

**UNION TOWNSHIP
SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2018

**Responsibility of the Management of
Union Township School District
Hunterdon County, New Jersey**



**UNION TOWNSHIP
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
Introduction Section (unaudited)	
Letter of Transmittal	1 - 4
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors	7
 Financial Section	
Independent Auditors' Report	8 - 10
Required Supplementary Information - Part I	
Management's Discussion and Analysis	11 - 18
 Basic Financial Statements	
A. District-Wide Financial Statements	
A-1 Statement of Net Position	19
A-2 Statement of Activities	20
 B. Fund Financial Statements	
Governmental Funds	
B-1 Balance Sheet	21 - 22
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	23 - 24
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25 - 26
Proprietary Funds	
B-4 Statement of Fund Net Position	27
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	28
B-6 Statement of Cash Flows	29
Fiduciary Funds	
B-7 Statement of Net Position	30
B-8 Statement of Changes in Net Position	31
 Notes to the Financial Statements	32 - 69

**UNION TOWNSHIP
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS (continued)

Required Supplementary Information- Part II		<u>Page</u>
C.	Budgetary Comparison Schedules	
C-1	General Fund - Budgetary Comparison Schedule	70 - 77
C-1a	Combining Schedule of Program Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	N/A
C-1b	Community Development Block Grant - Budget and Actual	N/A
C-2	Special Revenue Fund - Budgetary Comparison Schedule	78
Notes to the Required Supplementary Information- Part II		
C-3	Budget-to-GAAP Reconciliation	79
Required Supplementary Information - Part III		
L.	Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1	Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System	80
L-2	Schedule of District's Contributions - Public Employees Retirement System	81
L-3	Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund	82
L-4	Schedule of District's Contributions - Teacher's Pension and Annuity Fund	83
M.	Schedules Related to Accounting and Reporting for Other Postemployment Employee Benefits (GASB 75)	
M-1	Schedule of the District's Proportionate Share of the Net Other Postemployment Employee Benefits Liability	84
Notes to the Required Supplementary Information - Part III		85

**UNION TOWNSHIP
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS (continued)

	<u>Page</u>
Other Supplementary Information	
D. School Based Budget Schedules	N/A
Combining and Individual Non-Major Fund Financial Statements	
E. Special Revenue Fund	
E-1 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis	86
F. Capital Projects Fund	N/A
G. Proprietary Funds	
Enterprise Fund	
G-1 Statement of Fund Net Position	87
G-2 Statement of Revenues, Expenses, and Changes in Fund Net Position	88
G-3 Statement of Cash Flows	89
H. Fiduciary Funds	
H-1 Combining Statement of Fund Net Position	90
H-2 Statement of Changes in Net Position	91
H-3 Student Activity Agency Fund Schedule of Receipts & Disbursements	92
H-4 Payroll Agency Fund Schedule of Receipts & Disbursements	93
I. Long-Term Debt	
I-1 Schedule of Serial Bonds	94 - 95
I-2 Schedule of Obligations under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule	96
Statistical Section	
J. Statistical Section (Unaudited)	
J-1 Net Position by Component	97
J-2 Changes in Net Position	98 - 100
J-3 Fund Balances - Governmental Funds	101
J-4 Changes in Fund Balances - Governmental Funds	102 - 103
J-5 General Fund - Other Local Revenues by Source	104

**UNION TOWNSHIP
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS (continued)

	<u>Page</u>
J. Statistical Section (Unaudited) (continued)	
J-6 Assessed Value and Actual Value of Taxable Property	105
J-7 Direct and Overlapping Property Tax Rates	106
J-8 Principal Property Taxpayers	107
J-9 Property Tax Levies and Collections	108
J-10 Ratios of Outstanding Debt by Type	109
J-11 Ratios of Net General Bonded Debt Outstanding	110
J-12 Direct and Overlapping Governmental Activities Debt	111
J-13 Legal Debt Margin Information	112
J-14 Demographic and Economic Statistics	113
J-15 Principal Employers	114
J-16 Full Time Equivalent District Employees by Function/Program	115
J-17 Operating Statistics	116
J-18 School Building Information	117
J-19 Schedule of Required Maintenance Expenditures by School Facility	118
J-20 Insurance Schedule	119
Single Audit Section	
K. Single Audit Section	
K-1 Independent Auditors' 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	120 - 121
K-2 Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey OMB Circular Letter 15-08.	122 - 124
K-3 Schedule of Expenditures of Federal Awards, Schedule A	125
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	126
K-5 Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	127 - 128
K-6 Schedule of Findings and Questioned Costs - Section I	129 - 130
K-7 Schedule of Findings and Questioned Costs - Sections II and III	131 - 133
K-8 Summary Schedule of Prior Year Audit Findings and Questioned Costs as Prepared by Management	134 - 136



UNION TOWNSHIP SCHOOLS

Nicholas A. Diaz, Superintendent

Union Township Elementary School
149 Perryville Road, Hampton, NJ 08827

E: NDiaz@uniontwpschool.org P: 908-735-5511
www.uniontwpschool.org · #TigerPride #TheU

February 25, 2019

Honorable President and
Members of the Board of Education
Union Township School District, Hunterdon County
149 Perryville Road
Hampton, NJ 08827

Dear Board Members and Constituents of Union Township:

The comprehensive annual financial report of the Union Township School District (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 and account groups of the District. All discourse 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 the transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to the single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations, findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

Union Township District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the District are included in this report.

The district provides a full range of educational services appropriate to the regular education grade levels of K-8 and additional services for Pre-School Special Needs children aged 3-5. The following table shows the student enrollment and percentage change for the past ten fiscal years.

School Year	Student Enrollment	Percent Change
2018 - 2019	432	-6.5
2017 - 2018	462	+2.6
2016 - 2017	450	-.7
2015 - 2016	453	-8.2
2014 - 2015	495	+.4
2013 - 2014	493	+3.7
2012 - 2013	475	-3.7
2011 - 2012	493	-4.6
2010 - 2011	517	-2.3
2009 - 2010	529	-8.5

2) ECONOMIC CONDITION AND OUTLOOK

Twenty five percent of the land in Union Township is state owned. The state-owned land includes Spruce Run Recreation Area and the Clinton Hunting and Fishing Grounds. It also includes the Edna Mahan Correctional Facility and part of the Hunterdon Developmental Center. The correctional facility produces no strain on the school budget.

Single family residential housing remains the most common type of new development, there are few new homes being constructed in the district. A large international corporation, the township’s largest taxpayer has corporate offices within the township. A private recycling operation also operates a facility within the township. Tax ratable increase is mainly dependent upon homes. The increase in business within the township is minimal.

3) MAJOR INITIATIVES

The district continues to work hard to expand its continuum of services despite the budgeting limitations imposed by legislation. The major facility issues facing the district is the maintenance and necessary upgrades at the Middle School. These include the outdoor facilities project, roof, and the gymnasium. The district should also consider facilities initiatives at both buildings to increase energy efficiency. The major educational initiatives are related to the five year strategic plan themes for Vision 2023. These three themes are: *College or Career Readiness, The School Experience, and School Facilities*. The district will support these themes by allocating funds to achieve the goals and objectives determined by the stakeholders. Technology will support the district’s initiative to promote student innovation and collaboration. Technology devices to support these goals include Chromebooks, iPads, 3D printers, etc.

4) INTERNAL ACCOUNTING CONTROLS

Management of the district is responsible for establishing and maintaining the 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 statement 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;
2. The valuation of costs and benefits requires estimates and judgments by management.

Whereas the district receives limited but important federal and state financial assistance, it is responsible for ensuring that the internal control structure is subject to periodic evaluation by the district's management.

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

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 Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project length budgets are approved for the capital improvements accounted for 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 the end of the fiscal year are recorded as reservations of fund balance and are subsequently added to the following year's budget.

6) ACCOUNTING SYSTEM AND REPORTS

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

7) CASH MANAGEMENT

The investment policy of the district is guided by statute as detailed in "Notes to the Financial Statements," Note 1. The district has adopted a cash management plan, which requires it to deposit public funds in public depositories, protected from loss under the provision of the Governmental Unit Deposit Protection Act (GUDPA). This was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires

governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the act.

8) RISK MANAGEMENT

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

9) OTHER INFORMATION

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of BKC, CPA's, PC was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the 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 Circular Letter 15-08. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10) ACKNOWLEDGMENTS

I would like to express appreciation to the members of the Union Township Board of Education for their concern and work 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 the financial operation. I would also like to commend and thank the business office. Their hard work and dedication has greatly contributed to the financial state of the district.

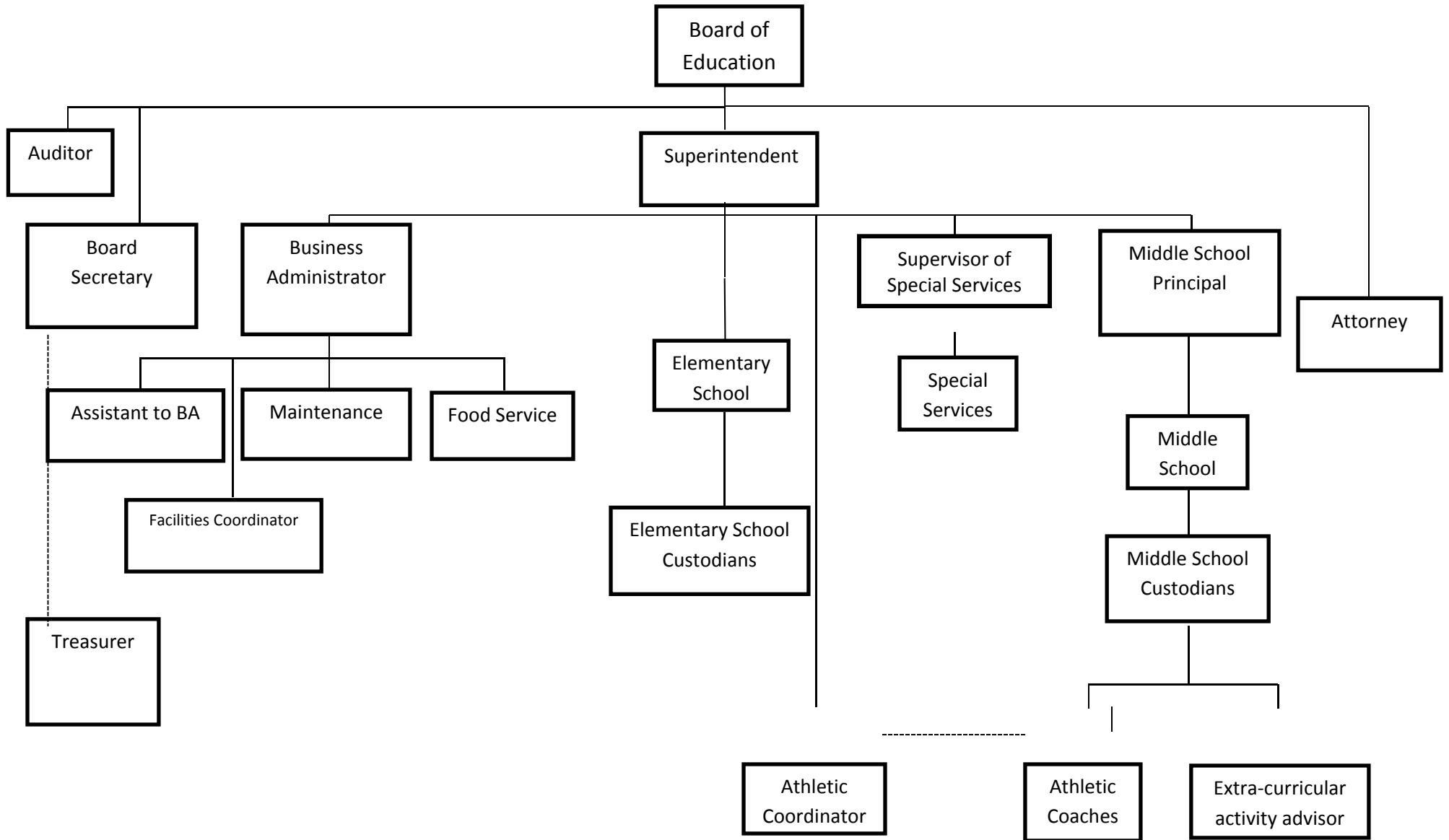
Yours in Education,



Nicholas A. Diaz, Superintendent

Union Township School District

Organization Chart



UNION TOWNSHIP SCHOOL DISTRICT
Roster of Officials
June 30, 2018

<u>Members of the Board of Education</u>	<u>Title</u>	<u>Term Expires</u>
Gary Minsavage	President	2019
Lou Palma	Vice-President	2020
Marcello DaSilva		2018
Michael Fariello		2019
Amelia Lamonde		2020
Jeff Monsell		2018
Jennifer Sigler		2019
James Teipel		2020
John Zengel		2018
<u>Other Officials</u>		
Nicholas Diaz	Chief School Administrator	
Joyce Goode	Board Secretary/School Business Administrator	
Frances Suchovic	Principal	
Paula Hatch	Treasurer	

UNION TOWNSHIP SCHOOL DISTRICT
Consultants & Advisors
June 30, 2018

AUDIT FIRM

BKC, CPAs, P.C.
114 Broad Street
Flemington, NJ 08822

ATTORNEY

Schenck, Price, Smith & King

ARCHITECT

Fraytak Veisz Hopkins Duthie

OFFICIAL DEPOSITRY

Investors Bank



Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Union Township School District
County of Hunterdon, 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 Union Township School District, (the District) in the County of Hunterdon, the State of New Jersey, as of and for the year ended June 30, 2018, and the related Notes to the Financial Statements, which collectively comprise the District's Basic Financial Statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's Basic Financial Statements. The introduction 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 Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and schedule of state awards required by New Jersey Department of the Treasury OMB 15-08 is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report February 25, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



BKC, CPAs, PC



Michael A. Holk, CPA, PSA

February 25, 2019
Flemington, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

UNION TOWNSHIP PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- In total, net position decreased \$207,934 which represents a 3.16 percent decrease from 2017.
- General revenues accounted for \$13,456,338 in revenue or 96.4 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$508,750 or 3.6 percent to total revenues of \$13,965,088.
- Total assets of governmental activities decreased by \$834,291 as cash and cash equivalents decreased by \$192,564, receivables and other assets increased by \$47,822 and capital assets decreased by \$689,549.
- The School District had \$14,173,022 in expenses; only \$508,750 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$13,456,338 were adequate to provide for these programs.
- Among major funds, the general fund had \$10,148,966 in revenues, \$9,903,459 in expenditures, and \$350,000 in other financing uses. The general fund's balance decreased \$104,493 from fiscal year 2017.

Using this Generally Accepted Accounting Principles Report (GAAP)

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Union Township Public School District, the general fund is by far the most significant fund.

UNION TOWNSHIP PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole, looks at all financial transactions and asks the question. "How did we do financially during fiscal year 2018?"

The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and the changes in net position. This change in net position is important because it tells the reader that, for the school district as a whole, the financial 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. 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, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, special revenue fund, capital projects fund and debt service fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds measure and report the "operating results" by measuring cash on hand and other assets that can be easily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

UNION TOWNSHIP PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The School District as a Whole

Table 1 provides a summary of the District's net position at June 30, 2018 with comparisons to June 30, 2017.

Table 1
Net Position

	06/30/18	06/30/17	Variance	
			Dollars	%
ASSETS				
Current & Other Assets	\$ 3,619,986	\$ 3,767,081	\$ (147,095)	-3.90%
Capital Assets	16,706,466	17,396,825	(690,359)	-3.97%
Total Assets	<u>20,326,452</u>	<u>21,163,906</u>	<u>(837,454)</u>	-3.96%
Deferred Pension Activity	956,038	913,956	42,082	4.60%
Deferred Amount on Refunding	156,243	165,630	(9,387)	-5.67%
Total Deferred Outflow of Resources	<u>1,112,281</u>	<u>1,079,586</u>	<u>32,695</u>	3.03%
LIABILITIES				
Long-Term Liabilities	14,164,112	15,238,420	(1,074,308)	-7.05%
Other Liabilities	219,650	177,866	41,784	23.49%
Total Liabilities	<u>14,383,762</u>	<u>15,416,286</u>	<u>(1,032,524)</u>	-6.70%
Deferred Pension Activity	682,632	246,933	435,699	176.44%
Total Deferred Inflow of Resources	<u>682,632</u>	<u>246,933</u>	<u>435,699</u>	176.44%
NET POSITION				
Net Investment in Capital Assets	6,256,466	6,266,825	(10,359)	-0.17%
Restricted	1,956,818	2,458,045	(501,227)	-20.39%
Unrestricted	(1,840,945)	(2,144,597)	303,652	-14.16%
Total Net Position	<u>\$ 6,372,339</u>	<u>\$ 6,580,273</u>	<u>\$ (207,934)</u>	-3.16%

* = undefined

Total assets for district-wide purposes decreased \$837,454. Cash and cash equivalents decreased by \$215,477; receivables and other assets increased by \$68,382 and capital assets decreased by \$690,359. Unrestricted net position increased by \$303,652 and represents the part of net position that can be used to finance day to day activities without constraints, established by grants or legal requirements of the School District.

The negative balance in unrestricted net position is not a negative reflection on the District's financial condition but is the result of reporting required by GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

Table 2 provides a summary of the School District's changes in net position for the fiscal year ended June 30, 2018 with comparisons to the fiscal year ended June 30, 2017.

UNION TOWNSHIP PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 2
Changes in Net Position

	Fiscal Year Ending		Variance	
	06/30/18	06/30/17	Dollars	%
Revenues				
Program Revenues				
Charges for Services	\$ 326,153	\$ 328,687	\$ (2,534)	-0.77%
Operating Grants	182,597	202,086	(19,489)	-9.64%
General Revenues				
Property Taxes	8,715,718	8,516,596	199,122	2.34%
Unrestricted Grants	4,688,705	3,823,868	864,837	22.62%
Other	51,915	94,783	(42,868)	-45.23%
Total Revenues	<u>13,965,088</u>	<u>12,966,020</u>	<u>999,068</u>	7.71%
Expenses				
Instruction				
Regular	5,667,409	5,067,528	599,881	11.84%
Special	2,251,725	2,256,707	(4,982)	-0.22%
Other	462,196	428,856	33,340	7.77%
Support Services				
Tuition	410,297	462,871	(52,574)	-11.36%
Student & Instructional Staff	1,940,579	1,442,376	498,203	34.54%
General & Business Administration	947,118	897,907	49,211	5.48%
School Administration	369,795	341,954	27,841	8.14%
Maintenance	1,117,581	917,918	199,663	21.75%
Transportation	490,138	511,823	(21,685)	-4.24%
Food Service	141,317	165,476	(24,159)	-14.60%
Interest on Long-Term Debt	374,867	381,419	(6,552)	-1.72%
Total Expenses	<u>14,173,022</u>	<u>12,874,835</u>	<u>1,298,187</u>	10.08%
Increase (Decrease) in Net Position	<u>\$ (207,934)</u>	<u>\$ 91,185</u>	<u>\$ (299,119)</u>	-328.04%

UNION TOWNSHIP PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 63 percent of revenues for governmental activities for the Union Township School District for fiscal year 2018.

Instruction comprises 59 percent of district expenses. Support services expenses make up 38 percent of the expenses. Interest on long-term debt makes up 3 percent of the expenses.

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

Table 3 provides a summary of the School District's cost of governmental services for the fiscal year ended June 30, 2018 with comparisons to the fiscal year ended June 30, 2017.

Table 3
Cost of Governmental Services

	Total Cost of Services		Net Cost of Services	
	06/30/18	06/30/17	06/30/18	06/30/17
Instruction	\$ 8,381,330	\$ 7,753,091	\$ 8,120,710	\$ 7,479,843
Support Services:				
Tuition	410,297	462,871	317,415	363,980
Student & Instructional Staff	1,940,579	1,442,376	1,926,862	1,434,256
General & Business Administration	947,118	897,907	947,118	897,907
School Administration	369,795	341,954	369,795	341,954
Plant Operations & Maintenance	1,117,581	917,918	1,115,866	913,778
Pupil Transportation	490,138	511,823	490,138	511,823
Interest on Long-Term Debt	374,867	381,419	374,867	381,419
Total Expenses	<u>\$14,031,705</u>	<u>\$12,709,359</u>	<u>\$13,662,771</u>	<u>\$12,324,960</u>

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

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

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

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

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

UNION TOWNSHIP PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

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

The dependence upon tax revenues is apparent. For all activities tax revenue support is 62.4 percent. The community, as a whole, is the primary support for the Union Township School District.

The School District's Funds

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,960,825 and expenditures of \$11,063,778. The net negative change in fund balance for the year of \$102,953 was most significant in the general fund, a decrease of \$104,493.

General Fund Budgeting Highlights

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

During the course of the fiscal 2018 the School District amended its general fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to lightly control total program budgets but provide flexibility for program management.

For the general fund, budget basis revenue was \$8,974,598 which was \$124,416 above original budgeted estimates of \$8,850,182. This difference was due primarily to unbudgeted state aid realized of \$74,492.

The general fund revenues of the School District were less than expenditures and other financing uses by \$104,385.

Capital Assets

At the end of the fiscal year 2018, the School District had \$16,706,466 invested in land, buildings, furniture and equipment, and construction in progress.

UNION TOWNSHIP PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 4 provides a summary of the School District's capital assets net of depreciation at June 30, 2018 with comparisons to June 30, 2017.

Table 4
Capital Assets at Year-end
(Net of Depreciation)

	06/30/18	06/30/17	Variance	
			Dollars	%
Land	\$ 189,696	\$ 189,696	\$ -	0.00%
Land Improvements	156,118	145,521	10,597	7.28%
Buildings & Improvements	16,061,495	16,706,050	(644,555)	-3.86%
Vehicles	3,524	10,573	(7,049)	-66.67%
Equipment	295,633	344,985	(49,352)	-14.31%
Total	\$ 16,706,466	\$ 17,396,825	\$ (690,359)	-3.97%

Overall capital assets decreased \$690,359 from fiscal year 2017 to fiscal year 2018. Increases in capital assets (primarily buildings and improvements, machinery and equipment) were offset by depreciation expenses for the year. Major capital asset additions in fiscal year 2018 included landscape improvements at the middle school.

Debt Administration

At June 30, 2018, the School district had \$14,164,112 in long-term liabilities. This amount is detailed in Table 5.

At June 30, 2018, the School District's overall legal debt limit was \$24,321,326 and the legal debt margin was \$13,871,326.

Table 5 provides a summary of the School District's outstanding long-term liabilities at June 30, 2018 with comparisons to June 30, 2017.

Table 5
Long-Term Liabilities at Year-end

	06/30/18	06/30/17	Variance	
			Dollars	%
General Obligation Bonds	\$ 10,450,000	\$ 11,130,000	\$ (680,000)	-6.11%
Net Pension Liability	2,474,404	2,790,469	(316,065)	-11.33%
Unamortized Bond Premium	1,071,913	1,150,491	(78,578)	-6.83%
Compensated Absences	167,795	167,460	335	0.20%
Total	\$ 14,164,112	\$ 15,238,420	\$ (1,074,308)	-7.05%

* = Undefined

UNION TOWNSHIP PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

For the Future

Our available free balance surplus on a budgetary basis is currently \$317,493. The Union Township Public School District is in good financial condition presently. A major concern is future finances with the 2% budget cap and flat state aid.

Union Township is primarily a residential community with very few ratables which places the tax burden on residential homeowners.

In conclusion, the Union Township School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Joyce Goode, Union Township Board of Education, 165 Perryville Rd., Hampton, NJ 08827.

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.

UNION TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,137,498	\$ 16,367	\$ 1,153,865
Due from other funds	11,963	21,465	33,428
Receivables, net	365,770	706	366,476
Prepaid expenses	109,343	-	109,343
Inventory	-	3,598	3,598
Restricted assets			
Capital reserve account - cash	1,159,757	-	1,159,757
Maintenance reserve account - cash	543,519	-	543,519
Emergency reserve account - cash	250,000	-	250,000
Capital assets, net			
Land and construction in progress	189,696	-	189,696
Other capital assets, net of depreciation	16,510,186	6,584	16,516,770
Total assets	20,277,732	48,720	20,326,452
Deferred outflows of resources			
Deferred amount on pension activity	956,038	-	956,038
Deferred amount on refunding bond issue	156,243	-	156,243
Total deferred outflows of resources	1,112,281	-	1,112,281
Liabilities			
Accounts payable	10,180	1,653	11,833
Accrued interest	190,999	-	190,999
Unearned revenue	11,860	4,107	15,967
Other current liabilities	851	-	851
Long-term liabilities			
Due within one year	651,185	-	651,185
Due beyond one year	13,512,927	-	13,512,927
Total liabilities	14,378,002	5,760	14,383,762
Deferred inflows of resources			
Deferred amount on pension liability	682,632	-	682,632
Net position			
Net investment in capital assets	6,249,882	6,584	6,256,466
Restricted for			
Capital reserve fund	1,159,757	-	1,159,757
Maintenance reserve fund	543,519	-	543,519
Emergency reserve fund	250,000	-	250,000
Debt service	3,542	-	3,542
Unrestricted	(1,877,321)	36,376	(1,840,945)
Total net position	\$ 6,329,379	\$ 42,960	\$ 6,372,339

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 3,006,607	\$ 2,660,802	\$ 70,490	\$ -	\$ -	\$ (5,596,919)	\$ -	\$ (5,596,919)
Special education	1,250,886	1,000,839	-	-	-	(2,251,725)	-	(2,251,725)
Other special instruction	110,074	87,165	-	44,170	-	(153,069)	-	(153,069)
Other instruction	184,681	80,276	145,960	-	-	(118,997)	-	(118,997)
Support services								
Tuition	410,297	-	-	92,882	-	(317,415)	-	(317,415)
Students and instruction related services	1,174,446	766,133	-	13,717	-	(1,926,862)	-	(1,926,862)
General and business administration services	616,286	330,832	-	-	-	(947,118)	-	(947,118)
School administration services	212,725	157,070	-	-	-	(369,795)	-	(369,795)
Plant operations and maintenance	950,235	167,346	1,715	-	-	(1,115,866)	-	(1,115,866)
Pupil transportation	490,138	-	-	-	-	(490,138)	-	(490,138)
Interest on long-term debt	374,867	-	-	-	-	(374,867)	-	(374,867)
Total governmental activities	<u>8,781,242</u>	<u>5,250,463</u>	<u>218,165</u>	<u>150,769</u>	<u>-</u>	<u>(13,662,771)</u>	<u>-</u>	<u>(13,662,771)</u>
Business-type activities								
Food service	141,317	-	107,988	31,828	-	-	(1,501)	(1,501)
Total business-type activities	<u>141,317</u>	<u>-</u>	<u>107,988</u>	<u>31,828</u>	<u>-</u>	<u>-</u>	<u>(1,501)</u>	<u>(1,501)</u>
Total primary government	<u>\$ 8,922,559</u>	<u>\$ 5,250,463</u>	<u>\$ 326,153</u>	<u>\$ 182,597</u>	<u>\$ -</u>	<u>(13,662,771)</u>	<u>(1,501)</u>	<u>(13,664,272)</u>
General revenues, special items and transfers								
Property taxes levied for general purposes						8,054,628	-	8,054,628
Property taxes levied for debt service						661,090	-	661,090
Federal and state aid not restricted						4,688,705	-	4,688,705
Investment earnings						44,841	534	45,375
Miscellaneous income						5,918	622	6,540
Total general revenues & special items						<u>13,455,182</u>	<u>1,156</u>	<u>13,456,338</u>
Change in net position						(207,589)	(345)	(207,934)
Net position - beginning						6,536,968	43,305	6,580,273
Net position - ending						<u>\$ 6,329,379</u>	<u>\$ 42,960</u>	<u>\$ 6,372,339</u>

See accompanying notes to financial statements.

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 type.

UNION TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,128,772	\$ 5,184	\$ -	\$ 3,542	\$ 1,137,498
Due from other funds	293,723	-	-	-	293,723
Receivables from other governments					
State	96,132	-	259,662	-	355,794
Local	-	726	-	-	726
Other accounts receivable	9,250	-	-	-	9,250
Prepaid expenses	109,343	-	-	-	109,343
Restricted cash and equivalents	1,953,276	-	-	-	1,953,276
Total assets	\$ 3,590,496	\$ 5,910	\$ 259,662	\$ 3,542	\$ 3,859,610
Liabilities and fund balances					
Liabilities					
Due to other funds	\$ 22,098	\$ -	\$ 259,662	\$ -	\$ 281,760
Accounts payable	10,180	-	-	-	10,180
Unearned revenue	5,950	5,910	-	-	11,860
Other current liabilities	851	-	-	-	851
Total liabilities	39,079	5,910	259,662	-	304,651

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet (continued)
June 30, 2018

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances (cont'd)					
Fund balances					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures	\$ 718,215	\$ -	\$ -	\$ -	\$ 718,215
Excess surplus	276,440	-	-	-	276,440
Capital reserve account	1,159,757	-	-	-	1,159,757
Maintenance reserve account	543,519	-	-	-	543,519
Emergency reserve account	250,000	-	-	-	250,000
Committed fund balance					
Year-end encumbrances	24,457	-	-	-	24,457
Assigned fund balance					
Designated for subsequent year's expenditures	316,485	-	-	-	316,485
Debt service fund balance	-	-	-	3,542	3,542
Unassigned fund balance	262,544	-	-	-	262,544
Total fund balances	<u>3,551,417</u>	<u>-</u>	<u>-</u>	<u>3,542</u>	<u>3,554,959</u>
Total liabilities and fund balances	<u>\$ 3,590,496</u>	<u>\$ 5,910</u>	<u>\$ 259,662</u>	<u>\$ 3,542</u>	

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

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$25,239,893 and the accumulated depreciation is \$8,540,011.	16,699,882
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.	429,649
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.	(14,164,112)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(190,999)</u>
Total net position of governmental activities	<u>\$ 6,329,379</u>

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 8,054,628	\$ -	\$ -	\$ 661,090	\$ 8,715,718
Tuition - individuals	70,490	-	-	-	70,490
Interest income	44,841	-	-	-	44,841
Before and after school child care service fees	145,960	-	-	-	145,960
Miscellaneous	7,633	1,959	-	-	9,592
Total local sources	<u>8,323,552</u>	<u>1,959</u>	<u>-</u>	<u>661,090</u>	<u>8,986,601</u>
State sources	1,825,414	-	-	-	1,825,414
Federal sources	-	148,810	-	-	148,810
Total revenues	<u>10,148,966</u>	<u>150,769</u>	<u>-</u>	<u>661,090</u>	<u>10,960,825</u>
Expenditures					
Current					
Instructional					
Regular instruction	3,006,607	-	-	-	3,006,607
Special education instruction	1,250,886	-	-	-	1,250,886
Other special instruction	65,904	44,170	-	-	110,074
Other instruction	184,681	-	-	-	184,681
Support service and undistributed costs					
Tuition	317,415	92,882	-	-	410,297
Student and instruction related services	1,160,729	13,717	-	-	1,174,446
General and business administrative services	616,286	-	-	-	616,286
School administrative services	212,725	-	-	-	212,725
Plant operations and maintenance	950,235	-	-	-	950,235
Pupil transportation	490,138	-	-	-	490,138
Unallocated benefits	1,598,536	-	-	-	1,598,536

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 21,200	\$ -	\$ -	\$ -	\$ 21,200
Debt service					
Principal	-	-	-	680,000	680,000
Interest and other charges	-	-	-	329,550	329,550
NJ SDA debt service assessment	28,117	-	-	-	28,117
Total expenditures	<u>9,903,459</u>	<u>150,769</u>	<u>-</u>	<u>1,009,550</u>	<u>11,063,778</u>
Excess (deficiency) of revenues					
Over (under) expenditures	<u>245,507</u>	<u>-</u>	<u>-</u>	<u>(348,460)</u>	<u>(102,953)</u>
Other financing sources (uses)					
Transfers in	-	-	-	350,000	350,000
Transfers out	<u>(350,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>
Total other financing sources (uses)	<u>(350,000)</u>	<u>-</u>	<u>-</u>	<u>350,000</u>	<u>-</u>
Net change in fund balance	(104,493)	-	-	1,540	(102,953)
Fund balances, July 1	<u>3,655,910</u>	<u>-</u>	<u>-</u>	<u>2,002</u>	<u>3,657,912</u>
Fund balances, June 30	<u>\$ 3,551,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,542</u>	<u>\$ 3,554,959</u>

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
For the Fiscal Year Ended June 30, 2018

Total net changes in fund balances - Governmental fund (from B-2) \$ (102,953)

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 expenses. This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlays	\$ 21,200	
Depreciation expense	<u>(710,749)</u>	
		(689,549)

Repayment of bond principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and are not reported in the Statement of Activities:

Bond principal payments	680,000
-------------------------	---------

Governmental funds report the effect of bond issue premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Amortization of bond premium	78,578
------------------------------	--------

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

(77,552)

UNION TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds (continued)
For the Fiscal Year Ended June 30, 2018

In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item. \$ (86,391)

In the Statement of Activities, deferred outflows for refunding bond costs are amortized to current year expenses over the amortization period. (9,387)

In the Statement of Activities, compensated absences and early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation. (335)

Change in net position of governmental activities \$ (207,589)

UNION TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Fund Net Position
June 30, 2018

	Food Service Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 16,367
Due from other funds	21,465
Receivables from other governments	
State	62
Federal	644
Inventory	3,598
Total current assets	42,136
Noncurrent assets	
Capital assets	49,379
Less: accumulated depreciation	42,795
Total noncurrent assets	6,584
Total assets	48,720
Liabilities	
Current liabilities	
Accounts payable	1,653
Unearned revenues - commodities	996
Unearned revenues - prepaid sales	3,111
Total liabilities	5,760
Net position	
Net investment in capital assets	6,584
Unrestricted	36,376
Total net position	\$ 42,960

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2018

	Food Service Fund
Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 90,806
Daily sales - non-reimbursable programs	17,182
Miscellaneous	107,988
Total operating revenues	
Operating expenses	
Cost of sales - reimbursable programs	50,814
Cost of sales - non-reimbursable programs	15,195
Commodity food costs	12,640
Salaries	35,576
Employee benefits	5,055
Purchased property services	4,762
Other purchased services	
Insurance	3,660
Management fee	6,324
Other	2,515
General supplies	2,801
Depreciation	810
Miscellaneous	1,165
Total operating expenses	141,317
Operating income (loss)	(33,329)
Non-operating revenues (expenses)	
State sources	
State school lunch program	1,659
Federal sources	
National school lunch program	
Cash assistance	17,529
Non cash assistance (commodities)	12,640
Interest earned on investments	534
Miscellaneous	622
Total non-operating revenues (expenses)	32,984
Change in net position	(345)
Net position, beginning	43,305
Net position, ending	\$ 42,960

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	Food Service Fund
Cash flows from operating activities	
Receipts from customers (net)	\$ 107,281
Payments to Food Service Management Company	(123,592)
Payments to vendors (net)	(7,148)
Net cash provided by (used for) operating activities	(23,459)
Cash flows from non-capital financing activities	
State sources	1,649
Federal sources	17,549
General fund interfund activity	(19,198)
Miscellaneous	12
Net cash provided by (used for) non-capital financing activities	12
Cash flows from investing activities	
Interest earned on investments	534
Net cash provided by (used for) investing activities	534
Net increase (decrease) in cash and cash equivalents	(22,913)
Cash and cash equivalents, beginning	39,280
Cash and cash equivalents, ending	\$ 16,367
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (33,329)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	810
Federal food donation program	12,640
(Increase) decrease in inventory	(762)
Increase (decrease) in accounts payable	(2,242)
Increase (decrease) in unearned revenues	(576)
Net cash provided by (used for) operating activities	\$ (23,459)

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2018

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
Assets			
Cash and cash equivalents	\$ 69,205	\$ 19,704	\$ 38,870
Due from other funds	66	633	-
Total assets	\$ 69,271	\$ 20,337	\$ 38,870
 Liabilities			
Due to other funds	\$ 12,058	\$ -	\$ 22,069
Due to student groups	-	20,337	-
Payroll deductions and withholdings	-	-	16,801
Total liabilities	12,058	\$ 20,337	\$ 38,870
 Net position			
Held in trust for unemployment claims and other purposes	\$ 57,213		

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	Unemployment Compensation Fund
Additions	
Employee contributions	\$ 9,101
Investment earnings - interest	743
Total additions	9,844
 Deductions	
Unemployment claims	6,956
 Change in net position	2,888
 Net position, beginning of the year	54,325
 Net position, end of the year	\$ 57,213

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

The financial statements of the Union Township School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

The basic financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's over-all financial position and results of operations.

Basic financial statements prepared using full-accrual accounting for all of the District's activities.

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2018 of 449 students.

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:

1. The organization is legally separate (can sue or be sued in their own name).
2. The District holds the corporate powers of the organization.
3. The District appoints a voting majority of the organization's Board.
4. The District is able to impose its will on the organization.
5. The organization has the potential to impose a financial benefit/burden on the District.
6. There is a fiscal dependency by the organization on the District.

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

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The District has elected to treat all of its governmental funds as major funds and they are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State Statute, a municipality is required to remit to its school district the entire property tax balance, 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 moneys under the established payment schedule and the unpaid amount is considered to be accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, and unrestricted State Aids.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted, as they are needed.

The District reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the District and 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 fixed 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.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Special Revenue Fund - The District accounts for the proceeds of specific revenue sources 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 in the special revenue fund.

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

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

Additionally, the District reports the following fund types:

Proprietary Fund types

Proprietary Fund - 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 Fund - The enterprise fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are 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 District's enterprise fund is comprised of the food service fund.

All proprietary funds are accounted for on a current financial resource's measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (total net position) segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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:

Equipment	12 Years
-----------	----------

Fiduciary Fund types

Trust and Agency Funds - This fund is 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. Agency funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the trust and agency funds of the District.

Unemployment Compensation Trust Fund - This fund is used to account for the portion of employee deductions for unemployment compensation required to be deposited and accumulated for future unemployment claims under the Benefit Reimbursement Method.

Student Activities Agency Fund - This fund is used to account for funds derived from athletic events or other activities of pupil organizations and accumulated for payment of student group activities.

Payroll Agency Fund - This fund accounts for the withholding and remittance of employee salary deductions.

D. Budgets/budgetary control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office and, if necessary, are voted upon at the annual school election in November. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line-item accounts within each fund. Line-item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board Resolution. Budget amendments during the fiscal year ended June 30, 2018 were insignificant.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the 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. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

E. Encumbrances

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

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as 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 were 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 2017-2018 and 2016-2017 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-term interfund receivable/payables

Short-term interfund receivables and 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.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The commodities inventory value at balance sheet date is reported as unearned revenue as title does not pass to the School District until the commodities are used. Prepaid items in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

J. Capital assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All reported capital assets, except for land and construction in progress, of the District are depreciated using the straight-line method over the following estimated lives:

Assets	Years
Buildings	40
Building improvements & portable classroom	20 - 40
Land improvements	20
Furniture	20
Musical instruments	10
Athletic equipment	10
Maintenance equipment	15
Audio visual equipment	10
Office equipment	5 - 10
Computer equipment	5 - 10
Vehicles	5

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences

The District accounts for compensated absences (e.g., unused vacation and sick leave) as directed by Governmental Accounting Standards Board Statement Number 16 (GASB 16), Accounting for Compensated Absences. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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

The liability for compensated absences was accrued using the vesting method, whereby the liability is calculated by vesting balances as of the balance sheet date for which a payment is probable. Salary related payments for the employer's share of Social Security and Medicare taxes are included.

For the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, in the fund financial statements, all of the compensated absences are considered long-term and therefore are not a fund liability. This represents a reconciling item between the fund and government-wide presentations.

L. Unearned revenue

Unearned revenue in the general fund and special revenue fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the special revenue fund. Unearned revenue in the enterprise fund includes United States government commodity inventories at year-end. The aid revenue associated with this commodity inventory is deferred until it is used in the operations of the food service fund. Prepaid lunch debit card revenue balances at year-end are also included in unearned revenue.

M. Long-term obligations

In the government-wide financial statements, and in internal service fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

N. Net position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. In the government-wide financial statements, net position is classified into the following three components:

- Net investment in Capital Assets - This component represents capital assets, less accumulated depreciation and net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.
- Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

O. Fund balances - governmental funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Non-Spendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned - includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the general fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

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

P. Use of estimates

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

Q. Allocation of indirect expenses

Certain expenses, which have not been charged to a specific function in the District's fund financial statements, have been allocated to the functions for the government-wide statements. Employee benefits, on-behalf TPAF Pension Contributions, reimbursed TPAF Social Security Contributions and compensated absences accruals have been allocated based on salaries by function. Depreciation expense which was not specifically identified by function has been allocated based on the current year expenses by function.

R. Deferred outflows and inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has two items that qualify for reporting in this category, which are deferred amount on pension activity and deferred amount on refunding bond issue. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amount on pension liability.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 2 - Tax assessments and property taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the municipality, the municipality's local school districts and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey statutes.

School taxes are guaranteed as to amount of collection by the municipality, the collection agency, and are transmitted to the School District in accordance with the Schedule of Tax Installments as certified by the School District's Board of Education on an annual basis.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits and investments

Cash, cash equivalents and investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash and cash equivalents regardless of the date of maturity. As of June 30, 2018, the District had no investments.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governmental units. In addition, other State statutes permit investments in obligations issued by local authorities and other State agencies. The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer.

N.J.S.A. 17:9-41 e.t. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and saving banks the deposits of which are federally insured.

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

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk. New Jersey statutes require that cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, employee's salary withholdings, or funds that may pass to the District relative to the happening of a future condition.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits and investments (continued)

As of June 30, 2018, the District's bank balances of \$3,460,899 were exposed to custodial credit risk as follows:

Insured by the FDIC	\$ 250,000
Insured by GUDPA	3,210,899
Total	\$ 3,460,899

Deposits at June 30, 2018 appear in the financial statements as summarized below:

Cash		\$ 3,234,920
Unrestricted cash		
Governmental funds, Balance Sheet	Ref. B-1	\$ 1,137,498
Enterprise funds, Statement of Net Position	B-4	16,367
Fiduciary funds, Statement of Net Position	B-7	127,779
Restricted cash		
Governmental funds, Balance Sheet	B-1	1,953,276
Total cash		\$ 3,234,920

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 189,696	\$ -	\$ -	\$ 189,696
Total	<u>189,696</u>	<u>-</u>	<u>-</u>	<u>189,696</u>
Capital assets, being depreciated				
Land improvements	201,456	21,200	-	222,656
Building & improvements	23,749,377	-	-	23,749,377
Vehicles	58,717	-	-	58,717
Furniture & equipment	<u>1,019,447</u>	<u>-</u>	<u>-</u>	<u>1,019,447</u>
Total	<u>25,028,997</u>	<u>21,200</u>	<u>-</u>	<u>25,050,197</u>
Accumulated depreciation				
Land improvements	55,935	10,603	-	66,538
Building & improvements	7,043,327	644,555	-	7,687,882
Vehicles	48,144	7,049	-	55,193
Furniture & equipment	<u>681,856</u>	<u>48,542</u>	<u>-</u>	<u>730,398</u>
Total	<u>7,829,262</u>	<u>710,749</u>	<u>-</u>	<u>8,540,011</u>
Total capital assets, being depreciated, net	<u>17,199,735</u>	<u>(689,549)</u>	<u>-</u>	<u>16,510,186</u>
Governmental activities capital assets, net	<u>\$ 17,389,431</u>	<u>\$ (689,549)</u>	<u>\$ -</u>	<u>\$ 16,699,882</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business type activities				
Furniture & equipment	\$ 49,379	\$ -	\$ -	\$ 49,379
Less: accumulated depreciation	<u>41,985</u>	<u>810</u>	<u>-</u>	<u>42,795</u>
Business type activities - capital assets, net	<u>\$ 7,394</u>	<u>\$ (810)</u>	<u>\$ -</u>	<u>\$ 6,584</u>

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)

Depreciation expense was charged to governmental functions in the current year as follows:

Instruction		
Regular	\$	317,510
Special education		140,605
Other special instruction		11,518
Co-curricular activities		20,104
Support services		
Student & instruction		122,888
General & business administration		64,485
School administration		22,258
Plant & maintenance		11,381
Total depreciation expense, governmental activities	\$	710,749

Note 5 - Long-term debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 11,130,000	\$ -	\$ 680,000	\$ 10,450,000	\$ 550,000
Unamortized bond premium	1,150,491	-	78,578	1,071,913	78,578
PERS net pension liability	2,790,469	-	316,065	2,474,404	-
Compensated absences payable	167,460	49,060	48,725	167,795	22,607
Total governmental activities long-term liabilities	\$ 15,238,420	\$ 49,060	\$ 1,123,368	\$ 14,164,112	\$ 651,185

Payments on the general obligation bonds are made in the debt service fund from property taxes and state aid. The compensated absences liability is paid in the current expenditures budget of the District's general fund and the other long-term debts are amortized over a determined period.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2018 including interest payments are listed as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 550,000	\$ 405,725	\$ 955,725
2020	580,000	383,125	963,125
2021	585,000	361,275	946,275
2022	605,000	341,725	946,725
2023	620,000	321,525	941,525
2024 - 2028	3,540,000	1,182,037	4,722,037
2029 - 2034	3,970,000	366,569	4,336,569
Total	<u>\$ 10,450,000</u>	<u>\$ 3,361,981</u>	<u>\$ 13,811,981</u>

General Obligation Bonds - General obligation school building bonds payable at June 30, 2018, with their outstanding balances are comprised of the following individual issues:

\$3,105,000 - 2016 refunding school bonds, interest at 2.00% to 3.00%, due in annual installments beginning July 15, 2016 to July 15, 2030.	\$ 2,835,000
\$7,725,000 - 2017 refunding school bonds, interest at 2.00% to 5.00%, due in annual installments beginning July 15, 2017 to July 15, 2032.	<u>7,615,000</u>
Totals	<u>\$ 10,450,000</u>

The general obligation bonded debt of the District is limited by State Law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2018 is \$24,321,326. General obligation debt at June 30, 2018 is \$10,450,000, resulting in a legal debt margin of \$13,871,326.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

Operating leases

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

Fiscal Year Ended June 30,

2019	\$	12,084
2020		12,084
2021		12,084
2022		12,084
2023		2,014
Total minimum lease payments		\$ 50,350

Note 6 - Pension plans

Description of systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: The Teachers' Pension and Annuity Fund (TPAF), Public Employees' Retirement System (PERS) and the Defined Contribution Retirement Program (DCRP). The PERS and TPAF systems are sponsored and administered by the State of New Jersey. The DCRP system is administered by Prudential Financial for the Division of Pensions and Benefits. The TPAF retirement system is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The PERS and DCRP are considered cost sharing multiple-employer plans.

A. Public employees' retirement system (PERS)

Plan description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of PERS.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Plan description (continued)

The following represents the membership tiers for PERS:

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

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

Allocation methodology and reconciliation to financial statements

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

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

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Allocation methodology and reconciliation to financial statements (continued)

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the State fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the Schedule of Pension Amounts by Employer may result in immaterial differences.

Contributions

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

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

The contribution rate was 7.20% effective July 1, 2016 and will increase annually on July 1st until eventually reaching 7.50% of base salary effective July 1, 2018.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information

Components of net pension liability

The components of the District's allocable share of the net pension liability for PERS as of June 30, 2017:

	2017
Total pension liability	\$ 4,767,632
Plan fiduciary net position	2,293,228
Net pension liability	\$ 2,474,404

Plan fiduciary net position as a percentage of the total pension liability	48.10%
--	--------

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:

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

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back two years for males and seven 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. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one 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 three years for males and set forward one year for females).

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information (continued)

Components of net pension liability (continued)

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

Long-term expected rate of return

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

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

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Discount rate

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

Sensitivity of the collective net pension liability to changes in the discount rate

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

<u>District's Proportionate Share of the Net Pension Liability</u>	<u>2017</u>
At current discount rate (5.00%)	\$ 2,474,404
At a 1% lower rate (4.00%)	3,069,666
At a 1% higher rate (6.00%)	1,978,477

Collective deferred outflows of resources and deferred inflows of resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,264	\$ -
Changes of assumptions	498,507	496,679
Net difference between projected and actual earnings on pension plan investments	16,849	-
Changes in proportion and differences between District contributions and proportionate share of contributions	283,946	185,953
District contributions subsequent to the measurement date	98,472	-
Total	\$ 956,038	\$ 682,632

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

The amount reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date (i.e., for the school year ended June 30, 2018, the plan measurement date is June 30, 2017) of \$98,472 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the fiscal year ended June 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance
Deferred outflows of resources				
Differences between expected and actual experience	\$ 58,547	\$ 18,068	\$ 18,351	\$ 58,264
Changes of Assumptions	652,136	-	153,629	498,507
Differences between projected and actual investment earnings on pension plan investments	120,043	(106,059)	(2,865)	16,849
Deferred Inflows of Resources				
Changes of Assumptions	-	(607,545)	(110,866)	(496,679)
Net of deferred outflows	<u>\$ 830,726</u>	<u>\$ (695,536)</u>	<u>\$ 58,249</u>	<u>\$ 76,941</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from District contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense as follows:

State Fiscal Year Ended June 30

2018	\$ 58,250
2019	87,901
2020	53,264
2021	(70,840)
2022	(51,634)
Total	<u>\$ 76,941</u>

Pension expense

For the fiscal year ended June 30, 2018, the District recognized net pension expense of \$176,024, which represents the District's proportionate share of allocable plan pension expense of \$178,474, plus the net amortization of deferred amounts from changes in proportion of \$12,320, less other adjustments to the net pension liability of \$14,770. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ended June 30, 2018 are as follows:

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Pension expense (continued)

Service cost	\$	115,413
Interest on total pension liability		209,432
Member contributions		(54,900)
Administrative expense		1,437
Expected investment return net of investment expense		(149,533)
Pension expense related to specific liabilities of individual employers		(1,624)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		42,763
Amortization of expected versus actual experience		18,351
Amortization of projected versus actual investment earnings on pension plan investments		(2,865)
Pension expense	\$	178,474

B. Teachers' pension and annuity fund (TPAF)

Plan description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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

The following represents the membership Tiers for TPAF:

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

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

B. Teachers' pension and annuity fund (TPAF) (continued)

Plan description (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 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective Tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25-years of service. Deferred retirement is available to members who have at least 10-years of service credit and have not reached the service retirement age for the respective Tier.

Contributions

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

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. During the State fiscal year ended June 30, 2017, the State of New Jersey contributed \$410,341 to the TPAF for normal pension benefits on behalf of the District.

The contribution rate was 7.20% effective July 1, 2016 and will increase annually on July 1st until eventually reaching 7.50% of base salary effective July 1, 2018.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

B. Teachers' pension and annuity fund (TPAF) (continued)

Special funding situation (continued)

For purposes of reporting required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the District's proportionate share of allocable net pension liability, employer pension expense and related revenue, non-employer contributions and their allocable proportionate percentage for fiscal year ended June 30, 2017 is as follows:

	2017
State's proportionate share of net pension liability	\$ 24,638,317
District's proportionate share of net pension liability	-
Employer pension expense and related revenue	1,706,818
Non-employer contribution	410,341
Allocable proportionate percentage	.0365425678%

The components of the contractually required contribution, which exclude amounts related to specific liabilities of individual employers, for the District for the year ended June 30, 2017 are as follows:

Service cost	\$ 1,102,728
Interest on total pension liability	1,203,326
Member contributions	(287,921)
Administrative expense	4,341
Expected investment return net of investment expense	(585,080)
Pension expense related to specific liabilities of individual employers	(130)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	263,542
Amortization of expected versus actual experience	19,418
Amortization of projected versus actual investment earnings on pension plan investments	(13,406)
Pension expense	\$ 1,706,818

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

B. Teachers' pension and annuity fund (TPAF) (continued)

Collective net pension liability and actuarial information

Components of net pension liability

As detailed earlier, the District was not required to report a liability for its proportionate share of net pension expense for TPAF due to a special funding situation. The State's proportionate share of the net pension liability for TPAF as of June 30, 2017 is as follows:

	2017
Total pension liability	\$ 33,032,927
Plan fiduciary net position	8,394,610
Net pension liability	\$ 24,638,317

Plan fiduciary net position as a percentage of the total pension liability 25.41%

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

Inflation rate	2.25%
Salary increases	
2012 - 2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

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

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

Long-term expected rate of return

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

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
B. Teacher's pension and annuity fund (TPAF) (continued)
Long-term expected rate of return (continued)

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

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 rate in the most recent State fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plans 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.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher’s pension and annuity fund (TPAF) (continued)

Sensitivity of the collective net pension liability to changes in the discount rate

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

<u>District’s Proportionate Share of the Net Pension Liability</u>	<u>2017</u>
At current discount rate (4.25%)	\$ 24,638,317
At a 1% lower rate (3.25%)	29,271,093
At a 1% higher rate (5.25%)	20,821,816

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$8,300 in 2018) but who earn salary of at least \$5,000 annually are eligible to participate. The Program Administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: www.prudential.com/njdcrp.

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District’s net contribution to the DCRP for fiscal year ended 2018 was \$1,746.

D. Other pension plan information

During the year ended June 30, 2018, the State of New Jersey contributed \$347,777 to the TPAF for post-retirement medical benefits, \$12,757 for non-contributory insurance premiums, \$580 for long-term disability insurance, and \$525,699 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$287,663 during the year ended June 30, 2018 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits

Chapter 384 of PL 1987 and Chapter 6 of PL 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25-years of credited service or on a disability retirement. Chapter 103 of PL 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2017, there were 112,966 statewide retirees eligible for post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62 of PL 1994. Funding of post-retirement medical premiums are on a pay-as-you-go basis.

The State is also responsible for the cost attributable to Chapter 126 of PL 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a School District or County College with 25-years of service. In fiscal year 2017, the State paid \$238.9 million toward Chapter 126 of PL 1992 benefits for 20,913 eligible retired members.

GASB Statement No. 75 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District's only material OPEB obligation is for healthcare provided to eligible retirees through the NJ State Health Benefits Program.

Plan Description - The School District participates in the State Health Benefits Program (SHBP), a multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to state employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code, SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to employees, retirees, and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The School District adopted a Resolution to participate in the SHBP. The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295 or by visiting their website at (www.nj.gov/treasury/pensions).

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

Funding Policy - Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis. Information regarding the State's annual contributions, annual OPEB cost and net OPEB obligations is available through the State as noted in the previous paragraph.

Total OPEB liability - Under a special funding situation, the State, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Therefore, the following OPEB liability note information is reported at the State's level and is not accrued by the District.

Total OPEB liability

For purposes of reporting required GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the District's proportionate share of allocable OPEB liability and employer OPEB expense and related revenue as of June 30, 2017 is as follows:

	2017
State's proportionate share of the OPEB liability	\$ 53,639,841,858
District's proportionate share of the State's OPEB liability	20,767,732
Employer pension expense and related revenue	1,156,473
Allocable proportionate percentage	.0387169896%

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability at June 30, 2016	\$ 22,429,783
Service cost	789,716
Interest cost	655,200
Change of benefit terms	-
Differences between expected and actual experiences	-
Changes of assumptions	(2,643,655)
Member contributions	17,713
Gross benefit payments	(481,025)
Total OPEB liability at June 30, 2017	\$ 20,767,732

There were no changes of the benefit terms from June 30, 2016 to June 30, 2017.

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

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

Total OPEB liability (continued)

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

Inflation rate		2.50%
	TPAF	PERS
	(based on years of service)	(based on age)
Salary increases		
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. Post-retirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Health care trend assumptions

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

Discount rate

The discount rate for June 30, 2017 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.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

Sensitivity of the total OPEB liability to changes in the discount rates

The following presents the total non-employer OPEB liability as of June 30, 2017, using the District's allocable proportionate percentage, calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>Total OPEB Liability (school retirees)</u>	<u>2017</u>
At current discount rate (3.58%)	\$ 20,767,732
At a 1% lower rate (2.58%)	24,652,796
At a 1% higher rate (4.58%)	17,686,062

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total non-employer OPEB liability, as well as what the total non-employer OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>Total OPEB Liability (school retirees)</u>	<u>2017</u>
Healthcare cost trend rate	\$ 20,767,732
At a 1% lower rate (1% decrease)	17,079,452
At a 1% higher rate (1% increase)	25,665,725

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of \$1,156,473 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the District's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

Note 8 - Deferred compensation

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

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 8 - Deferred compensation (continued)

AXA Equitable
 Lincoln Financial Group
 Lincoln Investment Planning Inc.

Note 9 - Interfund receivable and payables

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

<u>Fund</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>
General fund	\$ 293,723	\$ 22,098
Capital projects fund	-	259,662
Food service enterprise fund	21,465	-
Student activities fund	633	-
Unemployment compensation fund	66	12,058
Payroll agency fund	-	22,069
Total	<u>\$ 315,887</u>	<u>\$ 315,887</u>

The balance due from the payroll agency fund to the general fund represents an imprest balance of \$2,000, a \$5,500 loan and various other activities totaling \$14,503 that have not been transferred to the general fund. The balance due from the capital projects fund to the general fund represents a loan from the general fund of \$259,662 due to cash flow issues related to the delayed receipt of NJ SDA aid.

The general fund had an interfund payable to the food service enterprise fund for \$21,465 representing subsidy aid that was received in the general fund but not disbursed to the food service fund. The balance due from the unemployment compensation fund to the general fund of \$12,058 represents payments made in the general fund on behalf of the unemployment compensation fund. The balance due from the payroll agency fund to the unemployment compensation fund of \$66 represents employee withholdings not yet transferred at year-end. The student activities fund had an interfund receivable of \$633 from the general fund representing receipts incorrectly deposited into the general fund.

Note 10 - Inventory

Inventory in the food service fund as of June 30, 2018 consisted of the following:

Food	\$ 2,094
Supplies	1,504
Total	<u>\$ 3,598</u>

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 11 - Contingent liabilities

Litigation

The District is involved in various legal proceedings that are incidental to its operations. These legal proceedings are not likely to have a material adverse effect on the financial position of the School District.

Grantor agencies

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

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, and student accident and surety bonds. There was no significant reduction in insurance coverage from coverage of the prior year. The District did not have any insurance settlements which exceeded insurance coverage for the past three years. A complete Schedule of Insurance Coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its NJ Unemployment Compensation Insurance under the Benefit Reimbursement Method. Under this plan, the District is required to reimburse the NJ 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, and interest earnings, employee contributions, reimbursements to the state for benefits paid and the ending balance of the District's unemployment trust fund for the current and previous two years:

Fiscal Year	District Contribution	Interest Earnings	Employee Deposits	Amount Reimbursed	Ending Balance
2017 - 2018	\$ -	\$ 743	\$ 9,101	\$ (6,956)	\$ 57,213
2016 - 2017	-	289	8,284	(1,258)	54,325
2015 - 2016	-	180	7,970	(8,983)	47,010

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 13 - Legal reserve accounts

A capital reserve account was established by the District 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 Districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. 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:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Districts are allowed as per N.J.S.A. 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board Resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. The District elected not to make any deposits to their legal reserves for fiscal year 2018.

The following schedule is a summarization of the legal reserve accounts for the current fiscal year:

Reserve Type	Beginning Balance	District Contribution	Interest Earnings	Withdrawals Net of Return	Ending Balance
Capital	\$ 1,492,407	\$ -	\$ 17,350	\$ (350,000)	\$ 1,159,757
Maintenance	715,000	-	-	(171,481)	543,519
Emergency	248,636	-	1,364	-	250,000
Total	<u>\$ 2,456,043</u>	<u>\$ -</u>	<u>\$ 18,714</u>	<u>\$ (521,481)</u>	<u>\$ 1,953,276</u>

The amount in the capital reserve account as of June 30, 2018 did not exceed the LRFP balance of local support costs of uncompleted capital projects.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 14 - Fund balances

As described in Note 1 (N) fund balance may be restricted, committed or assigned. An analysis of the general fund balance on June 30, 2018 is as follows:

Restricted

Excess surplus - Designated for subsequent year's expenditures - Represents amount in excess of allowable percentage appropriated in the succeeding year's budget to reduce tax requirements. \$ 718,215

Excess surplus - Represents amount in excess of allowable percentage. In accordance with State statute, the excess surplus is designated for utilization in succeeding year's budgets. 276,440

Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan. 1,159,757

Maintenance reserve account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A. 18A:76-9). 543,519

Emergency reserve account - Represents funds restricted to finance unanticipated general fund expenditures required for a thorough and efficient education. 250,000

Committed

Year-end encumbrance - Represents fund balance assigned for purchase orders that have been issued but goods or services were not received as of June 30. 24,457

Assigned

Designated for subsequent year's expenditures - Represents amount appropriated in the succeeding year's budget to reduce tax requirements. 316,485

Unassigned

Undesignated - Represents fund balance which has not been restricted or designated. 317,493

Total fund balance - Budgetary basis (Exhibit C-1) 3,606,366

Last state aid payments not recognized on GAAP basis (54,949)

Total fund balance - GAAP basis (Exhibit B-1) \$ 3,551,417

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 15 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve general fund, fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2018 is \$276,440.

Note 16 - Recent accounting pronouncements not yet effective

The following is of recent accounting pronouncements which are not yet effective as of the date of this report:

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 *Leases*. This statement, which is effective for reporting periods beginning after June 15, 2019, is not expected to have a material impact on the District's financial reporting.

Note 17 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2018 of (\$1,877,321) on Schedule A-1 Statement of Net Position. The deficit balance is not a negative reflection on the District's financial condition but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the state.

Note 18 - Subsequent events

The District has evaluated subsequent events through February 25, 2019, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 8,054,628	\$ -	\$ 8,054,628	\$ 8,054,628	\$ -
Tuition from individuals	40,000	-	40,000	70,490	30,490
Rents and royalties	7,000	-	7,000	1,715	(5,285)
Private contributions	2,000	-	2,000	1,000	(1,000)
Unrestricted miscellaneous revenues	170,000	-	170,000	177,005	7,005
Interest earned on current expense emergency reserve	-	-	-	1,364	1,364
Interest earned on capital reserve funds	-	-	-	17,350	17,350
Total	8,273,628	-	8,273,628	8,323,552	49,924
State sources					
Categorical transportation aid	211,819	-	211,819	211,819	-
Extraordinary aid	-	-	-	61,693	61,693
Categorical special education aid	297,451	-	297,451	298,531	1,080
Categorical security aid	36,554	-	36,554	36,554	-
Adjustment aid	17,175	-	17,175	17,175	-
PARCC readiness aid	4,615	-	4,615	4,615	-
Per pupil growth aid	4,615	-	4,615	4,615	-
Professional learning community aid	4,325	-	4,325	4,325	-
Lead testing for drinking water	-	-	-	5,919	5,919
Other state aid	-	-	-	5,800	5,800
TPAF pension (on-behalf)	-	-	-	538,456	538,456
TPAF social security (reimbursed)	-	-	-	287,663	287,663
TPAF post retirement benefits	-	-	-	347,777	347,777
TPAF long-term disability insurance	-	-	-	580	580
Total	576,554	-	576,554	1,825,522	1,248,968
Total revenues	\$ 8,850,182	\$ -	\$ 8,850,182	\$ 10,149,074	\$ 1,298,892
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Kindergarten	\$ 116,978	\$ 2,630	\$ 119,608	\$ 119,608	\$ -
Grades 1-5	1,246,036	(1,798)	1,244,238	1,244,238	-
Grades 6-8	1,129,493	(9,242)	1,120,251	1,005,259	114,992
Home instruction					
Salaries of teacher	-	12,000	12,000	1,210	10,790
Other salaries for instruction	12,000	(12,000)	-	-	-
Regular programs - undistributed instruction					
Other salaries for instruction	-	3,493	3,493	3,493	-
Purchased technical services	23,600	(90)	23,510	22,252	1,258
Other purchased services	35,000	(15,464)	19,536	6,208	13,328
General supplies	116,695	20,737	137,432	113,203	24,229
Textbooks	40,000	(10,290)	29,710	21,907	7,803
Other objects	1,650	(336)	1,314	180	1,134
Total	2,721,452	(10,360)	2,711,092	2,537,558	173,534

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Special education					
Learning and/or language disabilities					
Salaries of teachers	\$ 187,763	\$ 948	\$ 188,711	\$ 184,491	\$ 4,220
Other salaries for instruction	50,103	2,317	52,420	52,420	-
General supplies	1,000	62	1,062	1,062	-
Total	<u>238,866</u>	<u>3,327</u>	<u>242,193</u>	<u>237,973</u>	<u>4,220</u>
Resource room/resource center					
Salaries of teachers	526,948	14,277	541,225	541,225	-
Other salaries for instruction	86,399	23,507	109,906	109,906	-
General supplies	3,000	(864)	2,136	2,028	108
Total	<u>616,347</u>	<u>36,920</u>	<u>653,267</u>	<u>653,159</u>	<u>108</u>
Preschool disabilities - part-time					
Salaries of teachers	50,444	16,524	66,968	66,968	-
Other salaries for instruction	52,841	1,239	54,080	53,580	500
General supplies	800	(538)	262	262	-
Total	<u>104,085</u>	<u>17,225</u>	<u>121,310</u>	<u>120,810</u>	<u>500</u>
Total special education	<u>959,298</u>	<u>57,472</u>	<u>1,016,770</u>	<u>1,011,942</u>	<u>4,828</u>
Basic skills/remedial					
Salaries of teachers	40,760	(300)	40,460	40,460	-
General supplies	300	948	1,248	1,248	-
Total	<u>41,060</u>	<u>648</u>	<u>41,708</u>	<u>41,708</u>	<u>-</u>
Bilingual education - instruction					
General supplies	-	526	526	526	-
Total	<u>-</u>	<u>526</u>	<u>526</u>	<u>526</u>	<u>-</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	29,975	(1,427)	28,548	28,548	-
Supplies and materials	400	543	943	866	77
Transfers to cover deficit (agency funds)	150	(150)	-	-	-
Total	<u>30,525</u>	<u>(1,034)</u>	<u>29,491</u>	<u>29,414</u>	<u>77</u>
School-sponsored athletics - instruction					
Salaries	34,671	125	34,796	34,796	-
Purchased services	4,200	3,588	7,788	7,762	26
Supplies and materials	4,000	(1,408)	2,592	2,576	16
Total	<u>42,871</u>	<u>2,305</u>	<u>45,176</u>	<u>45,134</u>	<u>42</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Before/after school programs - instruction					
Salaries of teachers	\$ 41,000	\$ (38,000)	\$ 3,000	\$ 3,000	\$ -
Other salaries of instruction	53,835	35,620	89,455	89,455	-
Supplies and materials	4,800	-	4,800	4,213	587
Total	<u>99,635</u>	<u>(2,380)</u>	<u>97,255</u>	<u>96,668</u>	<u>587</u>
Summer school - instruction					
Salaries of teachers	8,624	3,972	12,596	12,596	-
Other salaries of instruction	3,800	528	4,328	4,328	-
General supplies	300	-	300	200	100
Total	<u>12,724</u>	<u>4,500</u>	<u>17,224</u>	<u>17,124</u>	<u>100</u>
Total instruction regular	<u>\$ 3,907,565</u>	<u>\$ 51,677</u>	<u>\$ 3,959,242</u>	<u>\$ 3,780,074</u>	<u>\$ 179,168</u>
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - special	\$ 408,283	\$ (25,984)	\$ 382,299	\$ 284,840	\$ 97,459
Tuition to priv. school for the disabled w/i state	67,900	634	68,534	32,575	35,959
Total	<u>476,183</u>	<u>(25,350)</u>	<u>450,833</u>	<u>317,415</u>	<u>133,418</u>
Undistributed expenditures - health services					
Salaries	148,598	-	148,598	148,183	415
Purchased professional and technical services	2,500	-	2,500	2,250	250
Other purchased services	150	300	450	302	148
Supplies and materials	4,100	(300)	3,800	2,295	1,505
Other objects	225	-	225	174	51
Total	<u>155,573</u>	<u>-</u>	<u>155,573</u>	<u>153,204</u>	<u>2,369</u>
Undistributed expenditures - speech, ot, pt & related services					
Salaries	104,396	-	104,396	102,895	1,501
Purchased professional - educational services	132,692	31,211	163,903	148,141	15,762
Supplies and materials	1,550	(75)	1,475	1,349	126
Other objects	-	75	75	75	-
Total	<u>238,638</u>	<u>31,211</u>	<u>269,849</u>	<u>252,460</u>	<u>17,389</u>
Undistributed expenditures - guidance					
Salaries of other professional staff	95,554	2,499	98,053	96,804	1,249
Other purchased professional & technical services	300	(56)	244	-	244
Other purchased services	100	769	869	869	-
Supplies and materials	800	(336)	464	464	-
Total	<u>96,754</u>	<u>2,876</u>	<u>99,630</u>	<u>98,137</u>	<u>1,493</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - child study teams					
Salaries of other professional staff	\$ 291,639	\$ 90	\$ 291,729	\$ 266,318	\$ 25,411
Salaries of secretarial and clerical assistants	40,862	-	40,862	39,876	986
Other purchased professional & technical services	17,000	(6,200)	10,800	10,800	-
Other purchased services	600	1,039	1,639	1,639	-
Miscellaneous purchased service	8,500	3,674	12,174	12,174	-
Supplies and materials	4,000	2,258	6,258	6,239	19
Other objects	2,500	(861)	1,639	1,120	519
Total	365,101	-	365,101	338,166	26,935
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	26,500	(26,500)	-	-	-
Salaries of other professional staff	23,050	(20,103)	2,947	-	2,947
Salaries of secretarial & clerical assist	20,800	(8,574)	12,226	-	12,226
Other purchased services	3,700	-	3,700	118	3,582
Total	74,050	(55,177)	18,873	118	18,755
Undistributed expenditures - edu. media service/sch. library					
Salaries of technology coordinators	60,500	-	60,500	60,000	500
Purchased professional and technical services	30,000	(5,733)	24,267	20,477	3,790
Other purchased services	8,000	(1,086)	6,914	3,978	2,936
Supplies and materials	95,055	4,348	99,403	99,291	112
Other objects	1,000	-	1,000	358	642
Total	194,555	(2,471)	192,084	184,104	7,980
Undistributed expenditures - instructional staff training services					
Purchased professional - educational services	2,000	6,416	8,416	8,416	-
Other purchased professional & technical services	1,000	10,749	11,749	11,749	-
Other purchased services	750	30	780	780	-
Total	3,750	17,195	20,945	20,945	-
Undistributed expend. - support service - general admin.					
Salaries	198,784	(23,054)	175,730	175,233	497
Legal services	22,000	(7,812)	14,188	14,188	-
Audit fees	20,000	(1,150)	18,850	18,850	-
Architectural/engineering services	15,000	166	15,166	10,550	4,616
Other purchased professional services	6,600	(4,450)	2,150	2,150	-
Communications/telephone	35,805	35,945	71,750	71,750	-
BOE other purchased services	4,000	(323)	3,677	3,677	-
Misc purch services	28,000	(7,359)	20,641	20,641	-
General supplies	3,000	3,823	6,823	6,823	-
BOE in-house training/meeting supplies	750	131	881	881	-
Miscellaneous expenditures	10,500	(2,013)	8,487	8,487	-
BOE membership dues and fees	1,500	(700)	800	800	-
Total	345,939	(6,796)	339,143	334,030	5,113

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	\$ 105,876	\$ 27,802	\$ 133,678	\$ 133,678	\$ -
Salaries of secretarial and clerical assistants	40,000	200	40,200	40,200	-
Purchased professional and technical services	6,100	(64)	6,036	6,036	-
Other purchased services	1,355	415	1,770	1,770	-
Supplies and materials	2,750	2,341	5,091	5,091	-
Other objects	3,000	(882)	2,118	2,118	-
Total	<u>159,081</u>	<u>29,812</u>	<u>188,893</u>	<u>188,893</u>	<u>-</u>
Undistributed expenditures - central services					
Salaries	192,650	17,211	209,861	209,861	-
Purchased professional services	12,000	(4,058)	7,942	7,942	-
Purchased technical services	9,000	645	9,645	9,645	-
Miscellaneous purchased services	1,500	1,255	2,755	2,730	25
Supplies and materials	3,000	708	3,708	3,708	-
Other objects	150	1,903	2,053	2,053	-
Total	<u>218,300</u>	<u>17,664</u>	<u>235,964</u>	<u>235,939</u>	<u>25</u>
Undistributed expend. - required maint. for school facilities					
Salaries	49,000	(12,709)	36,291	36,291	-
Cleaning, repair, and maintenance services	438,444	(50,960)	387,484	92,967	294,517
Lead testing in water	2,520	(2,520)	-	-	-
General supplies	17,000	6,073	23,073	19,967	3,106
Other objects	-	4,268	4,268	4,157	111
Total	<u>506,964</u>	<u>(55,848)</u>	<u>451,116</u>	<u>153,382</u>	<u>297,734</u>
Undistributed expenditures - custodial services					
Salaries	245,500	19,441	264,941	264,920	21
Purchased professional and technical services	38,000	33,498	71,498	71,498	-
Cleaning, repair, and maintenance service	20,000	(4,503)	15,497	15,497	-
Other purchased property services	500	-	500	-	500
Insurance	69,300	-	69,300	63,642	5,658
General supplies	45,000	1,375	46,375	45,608	767
Energy (natural gas)	106,950	(17,117)	89,833	70,769	19,064
Energy (electricity)	122,500	15,076	137,576	137,576	-
Energy (gasoline)	3,000	-	3,000	1,873	1,127
Other objects	400	720	1,120	1,120	-
Total	<u>651,150</u>	<u>48,490</u>	<u>699,640</u>	<u>672,503</u>	<u>27,137</u>
Undistributed expenditures - care and upkeep of grounds					
Purchased professional and technical services	6,500	1,700	8,200	8,200	-
Cleaning, repair, and maintenance service	7,164	(6,800)	364	364	-
General supplies	5,000	(2,580)	2,420	2,298	122
Total	<u>18,664</u>	<u>(7,680)</u>	<u>10,984</u>	<u>10,862</u>	<u>122</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - student transportation service					
Salaries for pupil trans (between home & school) - reg.	\$ -	\$ 113	\$ 113	\$ 113	\$ -
Management fee - esc & ctsa trans. program	12,000	-	12,000	8,889	3,111
Other purchased professional and technical service	-	12,735	12,735	12,735	-
Contract serv-aid in lieu pymts - non-public schools	8,000	8,102	16,102	15,660	442
Contract serv-aid in lieu pymts-choice school students	4,500	-	4,500	2,652	1,848
Contract serv (oth. than between home & school) - vend	9,000	(5,164)	3,836	3,836	-
Contract serv (between home & school) - joint agreements	315,533	(25,404)	290,129	289,392	737
Contract serv (reg. students) - escs & ctsas	27,500	(14,630)	12,870	8,219	4,651
Contract serv (spl. ed. students) - escs & ctsas	111,546	37,096	148,642	148,642	-
Total	488,079	12,848	500,927	490,138	10,789
Allocated benefits - employee benefits					
Regular programs - instruction					
Health benefits	519,867	30,599	550,466	469,049	81,417
Total	519,867	30,599	550,466	469,049	81,417
Special programs - instruction					
Health benefits	321,047	(63,885)	257,162	245,690	11,472
Total	321,047	(63,885)	257,162	245,690	11,472
Other instructional programs - instruction					
Health benefits	15,338	(2,073)	13,265	13,265	-
Total	15,338	(2,073)	13,265	13,265	-
Health services					
Health benefits	15,667	273	15,940	14,201	1,739
Total	15,667	273	15,940	14,201	1,739
Other supp services - speech/ot/pt& related sv					
Health benefits	14,792	12,804	27,596	25,815	1,781
Total	14,792	12,804	27,596	25,815	1,781
Other supp services - guidance					
Health benefits	30,415	(15,502)	14,913	13,132	1,781
Total	30,415	(15,502)	14,913	13,132	1,781
Other supp services - child study teams					
Health benefits	37,078	4,154	41,232	37,822	3,410
Total	37,078	4,154	41,232	37,822	3,410
Educational media services - sch. library					
Health benefits	23,946	1,094	25,040	22,625	2,415
Total	23,946	1,094	25,040	22,625	2,415
Support services - general administration					
Health benefits	22,945	(379)	22,566	20,048	2,518
Tuition reimbursement	5,000	(1,314)	3,686	3,686	-
Other employee benefits	3,500	(3,500)	-	-	-
Total	31,445	(5,193)	26,252	23,734	2,518

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Support services - school administration					
Health benefits	\$ 27,306	\$ (1,012)	\$ 26,294	\$ 23,832	\$ 2,462
Total	<u>27,306</u>	<u>(1,012)</u>	<u>26,294</u>	<u>23,832</u>	<u>2,462</u>
Support services - central services					
Health benefits	56,869	(31,389)	25,480	22,583	2,897
Total	<u>56,869</u>	<u>(31,389)</u>	<u>25,480</u>	<u>22,583</u>	<u>2,897</u>
Required maintenance for school facilities					
Health benefits	28,036	-	28,036	22,796	5,240
Total	<u>28,036</u>	<u>-</u>	<u>28,036</u>	<u>22,796</u>	<u>5,240</u>
Custodial services					
Health benefits	96,232	3,894	100,126	90,692	9,434
Total	<u>96,232</u>	<u>3,894</u>	<u>100,126</u>	<u>90,692</u>	<u>9,434</u>
Total allocated benefits - employees	<u>\$ 1,218,038</u>	<u>\$ (66,236)</u>	<u>\$ 1,151,802</u>	<u>\$ 1,025,236</u>	<u>\$ 126,566</u>
Unallocated benefits - employee benefits					
Social security contributions	\$ 115,000	\$ (14,978)	\$ 100,022	\$ 100,022	\$ -
Other retirement contributions - PERS	95,000	6,313	101,313	101,313	-
Other retirement contributions - regular	8,000	(2,695)	5,305	5,305	-
Unemployment compensation	5,500	(1,923)	3,577	365	3,212
Workmen's compensation	42,000	(71)	41,929	39,569	2,360
Health benefits	48,133	(25,574)	22,559	22,559	-
Tuition reimbursement	17,000	(2,879)	14,121	12,940	1,181
Other employee benefits	92,395	4,329	96,724	96,724	-
Unused sick payment to terminated/retired staff	-	45,263	45,263	45,263	-
Total	<u>423,028</u>	<u>7,785</u>	<u>430,813</u>	<u>424,060</u>	<u>6,753</u>
On-behalf TPAF pension contribution	-	-	-	538,456	(538,456)
On-behalf TPAF post retirement medical benefits	-	-	-	347,777	(347,777)
On-behalf TPAF long-term disability insurance	-	-	-	580	(580)
Reimbursed TPAF social security contribution	-	-	-	287,663	(287,663)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,174,476</u>	<u>(1,174,476)</u>
Total undistributed expenditures	<u>\$ 5,633,847</u>	<u>\$ (51,677)</u>	<u>\$ 5,582,170</u>	<u>\$ 6,074,068</u>	<u>\$ (491,898)</u>
Total current	<u>\$ 9,541,412</u>	<u>\$ -</u>	<u>\$ 9,541,412</u>	<u>\$ 9,854,142</u>	<u>\$ (312,730)</u>
Capital outlay					
Equipment					
Grades 6-8	\$ 25,895	\$ -	\$ 25,895	\$ -	\$ 25,895
Total equipment	<u>25,895</u>	<u>-</u>	<u>25,895</u>	<u>-</u>	<u>25,895</u>
Facilities acquisition and construction service					
Construction services	850,000	-	850,000	21,200	828,800
Assessment for debt service on SDA funding	28,117	-	28,117	28,117	-
Total facilities acquisition and construction service	<u>878,117</u>	<u>-</u>	<u>878,117</u>	<u>49,317</u>	<u>828,800</u>
Total capital outlay	<u>\$ 904,012</u>	<u>\$ -</u>	<u>\$ 904,012</u>	<u>\$ 49,317</u>	<u>\$ 854,695</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Total expenditures	\$ 10,445,424	\$ -	\$ 10,445,424	\$ 9,903,459	\$ 541,965
Excess (deficiency) of revenues over (under) expenditures	\$ (1,595,242)	\$ -	\$ (1,595,242)	\$ 245,615	\$ 1,840,857
Other financing sources (uses)					
Capital reserve - transfer to debt service fund	(350,000)	-	(350,000)	(350,000)	-
Total other financing sources (uses)	(350,000)	-	(350,000)	(350,000)	-
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	(1,945,242)	-	(1,945,242)	(104,385)	1,840,857
Fund balances, July 1	3,710,751	-	3,710,751	3,710,751	-
Fund balances, June 30	\$ 1,765,509	\$ -	\$ 1,765,509	\$ 3,606,366	\$ 1,840,857
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (33,659)	\$ -	\$ (33,659)	\$ (33,659)	\$ -
Interest deposit to capital reserve	-	-	-	17,350	17,350
Withdrawal from capital reserve	(1,225,895)	875,895	(350,000)	(350,000)	-
Interest earned on emergency reserve	-	-	-	1,364	1,364
Withdrawal from maintenance reserve	(535,000)	363,519	(171,481)	(171,481)	-
Budgeted fund balance	(150,688)	(1,239,414)	(1,390,102)	432,041	1,822,143
Total	\$ (1,945,242)	\$ -	\$ (1,945,242)	\$ (104,385)	\$ 1,840,857
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures				\$ 718,215	
Excess surplus - current year				276,440	
Capital reserve				1,159,757	
Emergency reserve				250,000	
Maintenance reserve				543,519	
Committed fund balance					
Year-end encumbrances				24,457	
Assigned fund balance					
Designated for subsequent year's expenditures				316,485	
Unassigned fund balance				317,493	
Fund balance per budgetary basis				3,606,366	
Reconciliation to governmental statements (GAAP)					
Last State aid payments not recognized on GAAP basis				(54,949)	
Fund balance per governmental funds (GAAP)				\$ 3,551,417	

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources	\$ 7,869	\$ -	\$ 7,869	\$ 1,959	\$ (5,910)
Federal sources	161,825	-	161,825	148,810	(13,015)
Total revenues	<u>\$ 169,694</u>	<u>\$ -</u>	<u>\$ 169,694</u>	<u>\$ 150,769</u>	<u>\$ (18,925)</u>
Expenditures					
Instruction					
Salaries	\$ 34,350	\$ -	\$ 34,350	\$ 34,350	\$ -
Other purchased services	99,907	-	99,907	92,882	7,025
General supplies	18,166	-	18,166	9,820	8,346
Totals	<u>152,423</u>	<u>-</u>	<u>152,423</u>	<u>137,052</u>	<u>15,371</u>
Support services					
Employee benefits	9,618	-	9,618	9,618	-
Purchased professional and technical services	7,653	-	7,653	4,099	3,554
Total	<u>17,271</u>	<u>-</u>	<u>17,271</u>	<u>13,717</u>	<u>3,554</u>
Total expenditures	<u>\$ 169,694</u>	<u>\$ -</u>	<u>\$ 169,694</u>	<u>\$ 150,769</u>	<u>\$ 18,925</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Required Supplementary Information - Part II
Budget-to-GAAP Reconciliation

Explanation of Differences Between Budgetary Inflows and
Outflows and GAAP Revenues and Expenditures

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 10,149,074	\$ 150,769
Differences-Budget to GAAP		
The last state aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33)		
State aid receivable prior year	54,841	-
State aid receivable current year	<u>(54,949)</u>	<u>-</u>
Total revenues (GAAP basis)	<u>\$ 10,148,966</u>	<u>\$ 150,769</u>
 <u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$ 9,903,459</u>	<u>\$ 150,769</u>
Total expenditures (GAAP basis)	<u>\$ 9,903,459</u>	<u>\$ 150,769</u>

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - percentage	N/A	0.0106296117%	0.0094218084%	0.0103440398%	0.0095938120%	0.0105404300%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 2,474,404	\$ 2,790,469	\$ 2,322,030	\$ 1,796,224	\$ 2,014,486	N/A	N/A	N/A	N/A
District's covered employee payroll	\$ 725,948	628,284	697,072	734,312	702,442	652,482	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	393.84%	400.31%	316.22%	255.71%	308.74%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	48.10%	40.14%	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A

N/A - Information Is Not Available

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of District's Contributions - Public Employees Retirement System
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 98,472	\$ 83,702	\$ 88,931	\$ 79,090	\$ 79,420	\$ 77,802	\$ 108,036	\$ 102,924	\$ 64,646	\$ 51,459
Contributions in relation to the contractually required contribution	(98,472)	(83,702)	(88,931)	(79,090)	(79,420)	(77,802)	(108,036)	(102,924)	(64,646)	(51,459)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 725,948	\$ 628,284	\$ 697,072	\$ 734,312	\$ 702,442	\$ 652,482	\$ 717,286	\$ 646,817	\$ 812,383	\$ 869,595
Contributions as a percentage of covered employee payroll	13.56%	13.32%	12.76%	10.77%	11.31%	11.92%	15.06%	15.91%	7.96%	5.92%

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ -	24,638,317	28,246,858	23,239,500	20,016,894	18,139,162	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ 24,638,317</u>	<u>\$ 28,246,858</u>	<u>\$ 23,239,500</u>	<u>\$ 20,016,894</u>	<u>\$ 18,139,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ -	\$ 3,670,358	\$ 3,770,449	\$ 3,870,801	\$ 3,705,859	\$ 3,670,869	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	25.41%	28.71%	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A

N/A - Information Is Not Available

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of District's Contributions - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 538,456	\$ 411,032	\$ 287,486	\$ 198,786	\$ 158,438	\$ 231,914	\$ 120,177	\$ 11,927	\$ 12,421	\$ 12,811
Contributions in relation to the contractually required contribution	<u>(538,456)</u>	<u>(411,032)</u>	<u>(287,486)</u>	<u>(198,786)</u>	<u>(158,438)</u>	<u>(231,914)</u>	<u>(120,177)</u>	<u>(11,927)</u>	<u>(12,421)</u>	<u>(12,811)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 4,003,983	\$ 3,670,358	\$ 3,770,449	\$ 3,870,801	\$ 3,705,859	\$ 3,670,869	\$ 3,638,228	\$ 3,464,639	\$ 3,908,966	\$ 3,702,381
Contributions as a percentage of covered employee payroll	13.45%	11.20%	7.62%	5.14%	4.28%	6.32%	3.30%	0.34%	0.32%	0.35%

See independent auditors' report.

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR
OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (GASB 75) (UNAUDITED)**

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Other
Postemployment Employee Benefits Liability
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportionate share of the other post employment employee benefits liability (asset) - percentage	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the other post employment employee benefits liability (asset) - value	N/A	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the other post employment employee benefits liability (asset) associated with the District	N/A	20,767,732	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 20,767,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	\$ 4,298,642	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Information Is Not Available

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Required Supplementary Information - Part III
(Unaudited)
June 30, 2018

- Note 1 - Special funding situation - TPAF and other post-retirement benefits
The participating employer allocations included in the supplemental Schedule of Employer Special Funding Allocations and the supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense and other post-retirement benefits (OPEB) expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability and OPEB liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund and for OPEB allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.
- Note 2 - Changes in assumptions - TPAF
The discount rate increased from 3.22% in State fiscal year 2016 to 4.25% in State fiscal year 2017. The inflation rate was 2.50% for State fiscal years 2016 and 2.25% in State fiscal year 2017.
- Note 3 - Changes in assumptions - PERS
The discount rate increased from 3.98% in State fiscal year 2016 to 5.00% in State fiscal year 2017. The inflation rate decreased from 3.08% for State fiscal year 2016 to 2.25% for State fiscal year 2017.
- Note 4 - Changes in assumptions - other post-retirement employee benefits
The other post-retirement employee benefits discount rate increased from 2.85% in State fiscal year 2016 to 3.58% in State fiscal year 2017. The inflation rate was not available for State fiscal year 2016 and for State fiscal year 2017 was 2.50%.
- Note 5 - Changes in healthcare trend assumptions - other post-retirement employee benefits
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.
- Note 6 - Changes in benefit term assumptions - other post-retirement employee benefits
There were no changes of the benefit terms from June 30, 2016 to June 30, 2017.

SPECIAL REVENUE FUND

DETAIL STATEMENTS

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

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

	ESSA Title IA	ESSA Title IIA	ESSA Title IV	IDEA Basic	IDEA Preschool	Local Grants	Total
Revenues							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,959	\$ 1,959
Federal sources	44,218	4,099	7,611	89,611	3,271	-	148,810
Total revenues	<u>\$ 44,218</u>	<u>\$ 4,099</u>	<u>\$ 7,611</u>	<u>\$ 89,611</u>	<u>\$ 3,271</u>	<u>\$ 1,959</u>	<u>\$ 150,769</u>
Expenditures							
Instruction							
Salaries	\$ 34,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,350
Other purchased services	-	-	-	89,611	3,271	-	92,882
General supplies	250	-	7,611	-	-	1,959	9,820
Total	<u>34,600</u>	<u>-</u>	<u>7,611</u>	<u>89,611</u>	<u>3,271</u>	<u>1,959</u>	<u>137,052</u>
Support services							
Employee benefits	9,618	-	-	-	-	-	9,618
Purchased professional and technical services	-	4,099	-	-	-	-	4,099
Total	<u>9,618</u>	<u>4,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,717</u>
Total expenditures	<u>\$ 44,218</u>	<u>\$ 4,099</u>	<u>\$ 7,611</u>	<u>\$ 89,611</u>	<u>\$ 3,271</u>	<u>\$ 1,959</u>	<u>\$ 150,769</u>

See independent auditors' report.

CAPITAL PROJECTS FUND

DETAIL STATEMENTS

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

Not applicable to this report

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.

UNION TOWNSHIP SCHOOL DISTRICT
Enterprise Fund
Statement of Fund Net Position
June 30, 2018

	Food Service Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 16,367
Due from other funds	21,465
Receivables from other governments	
State	62
Federal	644
Inventory	3,598
Total current assets	42,136
Noncurrent assets	
Capital assets	49,379
Less: accumulated depreciation	42,795
Total noncurrent assets	6,584
Total assets	48,720
Liabilities	
Current liabilities	
Accounts payable	1,653
Unearned revenues - commodities	996
Unearned revenues - prepaid sales	3,111
Total liabilities	5,760
Net position	
Net investment in capital assets	6,584
Unrestricted	36,376
Total net position	\$ 42,960

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Enterprise Fund
Statement of Revenues, Expenses, and
Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2018

	Food Service Fund
Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 90,806
Daily sales - non-reimbursable programs	17,182
Total operating revenues	107,988
Operating expenses	
Cost of sales - reimbursable programs	50,814
Cost of sales - non-reimbursable programs	15,195
Commodity food costs	12,640
Salaries	35,576
Employee benefits	5,055
Purchased property services	4,762
Other purchased services	
Insurance	3,660
Management fee	6,324
Other	2,515
General supplies	2,801
Depreciation	810
Miscellaneous	1,165
Total operating expenses	141,317
Operating income (loss)	(33,329)
Non-operating revenues (expenses)	
State sources	
State school lunch program	1,659
Federal sources	
National school lunch program	
Cash assistance	17,529
Non-cash assistance (commodities)	12,640
Interest earned on investments	534
Miscellaneous	622
Total non-operating revenues (expenses)	32,984
Change in net position	(345)
Net position, beginning	43,305
Net position, ending	\$ 42,960

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Enterprise Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	<u>Food Service Fund</u>
Cash flows from operating activities	
Receipts from customers (net)	\$ 107,281
Payments to Food Service Management Company	(123,592)
Payments to vendors (net)	<u>(7,148)</u>
Net cash provided by (used for) operating activities	<u>(23,459)</u>
Cash flows from noncapital financing activities	
State sources	1,649
Federal sources	17,549
General fund interfund activity	(19,198)
Miscellaneous	<u>12</u>
Net cash provided by (used for) noncapital financing activities	<u>12</u>
Cash flows from investing activities	
Interest earned on investments	<u>534</u>
Net cash provided by (used for) investing activities	<u>534</u>
Net increase (decrease) in cash and cash equivalents	(22,913)
Cash and cash equivalents, beginning	<u>39,280</u>
Cash and cash equivalents, ending	<u><u>\$ 16,367</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (33,329)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	810
Federal food donation program	12,640
(Increase) decrease in inventory	(762)
Increase (decrease) in accounts payable	(2,242)
Increase (decrease) in unearned revenues	<u>(576)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (23,459)</u></u>

See independent auditors' report.

FIDUCIARY FUNDS

DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the school district as an agent for individuals, private organizations, other government and/or other funds.

UNION TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Fund Net Position
June 30, 2018

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 69,205	\$ 19,704	\$ 38,870	\$ 127,779
Due from other funds	66	633	-	699
Total assets	<u>\$ 69,271</u>	<u>\$ 20,337</u>	<u>\$ 38,870</u>	<u>\$ 128,478</u>
Liabilities				
Due to other funds	\$ 12,058	\$ -	\$ 22,069	\$ 34,127
Due to students groups	-	20,337	-	20,337
Payroll deductions and withholdings	-	-	16,801	16,801
Total liabilities	<u>12,058</u>	<u>20,337</u>	<u>38,870</u>	<u>71,265</u>
Net position				
Held in trust for unemployment claims and other purposes	<u>\$ 57,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,213</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	<u>Unemployment Compensation Fund</u>
Additions	
Employee contributions	\$ 9,101
Investment earnings - interest	<u>743</u>
Total additions	9,844
Deductions	
Unemployment claims	<u>6,956</u>
Change in net position	2,888
Net position - beginning of the year	<u>54,325</u>
Net position - end of the year	<u><u>\$ 57,213</u></u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Student Activity Agency Fund Schedule of Receipts & Disbursements
For the Fiscal Year Ended June 30, 2018

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Assets				
Cash and cash equivalents	\$ 18,577	\$ 18,587	\$ 17,460	\$ 19,704
Due from other funds	-	633	-	633
Total assets	\$ 18,577	\$ 19,220	\$ 17,460	\$ 20,337
Liabilities				
Due to student groups	\$ 18,577	\$ 19,220	\$ 17,460	\$ 20,337
Total liabilities	\$ 18,577	\$ 19,220	\$ 17,460	\$ 20,337

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Fiduciary Fund
Payroll Agency Fund Schedule of Receipts & Disbursements
For the Fiscal Year Ended June 30, 2018

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Assets				
Cash and cash equivalents	\$ 344,165	\$ 6,122,076	\$ 6,427,371	\$ 38,870
Total assets	\$ 344,165	\$ 6,122,076	\$ 6,427,371	\$ 38,870
Liabilities				
Due to other funds	\$ 24,497	\$ 17,094	\$ 19,522	\$ 22,069
Payroll deductions and withholdings	319,668	2,433,213	2,736,080	16,801
Net payroll	-	3,671,769	3,671,769	-
Total liabilities	\$ 344,165	\$ 6,122,076	\$ 6,427,371	\$ 38,870

See independent auditors' report.

LONG-TERM DEBT SCHEDULES

The long-term debt schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes serial bonds outstanding, obligations under capital leases, and early retirement program.

UNION TOWNSHIP SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2018

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/17	Issued	Retired	Balance 06/30/18
			Date	Amount					
New elementary school	07/01/02	\$ 11,962,000				\$ 395,000	\$ -	\$ 395,000	\$ -
Refunding of 2002 series for new elementary school	07/01/07	8,920,000				40,000	-	40,000	-
Refunding of 2007 series refunding bond issue	05/03/17	7,725,000	07/15/20	\$ 440,000	2.00%	7,725,000	-	110,000	7,615,000
			07/15/21	455,000	4.00%	-	-	-	-
			07/15/22	470,000	3.43%	-	-	-	-
			07/15/23	495,000	4.00%	-	-	-	-
			07/15/24	520,000	5.00%	-	-	-	-
			07/15/25	550,000	5.00%	-	-	-	-
			07/15/26	580,000	5.00%	-	-	-	-
			07/15/27	610,000	5.00%	-	-	-	-
			07/15/28	640,000	5.00%	-	-	-	-
			07/15/29	670,000	5.00%	-	-	-	-
			07/15/30	700,000	4.00%	-	-	-	-
			07/15/31	730,000	3.75%	-	-	-	-
			07/15/32	755,000	3.75%	-	-	-	-

See independent auditor's report.

UNION TOWNSHIP SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds (continued)
For the Fiscal Year Ended June 30, 2018

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/17	Issued	Retired	Balance 06/30/18
			Date	Amount					
Refunding of series 2002 & 2005 for new elementary school	01/27/16	\$ 3,105,000	07/15/18	\$ 550,000	2.000%	\$ 2,970,000	\$ -	\$ 135,000	\$ 2,835,000
			07/15/19	580,000	2.000%	-	-	-	-
			07/15/20	145,000	2.000%	-	-	-	-
			07/15/21	150,000	2.000%	-	-	-	-
			07/15/22	150,000	2.000%	-	-	-	-
			07/15/23	155,000	2.000%	-	-	-	-
			07/15/24	155,000	2.000%	-	-	-	-
			07/15/25	155,000	2.125%	-	-	-	-
			07/15/26	160,000	2.125%	-	-	-	-
			07/15/27	160,000	3.000%	-	-	-	-
			07/15/28	155,000	3.000%	-	-	-	-
			07/15/29	160,000	3.000%	-	-	-	-
			07/15/30	160,000	3.000%	-	-	-	-
						<u>\$ 11,130,000</u>	<u>\$ -</u>	<u>\$ 680,000</u>	<u>\$ 10,450,000</u>

See independent auditor's report.

UNION TOWNSHIP SCHOOL DISTRICT
Debt Service Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources					
Local tax levy	\$ 661,090	\$ -	\$ 661,090	\$ 661,090	\$ -
Total revenues	<u>661,090</u>	<u>-</u>	<u>661,090</u>	<u>661,090</u>	<u>-</u>
Expenditures					
Regular debt service					
Redemption of principal	570,000	110,440	680,440	680,000	440
Interest	443,091	(110,440)	332,651	329,550	3,101
Total expenditures	<u>1,013,091</u>	<u>-</u>	<u>1,013,091</u>	<u>1,009,550</u>	<u>3,541</u>
Excess (deficiency) of revenues over (under) expenditures	(352,001)	-	(352,001)	(348,460)	3,541
Other financing sources and uses					
Transfer in from capital reserve fund	350,000	-	350,000	350,000	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,001)	-	(2,001)	1,540	3,541
Fund balance, July 1	2,002	-	2,002	2,002	-
Fund balance, June 30	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 3,542</u>	<u>\$ 3,541</u>
Recapitulation of excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (2,001)</u>	<u>\$ -</u>	<u>\$ (2,001)</u>	<u>\$ 1,540</u>	<u>\$ 3,541</u>

See independent auditors' report.

STATISTICAL SECTION

UNION TOWNSHIP SCHOOL DISTRICT
Statistical Section J Series

CONTENTS	PAGE
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	J-14 to J-15
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.

UNION TOWNSHIP SCHOOL DISTRICT
Net Position by Component
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Government activities										
Net investment in capital assets	\$ 4,147,013	\$ 4,090,453	\$ 4,172,228	\$ 4,018,600	\$ 4,017,778	\$ 3,976,657	\$ 4,675,761	\$ 5,474,720	\$ 6,259,431	\$ 6,249,882
Restricted	441,050	841,123	1,958,627	2,992,139	3,431,663	3,889,746	3,514,670	2,957,192	2,458,045	1,956,818
Unrestricted	(26,937)	278,896	83,405	(39,529)	(17,216)	(1,952,064)	(2,063,435)	(2,004,874)	(2,180,508)	(1,877,321)
Total governmental activities	<u>\$ 4,561,126</u>	<u>\$ 5,210,472</u>	<u>\$ 6,214,260</u>	<u>\$ 6,971,210</u>	<u>\$ 7,432,225</u>	<u>\$ 5,914,339</u>	<u>\$ 6,126,996</u>	<u>\$ 6,427,038</u>	<u>\$ 6,536,968</u>	<u>\$ 6,329,379</u>
Business-type activities										
Net investment in capital assets	\$ 12,410	\$ 9,312	\$ 8,387	\$ 6,661	\$ 5,180	\$ 3,840	\$ 2,710	\$ 1,875	\$ 7,394	\$ 6,584
Unrestricted	19,330	22,073	25,268	31,257	33,999	36,628	47,892	60,175	35,911	36,376
Total business-type activities	<u>\$ 31,740</u>	<u>\$ 31,385</u>	<u>\$ 33,655</u>	<u>\$ 37,918</u>	<u>\$ 39,179</u>	<u>\$ 40,468</u>	<u>\$ 50,602</u>	<u>\$ 62,050</u>	<u>\$ 43,305</u>	<u>\$ 42,960</u>
District-wide										
Net investment in capital assets	\$ 4,159,423	\$ 4,099,765	\$ 4,180,615	\$ 4,025,261	\$ 4,022,958	\$ 3,980,497	\$ 4,678,471	\$ 5,476,595	\$ 6,266,825	\$ 6,256,466
Restricted	441,050	841,123	1,958,627	2,992,139	3,431,663	3,889,746	3,514,670	2,957,192	2,458,045	1,956,818
Unrestricted	(7,607)	300,969	108,673	(8,272)	16,783	(1,915,436)	(2,015,543)	(1,944,699)	(2,144,597)	(1,840,945)
Total district-wide	<u>\$ 4,592,866</u>	<u>\$ 5,241,857</u>	<u>\$ 6,247,915</u>	<u>\$ 7,009,128</u>	<u>\$ 7,471,404</u>	<u>\$ 5,954,807</u>	<u>\$ 6,177,598</u>	<u>\$ 6,489,088</u>	<u>\$ 6,580,273</u>	<u>\$ 6,372,339</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Changes in Net Position
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction										
Regular	\$ 3,951,779	\$ 3,706,061	\$ 3,627,140	\$ 3,576,815	\$ 3,537,318	\$ 3,681,727	\$ 4,511,551	\$ 4,723,401	\$ 5,067,528	\$ 5,667,409
Special education	1,229,817	1,339,516	1,245,094	1,228,166	1,314,341	1,469,613	1,704,837	1,978,393	2,256,707	2,251,725
Other special education	65,758	58,685	81,132	105,320	53,194	51,227	79,159	69,768	139,843	197,239
Other instruction	94,194	232,929	235,532	233,877	239,822	237,072	278,470	295,713	289,013	264,957
Support services										
Tuition	499,416	448,670	449,813	438,775	330,590	234,322	369,987	299,932	462,871	410,297
Student and instruction related services	1,205,147	1,203,134	1,078,483	1,350,952	1,438,279	1,341,813	1,480,058	1,501,595	1,442,376	1,940,579
General and business administrative services	776,494	771,964	746,647	988,032	694,273	679,859	814,440	861,935	897,907	947,118
School administration	221,538	309,074	281,698	261,970	260,203	244,152	276,016	295,439	341,954	369,795
Plant operations and maintenance	1,207,912	946,477	963,026	1,000,227	981,392	1,109,528	1,031,921	933,558	917,918	1,117,581
Pupil transportation	667,414	653,496	531,342	544,943	584,371	481,271	494,475	480,243	511,823	490,138
Interest on long-term debt	668,490	647,346	658,800	625,779	613,821	592,783	570,833	525,845	381,419	374,867
Total governmental activities expenses	<u>10,587,959</u>	<u>10,317,352</u>	<u>9,898,707</u>	<u>10,354,856</u>	<u>10,047,604</u>	<u>10,123,367</u>	<u>11,611,747</u>	<u>11,965,822</u>	<u>12,709,359</u>	<u>14,031,705</u>
Business-type activities										
Child care	120,038	-	-	-	-	-	-	-	-	-
Food services	158,841	148,157	138,119	143,232	125,898	132,256	132,079	130,867	165,476	141,317
Total business-type activities	<u>278,879</u>	<u>148,157</u>	<u>138,119</u>	<u>143,232</u>	<u>125,898</u>	<u>132,256</u>	<u>132,079</u>	<u>130,867</u>	<u>165,476</u>	<u>141,317</u>
Total district expenses	<u>\$ 10,866,838</u>	<u>\$ 10,465,509</u>	<u>\$ 10,036,826</u>	<u>\$ 10,498,088</u>	<u>\$ 10,173,502</u>	<u>\$ 10,255,623</u>	<u>\$ 11,743,826</u>	<u>\$ 12,096,689</u>	<u>\$ 12,874,835</u>	<u>\$ 14,173,022</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program revenues										
Governmental activities										
Charges for services										
Regular instruction	\$ 165	\$ -	\$ 14,000	\$ 25,200	\$ 36,191	\$ 34,320	\$ 34,500	\$ 42,930	\$ 34,517	\$ 70,490
Other instruction	-	146,267	164,609	169,985	155,587	159,557	160,096	169,099	177,187	145,960
Student and instruction related services	85	-	-	-	-	-	-	-	-	-
General and business administrative services	-	-	\$350	400	-	-	-	-	-	-
Plant operations and maintenance	\$5,822	\$2,303	3,597	-	-	7,255	6,463	7,495	4,140	1,715
Pupil transportation	-	-	-	4,805	11,042	-	-	-	-	-
Operating grants and contributions	185,569	262,508	182,601	207,347	170,829	146,061	98,557	257,205	168,555	150,769
Capital grants and contributions	-	-	79,534	-	-	-	255,728	3,935	-	-
Total governmental activities program revenues	<u>191,641</u>	<u>411,078</u>	<u>444,691</u>	<u>407,737</u>	<u>373,649</u>	<u>347,193</u>	<u>555,344</u>	<u>480,664</u>	<u>384,399</u>	<u>368,934</u>
Business-type activities										
Charges for services										
Child care	205,120	-	-	-	-	-	-	-	-	-
Food service	132,466	120,979	110,423	110,199	102,822	106,177	112,476	109,795	112,843	107,988
Operating grants and contributions	25,316	26,758	29,932	37,296	24,208	27,218	29,574	32,377	33,531	31,828
Total business-type activities program revenues	<u>362,902</u>	<u>147,737</u>	<u>140,355</u>	<u>147,495</u>	<u>127,030</u>	<u>133,395</u>	<u>142,050</u>	<u>142,172</u>	<u>146,374</u>	<u>139,816</u>
Total district-program revenues	<u>\$ 554,543</u>	<u>\$ 558,815</u>	<u>\$ 585,046</u>	<u>\$ 555,232</u>	<u>\$ 500,679</u>	<u>\$ 480,588</u>	<u>\$ 697,394</u>	<u>\$ 622,836</u>	<u>\$ 530,773</u>	<u>\$ 508,750</u>
Net (expense) revenues										
Governmental activities	\$ (10,396,318)	\$ (9,906,274)	\$ (9,454,016)	\$ (9,947,119)	\$ (9,673,955)	\$ (9,776,174)	\$ (11,056,403)	\$ (11,485,158)	\$ (12,324,960)	\$ (13,662,771)
Business-type activities	84,023	(420)	2,236	4,263	1,132	1,139	9,971	11,305	(19,102)	(1,501)
Total district-wide net expenses	<u>\$ (10,312,295)</u>	<u>\$ (9,906,694)</u>	<u>\$ (9,451,780)</u>	<u>\$ (9,942,856)</u>	<u>\$ (9,672,823)</u>	<u>\$ (9,775,035)</u>	<u>\$ (11,046,432)</u>	<u>\$ (11,473,853)</u>	<u>\$ (12,344,062)</u>	<u>\$ (13,664,272)</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues and other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 7,814,862	\$ 8,187,711	\$ 8,335,214	\$ 8,335,219	\$ 7,765,843	\$ 7,665,205	\$ 7,665,205	\$ 7,741,857	\$ 7,896,694	\$ 8,054,628
Taxes levied for debt service	1,075,746	1,078,863	1,099,829	1,019,250	909,944	1,039,326	1,042,794	1,035,349	619,902	661,090
Unrestricted grants and contributions	1,428,547	1,348,153	1,010,625	1,287,322	1,402,489	1,311,013	2,506,015	2,949,847	3,823,868	4,688,705
Investment earnings	5,791	5,284	4,138	26,847	17,073	17,327	16,754	14,616	20,632	44,841
Miscellaneous income	21,723	39,066	33,067	35,431	41,985	14,983	38,292	43,531	73,794	5,918
Special item-payment to refunding bond agent	-	-	-	-	-	145,500	-	-	-	-
Special item - loss on sale of capital assets	-	-	(23,069)	-	(2,364)	-	-	-	-	-
Transfers in (out)	78,294	(103,457)	(2,000)	-	-	-	-	-	-	-
Total governmental activities	<u>10,424,963</u>	<u>10,555,620</u>	<u>10,457,804</u>	<u>10,704,069</u>	<u>10,134,970</u>	<u>10,193,354</u>	<u>11,269,060</u>	<u>11,785,200</u>	<u>12,434,890</u>	<u>13,455,182</u>
Business-type activities										
Investment earnings	14	65	34	-	129	150	163	243	357	534
Miscellaneous income	-	-	-	-	-	-	-	-	-	622
Transfers in (out)	(78,294)	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>(78,280)</u>	<u>65</u>	<u>34</u>	<u>-</u>	<u>129</u>	<u>150</u>	<u>163</u>	<u>243</u>	<u>357</u>	<u>1,156</u>
Total district-wide	<u>\$ 10,346,683</u>	<u>\$ 10,555,685</u>	<u>\$ 10,457,838</u>	<u>\$ 10,704,069</u>	<u>\$ 10,135,099</u>	<u>\$ 10,193,504</u>	<u>\$ 11,269,223</u>	<u>\$ 11,785,443</u>	<u>\$ 12,435,247</u>	<u>\$ 13,456,338</u>
Change in net position										
Governmental activities	\$ 28,645	\$ 649,346	\$ 1,003,788	\$ 756,950	\$ 461,015	\$ 417,180	\$ 212,657	\$ 300,042	\$ 109,930	\$ (207,589)
Business-type activities	5,743	(355)	2,270	4,263	1,261	1,289	10,134	11,448	(18,745)	(345)
Total district	<u>\$ 34,388</u>	<u>\$ 648,991</u>	<u>\$ 1,006,058</u>	<u>\$ 761,213</u>	<u>\$ 462,276</u>	<u>\$ 418,469</u>	<u>\$ 222,791</u>	<u>\$ 311,490</u>	<u>\$ 91,185</u>	<u>\$ (207,934)</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Restricted	\$ 437,656	\$ 838,661	\$ 1,788,258	\$ 2,821,770	\$ 3,396,996	\$ 3,496,871	\$ 3,500,385	\$ 2,949,202	\$ 3,286,269	\$ 2,947,931
Committed	6,272	244,432	78,528	180,194	96,597	123,043	3,094	143,340	33,658	24,457
Assigned	-	-	-	-	95,822	75,856	65,545	92,892	38,677	316,485
Unassigned	218,564	271,721	270,318	292,830	277,265	262,418	262,326	237,872	297,306	262,544
Total general fund	<u>\$ 662,492</u>	<u>\$ 1,354,814</u>	<u>\$ 2,137,104</u>	<u>\$ 3,294,794</u>	<u>\$ 3,866,680</u>	<u>\$ 3,958,188</u>	<u>\$ 3,831,350</u>	<u>\$ 3,423,306</u>	<u>\$ 3,655,910</u>	<u>\$ 3,551,417</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 14,612	\$ 9,312	\$ 40,369	\$ 40,369	\$ 34,667	\$ 392,874	\$ 9,284	\$ -	\$ -	\$ -
Assigned, reported in										
Debt service fund	825	825	130,000	130,000	-	1	5,001	7,001	2,002	3,542
Total all other governmental funds	<u>\$ 15,437</u>	<u>\$ 10,137</u>	<u>\$ 170,369</u>	<u>\$ 170,369</u>	<u>\$ 34,667</u>	<u>\$ 392,875</u>	<u>\$ 14,285</u>	<u>\$ 7,001</u>	<u>\$ 2,002</u>	<u>\$ 3,542</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax levy	\$ 8,890,608	\$ 9,266,574	\$ 9,435,043	\$ 9,354,469	\$ 8,675,787	\$ 8,704,531	\$ 8,707,999	\$ 8,777,206	\$ 8,516,596	\$ 8,715,718
Tuition charges	-	-	14,000	25,200	33,600	34,320	34,500	42,930	34,517	70,490
Interest earnings	5,791	5,284	4,138	26,847	17,073	17,327	16,754	14,616	20,632	44,841
Before/After school child Care service fees	-	146,267	164,609	169,985	155,587	159,557	160,096	169,099	177,187	145,960
Miscellaneous	29,707	38,184	162,949	36,770	50,282	20,658	40,675	41,878	59,004	9,592
State sources	1,428,547	1,307,979	1,010,625	1,259,057	1,402,489	1,311,013	1,428,919	1,530,866	1,701,510	1,825,414
State sources - capital projects	-	-	79,534	-	-	-	255,727	3,935	-	-
Federal sources	176,070	300,887	182,118	235,398	170,735	143,561	98,557	253,698	167,829	148,810
Total revenues	10,530,723	11,065,175	11,053,016	11,107,726	10,505,553	10,390,967	10,743,227	10,834,228	10,677,275	10,960,825
Expenditures										
Instruction										
Regular instruction	2,700,717	2,559,376	2,422,697	2,278,533	2,231,357	2,404,009	2,550,128	2,447,086	2,366,832	2,537,558
Special education instruction	790,261	843,614	769,073	752,085	801,133	895,219	925,663	1,024,839	1,040,519	1,028,866
Other special instruction	51,519	46,388	62,946	80,395	39,903	39,148	39,148	40,520	38,311	42,234
School sponsored/other instructional	73,214	173,140	168,660	167,730	177,829	172,918	194,890	191,543	189,556	171,416
Support services										
Tuition	386,067	338,319	343,428	332,493	223,510	137,768	305,265	150,123	363,980	317,415
Student and inst related servics	887,311	862,244	761,639	952,686	997,920	952,260	967,229	906,917	793,706	1,047,134
General administration	433,631	423,783	386,198	360,650	344,975	327,719	358,693	341,766	381,562	334,030
School administration services	158,758	221,011	182,384	174,374	171,269	167,694	164,864	165,978	167,333	188,893
Central services	169,788	179,628	176,745	174,870	187,411	199,762	202,888	172,124	213,551	235,939
Administrative Information										
Technology	-	-	-	207	-	3,451	-	-	-	-
Plant operations and maintenance										
Plant operations and maintenance	1,071,189	838,824	827,624	835,840	816,587	912,328	813,459	712,286	740,964	836,747
Pupil transportation	665,815	651,897	530,243	544,643	584,371	481,271	494,475	480,243	511,823	490,138
Employee benefits	1,241,146	1,226,506	1,280,758	1,381,396	1,346,120	1,386,279	1,429,197	1,447,001	1,309,905	1,449,296
On-behalf TPAF pension and social security contribution	527,825	535,034	518,948	632,365	762,874	687,615	793,268	923,635	1,026,845	1,174,476
Capital outlay	25,600	9,349	140,231	35,186	139,518	74,522	205,703	924,823	123,604	21,200
Special revenue funds	185,569	262,508	182,601	207,347	170,829	146,061	98,557	257,205	168,555	150,769
Capital projects	14,219	5,300	203,077	-	5,702	31,285	639,317	85,445	113,842	-
Debt service										
Principal	422,000	441,000	482,000	405,000	445,000	465,000	485,000	505,000	550,000	680,000
Interest and other charges	677,325	656,775	669,242	634,236	623,061	602,442	580,911	558,467	462,624	357,667
Total expenditures	10,481,954	10,274,696	10,108,494	9,950,036	10,069,369	10,086,751	11,248,655	11,335,001	10,563,512	11,063,778

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances - Governmental Funds (continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Excess (deficiency) of revenues over (under) expenditures	\$ 48,769	\$ 790,479	\$ 944,522	\$ 1,157,690	\$ 436,184	\$ 304,216	\$ (505,428)	\$ (500,773)	\$ 113,763	\$ (102,953)
Other financing sources (uses)										
Proceeds from refunding bond issue	-	-	-	-	-	-	-	3,105,000	7,725,000	-
Payment to refunding bond escrow agent	-	-	-	-	-	-	-	(3,147,418)	(8,661,966)	-
Premium (discount) on bond issue	-	-	-	-	-	-	-	127,863	1,050,808	-
Insurance claim proceeds for chiller damage	-	-	-	-	-	145,500	-	-	-	-
Transfers in (out)	78,294	(103,457)	(2,000)	-	-	-	-	-	-	-
Total other financing sources (uses)	78,294	(103,457)	(2,000)	-	-	145,500	-	85,445	113,842	-
Net change in fund balances	\$ 127,063	\$ 687,022	\$ 942,522	\$ 1,157,690	\$ 436,184	\$ 449,716	\$ (505,428)	\$ (415,328)	\$ 227,605	\$ (102,953)
Debt service as a percentage of non-capital expenditures	11.77%	11.98%	13.36%	11.71%	12.06%	11.98%	11.42%	11.48%	10.87%	10.37%

Source: District Records

NOTE: Non-capital expenditures are total expenditures less capital outlay, capital projects and debt service.

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund - Other Local Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Interest income	\$ 5,466	\$ 5,014	\$ 4,126	\$ 26,847	\$ 26,847	\$ 17,327	\$ 16,754	\$ 14,616	\$ 20,632	\$ 44,841
Tuition	-	-	14,000	25,200	25,200	34,320	34,500	42,930	34,517	70,490
Prior year accounts payable canceled	2,225	1,356	302	522	2,420	-	14	1,690	5,665	1,114
Insurance rebates	5,981	-	7,938	-	-	-	-	-	-	-
Bid spec fees	-	-	350	400	-	-	-	-	-	-
Prior year refund	-	8,668	-	-	-	-	1,360	18,201	2,158	-
Rentals	2,480	1,403	3,129	4,805	11,042	7,255	6,463	7,990	4,140	1,715
Miscellaneous other	161	349	342	3,561	1,988	860	1,462	2,771	346	91
Sale of surplus assets	-	-	-	-	-	-	2,400	-	-	-
Sale of property	-	-	130,000	-	-	-	-	-	-	-
Donations/Contributions	-	2,500	3,000	6,453	7,100	3,600	88	1,701	4,000	4,713
Textbook sales	-	495	271	245	42	132	-	-	-	-
Miscellaneous account balances canceled	-	193	-	49	2,155	-	-	-	9,340	-
E-rate rebates	9,343	8,854	15,284	20,452	24,941	5,311	15,817	2,400	17,939	-
Before and after school child care service fees	-	146,267	164,609	169,985	169,985	159,557	160,096	169,099	177,187	145,960
FEMA storm reimbursement	-	-	-	-	-	-	-	-	11,490	-
Copier lease buy out	-	9,321	-	-	-	-	-	-	-	-
Miscellaneous grants/awards	-	2,503	-	-	500	1,000	12,300	1,000	3,200	-
Outstanding checks voided	18	747	1,850	69	-	-	771	617	-	-
Annual totals	\$ 25,674	\$ 187,670	\$ 345,201	\$ 258,588	\$ 272,220	\$ 229,362	\$ 252,025	\$ 263,015	\$ 290,614	\$ 268,924

Source: District Records

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Vacant land	\$ 17,789,004	\$ 14,951,504	\$ 14,685,104	\$ 14,061,208	\$ 13,500,308	\$ 15,073,108	\$ 16,553,308	\$ 16,134,508	\$ 13,952,608	\$ 12,018,208
Residential	531,265,200	534,714,400	529,159,100	528,658,100	526,448,800	522,049,700	524,247,100	525,993,900	528,600,700	528,912,900
Farm regular	32,804,500	32,635,000	34,593,000	35,197,800	35,317,200	37,591,100	36,133,300	36,774,000	37,425,800	37,524,100
Q farm	1,074,115	1,077,841	1,114,981	1,116,136	1,119,036	1,082,411	1,072,111	1,031,611	1,036,261	1,040,029
Commercial	93,143,200	92,890,900	88,414,100	89,743,200	89,705,600	88,792,500	104,475,132	107,510,532	113,430,532	113,430,532
Industrial	14,192,100	14,192,100	10,386,700	10,386,700	10,386,700	10,386,700	10,386,700	10,386,700	4,498,800	4,498,800
Apartment	230,900	230,900	230,900	230,900	230,900	230,900	230,900	230,900	230,900	230,900
Total assessed value	690,499,019	690,692,645	678,583,885	679,394,044	676,708,544	675,206,419	693,098,551	698,062,151	699,175,601	697,655,469
Public utilities (a)	6,213,177	6,213,177	6,624,752	6,624,752	6,744,963	4,909,700	97	95	95	-
Net valuation taxable	\$ 696,712,196	\$ 696,905,822	\$ 685,208,637	\$ 686,018,796	\$ 683,453,507	\$ 680,116,119	\$ 693,098,648	\$ 698,062,246	\$ 699,175,696	\$ 697,655,469
Estimated actual county equalized value	\$1,018,649,790	\$ 930,199,976	\$ 879,826,191	\$ 851,139,945	\$ 819,980,212	\$ 782,462,171	\$ 801,919,065	\$ 809,910,948	\$ 809,699,596	\$ 817,788,617
Percentage of net valuation to estimated actual equalized value	68.40%	74.92%	77.88%	80.60%	83.35%	86.92%	86.43%	86.19%	86.35%	85.31%
Total direct school tax rate (b)	\$ 1.33	\$ 1.35	\$ 1.37	\$ 1.26	\$ 1.27	\$ 1.28	\$ 1.27	\$ 1.22	\$ 1.25	\$ 1.32

Source: 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 the County Board of Taxation requests Treasury to order a reassessment.

- (a) Taxable value of machinery, implements and equipment of telephone and messenger system companies
- (b) Tax rates are per \$100

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per \$100 of Assessed Value)

Assessment Year	School District Direct Rate				Regional School Rate	Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate	Municipality		County		
2009	\$ 1.18	\$ 0.15	\$ 1.33	\$ 0.74	\$ 0.20	\$ 0.50	\$ 2.77	
2010	1.19	0.16	1.35	0.75	0.21	0.46	2.77	
2011	1.22	0.15	1.37	0.74	0.22	0.44	2.77	
2012	1.13	0.13	1.26	0.74	0.23	0.44	2.67	
2013	1.12	0.15	1.27	0.75	0.22	0.44	2.68	
2014	1.13	0.15	1.28	0.70	0.25	0.42	2.65	
2015	1.12	0.15	1.27	0.67	0.26	0.44	2.64	
2016	1.13	0.09	1.22	0.68	0.33	0.43	2.66	
2017	1.16	0.09	1.25	0.68	0.29	0.43	2.65	
2018	1.18	0.14	1.32	0.68	0.30	0.44	2.74	

Sources: Municipal Tax Collector

NOTE: N.J.S.A. 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 by more than the spending growth limitation calculated as follows: the pre-budget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

- (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.

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Principal Property Taxpayers,
Current Year and Nine Years Ago

	2018			2009		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
	Energy (NJ)	\$ 31,240,250	1	4.48%	\$ 31,240,250	1
Transcontinental Gas Pipeline Company	15,682,632	2	2.25%	4,909,700	4	0.70%
Crown Perryville LLC	15,000,000	3	2.15%	19,000,000	2	2.73%
Kramer Electronic Holdings LLC	5,750,000	4	0.82%	-		0.00%
FW LLC/FW Realty	5,341,950	5	0.77%	3,484,750	8	0.50%
County Arch Care Center	4,690,800	6	0.67%	4,618,500	5	0.66%
Amsdell Storage Ventures XXXVII LLC	3,642,400	7	0.52%	-		0.00%
Evergreen Associates	3,464,965	8	0.50%	4,099,100	7	0.59%
Fallone at Union LLC	2,730,000	9	0.39%	4,304,600	6	0.62%
Pilot Trvl Cntrs, Property Tax Dept.	2,502,200	9	0.36%	-		0.00%
FDRA LLC	2,475,400	10	0.35%	2,513,000	10	0.36%
INO Therapeutics Inc	-		0.00%	8,610,000	3	1.24%
Fallone at Union LLC	-		0.00%	4,304,600	6	0.62%
Clinton Block LLC	-		0.00%	3,445,400	9	0.49%
	<u>\$ 92,520,597</u>		<u>13.26%</u>	<u>\$ 90,529,900</u>		<u>12.99%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Years

Year Ending June 30,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2009	\$ 8,890,608	\$ 18,257,565	205.35%
2010	9,266,574	19,012,814	205.17%
2011	9,435,043	18,855,017	199.84%
2012	9,354,469	18,642,164	199.28%
2013	8,675,787	17,966,651	207.08%
2014	8,704,531	18,150,939	208.52%
2015	8,707,999	17,904,428	205.60%
2016	8,777,206	18,064,248	205.80%
2017	8,516,596	18,039,144	211.81%
2018	8,715,718	18,347,186	210.50%

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

(a)

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

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Governmental Activities				Business-Type	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Activities Capital Leases			
2009	\$ 15,663,000	\$ -	\$ 9,692	\$ -	\$ -	\$ 15,672,692	3.41%	\$ 2,510
2010	15,222,000	-	4,937	-	-	15,226,937	3.43%	2,454
2011	14,740,000	-	-	-	-	14,740,000	3.51%	2,503
2012	14,335,000	-	-	-	-	14,335,000	3.36%	2,447
2013	13,890,000	-	-	-	-	13,890,000	3.16%	2,393
2014	13,425,000	-	-	-	-	13,425,000	3.07%	2,317
2015	12,940,000	-	-	-	-	12,940,000	2.88%	2,258
2016	12,455,000	-	-	-	-	12,455,000	2.73%	2,197
2017	11,905,000	-	-	-	-	11,905,000	2.60%	2,132
2018	10,450,000	-	-	-	-	10,450,000	N/A	1,885

NOTES: (1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.

- (a) See Exhibit J-14 for personal income and population data.
 These ratios are calculated using personal income and population for the prior calendar year.

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ending June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 15,663,000	\$ -	\$ 15,663,000	2.25%	\$ 2,508
2010	15,222,000	-	15,222,000	2.18%	2,454
2011	14,740,000	-	14,740,000	2.15%	2,503
2012	14,335,000	-	14,335,000	2.09%	2,447
2013	13,890,000	-	13,890,000	2.03%	2,393
2014	13,425,000	-	13,425,000	1.97%	2,317
2015	12,940,000	-	12,940,000	1.87%	2,258
2016	12,455,000	-	12,455,000	1.78%	2,197
2017	11,130,000	-	11,130,000	1.59%	1,993
2018	10,450,000	-	10,450,000	1.50%	1,885

NOTES: Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

- (a) See Exhibit J-6 for property tax data.
- (b) Population data can be found in Exhibit J-14.

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2017

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Municipality	\$ 3,760,558	100.00%	\$ 3,760,558
Regional High School	9,743,000	9.92%	966,341
County general obligation debt	85,249,037	3.81%	<u>3,244,542</u>
Subtotal, overlapping debt			7,971,441
School district direct debt			<u>10,450,000</u>
Total direct and overlapping debt			<u><u>\$ 18,421,441</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the county Board of Taxation. Debt outstanding data provided by each governmental unit.

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 the municipality. 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.

See independent auditors' report.

**UNION TOWNSHIP SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2018

	<u>Equalized Valuation Basis</u>	
	2017	\$ 819,570,509
	2016	808,410,134
	2015	804,151,933
		<u>\$2,432,132,576</u>
Average equalized valuation of taxable property		<u>\$ 810,710,859</u>
Debt limit (3.0% of average equalization value)		\$ 24,321,326
Total net debt applicable to limit		<u>10,450,000</u>
Legal debt margin		<u>\$ 13,871,326</u>

	<u>Fiscal Year</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 24,355,671	\$ 23,748,693	\$ 23,639,114	\$ 23,937,797	\$ 24,321,326
Total net debt applicable	<u>13,425,000</u>	<u>12,940,000</u>	<u>12,435,000</u>	<u>11,130,000</u>	<u>10,450,000</u>
Legal debt margin	<u>\$ 10,930,671</u>	<u>\$ 10,808,693</u>	<u>\$ 11,204,114</u>	<u>\$ 12,807,797</u>	<u>\$ 13,871,326</u>
Total net debt applicable to the limit as a percentage of debt limit	55.12%	54.49%	52.60%	46.50%	42.97%

	<u>Fiscal Year</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 28,594,843	\$ 28,625,717	\$ 27,897,391	\$ 26,504,317	\$ 25,438,931
Total net debt applicable	<u>15,663,000</u>	<u>15,222,000</u>	<u>14,740,000</u>	<u>14,335,000</u>	<u>13,890,000</u>
Legal debt margin	<u>\$ 12,931,843</u>	<u>\$ 13,403,717</u>	<u>\$ 13,157,391</u>	<u>\$ 12,169,317</u>	<u>\$ 11,548,931</u>
Total net debt applicable to the limit as a percentage of debt limit	54.78%	53.18%	52.84%	54.09%	54.60%

Source: Equalized Valuation Basis were obtained from the annual report of the State of New Jersey Department of Treasury, Division of Taxation.

(a) Limit Set by N.J.S.A. 18A:24-19

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2009	6,204	\$ 443,759,712	\$ 71,528	7.0%
2010	5,890	419,668,390	71,251	7.2%
2011	5,857	426,465,741	72,813	7.0%
2012	5,804	439,072,600	75,650	7.2%
2013	5,795	436,850,280	75,384	6.0%
2014	5,732	448,821,332	78,301	4.5%
2015	5,668	456,982,500	80,625	4.5%
2016	5,585	458,578,765	82,109	3.8%
2017	5,543	N/A	N/A	3.7%
2018	N/A	N/A	N/A	N/A

Sources:

- (a) Population information provided by the NJ Dept of Labor and Workforce Development.
- (b) Personal income has been estimated based upon the municipal population and per capita personal income presented.
- (c) Per capita personal income by county estimated based upon the 2010 census published by the U.S. Bureau of Economic Analysis.
- (d) Unemployment data provided by the NJ Dept of Labor and Workforce Development.

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago

2018

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

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2009

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

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Full Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction										
Regular	39.0	39.0	38.5	34.5	35.3	37.0	35.0	35.0	38.0	31.0
Special education	9.0	7.0	16.5	16.0	15.5	16.5	19.2	20.0	20.0	21.0
Other instruction	-	2	1	2	1	1	-	-	-	
Support services										
Student and instruction related services	6	13	9	8	10	9	8	8	8	5
General administration	2	2	2	2	2	2	2	2	2	4
School administration services	2	2	2	2	1	2	2	2	2	4
Other administration services	4	2	2	3	2	-	-	-	-	-
Central services	2	3	3	3	2	3	3	3	3	3
Plant operations and maintenance	7	7	8	7	7	8	8	6	8	7
Before & after care	-	7	4	3	2	3	3	3	6	7
Total	<u>71.0</u>	<u>82.5</u>	<u>84.5</u>	<u>79.9</u>	<u>77.9</u>	<u>80.4</u>	<u>80.2</u>	<u>78.2</u>	<u>87.0</u>	<u>82.0</u>

Source: District Personnel Records

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years

<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>Teacher Ratio</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	574	\$ 9,342,810	\$ 16,277	5.95%	48	1 to 11.95	554.4	531.0	-8.62%	95.78%
2010	535	9,162,272	17,126	5.22%	46	1 to 11.63	533.3	511.4	-3.81%	95.89%
2011	516	8,613,944	16,694	-2.52%	46	1 to 11.34	514.4	493.5	-3.54%	95.94%
2012	493	8,875,614	18,003	7.84%	43	1 to 11.41	526.5	506.7	2.35%	96.24%
2013	495	8,856,088	17,891	-0.62%	41	1 to 12.07	447.5	427.9	-15.00%	95.62%
2014	493	8,913,502	18,080	1.06%	43	1 to 11.46	495.3	478.7	10.69%	96.64%
2015	495	9,337,724	18,864	4.34%	44	1 to 11.25	471.0	452.9	-4.91%	96.16%
2016	449	9,261,266	20,626	9.34%	45	1 to 9.98	452.7	436.1	-3.89%	96.33%
2017	436	9,313,442	21,361	3.56%	48	1 to 9.08	449.6	431.0	-0.68%	95.86%
2018	449	10,004,911	22,283	4.32%	45	1 to 9.98	456.3	435.4	1.49%	95.42%

Source: District Records

- (a) Operating expenditures equal total expenditures less debt service and capital outlay.
- (b) Teaching staff includes only full-time equivalents or certificated staff.
- (c) Average Daily Enrollment and Average Daily Attendance are obtained from the School Register Summary (SRS).

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

District Building	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Middle School (1954)										
Square feet	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Capacity (students)	550	550	550	550	550	550	550	550	550	550
Enrollment	277	242	333	243	251	249	240	234	230	231
Elementary School (2007)										
Square feet	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Capacity (students)	500	500	500	500	500	500	500	500	500	500
Enrollment	303	282	187	250	244	249	255	215	208	235
Number of schools at June 30, 2018										
Elementary & Middle =		2								

Source: District Facilities Office

N/A = Not Available

NOTE: Year of original construction is shown in parentheses. Increase in square footage and capacity are the result of renovations and additions. Enrollment is based on the annual October District count.

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Required Maintenance Expenditures by School Facility
Last Ten Fiscal Years

Undistributed Expenditures - Required Maintenance for School Facilities

<u>Fiscal Year Ending</u>	<u>School Facilities*</u>		<u>Total</u>
	<u>Elementary School</u>	<u>Middle School</u>	
2009	\$ 50,413	\$ 149,760	\$ 200,173
2010	39,175	58,709	97,884
2011	19,390	70,875	90,265
2012	92,881	159,680	252,561
2013	59,456	137,332	196,788
2014	30,944	110,352	141,296
2015	113,054	69,906	182,960
2016	82,329	51,878	134,207
2017	62,279	66,591	128,870
2018	71,955	81,427	153,382
 Total school facilities	 <u>\$ 621,876</u>	 <u>\$ 956,510</u>	 <u>\$ 1,578,386</u>

* School Facilities As Defined Under E.F.C.F.A.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District Records

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Insurance Schedule
June 30, 2018
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Commercial Package Policy - NJ Schools		
Insurance Group		
Property - Building Blanket and Contents (Fund Limit)	\$ 500,000,000	\$ 2,500
General Liability	6,000,000	-
Equipment Breakdown	100,000,000	2,500
Crime Public Employee Dishonesty	250,000	1,000
Auto Liability	6,000,000	-
Auto Physical Damage	Actual Cash Value	1,000
School Board Legal Liability - NJ Schools Insurance Group		
Errors and Omissions	6,000,000	5,000
Workers Compensation - NJ Schools Insurance Group		
Per accident per employee	2,000,000	-
Per disease per employee	2,000,000	-
Disease Policy Limit	2,000,000	-
Public Employees' Faithful Performance - NJ Schools		
Insurance Group		
Treasurer of School Monies	180,000	1,000
School Board Secretary	180,000	1,000
Student Accident Insurance - BMI benefits through Berkeley		
Policy Limit	1,000,000	Full Excess
Pollution Policy - NJ Schools Insurance Group		
through Zurich American Insurance Company		
Claim Limit	1,000,000	250,000

Source: District Records

See independent auditors' report.

SINGLE AUDIT SECTION



**Independent Auditors' 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***

Honorable President and
Members of the Board of Education
Union Township School District
County of Hunterdon, 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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Union Township School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 25, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies as finding number 2018-001.

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

Compliance and Other Matters



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

Union Township School District's Response to Findings

Union Township School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District'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* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


BKC, CPAs, PC

Michael A. Holk, CPA, PSA



**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the
New Jersey OMB Circular Letter 15-08**

Honorable President and
Members of the Board of Education
Union Township School District
County of Hunterdon, New Jersey

Report on Compliance for Each Major State Program

We have audited the Union Township School District's, (the District), compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2018. The District's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 15-08. Those standards, and the OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with the Uniform Guidance and New Jersey OMB Circular 15-08 and which is described in the accompanying schedule of findings and questioned costs as findings number 2018-01. Our opinion on each major state program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as finding number 2018-001 which we consider to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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 New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.



BKC, CPAs, PC



Michael A. Holk, CPA, PSA

February 25, 2019
Flemington, New Jersey

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards - Schedule A
For the Fiscal Year Ended June 30, 2018

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance 06/30/17	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment	Repayment of Prior Year Balance	Balance June 30, 2018					
					From	To							Accounts Receivable	Deferred Revenue	Due to Grantor			
U.S. Department of Education passed through State Department of Education																		
Special revenue fund																		
ESSA Title I A	84.010A	S010S170030	ESSA-5270-18	\$ 44,265	7/1/2017	6/30/2018	\$ -	\$ -	\$ 44,218	\$ 44,218	\$ -	\$ -	\$ -	\$ -	\$ -			
NCLB Title II A	84.367A	S367A150029	NCLB-5270-15	8,574	7/1/2014	6/30/2015	(8,574)	-	-	-	8,574	-	-	-	-			
NCLB Title II A	84.367A	S367A150029	NCLB-5270-17	8,120	7/1/2016	6/30/2017	(8,120)	-	8,120	-	-	-	-	-	-			
ESSA Title II A	84.367A	S367A150029	ESSA-5270-18	7,653	7/1/2017	6/30/2018	-	-	4,099	4,099	-	-	-	-	-			
ESSA Title IV	84.424A	S424A170031	ESSA-5270-18	10,000	7/1/2017	6/30/2018	-	-	7,611	7,611	-	-	-	-	-			
Rural education achievement program	84.358A	S358A182630	806461943	42,973	7/1/2017	12/30/2019	-	-	-	-	-	-	-	-	-			
IDEA Basic	84.027	H027A160100	IDEA-5270-18	96,636	7/1/2017	6/30/2018	-	-	89,611	89,611	-	-	-	-	-			
IDEA Preschool	84.173	H173S160114	IDEA-5270-18	3,271	7/1/2017	6/30/2018	-	-	3,271	3,271	-	-	-	-	-			
Total special revenue fund							<u>(16,694)</u>	<u>-</u>	<u>156,930</u>	<u>148,810</u>	<u>8,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			
U.S. Department of Agriculture passed through State Department of Agriculture																		
Enterprise fund																		
Child nutrition center																		
National school lunch program non-cash assistance (commodities)	10.555	171NJ304N1099	N/A	11,877	10/01/16	09/30/17	864	-	-	864	-	-	-	-	-			
National school lunch program non-cash assistance (commodities)	10.555	181NJ304N1099	N/A	12,772	10/01/17	09/30/18	-	-	12,772	11,776	-	-	-	996	-			
National school lunch program cash assistance	10.555	171NJ304N1099	N/A	19,924	10/01/16	09/30/17	(664)	-	664	-	-	-	-	-	-			
National school lunch program cash assistance	10.555	181NJ304N1099	N/A	17,529	10/01/17	09/30/18	-	-	16,885	17,529	-	-	(644)	-	-			
Total interprise fund							<u>200</u>	<u>-</u>	<u>30,321</u>	<u>30,169</u>	<u>-</u>	<u>-</u>	<u>(644)</u>	<u>996</u>	<u>-</u>			
Total Federal financial assistance							<u>\$ (16,494)</u>	<u>\$ -</u>	<u>\$ 187,251</u>	<u>\$ 178,979</u>	<u>\$ 8,574</u>	<u>\$ -</u>	<u>\$ (644)</u>	<u>\$ 996</u>	<u>\$ -</u>			

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance - Schedule B
For the Fiscal Year Ended June 30, 2018

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2017					Balance June 30, 2018			Memo			
					From	To	Deferred Rev. (Accts. Rec)	Due to Grantor	Cash Received	Budgetary Expenditure	Adjustments	Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education																
General fund																
Special education categorical aid	18-495-034-5120-089	\$ 298,531	7/1/2017	6/30/2018	\$ -	\$ -	\$ 270,132	\$ 298,531	\$ -	\$ -	\$ -	\$ -	\$ 28,399	\$ 298,531		
Security aid	18-495-034-5120-084	36,554	7/1/2017	6/30/2018	-	-	33,077	36,554	-	-	-	-	3,477	36,554		
Transportation aid	18-495-034-5120-014	211,819	7/1/2017	6/30/2018	-	-	191,669	211,819	-	-	-	-	20,150	211,819		
Adjustment aid	18-495-034-5120-085	17,175	7/1/2017	6/30/2018	-	-	15,541	17,175	-	-	-	-	1,634	17,175		
PARCC readiness aid	18-495-034-5120-098	4,615	7/1/2017	6/30/2018	-	-	4,176	4,615	-	-	-	-	439	4,615		
Per pupil growth aid	18-495-034-5120-097	4,615	7/1/2017	6/30/2018	-	-	4,176	4,615	-	-	-	-	439	4,615		
Professional learning community aid	18-495-034-5120-101	4,325	7/1/2017	6/30/2018	-	-	3,914	4,325	-	-	-	-	411	4,325		
Extraordinary aid	17-495-034-5120-044	97,017	7/1/2016	6/30/2017	(97,017)	-	97,017	-	-	-	-	-	-	97,017		
Extraordinary aid	18-495-034-5120-044	61,693	7/1/2017	6/30/2018	-	-	-	61,693	-	(61,693)	-	-	-	61,693		
Non-public transportation aid	17-495-034-5120-014	5,130	7/1/2016	6/30/2017	(5,130)	-	5,130	-	-	-	-	-	-	5,130		
Non-public transportation aid	18-495-034-5120-014	5,800	7/1/2017	6/30/2018	-	-	-	5,800	-	(5,800)	-	-	-	5,800		
Lead testing for schools aid	18-495-034-5120-104	5,919	7/1/2017	6/30/2018	-	-	5,919	5,919	-	-	-	-	-	5,919		
On-behalf TPAF pension contribution - post retirement medical	18-495-034-5094-001	347,777	7/1/2017	6/30/2018	-	-	347,777	347,777	-	-	-	-	-	347,777		
On-behalf TPAF pension contribution - non-contributory insurance	18-495-034-5094-004	12,757	7/1/2017	6/30/2018	-	-	12,757	12,757	-	-	-	-	-	12,757		
On-behalf TPAF pension contribution - long-term disability insurance	18-495-034-5094-004	580	7/1/2017	6/30/2018	-	-	580	580	-	-	-	-	-	580		
On-behalf TPAF pension contribution - teachers' pension & annuity fund	18-495-034-5094-002	525,699	7/1/2017	6/30/2018	-	-	525,699	525,699	-	-	-	-	-	525,699		
Reimbursed TPAF Social Security contribution	17-495-034-5094-003	272,767	7/1/2016	6/30/2017	(26,666)	-	26,666	-	-	-	-	-	-	272,767		
Reimbursed TPAF Social Security contribution	18-495-034-5094-003	287,663	7/1/2017	6/30/2018	-	-	259,024	287,663	-	(28,639)	-	-	-	287,663		
Total general fund					<u>(128,813)</u>	<u>-</u>	<u>1,803,254</u>	<u>1,825,522</u>	<u>-</u>	<u>(96,132)</u>	<u>-</u>	<u>-</u>	<u>54,949</u>	<u>2,200,436</u>		
NJ School Development Authority																
Capital projects fund																
Middle school HVAC/Security upgrades	5270-050-14-1001	212,049		Unavailable	(212,049)	-	-	-	-	(212,049)	-	-	-	212,049		
Elementary school security upgrades	5270-060-14-2002	47,613		Unavailable	(47,613)	-	-	-	-	(47,613)	-	-	-	47,613		
Total capital projects fund					<u>(259,662)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(259,662)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,662</u>		
State Department of Agriculture																
Enterprise fund																
State school lunch program	17-100-010-3350-023	1,500	07/01/16	06/30/17	(52)	-	52	-	-	-	-	-	-	1,500		
State school lunch program	18-100-010-3350-023	1,659	07/01/17	06/30/18	-	-	1,597	1,659	-	(62)	-	-	-	1,659		
Total enterprise fund					<u>(52)</u>	<u>-</u>	<u>1,649</u>	<u>1,659</u>	<u>-</u>	<u>(62)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,159</u>		
Total State financial assistance					<u>\$ (388,527)</u>	<u>\$ -</u>	<u>\$ 1,804,903</u>	<u>1,827,181</u>	<u>\$ -</u>	<u>\$ (355,856)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,949</u>	<u>\$ 2,463,257</u>		
Less: On-behalf TPAF pension system contributions								(886,813)								
Total for state financial assistance - major program determination								<u>\$ 940,368</u>								

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2018

Note 1 - General

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of all federal awards and state financial assistance programs of the Union Township School District. The District is defined in Note 1 (A) to the District's basic financial statements. All federal awards and state financial assistance 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 Federal Awards and State Financial Assistance are presented using 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 Notes 1 (C) and 1 (D) to the District's basic financial statements.

Note 3 - Relationship of financial statements

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$108) for the general fund and \$0 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2018

Note 3 - Relationship of financial statements (continued)

Financial assistance revenues are reported in the District's Basic Financial Statements on a GAAP basis as follows:

	Local	Federal	State	Total
General fund	\$ -	\$ -	\$ 1,825,414	\$ 1,825,414
Special revenue fund	1,959	148,810	-	150,769
Food service fund	-	30,169	1,659	31,828
Total awards and financial assistance	<u>\$ 1,959</u>	<u>\$ 178,979</u>	<u>\$ 1,827,073</u>	<u>\$ 2,008,011</u>

Note 4 - Relationship to federal and state financial reports

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

Note 5 - Other

Revenues and expenditures reported under the USDA Commodities Program represent current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2018. TPAF Social Security Contribution 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 6 - Adjustments on Schedule of Expenditures of Federal Awards

On Schedule A, for the NCLB Title IIA program for the fiscal year 2015, the adjustment of \$8,574 represents a canceled receivable.

Note 7 - Indirect costs

The District has elected not to utilize the 10% de minimis indirect cost rate.

**UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
For the Fiscal Year Ended June 30, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

1. Were material weakness(es) identified? Yes No
2. Were significant deficiencies identified? Yes None reported

Noncompliance material to basic financial statements noted?

Yes No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

1. Were material weakness(es) identified? Yes No
2. Were significant deficiencies identified? Yes None reported

What was the type of auditor's report issued on compliance for major programs?

Were any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a)?

Yes No

Identification of Major Programs:

CFDA Number(s)	FEIN Number(s)	Name of Federal Program or Cluster
<u>Not Applicable</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

What was the dollar threshold used to distinguish between Type A and Type B programs?

Did the auditee qualify as a low-risk auditee?

Yes No

**UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
For the Fiscal Year Ended June 30, 2018**

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

State Awards

What was the dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Did the auditee qualify as a low-risk auditee? Yes No

Internal Control Over Major Programs:

- 1. Were material weakness(es) identified? Yes No
- 2. Were there significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

What was the type of auditor's report issued on compliance for major programs? Unmodified

Were any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 15-08 as applicable? Yes No

Identification of Major Programs:

<u>State Grant/Project Numbers</u>	<u>Name of State Program</u>
	<i>State Aid Public Cluster:</i>
<u>18-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>18-495-034-5120-078</u>	<u>Adjustment Aid</u>
<u>18-495-034-5120-084</u>	<u>Security Aid</u>
<u>18-495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>18-495-034-5120-098</u>	<u>PARCC Readiness Aid</u>
<u>18-495-034-5120-101</u>	<u>Professional Learning Community Aid</u>
<u>18-495-034-5094-003</u>	<u>Reimbursed TPAF Social Security Contribution</u>

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Sections II and III
For the Fiscal Year Ended June 30, 2018

Section II - Financial Statement Findings

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

Finding 2018-001

Criteria

The District must submit all required documentation to the NJ Schools Development Authority (SDA) to facilitate the collection of State Aid funding for their completed facility projects in the capital projects fund.

Condition

The District has not received NJ SDA funding for two completed facility projects.

Context

The first project is a HVAC and security upgrade project at the Middle School with an SDA Award amount of \$212,049. The second is a security upgrade project at the Elementary School with an SDA Award amount of \$47,613. The Grant Award date for both projects was January 6, 2014 and both projects were completed as of June 30, 2015.

Cause

Unknown

Effect

By not collecting the SDA Award funding, the District had to take an interfund loan from the general fund to complete the project. Also, as more time elapses, there is an increased risk that the District will be unable to obtain the required documentation required by NJ SDA in order to collect the funds.

Recommendation

The District should take measures to collect the NJ Schools Development Authority Award Funds receivable for two completed facility projects in the capital projects fund.

Views of Responsible Officials and Planned Corrective Action (unaudited)

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Sections II and III (continued)
For the Fiscal Year Ended June 30, 2018

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

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

Federal Awards

There were no findings or questioned costs for the year ended June 30, 2018.

State Financial Assistance

Finding 2018-001

Information on the State Program

N.J. School Development Authority:

Middle school hvac/security upgrades
Elementary school security upgrades

Project Number 5270-050-14-1001
Project Number 5270-060-14-2002

Criteria

The District must submit all required documentation to the NJ Schools Development Authority (SDA) to facilitate the collection of State Aid Funding for their completed facility projects in the Capital Projects Fund.

Condition

The District has not received NJ SDA funding for two completed facility projects.

Questioned Costs

None

Context

The first project is a HVAC and security upgrade project at the Middle School with an SDA Award amount of \$212,049. The second is a security upgrade project at the Elementary School with an SDA Award amount of \$47,613. The Grant Award date for both projects was January 6, 2014 and both projects were completed as of June 30, 2015.

Cause

Unknown

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Sections II and III (continued)
For the Fiscal Year Ended June 30, 2018

Section III - State Financial Assistance Findings and Questioned Costs (continued)
Finding 2018-001 (continued)

Effect

By not collecting the SDA Award funding, the District had to take an interfund loan from the general fund to complete the project. Also, as more time elapses, there is an increased risk that the District will be unable to obtain the required documentation required by NJ SDA in order to collect the funds.

Recommendation

The District should take measures to collect the NJ Schools Development Authority award funds receivable for two completed facility projects in the Capital Projects Fund.

Views of Responsible Officials and Planned Corrective Action (unaudited)

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**UNION TOWNSHIP SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2018**

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

Financial Statement Findings

Finding 2017-001

Condition

Reports of the Board Secretary submitted to the Board of Education for approval included over-expenditures.

Current Status

The condition has been corrected.

Finding 2017-002

Condition

The District has not received NJ SDA funding for two completed facility projects.

Current Status

The condition has not been corrected and is included as finding number 2018-001.

Finding 2017-003

Condition

The District did not approve and submit a Comprehensive Maintenance Plan to the State of New Jersey in a timely manner.

Current Status

The condition has been corrected.

Finding 2017-004

Condition

The District contracted for custodial services in excess of the bid threshold without public advertising for bids as required by the Local Public Contracts Law.

Current Status

The condition has been corrected.

**UNION TOWNSHIP SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2018**

State Financial Assistance Findings (continued)

Finding 2017-001

Information on the State Program:

<i>Special Education Categorical Aid</i>	<i>GMIS Number 495-034-5120-089</i>
<i>Adjustment Aid</i>	<i>GMIS Number 495-034-5120-085</i>
<i>Security Aid</i>	<i>GMIS Number 495-034-5120-084</i>
<i>Per Pupil Growth Aid</i>	<i>GMIS Number 495-034-5120-097</i>
<i>PARCC Readiness Aid</i>	<i>GMIS Number 495-034-5120-098</i>
<i>Professional Learning Community Aid</i>	<i>GMIS Number 495-034-5120-101</i>

Condition

Reports of the Board Secretary submitted to the Board of Education for approval included over-expenditures.

Current Status

The condition has been corrected.

Finding 2017-002

Information on the State Program:

<i>Middle school hvac/security upgrades</i>	<i>Project Number 5270-050-14-1001</i>
<i>Elementary school security upgrades</i>	<i>Project Number 5270-060-14-2002</i>

Condition

The District has not received NJ SDA funding for two completed facility projects.

Current Status

The condition has not been corrected and is included as finding number 2018-001.

**UNION TOWNSHIP SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
And Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2018**

State Financial Assistance Findings (continued)

Finding 2017-004

Information on the State Program:

<i>Special Education Categorical Aid</i>	<i>GMIS Number 495-034-5120-089</i>
<i>Adjustment Aid</i>	<i>GMIS Number 495-034-5120-085</i>
<i>Security Aid</i>	<i>GMIS Number 495-034-5120-084</i>
<i>Per Pupil Growth Aid</i>	<i>GMIS Number 495-034-5120-097</i>
<i>PARCC Readiness Aid</i>	<i>GMIS Number 495-034-5120-098</i>
<i>Professional Learning Community Aid</i>	<i>GMIS Number 495-034-5120-101</i>

Condition

The District contracted for custodial services in excess of the bid threshold without public advertising for bids as required by the Local Public Contracts Law.

Current Status

The condition has been corrected.