of June 30, 2017, was \$53,639,841,858. Of this amount, the total OPEB liability attributable to the School District was \$5,227,443. The State of New Jersey's proportionate share of the total OPEB liability is 100%, including the proportion attributable to the School District of 0.00975%. The total OPEB liability for the School District measured as of June 30, 2017 is zero as a result of the Special Funding Situation with the State of New Jersey. The School District's proportionate share of the total OPEB liability measured as of June 30, 2017 is 0.00%. Accordingly, the School District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

Total Nonemployer OPEB Liability

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

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

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

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

Health Care Trend Assumptions

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Discount rate

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2016 Measurement Date	\$ 5,666,741
Changes for the year:	
Service cost	201,147
Interest cost	165,585
Changes of benefit terms	
Differences between expected and actual	
Changes in assumptions or other inputs	(689,409)
Member contributions	4,458
Gross benefit payments	(121,079)
Net changes	(439,298)
Balance as of June 30, 2017 Measurement Date	\$ 5,227,443

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

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

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

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

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

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

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

For the year ended June 30, 2018, the School District recognized OPEB expense of \$291,526. The School District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$
Changes of assumptions		618,229
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion		24,317
Contributions subsequent to the measurement date		
Total	<u>\$</u>	<u>\$ 642,546</u>

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

<u>Measurement Period Ending June 30,</u>		<u>OPEB</u>
2018	\$	64,804
2019		64,804
2020		64,804
2021		64,804
2022		64,804
Thereafter		<u>229,406</u>
Total	<u>\$</u>	<u>553,426</u>

Special Funding Situation

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

NOTE 10. 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 that are 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 employees earn the rights to the benefits.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10. COMPENSATED ABSENCES (CONT'D)

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

In the District Wide-Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components-the amount due within one year and the amount due in more than one year. The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2018, a liability existed for compensated absences in the General Fund of \$63,198 and none in the Food Service Fund.

NOTE 11. DEFERRED COMPENSATION

The Board offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits 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 administrator is as follows:

Lincoln Investments
GWN Marketing
LSW

NOTE 12. RISK MANAGEMENT

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

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and prior 2 years.

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$	\$ 50	\$	\$ 24,695
2016-2017		300	1,522	24,645
2015-2016		4,725	7,952	25,867

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following Interfund Balances remained on the balance sheet at June 30, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 74,625	\$ 22,138
Special Revenue		41,705
Food Service Fund	22,138	
Payroll Fund		32,920
Total	<u>\$ 96,763</u>	<u>\$ 96,763</u>

NOTE 14. FUND BALANCE APPROPRIATED

General Fund - Of the \$587,603 General Fund balance at June 30, 2018, \$75,580 is restricted for Capital Reserve; \$186,436 has been restricted for excess surplus, of which \$122,125 has been assigned and appropriated as anticipated revenue in the year ending June 30, 2019; \$105,000 is restricted for Maintenance Reserve; \$46,392 has been assigned and appropriated as anticipated revenue for the year ending June 30, 2019; and \$174,195 is unreserved and undesignated.

Debt Service Fund - There was no undesignated Debt Service fund balance at June 30, 2018.

NOTE 15. LITIGATION

The District is from time to time involved in claims and lawsuits incidental to its operations. Per confirmation by the District's legal counsel, there are no pending litigations, claims, assessments of contingent liability against the District.

NOTE 16. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A.18A:7F-7, as amended by P.L. 2005, c.73(S1701), the designation for Reserved Fund Balance -- Excess Surplus is a required calculation pursuant to the New Jersey School Funding Reform Act of 2008 (SFRA). New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2018 is \$135,348, of which \$122,125 must be budgeted in the 2018-19 budget and \$64,311 must be budgeted in 2019-20.

NOTE 17. TAX ABATEMENT

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 17. TAX ABATEMENT (CONT'D)

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

NOTE 18. DEFICIT FUND BALANCES

The District did not have any deficit fund balances in the General or Special Revenue Fund as of June 30, 2018 as reported in the fund statements (modified accrual basis). P.L. 2003, c.97 provides that in the event a state school aid payment is not made until the following school year, districts must record the last state aid payment as revenue, for budgeted purposes only, in the current budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry i.e. if one government recognizes as asset, the other government recognizes a liability. Since the state is recording the last state aid payment in the subsequent fiscal year, the school district cannot recognize the last state aid payment on the GAAP financial statements until the year the state records the payable. Due to the timing difference of recording the last state aid payment, the Special Revenue Fund does not alone indicate that the district is facing financial difficulties.

NOTE 19. RECEIVABLES

Receivables at June 30, 2018 consisted of accounts (fees) and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

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

Receivables:	General Fund	Special Revenue Fund	Proprietary Funds	Total
Intergovernmental	\$ 213,884	\$ 83,666	\$ 3,008	\$ 300,558
Other			10,964	10,964
Totals	\$ 213,884	\$ 83,666	\$ 13,972	\$ 311,522

NOTE 20. OPERATING LEASES

The District did not have any outstanding operating leases as of June 30, 2018.

NOTE 21. SUBSEQUENT EVENTS

There were no subsequent events affecting the District between June 30, 2018 and the Audit Report Date.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

**STOW CREEK TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,078,995	\$	\$ 1,078,995	\$ 1,078,995	\$
Tuition from Individuals	3,200		3,200	3,200	
Transportation Fees from Other LEAs	37,250		37,250		(37,250)
Unrestricted Miscellaneous Revenues	23,000		23,000	66,456	43,456
Interest Earned on Cap Reserve Funds	500		500	500	
Total - Local Sources	1,142,945		1,142,945	1,149,151	6,206
State Sources:					
Categorical Special Education Aid	69,186		69,186	69,186	
Equalization Aid	566,534		566,534	566,534	
Categorical Security Aid	16,507		16,507	16,507	
Adjustment Aid	126,886	(22,057)	104,829	104,829	
Additional Adjustment Aid		5,359	5,359	5,359	
Categorical Transportation Aid	52,430		52,430	52,430	
PARCC Readiness Aid	1,150		1,150	1,150	
Per Pupil Growth Aid	1,150		1,150	1,150	
Prof Learning Comm Aid	1,080		1,080	1,080	
Lead Testing Reimbursement				265	265
Additional Nonpublic School Transportation Aid				1,160	1,160
On-Behalf TPAF Pension Contrib (Non-budgeted)				122,203	122,203
On-behalf Post-Retirement Medical Contribution				78,928	78,928
On-behalf Long-term Disability Contribution				60	60
Reimbursed TPAF Social Security Contributions (Non-budgeted)				64,126	64,126
Total - State Sources	834,923	(16,698)	818,225	1,084,967	266,742
TOTAL REVENUES	1,977,868	(16,698)	1,961,170	2,234,118	272,948
EXPENDITURES:					
Current Expense:					
Salaries of Teachers:					
Kindergarten	10,428		10,428	9,656	772
Grades 1-5	356,218	41,382	397,600	397,599	1
Grades 6-8	229,724	(13,914)	215,810	198,686	17,124
Regular Programs - Home Instruction:					
Salaries of Teachers	1,000		1,000	580	420
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	21,411	9	21,420	21,419	1
Other Purchased Services	47,900	(4,786)	43,114	37,575	5,539
General Supplies	49,500	(14,339)	35,161	23,908	11,253
Textbooks	23,925	(6,763)	17,162	17,162	
Other Objects					
Total Regular Programs - Instruction	\$ 740,106	\$ 1,589	\$ 741,695	\$ 706,585	\$ 35,110

STOW CREEK TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES:					
Resource Room/Resource Center					
Salaries of Teachers	\$ 108,824	\$ (6,979)	\$ 101,845	\$ 1,209	\$ 100,636
General Supplies	750	(750)			
Textbooks	450	(450)			
Total Resource Room/Resource Center	110,024	(8,179)	101,845	1,209	100,636
Total Special Education - Instruction	110,024	(8,179)	101,845	1,209	100,636
Basic Skills/Remedial - Instruction					
Salaries of Teachers	18,748	26,067	44,815	44,815	
General Supplies	500	(500)			
Textbooks	100	(100)			
Total Basic Skills/Remedial - Instruction	19,348	25,467	44,815	44,815	
School Sponsored Co-curricular Activities - Instruction					
Salaries of Teachers	3,000	310	3,310	3,310	
Total School Sponsored Co-curr. Act. - Instr.	3,000	310	3,310	3,310	
School Sponsored Athletics - Athletics					
Salaries of Teachers	3,000	1,925	4,925	4,924	1
Other Purchased Services	1,500	346	1,846	1,846	
Supplies and Materials	500	(500)			
Total School Sponsored Athletics - Instruction	5,000	1,771	6,771	6,770	1
Total Instruction	877,478	20,958	898,436	762,689	135,747
Undistributed Expenditures:					
Instruction					
Tuition - CSSD & Regular Day Schools	46,026	(38,575)	7,451	7,451	
Total Instruction	46,026	(38,575)	7,451	7,451	
Attendance and Social Work Services:					
Salaries	11,075	1,226	12,301	12,301	
Total Attendance and Social Work Services	11,075	1,226	12,301	12,301	
Health Services:					
Salaries	55,045	(332)	54,713	54,015	698
Purch Professional/Technical Services	1,600	(1,600)			
Other Purchased Services	500	(362)	138	138	
Supplies and Materials	1,800	(949)	851	753	98
Total Health Services	\$ 58,945	\$ (3,243)	\$ 55,702	\$ 54,906	\$ 796

**STOW CREEK TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES: (Continued)					
Undistributed Expenditures: (Continued)					
Speehg, OT and Related Services:					
Purchased Professional/Educational Services	\$ 6,000	\$ 3,920	\$ 9,920	\$ 4,332	\$ 5,588
Total Other Support Serv-Students-Related Services	6,000	3,920	9,920	4,332	5,588
Other Support Services-Students-Extra Services:					
Purchased Professional/Educational Services	9,000	(9,000)			
Total Other Support Serv-Students-Extra Services	9,000	(9,000)			
Other Support Services - Students-Regular:					
Salaries Other Prof Staff					
Total Other Support Services - Students - Regular					
Guidance					
Salaries of Other Professional Staff	10,686	9,114	19,800	9,496	10,304
Purchased Professional - Educational Services					
Total Undistributed Services Guidance	10,686	9,114	19,800	9,496	10,304
Other Support Services-Students-Child Study Teams:					
Salaries of Secretarial and Clerical Assistants	5,541	610	6,151	6,150	1
Purchased Professional/Educational Services		4,382	4,382	4,382	
Other Objects	1,000	(1,000)			
Total Other Support Serv-Child Study Teams	6,541	3,992	10,533	10,532	1
Improvement of Instruction Services:					
Purchased Prof - Ed Services	34,524	(34,524)			
Other Purch Prof. and Tech Services.	1,500	(870)	630	630	
Total Improvement of Instruction Services	36,024	(35,394)	630	630	
Educational Media Services/School Library:					
Other Purchased Services	800	(500)	300	223	77
Supplies and Materials	1,000	(1,000)			
Total Educational Media Services/School Library	1,800	(1,500)	300	223	77
Instructional Staff Training Services:					
Purchased Professional/Educational Services	1,000	(960)	40	40	
Other Purchased Services	500	(500)			
Total Instructional Staff Training Services	\$ 1,500	\$ (1,460)	\$ 40	\$ 40	

**STOW CREEK TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES: (Continued)					
Undistributed Expenditures: (Continued)					
Support Services - General Administration:					
Salaries	\$ 96,250	\$ 3,022	\$ 99,272	\$ 95,274	\$ 3,998
Legal Fees	1,000	3,650	4,650	4,650	
Audit Fees	12,000	2,180	14,180	14,180	
Communications/Telephone	3,500	10,307	13,807	13,381	426
Other Purchased Prof Services		900	900	900	
Other Purchased Services	6,250	3,077	9,327	8,904	423
General Supplies	1,000	(490)	510	509	1
Miscellaneous Expenditures		275	275	275	
BOE Membership Dues and Fees	4,476	(804)	3,672	3,671	1
Total Support Services - General Administration	124,476	22,117	146,593	141,744	4,849
Support Services - School Administration:					
Salaries of Secretarial/Clerical Assistants	19,726	2,826	22,552	22,551	1
Other Purchased Services	500	376	876	550	326
Supplies and Materials	4,600	(2,142)	2,458	2,457	1
Total Support Services - School Administration	24,826	1,060	25,886	25,558	328
Central Services:					
Purchased Professional Services	29,000	(12,342)	16,658	16,658	
Purchased Technical Services	3,500	151	3,651	3,651	
Supplies and Maintenance	600	(9)	591	590	1
Total Central Services	33,100	(12,200)	20,900	20,899	1
Operation and Maintenance of Plant Services:					
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	55,475	(35,343)	20,132	13,840	6,292
General Supplies		347	347	332	15
Total Required Maintenance for School Facilities	55,475	(34,996)	20,479	14,172	6,307
Other Operation and Maintenance of Plant Services:					
Salaries	59,919	6,003	65,922	65,921	1
Purchased Professional/Technical Services	22,000	(2,863)	19,137	19,026	111
Cleaning, Repair and Maintenance Services	25,000	5,457	30,457	23,495	6,962
Other Purchased Property Services	5,150	544	5,694	5,686	8
Insurance	15,072	940	16,012	16,012	
Miscellaneous Purchased Services	1,000	4,752	5,752	5,752	
General Supplies	4,500	6,353	10,853	5,761	5,092
Energy (Electricity)	21,500		21,500	19,833	1,667
Energy (Oil)	22,500	1,027	23,527	21,135	2,392
Total Other Operation and Maint. of Plant Services	176,641	22,213	198,854	182,621	16,233
Total Operation and Maintenance of Plant Services	\$ 232,116	\$ (12,783)	\$ 219,333	\$ 196,793	\$ 22,540

**STOW CREEK TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES: (Continued)					
Undistributed Expenditures: (Continued)					
Student Transportation Services:	\$	\$	\$	\$	\$
Sal. For Pupil Trans (Btw Home & School) - Reg	56,756	18,878	75,634	75,634	
Sal. Pupil Transport. (Btw Home & School) Spec. Ed.	11,537	(50)	11,487	2,127	9,360
Sal. Pupil Transport. (Other than Btw Home & School)		6,461	6,461	6,461	
Management Fee - ESC & CTSA Trans. Program	1,800	(1,800)			
Other Purchased Professional/Technical Services		15,835	15,835	15,835	
Cleaning, Repair and Maintenance Services	16,000	4,167	20,167	19,447	720
Lease Purchase Payments	23,131		23,131	23,114	17
Contracted Services - Aid in Lieu of Payments	7,956	(2,956)	5,000	5,000	
Contract Serv (Other than Btw Home & School) Vendors		970	970	970	
Miscellaneous Purchased Services - Transportation	13,000	(12,100)	900	900	
General Supplies	35,000	(10,357)	24,643	17,753	6,890
Miscellaneous Expenditures		200	200	100	100
Total Student Transportation Services	165,180	19,248	184,428	167,341	17,087
Regular Programs - Instruction - Employee Benefits					
Social Security Contributions	18,476	(255)	18,221	18,221	
Other Retirement Contributions - PERS	19,367	(753)	18,614	17,923	691
Unemployment Compensation		2,899	2,899	2,899	
Workmen's Compensation	16,991	583	17,574	17,574	
Health Benefits	393,502	47,222	440,724	439,049	1,675
Tuition Reimbursement		3,242	3,242	3,200	42
Other Employee Benefits		9,200	9,200	8,750	450
Total Allocated Benefits	448,336	62,138	510,474	507,616	2,858
Unallocated Benefits					
Tuition Reimbursement	7,000	(7,000)			
Total Unallocated Benefits	7,000	(7,000)			
On-Behalf TPAF Pension Contrib (Non-budgeted)				122,203	(122,203)
On-Behalf TPAF Post Retirem. Medical Contrib.(Non-budgeted)				78,928	(78,928)
On-behalf Long-term Disability Contribution				60	(60)
Reimbursed TPAF Soc. Sec. Contrib. (Non-budgeted)				64,126	(64,126)
Total Undistributed Expenditures	1,222,631	1,660	1,224,291	1,425,179	(200,888)
TOTAL EXPENDITURES - CURRENT EXPENSE	\$ 2,100,109	\$ 22,618	\$ 2,122,727	\$ 2,187,868	\$ (65,141)

STOW CREEK TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
CAPITAL OUTLAY:					
Undistributed Expenditures:					
Equipment					
School Buses - Regular - Lease Principal	\$	\$	\$	\$	\$
Total Undistributed Expenditures					
Facilities Acquisition and Construction Services:					
Construction Services					
Land and Improvements					
Assessment for Debt Service on SDA Funding	739		739	739	
Total Facilities Acquisition and Construction Services	739		739	739	
Interest Deposit to Capital Res	500		500		500
TOTAL CAPITAL OUTLAY	1,239		1,239	739	500
TOTAL EXPENDITURES	2,101,348	22,618	2,123,966	2,188,607	(64,641)
Excess (Deficiency) of Revenues and Other Over (Under) Expenditures	(123,480)	(39,316)	(162,796)	45,511	208,307
Other Financing Sources (Uses):					
Transfer to Food Service				(19,678)	(19,678)
Total Other Financing Sources				(19,678)	(19,678)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(123,480)	(39,316)	(162,796)	25,833	188,629
Fund Balances, July 1	638,735		638,735	638,735	
Fund Balances, June 30	\$ 515,255	\$ (39,316)	\$ 475,939	\$ 664,568	\$ 188,629
RECAPITULATION :					
Restricted Fund Balance:					
Capital Reserve				\$ 75,580	
Maintenance Reserve				105,000	
Excess Surplus				64,311	
Assigned Fund Balance:					
Excess Surplus - Designated for Subsequent Year's Expenditures				122,125	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				46,392	
Unassigned Fund Balance				251,160	
				664,568	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(76,965)	
Fund Balance per Governmental Funds (GAAP)				\$ 587,603	

STOW CREEK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:					
Federal Sources	\$ 54,858	\$ 92,362	\$ 147,220	\$ 106,868	\$ (40,352)
State Sources	12,961	16,364	29,325	16,198	(13,127)
Total Revenues	<u>67,819</u>	<u>108,726</u>	<u>176,545</u>	<u>123,066</u>	<u>(53,479)</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	12,842	9,720	22,562	17,246	5,316
Purchased Professional and Technical Services	8,998	16,159	25,157	12,545	12,612
General Supplies		29,136	29,136	4,430	24,706
Textbooks	3,963	2,791	6,754	3,653	3,101
Other Purchased Services	28,132	16,826	44,958	44,958	
Total Instruction	<u>53,935</u>	<u>74,632</u>	<u>128,567</u>	<u>82,832</u>	<u>45,735</u>
Support Services					
Employee Benefits		4,829	4,829	4,829	
Purchased Professional Technical Services	13,884	29,265	43,149	35,405	7,744
Total Support Services	<u>13,884</u>	<u>34,094</u>	<u>47,978</u>	<u>40,234</u>	<u>7,744</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment					
Total Facilities Acquisition and Constr. Serv.					
Total Expenditures	<u>67,819</u>	<u>108,726</u>	<u>176,545</u>	<u>123,066</u>	<u>53,479</u>
Other Financing Sources (Uses)					
Total Outflows	<u>67,819</u>	<u>108,726</u>	<u>176,545</u>	<u>123,066</u>	<u>53,479</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

STOW CREEK TOWNSHIP SCHOOL DISTRICT
BUDGET-TO-GAAP RECONCILIATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 2,234,118	[C-2] \$ 123,066
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for Gaap statements in the current year, previously recognized for budgetary purposes.	78,686	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements	(76,965)	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>[B-2] \$ 2,235,839</u>	<u>[B-2] \$ 123,066</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 2,188,607	[C-2] \$ 123,066
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>[B-2] \$ 2,188,607</u>	<u>[B-2] \$ 123,066</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

STOW CREEK TOWNSHIP SCHOOL DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability(Asset)	0.001689%	0.001830%	0.001992%	0.002094%	0.002053%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 393,178	\$ 542,012	\$ 447,142	\$ 392,153	\$ 392,371
District's Covered-Employee Payroll	\$ 121,829	\$ 123,440	\$ 117,014	\$ 120,042	\$ 134,938
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	322.73%	439.09%	382.13%	326.68%	290.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

Note: The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 15,966	\$ 16,406	\$ 17,125	\$ 17,267	\$ 15,469
Contributions in Relation to the Contractually Required Contribution	<u>(15,966)</u>	<u>(16,406)</u>	<u>(17,125)</u>	<u>(17,267)</u>	<u>(15,469)</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's Covered-Employee Payroll	\$ 121,829	\$ 123,440	\$ 117,014	\$ 120,042	\$ 134,938
Contributions as a Percentage of Covered-Employee Payroll	13.11%	13.29%	14.64%	14.38%	11.46%

STOW CREEK TOWNSHIP SCHOOL DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER'S PENSION PLAN

	<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>
District's Proportion of the Net Pension Liability(Asset)	0.008148%		0.008006%		0.007886%		0.007244%		0.006428%
State's proportionate share of the net pension liability (asset) associated with the District	\$ 5,493,835	\$	6,928,203	\$	4,984,452	\$	3,871,470	\$	3,248,592
District's Covered-Employee Payroll	\$ 898,562	\$	857,458	\$	837,974	\$	838,960	\$	809,677
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	611.40%		807.99%		594.82%		461.46%		401.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%		22.33%		28.71%		33.64%		33.76%

Note: The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TEACHERS' PENSION PLAN

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

Note: This schedule is required by GASB 68 to show information for a 10 year period. However, information is only currently available for five years. Additional years will be presented as they become available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PART III
Pension Schedules
For the Fiscal Year Ended June 30, 2018

Teachers' Pension and Annuity Fund (TPAF)

Changes of benefit terms. 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.

Change of assumptions. Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

Public Employees' Retirement System (PERS)

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

Change of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

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

	2017
Total OPEB Liability	
Service cost	\$ 201,147
Interest	165,585
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions or other inputs	(689,409)
Member contributions	4,458
Benefit payments	(121,079)
Net change in total OPEB liability	(439,298)
Total OPEB liability - beginning	5,666,741
Total OPEB liability - ending	\$ 5,227,443
Covered-employee payroll	\$ 1,020,391
Total OPEB liability as a percentage of covered-employee payroll	512.30%

Notes to Schedule:

Changes of benefit terms: None

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

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

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
SPECIAL REVENUE FUND - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

	<u>NCLB Title I 2017-18</u>	<u>NCLB Title II</u>	<u>Sub-Total Per E-1(2)</u>	<u>Sub-Total Per E-1(3)</u>	<u>Totals</u>	
					<u>2018</u>	<u>2017</u>
REVENUES:						
Federal Sources	\$ 26,505	\$ 147	80,216	\$	\$ 106,868	\$ 73,910
State Sources				16,198	16,198	11,364
Total Revenues	<u>26,505</u>	<u>147</u>	<u>80,216</u>	<u>16,198</u>	<u>123,066</u>	<u>85,274</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers	17,246				17,246	19,690
Purchased Professional and Technical Services				12,545	12,545	16,758
General Supplies	4,430				4,430	2,171
Textbooks				3,653	3,653	
Other Purchased Serv.			44,958		44,958	4,440
Total Instruction	<u>21,676</u>		<u>44,958</u>	<u>16,198</u>	<u>82,832</u>	<u>43,059</u>
Support Services:						
Employee Benefits	4,829				4,829	5,434
Purchased Professional Technical Services		147	35,258		35,405	36,781
Total Support Services	<u>4,829</u>	<u>147</u>	<u>35,258</u>		<u>40,234</u>	<u>42,215</u>
Facilities Acquisition/Construction:						
Instructional Equipment						
Total Facilities Acquisition/Construction						
Total Expenditures	<u>\$ 26,505</u>	<u>\$ 147</u>	<u>80,216</u>	<u>\$ 16,198</u>	<u>\$ 123,066</u>	<u>\$ 85,274</u>

STOW CREEK TOWNSHIP SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
SPECIAL REVENUE FUND - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

	<u>IDEA</u>			
	<u>Basic</u> <u>Flow-</u> <u>Through</u>	<u>Preschool</u> <u>Program</u>	<u>NCLB</u> <u>Title IV</u>	<u>Totals</u> <u>2018</u>
REVENUES:				
Federal Sources	\$ 79,371	\$ 845	\$	\$ 80,216
Total Revenues	<u>79,371</u>	<u>845</u>		<u>80,216</u>
EXPENDITURES:				
Instruction:				
Purchased Professional and Technical Services				-
General Supplies				
Other Purchased Serv.	44,958			44,958
Total Instruction	<u>44,958</u>			<u>44,958</u>
Support Services:				
Employee Benefits				
Purchased Professional Technical Services	34,413	845		35,258
Total Support Services	<u>34,413</u>	<u>845</u>		<u>35,258</u>
Facilities Acquisition/Construction:				
Instructional Equipment				
Total Facilities Acquisition/Construction				
Total Expenditures	<u>\$ 79,371</u>	<u>\$ 845</u>	<u>\$</u>	<u>\$ 80,216</u>

STOW CREEK TOWNSHIP SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
SPECIAL REVENUE FUND - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

	N.J. Nonpublic Nursing	N.J. Nonpublic Technology Aid	N.J. Textbook Aid	Totals 2018
REVENUES:				
Federal Sources	\$	\$	\$	\$
State Sources	10,476	2,069	3,653	16,198
Total Revenues	10,476	2,069	3,653	16,198
EXPENDITURES:				
Instruction:				
Purchased Professional and Technical Services	10,476	2,069		12,545
Textbooks			3,653	3,653
Total Instruction	10,476	2,069	3,653	16,198
Support Services:				
Employee Benefits				
Purchased Professional Technical Services				
Total Support Services				
Facilities Acquisition/Construction:				
Instructional Equipment				
Total Facilities Acquisition/Construction				
Total Expenditures	\$ 10,476	\$ 2,069	\$ 3,653	\$ 16,198

PROPRIETARY FUND DETAIL STATEMENTS

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

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

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5
AND B-6.**

STOW CREEK TOWNSHIP SCHOOL DISTRICT
FOOD SERVICES ENTERPRISE FUND
COMBINED SCHEDULE OF NET POSITION
AS OF JUNE 30, 2018 AND 2017

	Food Service Fund	After School Childcare	Total	
			2018	2017
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 9,826	\$ 16,550	\$ 26,376	\$ 7,142
Accounts Receivable:				
State	84		84	21
Federal	2,924		2,924	820
Interfund Receivable	22,138		22,138	12,363
Other	8,768	2,196	10,964	3,053
Inventories	1,087		1,087	1,406
Total Current Assets	44,827	18,746	63,573	24,805
Fixed Assets:				
Equipment	35,147		35,147	35,147
Accumulated Depreciation	(31,347)		(31,347)	(30,841)
Total Fixed Assets	3,800		3,800	4,306
Total Assets	48,627	18,746	67,373	29,111
LIABILITIES:				
Current Liabilities:				
Accounts Payable	44,651		44,651	3,177
Cash Overdraft				8,883
Unearned Revenue	176	111	287	220
Total Current Liabilities	44,827	111	44,938	12,280
Total Liabilities	44,827	111	44,938	12,280
NET POSITION:				
Investment in Fixed Assets	3,800		3,800	4,306
Unrestricted	-	18,635	18,635	12,525
Total Net Position	\$ 3,800	\$ 18,635	\$ 22,435	\$ 16,831

**STOW CREEK TOWNSHIP SCHOOL DISTRICT
FOOD SERVICES ENTERPRISE FUND
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

	Food Service Fund	After School Childcare	Total	
			2018	2017
OPERATING REVENUES:				
Local Sources:				
Food Sales Reimbursable Programs	\$ 13,935	\$	\$ 13,935	\$ 14,557
Food Sales Non-Reimbursable Programs	19,350		19,350	33,421
After School Childcare Fees		21,999	21,999	16,584
Total Operating Revenue	33,285	21,999	55,284	64,562
OPERATING EXPENSES:				
Salaries	29,891	11,301	41,192	37,271
Supplies and Materials	7,198	675	7,873	7,951
Cost of Sales	15,777		15,777	18,221
Cost of Sales - Non Program Food	9,049		9,049	11,733
Management Fee	12,500		12,500	12,500
Miscellaneous	2,808		2,808	2,518
Depreciation	506		506	507
Total Operating Expenses	77,729	11,976	89,705	90,701
Operating Income/(Loss)	(44,444)	10,023	(34,421)	(26,139)
NON-OPERATING REVENUES:				
State Sources:				
State School Lunch Program	457		457	449
Federal Sources:				
National School Lunch Program	14,423		14,423	15,769
School Breakfast Program	814		814	1,847
Food Distribution Program	4,612		4,612	3,111
Interest	41		41	18
Total Non-Operating Revenues	20,347		20,347	21,194
Change in Net Assets Before Operating Transfers				
In/(out)	(24,097)	10,023	(14,074)	(4,945)
Operating Transfer In - General Fund	19,678		19,678	11,000
Net (Loss)/Income	(4,419)	10,023	5,604	6,055
Net Position - July 1	8,219	8,612	16,831	10,776
Net Position - June 30	\$ 3,800	\$ 18,635	\$ 22,435	\$ 16,831

STOW CREEK TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF CASH FLOWS
AS OF JUNE 30, 2018

	<u>Food Service Fund</u>	<u>After School Childcare</u>	<u>Total</u>	
			<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 33,285	\$ 21,999	\$ 55,284	\$ 64,562
Payments to Employees	(29,891)	(11,301)	(41,192)	(37,271)
Payments to Suppliers	(28,277)		(28,277)	(30,721)
Payments to Others	(5,316)	(1,290)	(6,606)	(25,354)
Net Cash Provided by (Used for) Operating Activities	(30,199)	9,408	(20,791)	(28,784)
Cash Flows from Non-capital Financing Activities				
State Sources	457		457	449
Federal Sources	19,849		19,849	20,727
Interfund Transfer	19,678		19,678	11,000
Net Cash Provided by (Used for) Non-capital Financing Activities	39,984		39,984	32,176
Cash Flows from Capital Financing Activities				
Net Cash Provided by (Used for) Capital Financing				
Cash Flows from Investing Activities				
Interest and Dividends	41		41	18
Net Cash Provided by (Used for) Investing Activities	41		41	18
Net Increase/(Decrease) in Cash and Cash Equivalents	9,826	9,408	19,234	3,410
Balances - Beginning of Year		7,142	7,142	3,732
Balances - End of Year	\$ 9,826	\$ 16,550	\$ 26,376	\$ 7,142
Operating Income/(Loss)	\$ (44,444)	\$ 10,023	\$ (34,421)	\$ (26,139)
Adjustments to Reconcile Operating Income/(Loss) to Cash Used by Operating Activities:				
Depreciation	506		506	507
Change in Assets and Liabilities:				
Decrease/(Increase) in Accounts Receivable	(9,430)	(2,196)	(11,626)	698
Decrease/(Increase) in Interfund Receivable	(9,775)		(9,775)	(5,958)
Decrease/(Increase) in Other Program Fees Receivable		1,548		(300)
Decrease/(Increase) in Inventory	319		319	735
Increase/(Decrease) in Accounts Payable	41,474		41,474	(6,745)
Increase/(Decrease) in Cash Overdraft	(8,883)		(8,883)	8,883
Increase/(Decrease) in Unearned Revenue	34	33	67	(465)
Total Adjustments	14,245	(615)	13,630	(2,645)
Net Cash Used by Operating Activities	\$ (30,199)	\$ 9,408	\$ (20,791)	\$ (28,784)

FIDUCIARY FUNDS DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

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

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

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

**STOW CREEK TOWNSHIP SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)**

	<u>Trust Funds</u>	<u>Agency Funds</u>			
	<u>Unemployment Compensation Trust</u>	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>	
				<u>2018</u>	<u>2017</u>
ASSETS:					
Cash and Cash Equivalents	\$ 24,695	\$ 27,434	\$ 33,498	\$ 85,627	\$ 86,912
Accounts Receivable		1,000		1,000	
Total Assets	<u>\$ 24,695</u>	<u>\$ 28,434</u>	<u>\$ 33,498</u>	<u>\$ 86,627</u>	<u>\$ 86,912</u>
LIABILITIES AND NET POSITION:					
Liabilities:					
Due to Student Groups	\$	\$ 28,298	\$	\$ 28,298	\$ 25,975
Payroll Deductions and Withholdings			578	578	8,197
Due to General Fund			32,920	32,920	28,095
Accounts Payable		136		136	
Total Liabilities		<u>\$ 28,434</u>	<u>\$ 33,498</u>	<u>61,932</u>	<u>62,267</u>
NET POSITION:					
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 24,695</u>			<u>\$ 24,695</u>	<u>\$ 24,645</u>

STOW CREEK TOWNSHIP SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Plan Members	\$ _____
Total Contributions	
Investments and Earnings:	
Interest	_____ 50
Total Additions	_____ 50
DEDUCTIONS:	
Unemployment Claims	
Total Deductions	_____ -
Change in Net Position	_____ 50
Net Position - July 1	_____ 24,645
Net Position - June 30	\$ _____ 24,695

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1,</u> <u>2017</u>	<u>Accounts</u> <u>Receivable</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u>	<u>Balance</u> <u>June 30,</u> <u>2018</u>
ELEMENTARY SCHOOL	\$ 25,975	\$ 1,000	\$ 29,320	\$ 27,861	\$ 136	\$ 28,298
Principal's Fund						\$ 1,189
Music Fund						6,345
Class of 2020						1,097
Class of 2019						2,034
Class of 2018						2,929
Sport						29
Safety Patrol						213
Yearbook						11,139
Student Council						3,323
Total						\$ 28,298

STOW CREEK TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1,</u> <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 36,292	\$ 1,039,503	\$ 1,042,297	\$ 33,498
	<u>\$ 36,292</u>	<u>\$ 1,039,503</u>	<u>\$ 1,042,297</u>	<u>\$ 33,498</u>
LIABILITIES:				
Payroll Deductions and Withholdings Due General Fund	\$ 8,197	\$ 1,034,678	\$ 1,042,297	\$ 578
	28,095	4,825		32,920
Total Liabilities	<u>\$ 36,292</u>	<u>\$ 1,039,503</u>	<u>\$ 1,042,297</u>	<u>\$ 33,498</u>

LONG-TERM DEBT SCHEDULES

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
LONG TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance June 30, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2018</u>
2013-14 School Bus	\$ 88,613	2.248%	\$ 22,622	\$	\$ 22,622	\$ -
			\$ 22,622	\$	\$ 22,622	\$ -

STATISTICAL SECTION

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(UNAUDITED)

	<u>Fiscal Year Ending,</u>									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 150,824	\$ 302,540	\$ 336,802	\$ 185,061	\$ 258,635	\$ 232,210	\$ 374,058	\$ 383,497	\$ 376,841	\$ 367,725
Restricted	191,860	60,638	169,241	112,204	130,784	191,828	180,035	317,106	388,213	367,016
Unrestricted (Deficit)	113,740	130,399	29,293	116,671	171,636	131,736	(254,332)	(279,417)	(307,854)	(259,728)
Total Governmental Activities Net Position	\$ 456,424	\$ 493,577	\$ 535,336	\$ 413,936	\$ 561,055	\$ 555,774	\$ 299,761	\$ 421,186	\$ 457,200	\$ 475,013
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 6,877	\$ 11,791	\$ 10,555	\$ 10,570	\$ 6,292	\$ 5,827	\$ 5,320	\$ 4,813	\$ 4,306	\$ 3,800
Unrestricted	17,558	23,407	43,594	34,624	26,951	14,992	5,741	5,963	12,525	18,635
Total Business-Type Activities Net Position	\$ 24,435	\$ 35,198	\$ 54,149	\$ 45,194	\$ 33,243	\$ 20,819	\$ 11,061	\$ 10,776	\$ 16,831	\$ 22,435
District-Wide										
Invested in Capital Assets, Net of Related Debt	\$ 157,701	\$ 314,331	\$ 347,357	\$ 195,631	\$ 264,927	\$ 238,037	\$ 379,378	\$ 388,310	\$ 381,147	\$ 371,525
Restricted	191,860	60,638	169,241	112,204	130,784	191,828	180,035	317,106	388,213	367,016
Unrestricted (Deficit)	131,298	153,806	72,887	151,295	198,587	146,728	(248,591)	(273,454)	(295,329)	(241,093)
Total District-Wide Net Position	\$ 480,859	\$ 528,775	\$ 589,485	\$ 459,130	\$ 594,298	\$ 576,593	\$ 310,822	\$ 431,962	\$ 474,031	\$ 497,448

Source: CAFR Schedule A-1

STOW CREEK TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(UNAUDITED)

	Fiscal Year Ending,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 700,303	685,746	544,178	650,999	690,312	675,387	760,729	717,894	700,516	794,950
Special Education	98,432	46,173	45,708	46,051	48,241	49,904	51,425	52,738	87,246	1,209
Other	52,256	33,314	106,330	68,979	24,156	21,561	23,154	34,190	31,755	54,895
Support Services										
Tuition	52,635	155,839	119,491	86,775	105,008	135,939	34,831	11,175	20,258	7,451
Student and Instruction Related Services	123,791	155,446	145,602	138,026	143,281	151,793	153,350	144,172	157,887	127,865
General Administrative Services	119,369	103,971	120,182	121,536	127,700	127,614	129,742	129,081	114,353	141,760
School Administrative Services	24,091	22,458	24,544	21,520	24,683	21,196	21,145	21,095	24,060	25,558
Central Services	35,603	32,838	28,267	26,671	30,388	31,864	32,700	32,635	23,337	20,899
Plant Operations and Maintenance	196,026	173,289	172,945	160,286	162,888	224,106	191,315	199,520	220,251	198,128
Pupil Transportation	106,019	112,227	144,566	167,708	175,279	182,231	171,145	167,778	118,682	169,573
Other Support Services	401,786	439,145	377,227	468,029	484,309	473,902	676,487	847,299	1,069,535	1,249,367
Unallocated depreciation	32,939	38,567	46,037	5,016						
Interest on Debt							739	739	739	739
Total Governmental Activities Expenses	1,943,250	1,999,013	1,875,077	1,961,596	2,016,245	2,095,497	2,246,762	2,358,316	2,568,619	2,792,394
Business-Type Activities										
Food Service	94,910	92,516	79,837	84,521	72,652	73,563	80,173	77,461	78,724	77,729
Child Care	13,798	16,831	14,678	15,540	16,226	16,297	11,413	13,332	11,977	11,976
Total Business-Type Activities Expense	108,708	109,347	94,515	100,061	88,878	89,860	91,586	90,793	90,701	89,705
Total District Expenses	2,051,958	2,108,360	1,969,592	2,061,657	2,105,123	2,185,357	2,338,348	2,449,109	2,659,320	2,882,099
Program Revenues										
Governmental Activities										
Operating Grants and Contributions	240,618	214,446	200,495	273,172	259,302	235,658	451,899	400,065	559,625	503,651
Total Governmental Activities Program Revenues	240,618	214,446	200,495	273,172	259,302	235,658	451,899	400,065	559,625	503,651
Business-Type Activities										
Charges for Services										
Food Service	45,470	50,432	51,500	47,285	40,949	44,216	43,041	46,045	47,978	33,285
Child Care	10,213	17,236	15,367	14,038	8,848	10,138	12,451	16,299	16,584	21,999
Operating Grants and Contributions	28,655	29,187	29,961	21,520	21,485	19,946	25,277	20,872	21,176	20,306
Total Business-Type Activities Program Revenues	84,338	96,855	96,828	82,843	71,282	74,300	80,769	83,216	85,738	75,590
Total District Program Revenues	324,956	311,301	297,323	356,015	330,584	309,958	532,668	483,281	645,363	579,241
Net (Expense)/Revenue										
Governmental Activities	(1,702,632)	(1,784,567)	(1,674,582)	(1,688,424)	(1,756,943)	(1,859,839)	(1,794,863)	(1,958,251)	(2,008,994)	(2,288,743)
Business-Type Activities	(24,370)	(12,492)	2,313	(17,218)	(17,596)	(15,560)	(10,817)	(7,577)	(4,963)	(14,115)
Total District-Wide Net Expense	(1,727,002)	(1,797,059)	(1,672,269)	(1,705,642)	(1,774,539)	(1,875,399)	(1,805,680)	(1,965,828)	(2,013,957)	(2,302,858)
General Revenues and Other Changes in Net Assets										
Governmental Activities										
Property Taxes Levied for General Purposes, Net	835,492	858,692	880,526	880,526	892,135	956,810	1,019,220	1,030,397	1,044,065	1,078,995
Unrestricted Grants and Contributions	848,581	973,255	798,174	863,689	825,109	830,696	831,394	965,397	975,767	1,177,083
Restricted Grants, Tuition and Contributions										
Tuition Received	11,440	4,465	7,545	2,880	1,600	3,200	6,240	12,960	6,720	3,200
Transportation Fees Received	882	6,408	31,500	32,130	33,750	34,425	35,800	37,250	6,710	
Investment Earnings	1,258									
Miscellaneous Income	19,460	2,155	3,649	10,151	36,053	32,485	24,098	40,937	22,746	66,956
Donated Capital Assets										
Prior Year Adjustment	33,621			(215,693)						
Transfers	(26,590)	(23,255)	(5,053)	(6,659)	(9,000)	(3,058)	(1,000)	(7,265)	(11,000)	(19,678)
Total Governmental Activities	1,724,144	1,821,720	1,716,341	1,567,024	1,779,647	1,854,558	1,915,752	2,079,676	2,045,008	2,306,556
Business-Type Activities										
Investment and Miscellaneous Earnings	6,477		11,585	1,604	172	78	59	27	18	41
Fixed Asset Adjustment					(3,527)					
Transfers	26,590	23,255	5,053	6,659	9,000	3,058	1,000	7,265	11,000	19,678
Total Business-Type Activities	33,067	23,255	16,638	8,263	5,645	3,136	1,059	7,292	11,018	19,719
Total District-Wide	1,757,211	1,844,975	1,732,979	1,575,287	1,785,292	1,857,694	1,916,811	2,086,968	2,056,026	2,326,275
Change in Net Position										
Governmental Activities	21,512	37,153	41,759	(121,400)	22,704	(5,281)	120,889	121,425	36,014	17,813
Business-Type Activities	8,697	10,763	18,951	(8,955)	(11,951)	(12,424)	(9,758)	(285)	6,055	5,604
Total District-Wide	\$ 30,209	47,916	60,710	(130,355)	10,753	(17,705)	111,131	121,140	42,069	23,417

Source: CAFR Schedule A-2

STOW CREEK TOWNSHIP SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(UNAUDITED)

	Fiscal Year Ending,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Restricted	\$ 99,904	\$ 12,216	\$ 112,084	\$ 62,732	\$ 114,318	\$	\$	\$	\$	\$
Capital Reserve Account						73,608	119,991	116,391	197,690	75,580
Excess Surplus						46,383	42,047	122,610	77,125	186,436
Maintenance Reserve								60,000	105,000	105,000
Assigned:										
Year-end Encumbrances						10,837	17,152	16,539	7,528	
Subsequent Year's Expenditures						61,000	845	1,566	870	46,392
Unassigned	229,480	144,704	54,516	139,261	162,140	177,800	173,329	169,622	171,836	174,195
Total General Fund	\$ 329,384	\$ 156,920	\$ 166,600	\$ 201,993	\$ 276,458	\$ 369,628	\$ 353,364	\$ 486,728	\$ 560,049	\$ 587,603
All Other Governmental Funds										
Restricted	\$	\$ 63,771	\$ 63,771	\$ 63,771	\$ 63,771	\$	\$	\$	\$	\$
Unassigned, Reported in:										
Special Revenue Fund (Deficit)										
Total All Other Governmental Funds	\$	\$ 63,771	\$ 63,771	\$ 63,771	\$ 63,771	\$	\$	\$	\$	\$

Source: CAFR Schedule B-1

STOW CREEK TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year Ending,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax Levy	\$ 835,492	\$ 858,692	\$ 880,526	\$ 880,526	\$ 892,135	\$ 956,810	\$ 1,019,220	\$ 1,030,397	\$ 1,044,065	\$ 1,078,995
Tuition Charges	11,440	4,465	7,545	2,880	1,600	3,200	6,240	12,960	6,720	3,200
Transportation Charges	882	6,408	31,500	32,130	33,750	34,425	35,800	37,250	6,710	
Interest Earnings	1,258							736	736	500
Miscellaneous	19,460	2,155	3,649	10,151	36,053	32,485	24,098	40,201	22,010	66,456
Local Sources	729									
State Sources	1,011,171	1,018,738	928,143	982,074	1,003,868	990,138	991,955	1,048,328	1,079,912	1,102,886
Federal Sources	77,299	168,963	70,526	154,787	80,543	76,216	125,653	76,889	73,910	106,868
Total Revenues	1,957,731	2,059,421	1,921,889	2,062,548	2,047,949	2,093,274	2,202,966	2,246,761	2,234,063	2,358,905
Expenditures										
Instruction										
Regular Instruction	700,303	685,746	544,178	636,653	652,809	670,614	753,704	710,869	694,592	789,417
Special Education Instruction	98,432	46,173	45,708	46,051	48,241	49,904	51,425	52,738	87,246	1,209
Other Instruction	52,256	33,314	106,330	68,979	24,156	21,561	23,154	34,190	31,755	54,895
Support Services										
Tuition	52,635	155,839	119,491	86,775	105,008	135,939	34,831	11,175	20,258	7,451
Student and Instruction Related Services	123,791	155,446	145,602	138,026	143,281	151,793	153,350	144,172	157,887	127,865
General Administration	119,369	103,971	120,182	121,040	126,856	126,861	129,722	129,061	114,336	141,744
School Administrative Services	24,091	22,458	24,544	21,520	24,683	21,196	21,145	21,095	24,060	25,558
Central Services	35,603	32,838	28,267	26,671	30,388	31,864	32,700	32,635	32,337	20,899
Plant Operations and Maintenance	196,026	173,289	172,945	158,069	161,339	223,909	191,025	197,825	218,822	196,793
Pupil Transportation	106,019	112,227	144,566	150,626	155,315	160,790	139,588	136,221	92,071	167,341
Employee Benefits	411,130	421,027	380,648	461,341	491,669	465,647	506,107	585,676	657,314	777,762
Other										
Capital Outlay	5,658	202,531	74,695	104,745	739	89,352	181,479	50,475	28,064	739
Total Expenditures	1,925,313	2,144,859	1,907,156	2,020,496	1,964,484	2,149,430	2,218,230	2,106,132	2,149,742	2,311,673
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	32,418	(85,438)	14,733	42,052	83,465	(56,156)	(15,264)	140,629	84,321	47,232
Other Financing Sources (Uses)										
Transfers Out	(26,590)	(23,255)	(5,053)	(6,659)	(9,000)	(3,058)	(1,000)	(7,265)	(11,000)	(19,678)
Proceeds from Capital Lease						88,613				
Prior Year Adjustment										
Total Other Financing Sources (Uses)	(26,590)	(23,255)	(5,053)	(6,659)	(9,000)	85,555	(1,000)	(7,265)	(11,000)	(19,678)
Net Change in Fund Balances	\$ 5,828	\$ (108,693)	\$ 9,680	\$ 35,393	\$ 74,465	\$ 29,399	\$ (16,264)	\$ 133,364	\$ 73,321	\$ 27,554
Debt Service as a Percentage of										
Noncapital Expenditures	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Source: CAFR Schedule B-2

STOW CREEK TOWNSHIP SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Interest on Investments	Tuition	Transport- ation	Prior Year Revenue	Cell Tower Rent	ERATE	Prior Year Refunds	Misc.	Total
2018	\$ 1,280	\$ 3,200	\$	\$	\$ 33,136	\$ 17,837	\$	\$ 14,703	\$ 70,156
2017	981	6,720	6,710		14,624		3,522	3,619	36,176
2016	1,184	12,960	37,250		21,271		15,608	2,874	91,147
2015	1,402	6,240	34,425		20,600			2,096	64,763
2014	1,783	3,200	34,425		20,000			1,726	61,134
2013		1,600	33,750	32,795				3,258	71,403
2012	2,618	2,880	32,130				4,447	3,086	45,161
2011	945	7,545	31,500					2,704	42,694
2010		4,465	6,408				4,151	(1,996)	13,028
2009	1,258	11,440	882	1,600			17,244	616	33,040

Source: District Records

STOW CREEK TOWNSHIP SCHOOL DISTRICT
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual County Equalized Value
2018	\$ 1,289,000	\$ 65,098,500	\$ 31,826,300	\$ 4,561,700	\$ 4,291,400	\$ 107,066,900	\$ 440,610	\$ 107,507,510	\$ 1.694	\$ 118,279,828
2017	1,428,400	64,871,200	32,077,800	4,373,700	3,850,100	106,601,200	442,943	107,044,143	1.559	106,134,209
2016	1,251,700	64,025,500	32,998,600	4,396,700	3,850,100	106,522,600	444,192	106,966,792	1.559	102,811,119
2015	1,389,600	64,176,800	32,264,900	4,412,700	3,850,100	106,094,100	419,884	106,513,984	1.595	105,692,469 R
2014	1,119,400	47,383,300	26,179,900	3,413,400	2,734,900	80,830,900	215,848	81,046,748	1.603	114,345,593
2013	996,700	47,099,200	26,219,400	3,435,700	2,902,500	80,653,500	281,783	80,935,283	2.023	119,904,123
2012	1,091,300	47,050,600	26,309,400	3,440,200	2,886,000	80,777,500	338,097	81,115,597	1.969	112,224,124
2011	1,230,300	47,044,200	26,049,000	3,471,300	3,137,300	80,932,100	332,500	81,264,600	1.813	119,487,463
2010	755,100	46,201,700	26,181,100	3,512,000	3,174,300	79,824,200	395,286	80,219,486	1.836	116,943,556
2009	784,000	46,218,400	25,864,600	3,490,100	3,177,900	79,535,000	453,399	79,988,399	1.687	113,537,433

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

R Revaluation

STOW CREEK TOWNSHIP SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate Per \$100 of Assessed Value)
(UNAUDITED)

Year Ended June 30,	Stow Creek Township and Regional Boards of Education			Overlapping Rates			Total
	Basic Rate ^a	General Obligation Debt Service ^b	Total District	Stow Creek Township	Cumberland County	REAP Credit	
2018	\$ 1.694	\$ 0.000	\$ 1.694	\$ 0.208	\$ 1.308	\$	\$ 3.210
2017	1.559	0.000	1.559	0.179	1.164		2.902
2016	1.595	0.000	1.595	0.178	1.089		2.862
2015	1.603	0.000	1.603	0.179	1.111		2.893
2014	2.023	0.000	2.023	0.233	1.484		3.740
2013	1.969	0.000	1.969	0.224	1.467		3.660
2012	1.813	0.000	1.813	0.218	1.324		3.355
2011	1.826	0.000	1.826	0.211	1.411		3.448
2010	1.836	0.000	1.836	0.208	1.451		3.495
2009	1.687	0.000	1.687	0.200	1.274		3.161

Source: District Records and Municipal Tax Collector

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

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

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

Taxpayer	2018		2009	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Taxpayer #1	\$ 813,000	0.76%	\$	
Taxpayer #2	747,600	0.70%		
Taxpayer #3	655,500	0.61%		
Taxpayer #4	557,800	0.52%		
Taxpayer #5	555,700	0.52%		
Taxpayer #6	503,400	0.47%		
Taxpayer #7	461,900	0.43%		
Barretts Run LLC	441,300	0.41%	Not Available	
Taxpayer #8	434,700	0.40%		
Taxpayer #9	430,100	0.40%		
Total	\$ 5,601,000	5.21%	\$ -	-

Source: District CAFR & Municipal Tax Assessor

* 2009 Not Available at Time of Audit

STOW CREEK TOWNSHIP SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	% of Levy	
2018	\$ 1,078,995	\$ 869,467	81%	\$ 209,528
2017	1,044,065	1,044,065	100%	
2016	1,030,397	1,030,397	100%	
2015	1,019,220	1,019,220	100%	
2014	956,810	956,810	100%	
2013	892,135	892,135	100%	
2012	880,526	880,526	100%	
2011	880,526	880,526	100%	
2010	858,692	858,692	100%	
2009	835,492	835,492	100%	

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

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
 (UNAUDITED)

N/A

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of Personal Income ^a	
	General Obligation Bonds ^b	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Per Capita ^a			
2018	\$	\$	\$	\$	\$		\$	
2017								
2016								
2015								
2014								
2013								
2012								
2011								
2010								
2009								

Note: This statement is not applicable the district does not have any debt in any of the years reported herein.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)

N/A

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2018	\$	\$	\$	\$	\$
2017					
2016					
2015					
2014					
2013					
2012					
2011					
2010					
2009					

Note: This statement is not applicable the district does not have any debt in any of the years reported herein.

If a district has resources that are restricted to repaying the principal of debt outstanding, these amounts should be shown in a separate column "Deductions" and be subtracted from the total, and the schedule should be named ratios of net general bonded debt outstanding.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2018
(UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Township of Stow Creek	\$ 200,000		\$ 200,000
Other debt			
County of Cumberland - Township's share	85,432,863	1.353%	1,156,002
Cumberland Regional School Debt	7,117,000	6.693%	476,329
Subtotal, Overlapping Debt			1,832,330
Stow Creek Township School District Direct Debt			-
Total Direct and Overlapping Debt			\$ 1,832,330

Sources: Stow Creek Township Finance Officer and Salem County Finance Office

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

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
 (UNAUDITED)

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized Valuation Basis	
	2015	\$ 102,397,548
	2016	106,055,954
	2017	117,765,356
	[A]	\$ 326,218,858
Average Equalized Valuation of Taxable Property	[A/3]	\$ 108,739,619
Debt Limit (3% of Average Equalization Value)	[B]	3,262,189 a
Net Bonded School Debt	[C]	-
Legal Debt Margin	[B-C]	\$ 3,262,189

Fiscal Year Ending,

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt Limit	\$ 3,019,972	\$ 3,358,802	\$ 3,671,806	\$ 3,540,195	\$ 2,316,406	\$ 3,457,353	\$ 2,192,474	\$ 3,216,449	\$ 3,136,062	\$ 3,262,189
Total Net Debt Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 3,019,972	\$ 3,358,802	\$ 3,671,806	\$ 3,540,195	\$ 2,316,406	\$ 3,457,353	\$ 2,192,474	\$ 3,216,449	\$ 3,136,062	\$ 3,262,189
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	-	-	-	-	-	-	-	-	-	-

Source: Abstract of Ratables and District Records CAFR Schedule J-7

a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would

STOW CREEK TOWNSHIP SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

Year	Population ⁽¹⁾	Personal Income (thousands of dollars) ⁽²⁾	Per Capita Personal Income ⁽³⁾	Unemployment Rate ⁽⁴⁾
2018 *	1,394	\$ 51,453,905	\$ 36,909	3.94%
2017	1,405	51,525,229	36,543	4.70%
2016	1,416	51,232,164	36,181	5.60%
2015	1,424	51,011,496	35,823	6.70%
2014	1,431	50,754,708	35,468	7.50%
2013	1,437	49,268,982	34,286	10.30%
2012	1,441	49,238,970	34,170	9.90%
2011	1,446	49,542,852	34,262	7.30%
2010	1,434	47,591,592	33,188	9.40%
2009	1,431	46,420,209	32,439	7.80%

* Estimate

Source:

- ¹ Population information provided by the NJ Dept of Labor and Workforce Development
- ² Personal income
- ³ Per Capita
- ⁴ Unemployment data provided by the NJ Dept of Labor and Workforce Development

STOW CREEK TOWNSHIP SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

<u>Employer*</u>	<u>2018</u>		<u>2009</u>	
	<u>Employees*</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Inspira Health Network	2,900	1.86%	N/A	N/A
Durand Glass Manufacturing Co	1,100	0.71%	N/A	N/A
Walmart	920	0.59%	N/A	N/A
Shoprite	791	0.51%	N/A	N/A
F&S Produce/Pipco Transportation	750	0.48%	N/A	N/A
Sheppard Bus Service	650	0.42%	N/A	N/A
Seabrook Brothers & Sons, Inc.	590	0.38%	N/A	N/A
Wawa	533	0.34%	N/A	N/A
Omni Baking	500	0.32%	N/A	N/A
Elwyn New Jersey	448	0.29%	N/A	N/A
	<u>9,182</u>	<u>5.89%</u>	<u>N/A</u>	<u>N/A</u>

*Cumberland County

Source: Cumberland County

N/A 2009 Information not available at time of audit.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
 (UNAUDITED)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction										
Regular	10.0	10.0	9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7
Special education	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other special Education										
Vocational										
Other Instruction	2.6	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student & Instruction Related Services	1.3	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
General Administrative Services										
School Administrative Services	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Other Administrative Services										
Central Services										
Administrative Information Technology										
Plant Operations and Maintenance	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Pupil Transportation	1.5	2.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Other Support Services										
Contracted Service - Speech	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Special Schools										
Food Service - Contracted										
Totals	21.3	18.9	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1

Source: District Personnel Records

STOW CREEK TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil/Teacher Ratio Elementary</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2009	137	\$ 1,919,655	14,012	0.47%	14.6	15.2 to 1	136.6	131.0	-0.51%	95.90%
2010	134	1,942,328	14,495	3.45%	12.0	14.9 to 1	134.0	127.0	-1.90%	94.78%
2011	133	1,832,461	13,778	-4.95%	11.7	14.7 to 1	133.0	126.0	-0.75%	94.74%
2012	117	1,915,751	16,374	18.84%	11.7	13.0 to 1	117.0	112.0	-12.03%	95.73%
2013	117	1,963,745	16,784	2.51%	11.7	13.0 to 1	117.2	112.8	0.17%	96.25%
2014	116	2,060,078	17,759	5.81%	11.7	12.0 to 1	115.9	111.5	-1.11%	96.20%
2015	112	2,036,751	18,185	2.40%	11.7	12.4 to 1	111.8	107.5	-3.54%	96.15%
2016	112	2,055,657	18,354	0.93%	11.7	12.4 to 1	111.7	107.3	-0.09%	96.06%
2017	117	2,121,678	18,134	-1.20%	11.7	12.4 to 1	117.5	112.3	5.19%	95.57%
2018	110	2,310,934	21,008	15.85%	11.7	9.4 to 1	110.2	108.0	-6.21%	98.00%

Sources: District records, ASSA

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

STOW CREEK TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>District Building</u>										
<u>Elementary</u>										
Stow Creek Township School (19..)										
Square Feet	20,461	20,461	20,461	20,461	20,461	20,461	20,461	20,461	20,461	20,461
Capacity (Students)	191	191	191	191	191	191	191	191	191	191
Enrollment	137	134	133	117	117	116	112	112	117	110

Number of Schools at June 30, 2018
Elementary = 1

Source: District records, ASSA

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

STOW CREEK TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
(UNAUDITED)

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

<u>School Facilities</u>	<u>Project #</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>
Stow Creek Township School	\$	14,172	\$ 43,939	\$ 30,206	\$ 33,835	\$ 50,917	\$ 8,525	\$ 9,425	\$ 18,698	\$ 16,094	\$ 17,419
Total School Facilities		14,172	43,939	30,206	33,835	50,917	8,525	9,425	18,698	16,094	17,419
Other Facilities											
Grand Total	\$	14,172	\$ 43,939	\$ 30,206	\$ 33,835	\$ 50,917	\$ 8,525	\$ 9,425	\$ 18,698	\$ 16,094	\$ 17,419

STOW CREEK TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Company	Type of Coverage	Coverage	Deductible
New Jersey School Boards Association Insurance Group	School Package Policy		
	Blanket Real and Personal Property	\$ 3,133,770	\$ 1,000
	Extra Expense	50,000,000	1,000
	Valuable Papers & Records	10,000,000	1,000
	Flood	10,000,000	500,000
	Earthquake	50,000,000	
	Demolition and Increased Cost of Construction	1,000,000	
	Electronic Data Processing	150,000	1,000
	Boiler & Machinery	100,000,000	5,000
	Commercial General Liability:		
	Aggregate	17,000,000	1,000
	Commercial Automobile Liability	16,000,000	1,000
	Professional Liability Errors & Omission	6,000,000	5,000
	Professional Liability	100,000/300,000	5,000
	Public Employee Dishonesty - Per Loss & Faithful Performance	25,000	500
	Money and Securities	5,000	500
	Loss of Income	10,000	
	Workers Compensation		
	Each Accident	2,000,000	
	Disease per Employee	2,000,000	
	Disease Policy Limit	2,000,000	
Markel Insurance Company	Student Accident Coverage		
	Accidental Death Principal Sum	10,000	
	Medical Expense	1,000,000	
	Accidental Dismemberment	50,000	
	Accident Medical Expense Benefit	1,000,000	
American International Company - AIG	Student Accident Coverage		
	Catastrophic Cash Benefit	1,000,000	
C.N.A Surety Surety Bonds	Treasurer of School Monies	130,000	
	Board Secretary/Business Administrator	2,000	

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

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

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Stow Creek Township School District
County of Cumberland, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the of Education of the Stow Creek Township School District, in the County of Cumberland, State of New Jersey, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the of Education of the Stow Creek Township School District's basic financial statements, and have issued our report thereon dated January 24, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We considered the deficiencies described in the accompanying schedule of findings and questioned costs to be material, labeled 2018-2.

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. We considered the deficiency described in the accompanying schedule of findings and questioned costs to be significant, labeled 2018-3.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, additional material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Stow Creek Township Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and are described in the accompanying schedule of findings and questioned costs as items labeled Finding 2018-1 and 2.

Stow Creek Township Board of Education's Response to Findings

Stow Creek Township Board of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Stow Creek Township Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.


Purpose of this Report

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

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

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA


Raymond Colavita, CPA
Licensed Public School Accountant

No. 915
January 24, 2019

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

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

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Stow Creek Township School District
County of Cumberland, New Jersey

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Stow Creek Township Board of Education's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and as prescribed by the *Office of School Finance, Department of Education, State of New Jersey, Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB 15-08*. Those standards, *Uniform Guidance and New Jersey OMB 15-08*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Stow Creek Township Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of Stow Creek Township Board of Education's compliance.

Opinion on Each Major Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. As such, material weaknesses may exist that have not been identified. We did, however, identify one deficiency in internal control over compliance that we consider to be a material weakness and reported to the Board of Education in a separate report entitled *Auditors' Management Report on Administrative Findings-Financial, Compliance and Performance* dated January 24, 2018, labeled 2018-2.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and New Jersey Treasury Circular OMB 15-08.

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

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA

Raymond Colavita, CPA
Licensed Public School Accountant
No. 915
January 24, 2019

**TOWNSHIP OF STOW CREEK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SCHEDULE A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grant Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017			Cash Received	Budgetary Expenditures Pass Through Funds	Adjustment	Budgetary Expenditures Direct	Total Budgetary Expenditures (A)	Balance at June 30, 2018		
					From	To	Accounts Receivable	Unearned Revenue	Accounts Receivable						Unearned Revenue	Due to Grantor	
U.S. Department of Education																	
Passed-through State Department of Education:																	
Special Revenue Fund:																	
E.S.E.A.																	
Title I, Part A	84.010	S010A170030	NCLB 5070-18	\$ 26,505	7/1/17	6/30/18	\$	\$	\$	\$	\$	\$	\$	(26,505)	(26,505)	\$	\$
Title I, Part A	84.010	S010A160030	NCLB 5070-17	28,377	7/1/16	6/30/17	(10,297)		10,297								
Title II, A	84.367A	S367A170029	NCLB 5070-18	7,890	7/1/17	6/30/18				(147)				(147)	(147)		
Title II, A	84.367A	S367A160029	NCLB 5070-17	8,455	7/1/16	6/30/17	(90)		90								
Title IV, A	84.424	S424A170031	NCLB 5070-18	10,000	7/1/17	6/30/18											
IDEA Cluster:																	
I.D.E.A. Part B, Basic Regular	84.027	H027A170100	IDEA507018	79,371	7/1/17	6/30/18			23,900	(79,371)				(79,371)	(55,471)		
I.D.E.A. Part B, Basic Regular	84.027	H027A160100	IDEA507017	72,922	7/1/16	6/30/17	(29,349)				29,349						
I.D.E.A. Part B, Pre-School	84.173	H173A170114	IDEA507018	845	7/1/17	6/30/18				(845)				(845)	(845)		
I.D.E.A. Part B, Pre-School	84.173	H173A160114	IDEA507017	1,643	7/1/16	6/30/17	(1,523)		825						(698)		
I.D.E.A. Part B, Pre-School	84.173	H173A150114	IDEA507016	818	7/1/15	6/30/16	(818)		818								
Rural Education	84.358A	S358A093997	S358A093997	21,244	9/1/09	8/31/10				4,926							4,926
Rural Education	84.358A	S358A103997	S358A103997	21,291	9/1/10	8/31/11				3,467							3,467
Rural Education	84.358A	S358A113997	S358A113997	19,205	7/1/11	9/30/12				9,554							9,554
Rural Education	84.358A	S358A153997	S358A153997	16,118	7/1/15	6/30/16	(3,396)		3,396								
Rural Education	84.358A	S358A163997	S358A163997	16,656	7/1/16	6/30/17	(6,280)		13,197								6,917
Total Special Revenue Fund							(51,753)	17,947	52,523	(106,868)	29,349			(106,868)	(83,666)	24,864	
U.S. Department of Agriculture																	
Passed-through State Department of Education:																	
Enterprise Fund:																	
Non-Cash Assistance:																	
Food Distribution Program	10.565	Unknown	NA	4,756	7/1/17	6/30/18				4,756	(4,580)			(4,580)			176
Food Distribution Program	10.565	Unknown	NA	2,815	7/1/16	6/30/17			32		(32)			(32)			
Child Nutrition Cluster:																	
Cash Assistance:																	
National School Breakfast Program	10.553	181NJ304N1099	NA	814	7/1/17	6/30/18			697	(814)				(814)	(117)		
National School Breakfast Program	10.553	171NJ304N1099	NA	2,113	7/1/16	6/30/17	(94)		94								
National School Lunch Program	10.555	181NJ304N1099	NA	14,423	7/1/17	6/30/18			11,616	(14,423)				(14,423)	(2,807)		
National School Lunch Program	10.555	171NJ304N1099	NA	13,630	7/1/16	6/30/17	(726)		726								
Total Enterprise Fund							(820)	32	17,889	(19,849)				(19,849)	(2,924)	176	
Total Federal Financial Awards							\$ (52,573)	\$ 17,979	\$ 70,412	\$ (126,717)	\$ 29,349	\$	\$	\$ (126,717)	\$ (86,590)	\$ 25,040	\$

(A) There were no awards passed through to sub-recipients.

See accompanying notes to schedules of financial assistance
These funds were not audited in accordance with the Uniform Guidance since the total of all grant expenditures did not exceed \$750,000.

TOWNSHIP OF STOW CREEK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (SCHEDULE B)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017			Repaymt. of Prior Year Balances	Balances at June 30, 2018			MEMO		
			From	To	(Accounts Receivable)/ Unearned Rev	Due to Grantor	Cash Received		Budgetary Expenditures	(Accounts Receivable)	Unearned Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education														
General Fund:														
Equalization Aid	17-495-034-5120-078	566,534	7/1/16	6/30/17	\$ (53,393)	\$	\$ 53,393	\$	\$	\$	\$	\$	\$	\$
Equalization Aid	18-495-034-5120-078	566,534	7/1/17	6/30/18			513,244	(566,534)		(53,290)		*	(53,290)	566,534
Transportation Aid	17-495-034-5120-014	52,220	7/1/16	6/30/17	(4,941)		4,941							
Transportation Aid	18-495-034-5120-014	52,430	7/1/17	6/30/18			47,498	(52,430)		(4,932)		*	(4,932)	52,430
Special Education Categorical Aid	17-495-034-5120-089	69,186	7/1/16	6/30/17	(6,520)		6,520							
Special Education Categorical Aid	18-495-034-5120-089	69,186	7/1/17	6/30/18			62,678	(69,186)		(6,508)		*	(6,508)	69,186
Security Aid	17-495-034-5120-084	16,507	7/1/16	6/30/17	(1,556)		1,556							
Security Aid	18-495-034-5120-084	16,507	7/1/17	6/30/18			14,954	(16,507)		(1,553)		*	(1,553)	16,507
Adjustment Aid	17-495-034-5120-085	121,527	7/1/16	6/30/17	(11,434)		11,434							
Adjustment Aid	18-495-034-5120-085	104,829	7/1/17	6/30/18			94,969	(104,829)		(9,860)		*	(9,860)	104,829
Additional Adjustment Aid	17-495-034-5120-085	5,359	7/1/16	6/30/17	(505)		505							
Additional Adjustment Aid	18-495-034-5120-085	5,359	7/1/17	6/30/18			4,855	(5,359)		(504)		*	(504)	5,359
PARCC Readiness Aid	17-495-034-5120-098	1,150	7/1/16	6/30/17	(108)		108							
PARCC Readiness Aid	18-495-034-5120-098	1,150	7/1/17	6/30/18			1,042	(1,150)		(108)		*	(108)	1,150
Per Pupil Growth Aid	17-495-034-5120-097	1,150	7/1/16	6/30/17	(108)		108							
Per Pupil Growth Aid	18-495-034-5120-097	1,150	7/1/17	6/30/18			1,042	(1,150)		(108)		*	(108)	1,150
Professional Learning Comm Aid	17-495-034-5120-101	1,080	7/1/16	6/30/17	(102)		102							
Professional Learning Comm Aid	18-495-034-5120-101	1,080	7/1/17	6/30/18			978	(1,080)		(102)		*	(102)	1,080
Lead Testing for Schools Aid	18-495-034-5120-104	265	7/1/17	6/30/18			265	(265)				*		265
Additional Non Public School Trans Costs	17-495-034-5120-014	870	7/1/16	6/30/17	(522)		522							
Additional Non Public School Trans Costs	18-495-034-5120-014	1,160	7/1/17	6/30/18				(1,160)				*		1,160
Reimbursed TPAF Social Security Contrib.	17-495-034-5094-003	61,312	7/1/16	6/30/17	(397)		397							
Reimbursed TPAF Social Security Contrib.	18-495-034-5094-003	64,126	7/1/17	6/30/18			60,930	(64,126)		(3,196)		*		64,126
Total General Fund					(79,586)		882,041	(883,776)		(81,321)			(76,965)	883,776
Special Revenue Fund:														
N.J. Nonpublic Aid:														
Nursing Aid	17-100-034-5120-070	9,990	7/1/16	6/30/17				(333)						
Nursing Aid	18-100-034-5120-070	10,476	7/1/17	6/30/18			10,476	(10,476)						10,476
N.J. Nonpublic Textbook Aid	17-100-034-5120-064	5,822	7/1/16	6/30/17		5,822		(5,822)						
N.J. Nonpublic Textbook Aid	18-100-034-5120-064	5,916	7/1/17	6/30/18			5,916	(3,653)			2,263	*		3,653
Nonpublic Tech	17-100-034-5120-373	2,626	7/1/16	6/30/17			19	(19)						
Nonpublic Tech	18-100-034-5120-373	3,996	7/1/17	6/30/18			3,996	(2,069)			1,927	*		2,069
Nonpublic Security	17-100-034-5120-509	5,050	7/1/16	6/30/17		5,050		(5,050)						
Nonpublic Security	18-100-034-5120-509	8,100	7/1/17	6/30/18			8,100				8,100	*		
Character Education	07-495-034-5120-053	16,000	7/1/06	6/30/07	3,057					3,057				
Total Special Revenue Fund					3,057	11,224	28,488	(16,198)	(11,224)		3,057	12,290		16,198
State Department of Agriculture														
Enterprise Fund:														
State School Lunch Program	18-100-010-3350-023	457	7/1/17	6/30/18			373	(457)		(84)		*		457
State School Lunch Program	17-100-010-3350-023	449	7/1/16	6/30/17	(21)		21							
Total Enterprise Fund					(21)		394	(457)		(84)				457
Total State Financial Assistance Subject to OMB 15-08					\$ (76,550)	\$ 11,224	\$ 910,923	\$ (900,431)	\$ (11,224)	\$ (81,405)	\$ 3,057	\$ 12,290	\$ (76,965)	\$ 900,431
State Financial Assistance Not Subject to OMB 15-08														
On-Behalf TPAF Pension Contribution	18-495-034-5094-002	122,203	7/1/17	6/30/18			\$ 122,203	(122,203)						
On-Behalf TPAF Post Retirement Medical	18-495-034-5094-001	78,928	7/1/17	6/30/18			78,928	(78,928)						
On-Behalf TPAF Long-Term Disability Med	18-495-034-5094-004	60	7/1/17	6/30/18			60	(60)						
Total State Financial Assistance							\$ 1,112,114	\$ (1,101,622)						

See accompanying notes to schedules of financial assistance

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2018

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200- *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey Treasury Circular OMB 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A., 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund, where applicable, also recognizes the one or more state aid June payments in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$1,721 for the general fund and \$0 for the special revenue fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

STOW CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2018
(Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$ 1,086,688	\$ 1,086,688
Special Revenue Fund	106,868		123,066
		16,198	
Food Service Fund	<u>19,849</u>	<u>457</u>	<u>20,306</u>
Total Financial Assistance	<u>\$ 126,717</u>	<u>\$ 1,103,343</u>	<u>\$ 1,230,060</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: FEDERAL AND STATE LOANS OUTSTANDING

The Stow Creek School District had no federal or state loan balances outstanding at June 30, 2018.

NOTE 6: OTHER

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

NOTE 7: MAJOR PROGRAM

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

NOTE 8: SCHOOL-WIDE PROGRAM FUNDS

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

NOTE 9: ADJUSTMENT

There was one adjustment on Schedule A, Exhibit K-3 regarding prior year receipts.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(continued)

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

State Awards

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

Auditee qualified as low-risk auditee? X yes no

Internal control over major programs:

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

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

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

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

Identification of major programs:

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

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

Section II - Financial Statement Findings

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

Finding 2018-1:

Criteria or specific requirement: The final Federal ESEA grant reports are required to be submitted to the NJ Department of Education by September 30, 2018.

Condition: The 2017-18 ESEA final reports were not submitted in a timely manner to the NJ Department of Education.

Context: The 2017-18 ESEA final reports were submitted late to the NJ Department of Education.

Effect: The School District did not comply with ESEA grant filing requirements.

Cause: A change in key personnel on the last day of the fiscal year caused the filing delays.

Recommendation: The ESEA final reports should be submitted in a timely manner to the NJ Department of Education.

Views of responsible officials and planned corrective actions: Management is aware of the necessary procedures to be updated and followed.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(continued)

Section II - Financial Statement Findings
(continued)

Finding 2018-2:

Criteria or specific requirement: N.J.S.A. 18A: 17-19 states that the Board Secretary should take any steps necessary to bring the cash record balance and reconciled bank balance into agreement, prior to completion of the Board Secretary's year-end report.

Condition: The Bank accounts were not properly reconciled to the General Ledger as of the year-end, based on the computerized closeout reports as of June 30, 2018.

Context: With a change of key personnel in the Business Office, processing of the year-end reports was made prior to completion of the normal closeout procedures.

Effect: It was necessary to update the bank reconciliations as part of the audit.

Cause: There was a change in personnel, as of the last day of the fiscal year and the records were closed prior to normal year-end tasks being completed.

Recommendation: The revised bank reconciliations for the year under audit should be utilized in preparing the routine bank reconciliations moving forward.

Views of responsible officials and planned corrective actions: Officials are in agreement with the finding.

STOW CREEK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(continued)

Section II - Financial Statement Findings
(continued)

Finding 2018-3:

Criteria or specific requirement: It is considered necessary, as well as required, to record adjusting journal entries into the General Ledger and other journals within the accounting software, prior to the year end financial close.

Condition: The closeout process was not performed on a timely basis and numerous adjustments were required to be presented as part of the audit.

Context: There were several adjusting journal entries required to be identified and recorded subsequent to year-end financial close out.

Effect: As a result of the above condition, adjusting journal entries were submitted to the Board Office, as of June 30, 2018.

Cause: A necessary step to analyze the General Ledger account balances was omitted.

Recommendation: Prior to the year-end close out of the accounting system, various adjustments should be identified and recorded in the general ledger.

Views of responsible officials and planned corrective actions: Management is aware of the necessary procedures to be updated and followed.

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

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

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

FEDERAL AWARDS N/A

Finding:

Information on the federal program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Views of responsible officials and planned corrective actions:

STOW CREEK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(continued)

Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs
(continued)

STATE AWARDS

Finding 2018-2:

Information on the state program:

18-495-034-5120-078	Equalization Aid
18-495-034-5120-089	Special Education Categorical Aid
18-495-034-5120-084	Security Aid
18-495-034-5120-085	Adjustment Aid
18-495-034-5120-085	Additional Adjustment Aid
18-495-034-5120-098	PARCC Readiness Aid
18-495-034-5120-097	Per Pupil Growth Aid
18-495-034-5120-101	Professional Learning Community Aid

Criteria or specific requirement: N.J.S.A. 18A: 17-19 states that the chief school administrator or board designee other than the secretary shall prepare the monthly reconciliation of bank account statements and in conjunction with the secretary take any steps necessary to bring the cash record balance and reconciled bank balance into agreement prior to completion of the secretary's year-end report.

Condition: The Bank accounts were not properly reconciled to the General Ledger as of the year-end, based on the computerized closeout reports as of June 30, 2018.

Questioned Costs: None

Context: With a change of key personnel in the Business Office, processing of the year-end reports was made prior to completion of the normal closeout procedures.

Effect: It was necessary to update the bank reconciliations as part of the audit.

Cause: There was a change in personnel, as of the last day of the fiscal year and the records were closed prior to normal year-end tasks being completed.

Recommendation: The revised bank reconciliations for the year under audit should be utilized in preparing the routine bank reconciliations moving forward.

Management's response: Officials are in agreement with the finding.

**STOW CREEK TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

STATUS OF PRIOR - YEAR FINDINGS

There were no prior year findings.