

SCHOOL DISTRICT  
OF  
LACEY TOWNSHIP  
OF OCEAN COUNTY

Lacey Township School District  
Lanoka Harbor, New Jersey

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2018

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

Of the

Lacey Township School District  
of Ocean County

Lanoka Harbor, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

Lacey Township Board of Education  
Finance Department

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## INTRODUCTORY SECTION



*A Tradition Of Pride · A Tradition Of Excellence*

November 14, 2018

Honorable President and  
Members of the Board of Education  
Lacey Township Board of Education  
County of Ocean, New Jersey

Dear Board Members:

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditors report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and Title 2 U.S. Code of Federal Regulations (DFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and the state Treasury Circular Letter 15-08 0MB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: Lacey Township Board of Education is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB 23. All funds and account groups of the District are included in this report. The Point Lacey Township Board of Education and all its schools constitute the District's reporting.

The District provides a comprehensive full range of educational services appropriate to grade levels K through 12. These include regular, as well as special education for handicapped youngsters. The

District completed the 2017-2018 fiscal year with an average daily enrollment of 4,113 students, which is 21 students below the previous year's enrollment. The following details the changes in the student enrollment of the District over the last five years.

Average Daily Enrollment

2013-2014	4,563	-1.89%
2014-2015	4,415	-3.24%
2015-2016	4,281	-3.04%
2016-2017	4,134	-3.43%
2017-2018	4,113	-0.51%

2) ECONOMIC CONDITION AND OUTLOOK: A substantial portion of Lacey Township is still available for development. Pinelands Legislation passed in 1979 has limited residential construction west of the Garden State Parkway. However, east of the Garden State Parkway, new residential communities have been built in the past few years. In addition, municipal officials are doing all they can to increase the number of rateable properties in town which will serve to lower the tax rate for residents. In all, Lacey continues to be a desirable place to live due to its still relatively low tax rate, its proximity to the water and its accessibility to major roadways such as the Garden State Parkway, Route 9, and Route 70, making it convenient for commuters.

Unfortunately, recent developments will have a negative impact not only on the District, but on the municipality as well. Specifically, the School Funding Reform Act (S-2) unexpectedly reduced the District's state aid \$586,536 for the 2018-2019 school year. If projections hold true, the District stands to lose an additional almost \$4.1 million over the 7 following school years. These reductions will put a strain on the District, which will almost certainly result in a significant reduction in programs and staff. In addition, and after almost 50 years of service, the Oyster Creek Nuclear Power Generating Plant, located in the community, closed this year. The closure will erode the assessed valuation of the municipality by an estimated \$59,015,880 or 1.5%.

3) MAJOR INITIATIVES: The State Department of Education conducted the Quality Single Accountability Continuum (QSAC) of the Lacey Township School District pursuant to the requirements of N.J.A.C. 6A:30. Upon completion of the QSAC process, the district was certified in July 2012, pursuant to N.J.A.C. 6A:30-4.1 ©, to continue operation as a public school district for a period of three years or until the district's next QSAC review.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes

that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

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

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

7) FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. Readers should refer to the Management's Discussion and Analysis for a summary of the financial statements in relation to the prior year.

8) DEBT ADMINISTRATION: At June 30, 2018, the District's outstanding debt issues included \$25,350,000 of general obligation bonds.

In June 1989, the District issued \$8,492,000 in bonds to complete various renovations. In November 1996, the District issued \$16,790,000 in bonds to construct a new 7/8 grade school, the proceeds of which we placed in the District's Capital Projects Fund. In April 2001, the District issued general

Honorable President and  
Members of the Board of Education  
Lacey Township Board of Education  
Page 4  
November 14, 2018

obligation bonds in the amount of \$24,722,000. The proceeds of this bond issue were placed in the District's Capital Projects Fund for use to provide funds for renovations, replacement and additions to the Lacey Township High School, and elementary schools.

In February 2005, the Board of Education had a partial refinancing of the Series 1996 Bonds. The Board issued \$10,095,000 of general obligation refunding bonds Series 2005 to retire \$11,290,000 of the Series 1996 Bonds. The refunding resulted in a net economic gain to the District of \$1,195,000, which will be recognized over the life of the reissue.

In February 2006, the Board of Education had a partial refinancing of the 2001 Series Bonds. The Board issued \$24,625,000 of general obligation refunding bonds Series 2006 to retire \$23,370,000 of the Series 2001 Bonds. The refunding resulted in a net income gain to the district of \$976,896, which will be recognized over the life of the reissue.

In May 2009, the District issued \$19,806,000 in Series 2009 Bonds for solar panels on all the schools, window replacement at Forked River and Lanoka Harbor Elementary Schools, roof replacement at Lanoka Harbor Elementary School and boiler replacement at Forked River Elementary. The proceeds of this bond were placed in the District's Capital Projects Fund.

In January 2016, the Board of Education had a refinancing of the Series 2006 bonds. The Board issued \$16,090,000 of general obligation refunding bonds Series 2016 to retire \$17,770,000 of the Series 2006 bonds. The refunding resulted in a net present value income gain to the district of \$1,875,749, which will be recognized over the life of the reissue. In August 2016, the Board of Education had a partial refinancing of the Series 2006 bonds. The Board issued \$11,595,000 of general obligation refunding bonds Series 2016A to retire \$12,020,000 of the Series 2009 bonds. The refunding resulted in a net present value income gain to the district of \$548,918, which will be recognized over the life of the reissue.

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

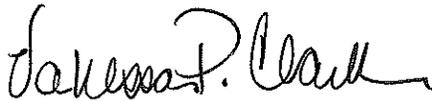
10) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

Honorable President and  
Members of the Board of Education  
Lacey Township Board of Education  
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11) OTHER INFORMATION: Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accounts. The accounting firm of Jump, Perry and Company, L.L.P., was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996, and the related Uniform Guidance and state Treasury Circular Letter 15-08. The auditor's reports on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

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

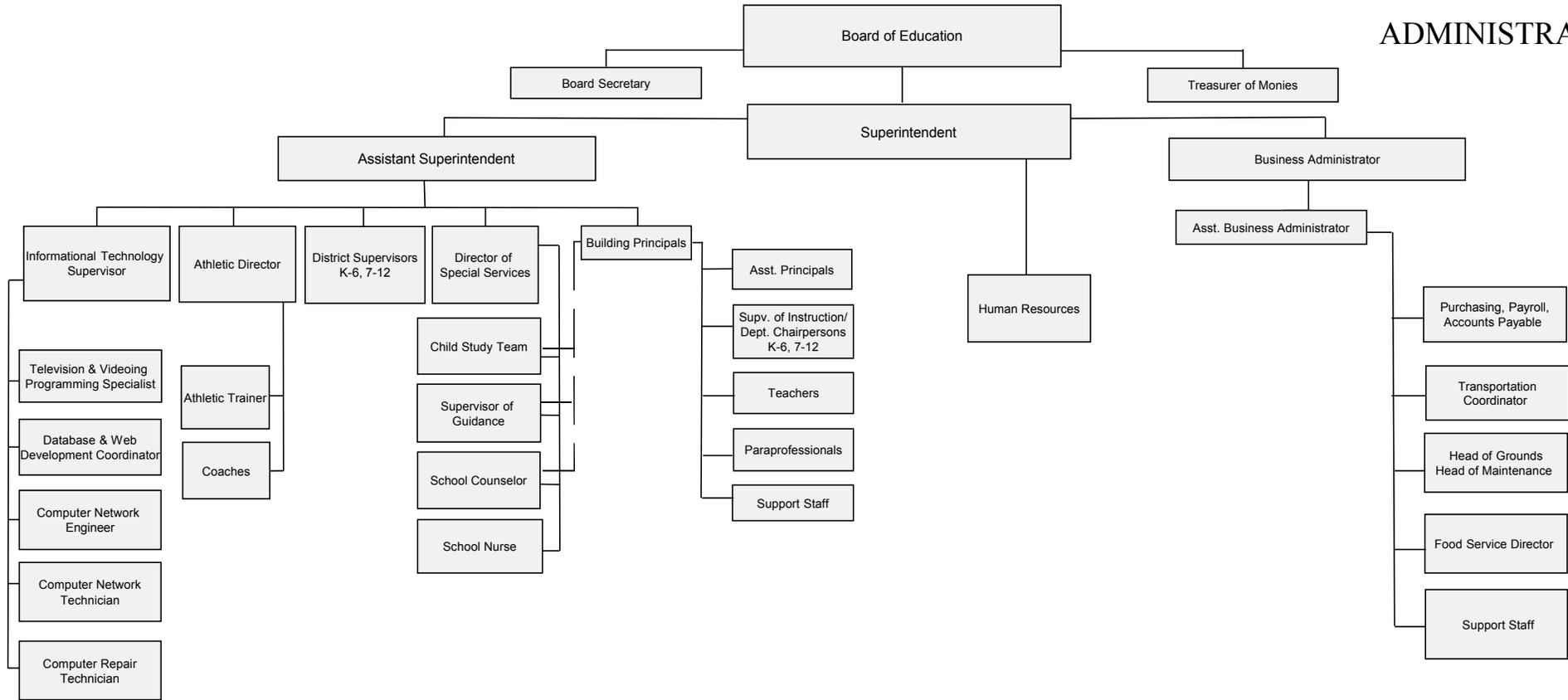
Respectfully submitted,



Vanessa P. Clark, Ph.D.  
Superintendent of Schools



Patrick S. DeGeorge  
Business Administrator/Board Secretary



Revised  
First Read: Jan. 19, 2016  
Second Read: Feb. 16, 2016  
BOE Approved: Feb. 16, 2016

Lacey Township School District  
Lanoka Harbor, New Jersey

Roster of Officials  
June 30, 2018

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Robert Klaus, President	2019
Shawn Giordano, Vice President	2019
David Silletti	2019
Linda A. Downing	2019
Tom DeBlass	2019
Nicholas Mirandi	2019
Robert Riggs	2019

Other Officials

Craig Wigley, Superintendent

Vanessa Clark, Ph.D Assistant Superintendent

Patrick S. DeGeorge, School Business Administrator/Board Secretary

Lacey Township School District  
Consultants and Advisors

Attorney

Stein & Supsie  
1041 W. Lacey Road  
P.O. Box 131  
Forked River, New Jersey 08731

Audit Firm

Jump, Perry and Company, L.L.P.  
12 Lexington Avenue  
Toms River, New Jersey 08753

Official Depositories

Ocean First  
975 Hooper Avenue  
Toms River, New Jersey 08754-2009

## FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

Honorable President and  
Members of the Board of Education  
Lacey Township School District:  
County of Ocean  
Lanoka Harbor, New Jersey

### Report of 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 Lacey Township School District in the County of Ocean, 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 School District's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District'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 School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

### ***Emphasis of Matter***

#### *Change in Accounting Principle*

As discussed in Note 1 to the basic financial statements, in 2018, the Board adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (an Amendment of GASB Statement No. 45). Our opinions are 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 and budgetary comparison information, and the schedules related to accounting and reporting for pensions and post-retirement benefits, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lacey Township School District's basic financial statements. The introductory section, combining fund financial statements and schedules 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 and state awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are also not a required part of the basic financial statements.

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2019 on our consideration of the Lacey Township School District in the County of Ocean, State of New Jersey 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 Lacey Township School District in the County of Ocean, State of New Jersey internal control over financial reporting and compliance.

Respectfully Submitted,

Jump, Perry & Company L.L.P.  
Toms River, New Jersey



Kathryn Perry, Partner  
Licensed Public School Accountant  
No. CS 20CS00226400

January 31, 2019  
Toms River, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

Lacey Township School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited

The discussion and analysis of Lacey Township School District's financial performance provides an overall review of the School Board's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School Board'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 Board's financial performance.

**Financial Highlights**

Key financial highlights for June 30, 2018 are as follows:

Net position totaled \$(7,519,102), which represents a 21.86 percent increase from June 30, 2017.

General revenues accounted for \$73,724,459 in revenue or 92.20 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 \$6,232,892 or 7.80 percent of total revenues of \$79,957,351.

Total assets decreased by \$(73,415) as current assets increased by \$2,085,519 and capital assets, net decreased by \$2,158,934.

The School Board had \$77,853,492 in expenses; only \$6,232,892 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$73,724,459 were adequate to provide for these programs.

Among major funds, the General Fund had \$72,681,154 in revenues and \$70,698,695 in expenditures and transfers. The General Fund's balance increased \$1,982,459 over June 30, 2017. The General Fund's balance is \$5,097,149.

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

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lacey Township 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 School Board, presenting both an aggregate view of the School Board's finances and longer-term view of those finances. Fund financial statements provide the next level of detail. For government 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 Board's most significant funds with all other non-major funds presented in total in one column. In the case of Lacey Township School District, the General Fund is by far the most significant.

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

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

This document contains all funds used by the School Board to provide programs and activities viewing the School Board as a whole and reports the culmination of all financial transactions. The report answers the question "How Did We Do Financially During Fiscal Year June 30, 2018?" The Statement of Net Position and the Statement of Activities provides the summary. The statements include all assets, liabilities, deferred outflows of resources, and deferred inflows of resources 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 Board's net position and changes in those assets. This change in net position is important because reports whether the School Board's financial position has improved or diminished.

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

**Governmental Activities** - All of the School Board's programs and services are reported here including, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

**Business-Type Activities** - This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Funds are reported as a business activity.

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

### **Fund Financial Statement**

The Analysis of the School Board's major funds begins with Exhibit B-1. Fund financial reports provide detailed information about the School Board's major funds. The School Board's major governmental funds are the General Fund, Special Revenue Fund, and Debt Service Fund.

### **Governmental Funds**

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

### **Enterprise Fund**

The Enterprise Fund uses the same basis of accounting as business-type activities.

## The School Board as a Whole

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

Table 1 provides a summary comparison of the School Board's net position for June 30, 2018 and 2017.

Table 1

Net Position as of June 30, 2018 and June 30, 2017

	June 30, 2018			June 30, 2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>						
Current and other assets	\$ 5,559,021	\$ 572,700	\$ 6,131,721	\$ 3,655,910	\$ 390,292	\$ 4,046,202
Capital assets, net	40,610,216	66,211	40,676,427	42,761,270	74,091	42,835,361
Total assets	46,169,237	638,911	46,808,148	46,417,180	464,383	46,881,563
Deferred outflow of resources	7,190,161	-	7,190,161	9,917,820	-	9,917,820
<b>Liabilities:</b>						
Current liabilities	612,176	20,739	632,915	718,846	-	718,846
Long-term liabilities outstanding	51,802,432	-	51,802,432	61,233,751	-	61,233,751
Total liabilities	52,414,608	20,739	52,435,347	61,952,597	-	61,952,597
Deferred inflow of resources	9,083,848	-	9,083,848	4,469,747	-	4,469,747
<b>Net position:</b>						
Net investment in capital assets	11,388,749	66,211	11,454,960	10,587,219	74,091	10,661,310
Restricted	4,588,472	-	4,588,472	3,225,375	-	3,225,375
Unrestricted	(23,909,827)	347,293	(23,562,534)	(23,899,938)	390,292	(23,509,646)
Total Net Position	\$ (7,932,606)	\$ 413,504	\$ (7,519,102)	\$ (10,087,344)	\$ 464,383	\$ (9,622,961)

The School Board's combined net position was \$(7,519,102) on June 30, 2018. This is a change of 21.86% from the previous year.

Table 2 provides a comparison analysis of School Board's changes in net position from fiscal years June 30, 2018 and 2017.

Table 2

Changes in Net Position

	June 30, 2018			June 30, 2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ -	\$ 993,878	\$ 993,878	\$ -	\$ 1,022,023	\$ 1,022,023
Operating and capital grants and contributions	4,650,233	588,781	5,239,014	4,581,484	619,407	5,200,891
General revenues:						
Property taxes	48,815,343	-	48,815,343	48,130,596	-	48,130,596
Federal and state aid	24,289,284	-	24,289,284	24,054,405	-	24,054,405
Investment earnings	-	-	-	-	-	-
Miscellaneous	619,832	-	619,832	765,031	-	765,031
<b>Total revenues</b>	<b>78,374,692</b>	<b>1,582,659</b>	<b>79,957,351</b>	<b>77,531,516</b>	<b>1,641,430</b>	<b>79,172,946</b>
<b>Expenses</b>						
Instructional services	31,582,017	-	31,582,017	30,597,688	-	30,597,688
Support services	43,996,789	1,633,538	45,630,327	42,912,051	1,514,520	44,426,571
Interest on long-term liabilities	641,148	-	641,148	2,030,173	-	2,030,173
<b>Total expenses</b>	<b>76,219,954</b>	<b>1,633,538</b>	<b>77,853,492</b>	<b>75,539,912</b>	<b>1,514,520</b>	<b>77,054,432</b>
Change in net position	2,154,738	(50,879)	2,103,859	1,991,604	126,910	2,118,514
Net position - beginning	(10,087,344)	464,383	(9,622,961)	(12,078,948)	337,473	(11,741,475)
Net position (deficit) - ending	\$ (7,932,606)	\$ 413,504	\$ (7,519,102)	\$ (10,087,344)	\$ 464,383	\$ (9,622,961)

The tax levy increase was due in general to cover increased costs in salaries and benefits, utilities and the debt service.

Regular instructional costs increased due to contractual increases in salary and benefits as well as program maintenance and enhancements.

Other support services increased primarily due to the additional other purchased professional services from the Special Revenue Fund.

## Expenses for Fiscal Year June 30, 2018

### Business-Type Activities

Revenues for the District's business-type activities (food service program and child care) were comprised of charges for services and royalties.

Total Enterprise Fund expenses exceeded revenues by \$50,879.

Charges for services represent \$993,878 of revenue. This represents the amount paid by patrons for daily food service and child care.

Federal and state reimbursements for meals, including interest, payments for free and reduced lunches and donated commodities was \$588,781.

### Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total costs of services and the net cost of services. The net cost shows the financial burden that was placed on the School District's taxpayers by each of these functions.

Table 3

#### Governmental Activities

	2018		2017	
	Total Cost of <u>Services</u>	Net Cost of <u>Services</u>	Total Cost of <u>Services</u>	Net Cost of <u>Services</u>
Instruction	\$ 31,582,017	\$ 31,582,017	\$ 30,597,688	\$ 30,597,688
Support Services:				
Pupils and Instructional Staff	13,542,812	8,892,579	13,282,180	8,700,696
General Administration, School Administration, Business Operation and Maintenance of Facilities	27,128,030	27,128,030	26,420,647	26,420,647
Pupil Transportation	3,325,947	3,325,947	3,209,224	3,209,224
Interest and Fiscal Charges	641,148	641,148	2,030,173	2,030,173
Total Expenses	\$ 76,219,954	\$ 71,569,721	\$ 75,539,912	\$ 70,958,428

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

Extracurricular activities includes expenses related to student activities provided by the District which are designed to provide opportunities for students to participate in school and public events for the purpose of motivation, enjoyment, skill improvement, school spirit and leadership. Approximately 90% of the student population participates in extracurricular activities.

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

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

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

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

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

## The School Board's Funds

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

As the School Board completed the fiscal year ended June 30, 2018, it reported a combined fund balance of \$5,153,297, which is an increase of \$1,792,420. The Reconciliation of the Statement of Revenue Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities, Exhibit B-3, presents the reader with a detailed explanation of the increase in fund balance for the fiscal year.

The following schedule presents a summary of General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2018.

<u>Revenue</u>	<u>2018 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2017</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 49,435,175	63.08 %	\$ 539,548	1.10 %
State Sources	27,020,733	34.48	167,038	0.62
Federal Sources	<u>1,918,784</u>	<u>2.45</u>	<u>136,590</u>	<u>7.66</u>
Total	<u>\$ 78,374,692</u>	<u>100.01 %</u>	<u>\$ 843,176</u>	<u>1.09 %</u>

The following schedule presents a summary of General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2018.

<u>Expenditures</u>	<u>2018 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2017</u>	<u>Percent of Increase/ (Decrease)</u>
Current Expense:				
Instruction	\$ 29,326,066	38.29 %	\$ 1,097,811	3.89 %
Undistributed Expenditures	43,051,474	56.22	217,101	0.51
Capital Outlay	298,994	0.39	121,450	68.41
Debt Service:				
Principal	2,745,000	3.58	75,000	2.81
Interest	<u>1,160,738</u>	<u>1.52</u>	<u>12,727</u>	<u>1.11</u>
Total	<u>\$ 76,582,272</u>	<u>100.00 %</u>	<u>\$ 1,524,089</u>	<u>2.03 %</u>

## **General Fund Budgeting Highlights**

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

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

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

The General Fund finished the fiscal year approximately \$2,549,575 better than had been budgeted in terms of expenditures. Revenue-wise, the General Fund fared about \$800,249 better than expected. Both these amounts have been adjusted for the non-budgeted amounts reflected in the comparison schedule for reimbursed TPAF social security contributions and on-behalf TPAF post-retirement medical contributions.

The General Fund has restricted a portion of its Fund Balance. The restricted Fund Balance items are Capital Reserve \$2,750,000, Maintenance Reserve \$200,000 and Emergency Reserve \$-. These restricted reserves are regulated as to their use by the State of New Jersey. Therefore, the Board places funds in the reserves in combination with the future financial needs of the District

The expenditures were less due to cost containment by the Board even after the salary and benefit increases. General supplies were purchased at better prices than expected due to the school board joining other schools in cooperative bidding. The district also joined a co-op for energy consumption, which was done after the budget was struck. Through efforts made in finding jointures with other local districts, and increase students on district owned vehicles the district transportation costs were lowered for special needs students.

The revenue situation arose primarily because of tuition received from out of district students.

The excesses will be carried forward into the beginning fund balance from the 2017-2018 fiscal year and will be used to reduce the local tax levy for the 2019-2020 fiscal year.

## Capital Assets and Debt Administration

*Capital Assets.* At the end of the fiscal year June 30, 2018, the School Board had \$40,676,427 invested in land, buildings, and machinery and equipment.

Table 4

Capital Assets (Net of Depreciation) at June 30, 2018 and June 30, 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 163,472	\$ 163,472	\$ -	\$ -	\$ 163,472	\$ 163,472
Construction in Progress	92,650	-	-	-	92,650	-
Building and Improvements	32,705,496	34,260,261	-	-	32,705,496	34,260,261
Machinery and Equipment	7,648,598	8,337,537	66,211	74,091	7,714,809	8,411,628
<b>Total</b>	<b>\$ 40,610,216</b>	<b>\$ 42,761,270</b>	<b>\$ 66,211</b>	<b>\$ 74,091</b>	<b>\$ 40,676,427</b>	<b>\$ 42,835,361</b>

During the current fiscal year, \$411,973 of fixed assets were capitalized as additions. Increases in capital assets were offset by depreciation expense for the year.

*Debt Administration.* The District's long-term liabilities are as follows for the governmental and business-type activities:

	June 30, 2018	June 30, 2017
Bonds Payable (net)	\$ 25,350,000	\$ 28,095,000
Capital Leases payable	568,983	256,977
Pension Liability-PERS	23,457,861	30,245,865
Compensated Absences payable	<u>2,425,588</u>	<u>2,635,909</u>
<b>Total long-term liabilities</b>	<b>\$ <u>51,802,432</u></b>	<b>\$ <u>61,233,751</u></b>

For more detailed information, please refer to the Capital Assets and Long-term debt notes in the basic financial statements.

## Economic Factors and Next Year's Budget

For the 2017-2018 school year, the School Board was able to sustain its budget through the local tax levy, state education aid and local revenue sources. Approximately 36.92% of the School Board's revenue is from federal, state and local aid (restricted and not restricted), while 63.08% of total revenue is from local sources.

The \$(23,909,827) in unrestricted net position for all governmental activities represents the accumulated results of all past years' operations. It means that if the School Board had to pay off all bills today, including all of the School Board's non-capital liabilities (compensated absences, etc.), the School Board would have that much in value.

The 2017-2018 budget was adopted in March 2017 based in part on the state education aid the School Board anticipated receiving. Due to the economic condition in the State of New Jersey funding from the State for the current year remained below the previous year. Any future increases based on the enrollment formula, originally formulated to allocate state education aid amongst school boards, will be minimal. Future decreases in local revenue and state education aid will place additional burden on the Township of Lacey for increased aid.

The School Board anticipates a slight increase in enrollment for the 2018-2019 fiscal year. If the School Board were to experience a significant increase in enrollment with no appreciable increase in state aid for future budgets, the School Board will be faced with the following alternatives: (a) reduce programs and services, (b) increase local tax levy or (c) seek alternative sources of funding.

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School Board's finances and to show the School Board's accountability for the money it receives. If you have questions about this report or need additional information, you may contact the School Business Administrator/Board Secretary at Lacey Township School District, 200 Western Boulevard, Lacey, NJ, 08734.

## BASIC FINANCIAL STATEMENTS

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,164,494	\$ 521,195	\$ 4,685,689
Investments	-	-	-
Receivables - other	380,231	12,292	392,523
Receivables - state	725,615	837	726,452
Receivables - federal	288,681	29,969	318,650
Inventory	-	8,407	8,407
Capital assets, net	40,610,216	66,211	40,676,427
Total assets	<u>46,169,237</u>	<u>638,911</u>	<u>46,808,148</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - PERS	6,925,325		6,925,325
Deferred charge on refunding	264,836	-	264,836
Total deferred outflows of resources	<u>7,190,161</u>	<u>-</u>	<u>7,190,161</u>
<b>LIABILITIES</b>			
Accounts payable	325,596	10,627	336,223
Accrued interest	-	-	-
Other liabilities	6,069	-	6,069
Interfund payable	(206,458)	204,668	(1,790)
Payable to state government	6	-	6
Unearned revenue	280,511	10,112	290,623
Due within one year	3,122,891	-	3,122,891
Due beyond one year	48,679,541	-	48,679,541
Total liabilities	<u>52,208,156</u>	<u>225,407</u>	<u>52,433,563</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - PERS	5,516,528	-	5,516,528
Deferred premium on refunding	3,567,320	-	3,567,320
Total deferred inflows of resources	<u>9,083,848</u>	<u>-</u>	<u>9,083,848</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,388,749	66,211	11,454,960
Restricted for:			
Debt service	56,148	-	56,148
Capital projects	2,750,000	-	2,750,000
Other purposes	1,782,324	-	1,782,324
Unrestricted	(23,909,827)	347,293	(23,562,534)
Total net position	<u>\$ (7,932,606)</u>	<u>\$ 413,504</u>	<u>\$ (7,519,102)</u>

See accompanying notes to financial statements.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
Current:							
Regular instruction	\$ 22,743,587	\$ -	\$ -	\$ -	\$ (22,743,587)	\$ -	\$ (22,743,587)
Special education instruction	7,214,208	-	-	-	(7,214,208)	-	(7,214,208)
Other special instruction	1,624,222	-	-	-	(1,624,222)	-	(1,624,222)
Support services and undistributed costs:							
Instruction	2,712,874	-	-	-	(2,712,874)	-	(2,712,874)
Attendance and social work	205,333	-	-	-	(205,333)	-	(205,333)
Health services	612,928	-	-	-	(612,928)	-	(612,928)
Other support services	3,380,011	-	-	-	(3,380,011)	-	(3,380,011)
Improvement of instruction	1,549,001	-	-	-	(1,549,001)	-	(1,549,001)
Educational media services	372,546	-	-	-	(372,546)	-	(372,546)
Instruction staff training	59,886	-	-	-	(59,886)	-	(59,886)
General administrative services	1,133,247	-	-	-	(1,133,247)	-	(1,133,247)
School administrative services	1,282,793	-	-	-	(1,282,793)	-	(1,282,793)
School central services	512,716	-	-	-	(512,716)	-	(512,716)
School admin info technology	602,340	-	-	-	(602,340)	-	(602,340)
Allowed maintenance for school facil	589,429	-	-	-	(589,429)	-	(589,429)
Other operation & maintenance of pl	3,898,118	-	-	-	(3,898,118)	-	(3,898,118)
Care & upkeep of grounds	260,355	-	-	-	(260,355)	-	(260,355)
Security	444,843	-	-	-	(444,843)	-	(444,843)
Student transportation services	3,325,947	-	-	-	(3,325,947)	-	(3,325,947)
Unallocated employee benefits	18,404,189	-	-	-	(18,404,189)	-	(18,404,189)
Non-budgeted expenditures	4,650,233	-	4,650,233	-	-	-	-
Interest expense	641,148	-	-	-	(641,148)	-	(641,148)
Total governmental activities	<u>76,219,954</u>	<u>-</u>	<u>4,650,233</u>	<u>-</u>	<u>(71,569,721)</u>	<u>-</u>	<u>(71,569,721)</u>
Business-type activities:							
Food Service	1,415,767	745,450	588,781	-	-	(81,536)	(81,536)
Child Care	217,771	248,428	-	-	-	30,657	30,657
Total business-type activities	<u>1,633,538</u>	<u>993,878</u>	<u>588,781</u>	<u>-</u>	<u>-</u>	<u>(50,879)</u>	<u>(50,879)</u>
Total primary government	<u>\$ 77,853,492</u>	<u>993,878</u>	<u>\$ 5,239,014</u>	<u>\$ -</u>	<u>\$ (71,569,721)</u>	<u>\$ (50,879)</u>	<u>\$ (71,620,600)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes levied for general purpose					45,642,489	-	45,642,489
Taxes levied for debt service					3,172,854	-	3,172,854
Federal and state aid					24,289,284	-	24,289,284
Miscellaneous income					619,832	-	619,832
Total general revenues					<u>73,724,459</u>	<u>-</u>	<u>73,724,459</u>
<b>Change in net position</b>					2,154,738	(50,879)	2,103,859
<b>Net position –beginning</b>					(10,087,344)	464,383	(9,622,961)
<b>Net position –ending</b>					<u>\$ (7,932,606)</u>	<u>413,504</u>	<u>\$ (7,519,102)</u>

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,102,947	\$ -	\$ -	\$ 61,547	\$ 4,164,494
Receivables from other funds	215,572	-	-	-	215,572
Receivables from state	725,615	-	-	-	725,615
Receivables from federal	-	288,681	-	-	288,681
Receivables from other governments	24,179	-	-	-	24,179
Other receivables	356,052	-	-	-	356,052
Total assets	<u>\$ 5,424,365</u>	<u>\$ 288,681</u>	<u>\$ -</u>	<u>\$ 61,547</u>	<u>\$ 5,774,593</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 325,596	\$ -	\$ -	\$ -	\$ 325,596
Interfund payable	950	8,164	-	-	9,114
Other current liabilities	670	-	-	5,399	6,069
Payable to state government	-	6	-	-	6
Deferred revenue	-	280,511	-	-	280,511
Total liabilities	<u>\$ 327,216</u>	<u>\$ 288,681</u>	<u>\$ -</u>	<u>\$ 5,399</u>	<u>\$ 621,296</u>
Fund Balances:					
Restricted for:					
Unexpended additional spending proposal					
Capital reserve account	\$ 2,750,000	\$ -	\$ -	\$ -	\$ 2,750,000
Maintenance reserve account	200,000	-	-	-	200,000
Emergency reserve account	-	-	-	-	-
Excess surplus - current year	256,533	-	-	-	256,533
Excess surplus - designated for					
Subsequent year's expenditures	1,325,791	-	-	-	1,325,791
Debt service fund	-	-	-	56,148	56,148
Capital projects fund	-	-	-	-	-
Assigned to:					
Designated by the BOE for subsequent year's expenditure	-	-	-	-	-
Other purposes	693,620	-	-	-	693,620
Unassigned to:					
General fund	(128,795)	-	-	-	(128,795)
Total fund balances	<u>\$ 5,097,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,148</u>	<u>\$ 5,153,297</u>
Total liabilities and fund balances	<u>\$ 5,424,365</u>	<u>\$ 288,681</u>	<u>\$ -</u>	<u>\$ 61,547</u>	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$106,128,892 and the accumulated depreciation is \$65,791,099.	40,610,216
Deferred outflows related to the PERS pension plan	6,925,325
Deferred inflows related to the PERS pension plan	(5,516,528)
Accrued interest not recorded in current financial statements.	-
Bond premium is being amortized in accordance with the premium originally paid on each coupon. The amortization is not recorded in the funds. The original premium was \$3,717,559.	(3,567,320)
Bond issuance costs are being amortized over the life of the related bonds. The amortization is not recorded in the funds. The original costs were \$348,570.	264,836
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(51,802,432)</u>
Net position of governmental activities	<u>\$ (7,932,606)</u>

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local sources:					
Local tax levy	\$ 45,642,489	\$ -	\$ -	\$ 3,172,854	\$ 48,815,343
Tuition charges	112,175	-	-	-	112,175
Interest on investments	12,189	-	-	-	12,189
Interest earned on capital reserve funds	-	-	-	-	-
Interest earned on bond ref	-	-	-	-	-
Transportation fees	-	-	-	-	-
Miscellaneous	371,820	123,648	-	-	495,468
Total - Local sources	46,138,673	123,648	-	3,172,854	49,435,175
State sources	26,477,227	661	-	542,845	27,020,733
Federal sources	65,254	1,853,530	-	-	1,918,784
Total revenues	72,681,154	1,977,839	-	3,715,699	78,374,692
<b>EXPENDITURES</b>					
Current:					
Regular instruction	\$ 19,230,485	\$ 1,346,369	\$ -	\$ -	\$ 20,576,854
Special education instruction	7,137,735	-	-	-	7,137,735
Other special instruction	1,611,477	-	-	-	1,611,477
Undistributed - current:					
Instruction	2,062,075	434,127	-	-	2,496,202
Attendance and social work	205,333	-	-	-	205,333
Health services	612,928	-	-	-	612,928
Other support services	3,242,665	137,346	-	-	3,380,011
Improvement of instruction	1,489,004	59,997	-	-	1,549,001
Educational media services	372,546	-	-	-	372,546
Instruction staff training	59,886	-	-	-	59,886
General administrative services	1,133,247	-	-	-	1,133,247
School administrative services	1,416,641	-	-	-	1,416,641
School central services	512,716	-	-	-	512,716
School admin info technology	602,340	-	-	-	602,340
Required maintenance for school facilities	589,429	-	-	-	589,429
Other operation & maintenance of plant	3,685,160	-	-	-	3,685,160
Care & upkeep of grounds	260,355	-	-	-	260,355
Security	444,843	-	-	-	444,843
Student transportation services	3,325,947	-	-	-	3,325,947
Unallocated employee benefits	17,754,656	-	-	-	17,754,656
Non-budgeted expenditures	4,650,233	-	-	-	4,650,233
Debt service:					
Principal	-	-	-	2,745,000	2,745,000
Interest and other charges	-	-	-	1,160,738	1,160,738
Capital outlay	298,994	-	-	-	298,994
Transfer of funds to charter schools	-	-	-	-	-
Total expenditures	70,698,695	1,977,839	-	3,905,738	76,582,272
Excess (Deficiency) of revenues over expenditures	1,982,459	-	-	(190,039)	1,792,420
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Bonds	-	-	-	-	-
Refunding of bonds	-	-	-	-	-
Premium and costs for bond issuance	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-
Net change in fund balances	1,982,459	-	-	(190,039)	1,792,420
Fund balance—July 1	3,114,690	-	-	246,187	3,360,877
Fund balance—June 30	\$ 5,097,149	\$ -	\$ -	\$ 56,148	\$ 5,153,297

See accompanying notes to financial statements.

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

<b>Total net change in fund balances - governmental funds (from B-2)</b>	<b>\$</b>	<b>1,792,420</b>
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation expense	(2,549,096)	
Capital outlays	<u>398,042</u>	(2,151,054)
In the Statement of Activities, the PERS pension expense is the amount paid plus net change in the Deferred Outflows, Deferred Inflows and pension liability as reported by the State of New Jersey		(649,533)
In the statement of activities, only the loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net position will differ from the change in fund balance by the cost of the asset removed.		
Accumulated depreciation on capital assets sold or retired during the fiscal year ended June 30, 2014	125,619	
Cost basis of capital assets sold or retired during the fiscal year ended June 30, 2014	<u>(125,619)</u>	-
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		2,745,000
In the Statement of Activities, the amortization of bond premiums is recorded as interest expense. In the governmental funds, the amortization is not recorded and this change had no effect.		127,054
In the Statement of Activities, the bond premium is reclassified as a liability. In the governmental funds, the premium is recorded as a source of funds.		-
In the Statement of Activities, the bond issuance costs are reclassified as an asset. In the governmental funds, the premium is recorded as a use of funds.		-
The receipt of bond principal is an other financing sources in the governmental funds, but it increases long-term liabilities in the statement of net position and should not be reported in the statement of activities.		-
The payment of bond principal is an other financing use in the governmental funds, but it decreases long-term liabilities in the statement of net position and should not be reported in the statement of activities.		-
In the Statement of Activities, the principal payments on capital leases are recorded as a reduction in the long-term liability. In the governmental funds, the payments is an expenditure.		239,507
New leases are not reflected in this funds financial statements as a liability, the purchase is recorded in the statement of activities.		(551,513)
In the Statement of Activities, the amortization of bond issuance costs are recorded as interest expense. In the governmental funds, the amortization is not recorded.		(31,277)
In the Statement of Activities, the remaining amortization of bond issuance costs was written off and recorded as an increase in interest expense in accordance with the change in accounting principles. In the governmental funds, the amortization is not recorded and this change had no effect.		-
In the Statement of Activities, the fair market value of donated capital assets should be recognized as revenue in the period when all eligibility requirements are met (typically in the period when ownership is transferred). In the Governmental Funds, however, the fair market value of these donated assets are not reported as an increase in financial resources.		-
In the statement of activities, certain operating expenses, e.g., compensated absences (sick leave) and special termination benefits (early retirement incentive) 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, essentially, the amounts actually paid.		<u>634,134</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>2,154,738</u></b>

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Food Service</b>	<b>Child Care</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 301,917	\$ 219,278	\$ 521,195
Investments	-	-	-
Receivables from state	837	-	837
Receivables from federal	29,969	-	29,969
Receivables from other government	-	-	-
Interfund receivable	-	950	950
Other receivables	11,342	-	11,342
Inventories	8,407	-	8,407
Total current assets	<u>352,472</u>	<u>220,228</u>	<u>572,700</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	-	-
Furniture, machinery & equipment	448,543	24,558	473,101
Less accumulated depreciation	(382,332)	(24,558)	(406,890)
Total noncurrent assets	<u>66,211</u>	<u>-</u>	<u>66,211</u>
Total assets	<u>\$ 418,683</u>	<u>\$ 220,228</u>	<u>\$ 638,911</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 10,177	\$ 450	\$ 10,627
Deferred revenue	10,112	-	10,112
Interfund payable	204,668	-	204,668
Accrued salaries and benefits	-	-	-
Total current liabilities	<u>224,957</u>	<u>450</u>	<u>225,407</u>
<b>NET POSITION</b>			
Net investment in capital assets	66,211	-	66,211
Restricted for:			
Other	-	-	-
Unrestricted	127,515	219,778	347,293
Total net position	<u>193,726</u>	<u>219,778</u>	<u>413,504</u>
Total liabilities and net position	<u>\$ 418,683</u>	<u>\$ 220,228</u>	<u>\$ 638,911</u>

See accompanying notes to financial statements.

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

	<b>Business-type Activities - Enterprise Fund</b>		
	<b>Food Service</b>	<b>Child Care</b>	<b>Total Enterprise</b>
Operating revenues:			
Local sources:			
Daily sales reimbursable programs			
School breakfast	\$ -	\$ -	\$ -
School lunch	715,440	-	715,440
Total daily sales reimbursable programs	<u>715,440</u>	<u>-</u>	<u>715,440</u>
Daily sales non-reimbursable programs	30,010	-	30,010
Child care revenue	-	248,428	248,428
Fitness revenue	-	-	-
Total operating revenues	<u>745,450</u>	<u>248,428</u>	<u>993,878</u>
Operating expenses:			
Salaries and benefits	760,914	196,707	957,621
Supplies and materials	20,185	14,923	35,108
Utilities	-	-	-
Other objects	-	6,141	6,141
Depreciation	7,880	-	7,880
Cost of sales - reimbursable programs	614,379	-	614,379
Cost of sales - non-reimbursable programs	12,409	-	12,409
Total operating expenses	<u>1,415,767</u>	<u>217,771</u>	<u>1,633,538</u>
Operating income (loss)	<u>(670,317)</u>	<u>30,657</u>	<u>(639,660)</u>
Nonoperating revenues (expenses):			
Interest income	-	-	-
State sources:			
Vending machine grant	-	-	-
State school lunch program	14,053	-	14,053
State school breakfast program	-	-	-
Federal sources:			
School breakfast program	44,586	-	44,586
National school lunch program	412,380	-	412,380
Special milk	195	-	195
Food distribution program	102,361	-	102,361
National school performance based program	15,206	-	15,206
Total nonoperating revenues (expenses)	<u>588,781</u>	<u>-</u>	<u>588,781</u>
Income (loss) before contributions & transfers	<u>(81,536)</u>	<u>30,657</u>	<u>(50,879)</u>
Transfers in (out)	-	-	-
Change in net position	<u>(81,536)</u>	<u>30,657</u>	<u>(50,879)</u>
Total net position –beginning	275,262	189,121	464,383
Total net position –ending	<u>\$ 193,726</u>	<u>\$ 219,778</u>	<u>\$ 413,504</u>

See accompanying notes to financial statements.

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**Food Services Enterprise Fund**  
**Combining Statement of Cash Flows**  
**for the Fiscal Year ended June 30, 2018**

	Business-type Activities - Enterprise Funds		
	Food Service	Child Care	Total Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and other funds	\$ 847,859	\$ 248,428	\$ 1,096,287
Payments to employees & benefits	(556,246)	(197,657)	(753,903)
Payments to suppliers	(625,978)	(20,614)	(646,592)
Net cash provided by (used for) operating activities	<u>(334,365)</u>	<u>30,157</u>	<u>(304,208)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State sources	13,757	-	13,757
Federal sources	464,157	-	464,157
Board interfund loans	-	-	-
Net cash provided by (used for) non-capital financing activities	<u>477,914</u>	<u>-</u>	<u>477,914</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Change in capital contributions	-	-	-
Purchases of capital assets	-	-	-
Gain/Loss on sale of fixed assets (proceeds)	-	-	-
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	-	-	-
Proceeds from sale/maturities of investments	-	-	-
Net cash provided by (used for) investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	143,549	30,157	173,706
Balances—beginning of year	158,368	189,121	347,489
Balances—end of year	<u>\$ 301,917</u>	<u>\$ 219,278</u>	<u>\$ 521,195</u>

Reconciliation of operating income (loss) to net cash provided by  
(used) in operating activities:

Operating loss	\$ (670,317)	\$ 30,657	\$ (639,660)
Adjustments to reconcile operating income (loss) to net cash provided by (used) in operating activities:			
Depreciation and net amortization	7,880	-	7,880
Federal commodities	102,361	-	102,361
(Increase) decrease in interfund receivable	-	(950)	(950)
(Increase) decrease in accounts receivable, net	(10,064)	-	(10,064)
(Increase) decrease in inventories	10,818	-	10,818
Increase (decrease) in accounts payable	10,177	450	10,627
Increase (decrease) in interfund payable	204,668	-	204,668
Increase (decrease) in deferred revenue	10,112	-	10,112
Total adjustments	<u>335,952</u>	<u>(500)</u>	<u>335,452</u>
Net cash provided by (used for) operating activities	<u>\$ (334,365)</u>	<u>\$ 30,157</u>	<u>\$ (304,208)</u>

See accompanying notes to financial statements.

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

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>	<u>Agency Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 81,460	\$ 10,021	\$ 750,722	\$ 842,203
Intergovernmental accounts receivable	-	-	-	-
Interfund receivable	-	-	-	-
Total assets	<u>81,460</u>	<u>10,021</u>	<u>750,722</u>	<u>842,203</u>
<b>LIABILITIES</b>				
Accounts payable	-	-	-	-
Payroll deductions and withholdings	-	-	553,270	553,270
Payable to student groups	-	-	194,712	194,712
Accrued wages	-	-	2,740	-
Total liabilities	<u>-</u>	<u>-</u>	<u>750,722</u>	<u>747,982</u>
<b>NET POSITION</b>				
Held in trust for unemployment claims and other purposes	81,460	-	-	81,460
Reserved for scholarships	-	10,021	-	10,021
Total net position	<u>81,460</u>	<u>10,021</u>	<u>-</u>	<u>91,481</u>
Total liabilities and net position	<u>\$ 81,460</u>	<u>\$ 10,021</u>	<u>\$ 750,722</u>	<u>\$ 839,463</u>

See accompanying notes to financial statements.

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

	<u>Scholarship Funds</u>	<u>Unemployment Compensation Fund</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions:			
Plan member	\$ -	\$ 49,586	\$ 49,586
Other	-	-	-
Total contributions	<u>-</u>	<u>49,586</u>	<u>49,586</u>
Investment earnings:			
Net increase (decrease) in fair value of investments	-	-	-
Interest	142	182	324
Dividends	-	-	-
Less investment expense	-	-	-
Net investment earnings	<u>142</u>	<u>182</u>	<u>324</u>
Total additions	<u>142</u>	<u>49,768</u>	<u>49,910</u>
<b>DEDUCTIONS</b>			
Quarterly contribution reports	-	-	-
Unemployment claims	-	72,679	72,679
Scholarships awarded	180	-	180
Refunds of contributions	-	-	-
Administrative expenses	-	-	-
Total deductions	<u>180</u>	<u>72,679</u>	<u>72,859</u>
Change in net position	(38)	(22,911)	(22,949)
Net position –beginning of the year	<u>10,059</u>	<u>104,371</u>	<u>114,430</u>
Net position –end of the year	<u>\$ 10,021</u>	<u>\$ 81,460</u>	<u>\$ 91,481</u>

See accompanying notes to financial statements.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

**1. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The Lacey Township School District is a Type II district located in the county of Ocean, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of seven members elected to three-year staggered terms. The purpose of the District is to educate students in grades K-12. The Lacey Township School District had an approximate enrollment of 4,281 students at June 30, 2018.

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

**B. Component Units**

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 the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The district-wide financial statements include all funds and account groups of the District over which the Board exercises operating control. The operations of the District include elementary schools, junior and senior high schools located in Lacey Township. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

**C. District-Wide and Fund Financial Statements**

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

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

**1. Summary of Significant Accounting Policies (Cont'd)**

**C. District-Wide and Fund Financial Statements (Cont'd)**

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

Net position is restricted when constraints placed on it are either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the district-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The School District has Bond Costs which have been classified as a Deferred Outflow and the Bond Premium has been classified as a Deferred Inflow. The School District has employees that are enrolled in a defined benefit plan operated by the State of New Jersey which creates deferred outflows and inflows as described in Note 9.

First implemented for the June 30, 2016 year-end, GASB Statement No. 72 Fair Value Measurement and Application, provides guidance for determining a fair value measurement for financial reporting purposes. The statement also provides guidance for applying fair value measurements. GASB Statement No. 72 paragraph 86 defines investment as, "a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash." SRECs are accounted for separately from the electricity savings that the solar system generates, providing an asset that the public school can exchange into spendable cash, another source of local revenue. Accordingly, beginning with the June 30, 2016 year-end, SRECs are subject to the financial reporting and footnote disclosure requirements of GASB Statement No. 72.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

1. **Summary of Significant Accounting Policies (Cont'd)**

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

**District-Wide Statements** - The district-wide financial statements (A-1 and A-2) include the statement of net position and the statement of activities. These Statements include the financial activities of the overall District, except for fiduciary activities. All interfund activity, excluding the fiduciary funds, has been eliminated in the statement of activities. Individual funds are not displayed but the statements distinguish governmental activities, generally financed in whole or in part with fees charged to external customers.

**Governmental Fund Financial Statements** - The 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 year-end. Principal revenue sources considered susceptible to accrual include federal and state grants, tuition and transportation. Other revenues are considered to be measurable and available only when cash is received by the state. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**E. Fund Accounting**

The accounts of the Lacey Township School District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The various funds and accounts are grouped, in the financial statements in this report, into eight fund types within three broad fund categories and two account groups as follows:

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

1. **Summary of Significant Accounting Policies (Cont'd)**

**Governmental Funds**

**General Fund** - The General Fund is the general operating fund of the Lacey Township School 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 Department of Education Lacey Township School District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles (GAAP) 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, interest earnings 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.

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

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

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

**Proprietary Fund**

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:

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Cont'd)

E. Fund Accounting (Cont'd)

**Enterprise** - The Enterprise Fund is used to account for the operations that are financed and operated in a manner similar to a private business enterprise. The costs of providing goods or services are financed 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 following:

- ◆ Food Service Fund - This fund accounts for the revenues and expenses pertaining to the District's cafeteria operations.
- ◆ Community Education - This fund accounts for the revenues and expenses pertaining to the District's community education program.

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

Revenues are divided into operating and non-operating revenues. Operating revenues consist of daily sales. Non-operating revenues consist of federal and state reimbursable revenues and interest income.

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 & Vehicles	5 Years
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**Fiduciary Funds**

Fiduciary funds are used to account for assets held by a governmental entity for other parties (either as trustee or as an agent) and that cannot be used to finance the governmental entity's own operating programs which includes private purpose trust funds and agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the District:

Agency Funds are assets held by a governmental entity (either as trustee or as an agent) for other parties that cannot be used to finance the governmental entity's own operating programs. The District currently maintains Payroll funds as Agency Funds.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

**1. Summary of Significant Accounting Policies (Cont'd)**

**E. Fund Accounting (Cont'd)**

**Fiduciary Funds (cont'd)**

In accordance with GASB Statement 34, fiduciary funds are not included in the district-wide financial statements.

**F. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and private purpose trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total position) is segregated into contributed capital and net position components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

**F. Basis of Accounting (Cont'd)**

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, private purpose trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and private purpose trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

**1. Summary of Significant Accounting Policies (Cont'd)**

**G. 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 are not voted upon in the annual school election. Budgets are prepared using the modified accrual basis of accounting, except for Special Revenue Fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C 6:20-2A.2(m)1. All budget amendments/transfers must be approved by Board resolution. Budget amendments during the year ended June 30, 2018 were insignificant.

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.

**H. Encumbrances**

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

Open encumbrances in the Special Revenue Fund, for which the District has received advances, are reflected in the Balance Sheet as deferred revenues at fiscal year-end.

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

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

**1. Summary of Significant Accounting Policies (Cont'd)**

**I. Cash, Cash Equivalents and Investments**

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

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. Statute 18A:2037 provides a list of permissible investments that may be purchased by school districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

**J. Investments**

The required disclosures for investments carried at fair value on a recurring basis are detailed in Note 3. The Fair Value Measurements Topic of the Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability. Management did not elect the fair value option for certain financial assets and financial liabilities, which were all eligible for the fair value option, since those instruments were not affected by changes in management's risk management and investment strategy.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

1. **Summary of Significant Accounting Policies (Cont'd)**

**K. Tuition Receivable/Payable**

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.

These adjustments are recorded upon certification by the State Board of Education, which is normally three years following the contract year. The cumulative adjustments through June 30, 2016, which have not been recorded, are not determinable.

**L. Inventories and Prepaid Expenses**

Inventories and prepaid expenses, which benefit future periods are recorded as an expenditure during the year of purchase.

Prior to 2018, the District reported inventories at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. The District began stating inventories prospectively at the lower of FIFO cost and net realizable value. This change was made in response to a recent FASB standard issued as part of the Board's simplification initiative. Under the prior method, "market", was replacement cost, subject to possible adjustments. Net realizable value is based on the selling price. The change is intended to reduce complexity in financial statement preparation. This change had no significant effect on earnings for 2018.

**M. Short-Term Interfund Receivables/Payables**

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. All interfund receivables and payables between the governmental and proprietary funds have been eliminated in the district-wide statements.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Cont'd)

N. Capital Assets

General capital assets acquired or constructed during the year are reported in the applicable governmental or business-type activities columns in the district-wide financial statements.

Capital assets are defined by the District as assets, which have a cost in excess of \$2,000 at the date of acquisition and a useful life of one year or more. Donated capital assets are valued at their estimated acquisition value on the date received. The general capital assets acquired or constructed were valued by an independent appraisal company. General capital assets, such as land and buildings, are valued at the historical cost basis and through estimated procedures performed by an independent appraisal company, respectively. General capital assets are reflected as expenditures in the applicable governmental funds. Depreciation expense is recorded in the district-wide financial statements as well as the proprietary fund. Capital assets are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and construction in progress. Generally estimated useful lives are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Machinery & Equipment	3-20
Building & Other Improvements	7-60
Infrastructure	30

Lacey Township School District  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**1. Summary of Significant Accounting Policies (Cont'd)**

**O. Compensated Absences**

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

In the District-Wide financial statements, under governmental activities, compensated absences are reported as an expenditure and noncurrent liabilities.

**P. Unearned/Deferred Revenue**

Unearned/Deferred revenue in the special revenue fund represents cash which has been received but not yet earned.

**Q. Accrued Liabilities and Long-Term Obligations**

All Payables, Accrued Liabilities, and Long-Term Obligations are reported on the District-wide financial statements. In general, governmental fund payables are accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

**R. Deferred Outflow of Resources**

In addition to assets, the statement of financial 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. The District has only one item that qualifies for reporting in this category which is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its acquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

1. **Summary of Significant Accounting Policies (Cont'd)**

**S. Net Position**

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

- ◆ Net Investment in Capital Assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for 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.

**T. Fund Balance Reserves**

The fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

- 1) **Nonspendable** - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) **Restricted** - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 3) **Committed** - includes amounts that can be spent only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.
- 4) **Assigned** - amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
- 5) **Unassigned** - includes all spendable amounts not contained in the other classifications.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Cont'd)

U. Management Estimates

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

2. Cash and Cash Equivalents

The District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at June 30, 2018, and reported at fair value are as follows:

Type Deposits:	Carrying Value
Demand deposits	\$ <u>5,527,892</u>
Total deposits	\$ <u>5,527,892</u>
The District's cash and cash equivalents are reported as follows:	
Governmental Activities	\$ 4,164,494
Business-Type Activities	521,195
Fiduciary Funds	<u>842,203</u>
Total Cash and Cash Equivalents	\$ <u>5,527,892</u>

Custodial Credit Risk Related to Deposits

Custodial Credit Risk is the Risk that, in the event of a bank failure, the Board's deposit may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local governmental agencies. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance. Under the Act, the first \$ 250,000 of governmental deposits in each insured depository is protected by FDIC. Public funds owned by the Board in excess of FDIC insured amounts are protected by GUDPA.

However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

2. Cash, and Cash Equivalents (Cont'd)

Custodial Credit Risk Related to Deposits (cont'd)

At June 30, 2018, the Board's bank balances of \$6,760,656 were exposed to Custodial Credit Risk as follows:

	<u>2018</u>
Insured	\$ 250,000
Uninsured and Uncollateralized	1,319,729
Collateralized in the District's Name under GUDPA	<u>5,190,927</u>
Total	<u>\$ 6,760,656</u>

3. Investments

Fair values of assets and liabilities measured on a recurring basis at June 30, 2018 are as follows:

Fair Value Measurements at Reporting Date Using

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
SRECs	\$ -	-	-	-

All assets and liabilities have been valued using a market approach.

Lacey Township School District  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**4. Capital Reserve Account**

A Capital Reserve Account was established by the Lacey Township School District by inclusion of \$500,000 approved by the Board of Education in June 2016. The Capital Reserve Account is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the Capital Reserve Account are restricted to Capital Projects in the District's approved Long Range Facilities Plan ("LRFP"). Upon submission of the LRFP to the Department, a district may deposit funds at any time upon board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Post-April 2004 transfers must be in compliance with P.L. 2004, C.73 (S1701). Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the Account cannot at any time exceed the local support costs of uncompleted Capital Projects in its approved LRFP.

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

Beginning Balance July 1, 2017	\$ 1,500,000
Add:	
Increase per Resolution	2,000,000
Interest Earnings	-
Deposits	-
Less:	
Withdrawals	<u>(750,000)</u>
Ending Balance, June 30, 2018	<u>\$ 2,750,000</u>

The June 30, 2018 LRFP balance of local support costs of uncompleted Capital Projects is \$14,815,000.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

**5. Maintenance Reserve Account**

A maintenance Reserve Account was established by the Lacey Township School District by inclusion of \$200,000 for the accumulation of funds for use as maintenance of Capital Projects in subsequent fiscal years. The Maintenance Reserve Account is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the Maintenance Reserve Account are restricted to maintenance projects in the District's approved Comprehensive Maintenance Plan (CMP). Upon submission of the CMP to the New Jersey Department of Education, the District may increase the balance in the maintenance reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. The District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the account cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

The balance in the maintenance reserve does not exceed four percent of the replacement cost of the school district's school facilities for the current year at June 30, 2018.

The activity of the Maintenance Reserve for the July 01, 2017 to June 30, 2018 fiscal year is as follows:

Balance, July 01, 2017	\$ -
Add:	
Increase per resolution	200,000
Withdrawals	<u>-</u>
Balance, June 30, 2018	<u>\$ 200,000</u>

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

**6. Receivables**

Receivables at June 30, 2018, consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivable follows:

	Governmental Fund Financial Statements	District-Wide Financial Statements
State Aid	\$ 725,615	\$ 726,452
Federal Aid	288,681	318,650
Other	<u>380,231</u>	<u>392,523</u>
Gross Receivables	1,394,527	1,437,625
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>
Total Receivables, Net	<u>\$ 1,394,527</u>	<u>\$ 1,437,625</u>

**7. Contingent Liabilities**

**Grant Programs**

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

The Board is involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the District.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

**8. Capital Assets**

Capital assets consisted of the following at June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 163,472	-	-	\$ 163,472
Construction in Progress	<u>-</u>	<u>92,650</u>	<u>-</u>	<u>92,650</u>
Total Capital Assets Not Being Depreciated	<u>163,472</u>	<u>92,650</u>	<u>-</u>	<u>256,122</u>
Capital Assets Being Depreciated				
Building and Building Improvements	85,141,218	-	-	85,141,218
Machinery and Equipment	<u>20,810,271</u>	<u>319,323</u>	<u>(125,619)</u>	<u>21,003,975</u>
Totals at Historical Cost	<u>105,951,489</u>	<u>319,323</u>	<u>(125,619)</u>	<u>106,145,193</u>
Less Accumulated Depreciation for:				
Building and Building Improvements	(50,880,957)	(1,554,765)	-	(52,435,722)
Machinery and Equipment	<u>(12,486,665)</u>	<u>(994,331)</u>	<u>125,619</u>	<u>(13,355,377)</u>
Total Accumulated Depreciation	<u>(63,367,622)</u>	<u>(2,549,096)</u>	<u>125,619</u>	<u>(65,791,099)</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>42,583,867</u>	<u>(2,229,773)</u>	<u>-</u>	<u>40,354,094</u>
Government Activity Capital Assets, Net	<u>\$ 42,747,339</u>	<u>(2,137,123)</u>	<u>-</u>	<u>\$ 40,610,216</u>
Business-Type Activities:				
Capital Assets Being Depreciated:				
Equipment	473,101	-	-	473,101
Less Accumulated Depreciation	<u>(399,010)</u>	<u>(7,880)</u>	<u>-</u>	<u>(406,890)</u>
Business-type activities capital assets, Net	<u>\$ 74,091</u>	<u>(7,880)</u>	<u>-</u>	<u>\$ 66,211</u>

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 2,166,733
Student and Instruction Related Services	216,672
School Administration Services	76,473
Other Special Instruction	12,745
Special Education Instruction	<u>76,473</u>
Total depreciation expense	<u>\$ 2,549,096</u>

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

**9. Long Term Obligations**

During the fiscal year ended June 30, 2018, the following changes occurred in the non-current liabilities:

	<u>Balance July 01, 2017</u>	<u>Increases/ Decreases</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>				
Compensated				
Absences Payable	\$ 2,635,909	\$ (210,321)	\$ 2,425,588	\$ 154,738
Bonds Payable	28,095,000	(2,745,000)	25,350,000	2,755,000
Capital Leases	256,977	312,006	568,983	213,153
Pension liability - PERS	<u>30,245,865</u>	<u>(6,788,004)</u>	<u>23,457,861</u>	-
Total	<u>\$ 61,233,751</u>	<u>\$ (9,431,319)</u>	<u>\$ 51,802,432</u>	<u>\$ 3,122,891</u>

**A. Bonds Payable**

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

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,755,000	\$ 1,524,813	\$ 4,279,813
2020	2,790,000	974,150	3,764,150
2021	2,860,000	873,800	3,733,800
2022	2,895,000	755,200	3,650,200
2023	2,950,000	623,100	3,573,100
2024-2028	9,390,000	1,295,400	10,685,400
2029-2030	<u>1,710,000</u>	<u>102,600</u>	<u>1,812,600</u>
	<u>\$ 25,350,000</u>	<u>\$ 6,149,063</u>	<u>\$ 31,499,063</u>

**B. Bonds Authorized But Not Issued**

As of June 30, 2018, the District had no authorized but not issued bonds.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

9. Long Term Obligations (Cont'd)

C. Capital Leases

The District is leasing equipment and vehicles under capital leases. The capital leases do not exceed five years. The following is a schedule of the remaining future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2018:

Year Ended June 30,	
2019	\$ 213,153
2020	213,153
2021	115,272
2022	<u>50,861</u>
Total Minimum lease payments	592,439
Less: amounts representing interest	<u>(23,456)</u>
Present Value of lease payments	<u>\$ 568,983</u>

10. Pension 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/financial-reports.shtml](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

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

The following represents the membership tiers for PERS:

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

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

10. Pension Plans (cont'd)

**A. Public Employees' Retirement System (PERS) (cont'd)**

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 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 PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and 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.

**Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources - At**

June 30, 2018, the School District reported a liability of \$23,457,861 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedure to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The School District's proportion of the net pension liability was based on the School District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The School District's proportion measured as of June 30, 2017, was .1007709252%, which was a decrease of .0013519458% from its proportion measured as of June 30, 2016.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

10. Pension Plans (cont'd)

A. Public Employees' Retirement System (PERS) (cont'd)

For the year ended June 30, 2018, the School District recognized full accrual pension expense of \$649,533 in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2017 measurement date. At June 30, 2017, the School 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	\$ 552,352	\$ -
Changes of assumptions	4,725,951	4,708,624
Net difference between projected and actual earnings on pension plan investments	159,732	-
Changes in proportion and differences between District contributions and proportionate share of contributions	495,730	807,904
District contributions subsequent to the measurement date	991,560	-
Total	<u>\$ 6,925,325</u>	<u>\$ 5,516,528</u>

\$991,560 reported as deferred outflows of resources resulting from school district contributions subsequent to the measurement date is estimated based on unadjusted 2017-2018 total salaries for PERS employees multiplied by an employer contribution rate. The payable is due on April 1, 2019 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 315,881
2019	476,672
2020	288,838
2021	(384,156)
2022	(279,998)
Thereafter	-
Total	<u>\$ 417,237</u>

Lacey Township School District  
Notes to Financial Statements  
For the Year Ended June 30, 2018

10. Pension Plans (cont'd)

**A. Public Employees' Retirement System (PERS) (cont'd)**

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	5.00	-
June 30, 2015	5.00	-
June 30, 2016	5.00	-
June 30, 2017	5.00	-

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015 and 2014 amounts, respectively.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

10. Pension Plans (cont'd)

**A. Public Employees' Retirement System (PERS) (cont'd)**

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

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

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

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

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

10. Pension Plans (cont'd)

**A. Public Employees' Retirement System (PERS) (cont'd)**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranged 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 Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00 %	5.51 %
Cash Equivalents	5.50 %	1.00 %
U.S. Treasuries	3.00 %	1.87 %
Investment Grade Credit	10.00 %	3.78 %
Public High Yield	2.50 %	6.82 %
Global Diversified Credit	5.00 %	7.10 %
Credit Oriented Hedge Funds	1.00 %	6.60 %
Debt Related Private Equity	2.00 %	10.63 %
Debt Related Real Estate	1.00 %	6.61 %
Private Real Asset	2.50 %	11.83 %
Equity Related Real Estate	6.25 %	9.23 %
U.S. Equity	30.00 %	8.19 %
Non-U.S. Developed Markets Equity	11.50 %	9.00 %
Emerging Markets Equity	6.50 %	11.64 %
Buyouts/Venture Capital	8.25 %	13.08 %

Lacey Township School District  
Notes to Financial Statements  
For the Year Ended June 30, 2018

10. Pension Plans (cont'd)

**A. Public Employees' Retirement System (PERS) (cont'd)**

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

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

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

	<b>1% Decrease (4.00%)</b>	<b>Current Discount Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
District's proportionate share of the net pension liability	29,101,068	23,457,861	18,756,369

Additional Information - The following is a summary of the collective balances of the local group at June 30, 2018 and 2017:

	<u>6/30/18</u>	<u>6/30/17</u>
Collective Deferred Outflows of Resources	723,829,861	7,815,204,785
Collective Deferred Inflows of Resources	-	-
Collective Net Pension Liability	23,278,401,588	29,617,131,759
School District's Portion	.1007709252%	.1021228710%

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

10. Pension Plans (cont'd)

**B. Teachers' Pension and Annuity (TPAF)**

**Plan Description** - The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit plan with a special-funding situation, by which a 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/financial-reports.shtml](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

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:

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 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.

Lacey Township School District  
Notes to Financial Statements  
For the Year Ended June 30, 2018

10. Pension Plans (cont'd)

**B. Teachers' Pension and Annuity (TPAF) (cont'd)**

**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 fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

As mentioned previously, the employer contributions for local participating employers are legally required to be funded by the State in accordance with *N.J.S.A. 18A:66-33*. Therefore, the School District is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the School District does 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 School District.

**Pension Liability and Pension Expense** - The State's proportionate share of the TPAF net pension liability, attributable to the School District as of June 30, 2017 was \$188,690,110. The School District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The State's proportionate share of the net pension liability associated with the District was based on projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2017, the State proportionate share of the TPAF net pension liability attributable to the School District was .2798576362%, which was an increase of .0026914157% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the State of New Jersey recognized a pension expense in the amount of \$4,152,181 for the State's proportionate share of the TPAF pension expense attributable to the School District. This pension expense was based on the pension plans June 30, 2017 measurement date.

Lacey Township School District  
Notes to Financial Statements  
For the Year Ended June 30, 2018

10. Pension Plans (cont'd)

**B. Teachers' Pension and Annuity (TPAF) (cont'd)**

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

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

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**Long-term Expected Rate of Return** - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranged 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:

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

10. Pension Plans (cont'd)

B. Teachers' Pension and Annuity (TPAF) (cont'd)

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

**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 Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

10. Pension Plans (cont'd)

**B. Teachers' Pension and Annuity (TPAF) (cont'd)**

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

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

	<b>1% Decrease (3.25%)</b>	<b>Current Discount Rate (4.25%)</b>	<b>1% Increase (5.25%)</b>
District's proportionate share of the net pension liability	224,989,675	189,380,248	160,045,047

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

**Defined Contribution Retirement Plan (DCRP)**

The Defined Contribution Retirement Plan is a cost-sharing multiple-employer defined contribution pension plan which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A.43:15C-1 et. seq), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Divisions of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A.43:15C-1 et. seq.

Lacey Township School District  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**10. Pension Plans (cont'd)**

**B. Teachers' Pension and Annuity (TPAF) (cont'd)**

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The District's contributions to the DCRP for June 30, 2018 were \$29,386. The District's liability for unpaid contributions at June 30, 2018 was \$0.

**Related Party Investments** - The Division of Pensions and Benefits does not invest in securities issued by the School District.

**11. Post-Retirement Benefits**

**General Information about the OPEB Plan**

**Plan description and benefits provided**

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

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

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

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

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

11. Post-Retirement Benefits (cont'd)

Employees covered by benefit terms

At June 30, 2016, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	142,331
Active plan members	<u>223,747</u>
Total	<u><u>366,078</u></u>

Total Nonemployer OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified returned PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASB 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education. Note that actual numbers will be published in the NJ State's CAFR (<https://www.nj.gov/treasury/omb/publications/archives.shtml>).

Actuarial assumptions and other imputes

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

Inflation Rate	2.5%
Salary Increases through 2026	PERS 2.15%-4.15% PFRS 2.1%-8.98% TPAF 1.55%-4.55%
Salary Increases after 2026	PERS 3.15%-5.15% PFRS 3.1%-9.98% TPAF 2.0%-5.45%
Discount Rate	3.58%
Healthcare Cost Trend Rates	4.5%-5.9%
Retirees' Share of Benefit Related Costs	1.5% of projected health insurance premiums for retirees

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 Scale MP-2017. Postretirement mortality rates were based on the RP-2014 Headcount-weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. The disabled mortality was based on the RP-2014 Headcount-weighted Male/Female mortality table with fully generational improvement projects from the central year using the MP-2017 scale.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

11. Post-Retirement Benefits (cont'd)

Actuarial assumptions and other imputes (cont'd)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for PERS-June 30, 2014; TPAF-June 30, 2015 and PFRS-June 30, 2013.

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

Balance at June 30, 2016	\$ 57,831,784,184
Changes for the year:	
Service cost	2,391,878,884
Interest on the total OPEB liability	1,699,441,736
Changes in assumptions	(7,086,599,129)
Gross benefit payments by the state	(1,242,412,566)
Contributions from members	<u>45,748,749</u>
Net changes	<u>(4,191,942,326)</u>
Balance at June 30, 2017	<u>\$ 53,639,841,858</u>

Discount rate

The discount rate was 2.85% percent in 2016 and 3.85% percent in 2017. This represents the municipal bond rate chosen by the State of New Jersey Division of Pension and Benefits. 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.

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

The following presents the June 30, 2017 total OPEB liability of the State for school board retirees, as well as the State's total OPEB liability for the school district calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease <u>(2.58%)</u>	Current Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
Total OPEB Liability of the State for School Retirees	\$63,674,362,200	\$53,639,841,858	\$45,680,364,953
Total OPEB Liability of the State Associated with the School District for School Retirees	\$230,367,021	\$194,063,209	\$165,266,674

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

11. Post-Retirement Benefits (cont'd)

**Health Care Trend Assumptions**

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount 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 rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to 5.0% long term 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.

**Sensitivity of the total OPEB liability to changes in the health care cost trend rates**

The following presents the June 30, 2017 total OPEB liability of the State for school board retirees, as well as the State's total OPEB liability for the school district calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1%</u> <u>Decrease</u>	<u>Trend Rate</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability of the State for School Retirees	\$44,113,584,560	\$53,639,841,858	\$66,290,599,457
Total OPEB Liability of the State Associated with the School District for School Retirees	\$159,597,583	\$194,063,209	\$239,832,299

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

For the year ended June 30, 2018, the board of education recognized OPEB expense of \$8,802,414 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB 75 and in which there is a special funding situation.

In accordance with GASB 75, the Lacey Township School 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. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

11. Post-Retirement Benefits (cont'd)

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (cont'd)**

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience		
Changes of assumptions	\$ -	\$ 6,343,769,032
Contributions made in fiscal year ending 2018 after June 30, 2017 measurement date	<u>1,190,373,242</u>	<u>-</u>
Total	<u>\$ 1,190,373,242</u>	<u>\$ 6,343,769,032</u>

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

Year ended June 30:	
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	<u>(2,629,618,547)</u>
Total	<u>\$ (6,343,769,032)</u>

12. Deferred Compensation

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

Lincoln Investments	Equitable
The Legend Group	Metropolitan Life Insurance Co
New York Life	Ameriprise

13. Risk Management

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

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

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

13. Risk Management (cont'd)

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest income</u>	<u>Amount reimbursed</u>	<u>Ending Balance</u>
2017 / 2018	\$ 49,587	\$ 181	\$ 72,679	\$ 81,460
2016 / 2017	39,889	132	40,552	104,371
2015 / 2016	39,675	118	7,314	104,902

14. Interfund Receivables and Payables

New Jersey statute requires that interest earned on the investments in capital projects fund be credited to the general fund or debt service based on Board resolution.

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 215,572	\$ 950
Special Revenue Fund	-	8,164
Capital Projects Fund	-	-
Debt Service Fund	-	-
Enterprise Fund	950	204,668
Trust and Agency Fund	-	2,740
	<u>\$ 216,522</u>	<u>\$ 216,522</u>

The interfund from General Fund to the Special Revenue was due to cash collected in the General Fund to be remitted to the Special Revenue Fund.

15. Compensated Absences

The District accounts for compensated absences (e.g., sick leave) as directed by Governmental Accounting Standards. 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.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

**15. Compensated Absences (cont'd)**

District employees are granted varying amounts of 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 District's agreements with the various employee unions. The liability for vested compensated absences of the governmental fund types is recorded as a non-current liability in the governmental activities fund (see footnote 8).

**16. Fund Balances**

General Fund - of the \$5,097,149 General Fund balance at June 30, 2018, \$693,620 of encumbrances is assigned to other purposes, \$2,750,000 is restricted for capital reserve, \$200,000 is restricted for maintenance reserve, \$- is restricted for emergency reserve, \$256,533 is restricted for excess surplus, \$1,325,791 is restricted for excess surplus for subsequent year expenditures, \$- has been classified as assigned fund balance designated for subsequent year expenditures, and \$(128,795) is unassigned.

**17. Calculation of Excess Surplus**

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L.2004, C.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 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 \$256,533. The excess fund balance at June 30, 2017 was \$1,325,791. Pursuant to the provisions of Executive Order No. 14, \$- of that amount was approved by the Commissioner of the Department of Education for withdrawal to address any budget shortfall in the general fund account group due to the 2017-18 withholding of state aid.

**18. Uncertain Tax Positions**

The school district had no unrecognized tax benefits at June 30, 2018. The school district files tax returns in the U.S. federal jurisdiction and New Jersey. The school district has no open year prior to June 30, 2015.

Lacey Township School District

Notes to Financial Statements

For the Year Ended June 30, 2018

**19. Subsequent Events**

Management has evaluated subsequent events through January 31, 2019, the date the financial statements were available to be issued.

**20. Tax Abatement**

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

REQUIRED SUPPLEMENTARY INFORMATION - PART II

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

	<u>Original Budget</u>	<u>Transfers/ Encumbrances</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$ 45,642,489	\$ -	\$ 45,642,489	45,642,489	\$ -
Tuition - from other LEA's within the state	-	-	-	112,175	112,175
Transportation fees from individuals	67,980	-	67,980	12,189	(55,791)
Miscellaneous	255,322	-	255,322	757,230	501,908
Total - local sources	<u>45,965,791</u>	<u>-</u>	<u>45,965,791</u>	<u>46,524,083</u>	<u>558,292</u>
State sources:					
Categorical transportation aid	333,156	-	333,156	333,156	-
Categorical special education aid	2,504,516	-	2,504,516	2,504,516	-
Security aid	483,794	-	483,794	483,794	-
Equalization aid	17,753,571	-	17,753,571	17,753,571	-
Adjustment aid	71,943	(71,943)	-	-	-
Extraordinary aid	400,000	-	400,000	624,793	224,793
Non-public transportation	-	-	-	4,238	4,238
PARCC readiness aid	44,380	-	44,380	44,380	-
Per pupil growth aid	44,380	-	44,380	44,380	-
Professional learning community aid	40,780	-	40,780	40,780	-
TPAF - LTDI (on-behalf - Non-budgeted)	-	-	-	6,151	6,151
TPAF - post retirement medical (on-behalf - Non-budgeted)	-	-	-	2,681,806	2,681,806
Teacher's pension and annuity fund (on-behalf - Non-budgeted)	-	-	-	4,152,181	4,152,181
TPAF social security (reimbursed - Non-budgeted)	-	-	-	1,962,276	1,962,276
Total state sources	<u>21,676,520</u>	<u>(71,943)</u>	<u>21,604,577</u>	<u>30,636,022</u>	<u>9,031,445</u>
Federal sources:					
Medicaid reimbursement	52,328	-	52,328	65,254	12,926
Total Federal sources	<u>52,328</u>	<u>-</u>	<u>52,328</u>	<u>65,254</u>	<u>12,926</u>
<b>Total revenues</b>	<u>67,694,639</u>	<u>(71,943)</u>	<u>67,622,696</u>	<u>77,225,359</u>	<u>9,602,663</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction</b>					
Preschool/Kindergarten - Salaries of teachers	763,453	80,793	844,246	830,235	14,011
Grades 1-5 - Salaries of teachers	6,670,394	(219,359)	6,451,035	6,434,549	16,486
Grades 6-8 - Salaries of teachers	3,766,838	216,111	3,982,949	3,938,473	44,476
Grades 9-12 - Salaries of teachers	5,883,570	121,873	6,005,443	5,938,355	67,088
<b>Regular Programs - Undistributed Instruction</b>					
Salaries of teachers	117,000	(4,837)	112,163	87,279	24,884
Purchased professional-educational services	299,178	(113,858)	185,320	185,250	70
Other salaries for instruction	252,676	(8,766)	243,910	235,999	7,911
Other purchased services (400-500 series)	375,100	(43,526)	331,574	330,151	1,423
Purchased technical services	81,716	(3,817)	77,899	77,114	785
General supplies	1,224,375	(129,753)	1,094,622	1,089,847	4,775
Textbooks	45,800	(1,884)	43,916	43,916	-
Other objects	73,435	(33,348)	40,087	39,317	770
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<u>19,553,535</u>	<u>(140,371)</u>	<u>19,413,164</u>	<u>19,230,485</u>	<u>182,679</u>

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

	Original Budget	Transfers/ Encumbrances	Final Budget	Actual	Variance Final to Actual
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
<b>Learning and/or Language Disabilities:</b>					
Salaries of teachers	\$ 1,279,440	\$ (265,238)	\$ 1,014,202	945,484	\$ 68,718
Other salaries for instruction	282,808	98,182	380,990	380,990	-
General supplies	15,669	(1,829)	13,840	13,840	-
Textbooks	1,820	(1,820)	-	-	-
Other objects	1,620	(594)	1,026	760	266
<b>Total Learning and/or Language Disabilities</b>	<b>1,581,357</b>	<b>(171,299)</b>	<b>1,410,058</b>	<b>1,341,074</b>	<b>68,984</b>
<b>Behavioral Disabilities</b>					
Salaries of teachers	196,870	52,711	249,581	249,581	-
Other salaries for instruction	96,966	3,768	100,734	100,734	-
General supplies	3,105	(1,676)	1,429	1,285	144
Textbooks	400	(183)	217	-	217
Other objects	2,900	(2,239)	661	661	-
<b>Total Behavioral Disabilities</b>	<b>300,241</b>	<b>52,381</b>	<b>352,622</b>	<b>352,261</b>	<b>361</b>
<b>Multiple Disabilities:</b>					
Salaries of teachers	497,943	(25,763)	472,180	447,927	24,253
Other salaries for instruction	227,336	72,478	299,814	299,814	-
General supplies	5,850	(1,901)	3,949	3,949	-
Textbooks	300	(300)	-	-	-
Other objects	880	(598)	282	282	-
<b>Total Multiple Disabilities</b>	<b>732,309</b>	<b>43,916</b>	<b>776,225</b>	<b>751,972</b>	<b>24,253</b>
<b>Resource Room/Resource Center:</b>					
Salaries of teachers	3,161,768	(13,280)	3,148,488	3,148,488	-
Other salaries for instruction	251,790	72,364	324,154	324,154	-
Other purchased services (400-500 series)	1,000	(700)	300	225	75
General supplies	11,610	(146)	11,464	11,464	-
Textbooks	500	(500)	-	-	-
Other objects	1,200	(800)	400	400	-
<b>Total Resource Room/Resource Center</b>	<b>3,427,868</b>	<b>56,938</b>	<b>3,484,806</b>	<b>3,484,731</b>	<b>75</b>
<b>Autism:</b>					
Salaries of teachers	370,515	13,835	384,350	384,350	-
Other salaries for instruction	198,440	83,872	282,312	269,343	12,969
General supplies	5,085	85	5,170	2,226	2,944
Other objects	2,500	(226)	2,274	1,288	986
Textbooks	5,000	(85)	4,915	1,977	2,938
<b>Total Autism</b>	<b>581,540</b>	<b>97,481</b>	<b>679,021</b>	<b>659,184</b>	<b>19,837</b>
<b>Preschool Disabilities - Full-Time:</b>					
Salaries of teachers	236,184	18,365	254,549	254,549	-
Other salaries for instruction	86,194	81,948	168,142	159,029	9,113
General supplies	2,250	416	2,666	2,600	66
Other objects	700	-	700	206	494
<b>Total Preschool Disabilities - Full-Time</b>	<b>325,328</b>	<b>100,729</b>	<b>426,057</b>	<b>416,384</b>	<b>9,673</b>
<b>Home Instruction:</b>					
Salaries of Teachers	78,000	35,609	113,609	113,609	-
Purchased Professional-Educational Services	22,000	(2,849)	19,151	18,520	631
<b>Total Home Instruction</b>	<b>100,000</b>	<b>32,760</b>	<b>132,760</b>	<b>132,129</b>	<b>631</b>
<b>TOTAL SPECIAL EDUCATION- INSTRUCTION</b>	<b>7,048,643</b>	<b>212,906</b>	<b>7,261,549</b>	<b>7,137,735</b>	<b>123,814</b>

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

	Original Budget	Transfers/ Encumbrances	Final Budget	Actual	Variance Final to Actual
<b>Bilingual Education - Instruction</b>					
Salaries of teachers	\$ 179,712	\$ -	\$ 179,712	170,615	\$ 9,097
<b>Total Bilingual Education - Instruction</b>	<u>179,712</u>	<u>-</u>	<u>179,712</u>	<u>170,615</u>	<u>9,097</u>
<b>School-Spon. Cocurricular Actvts. - Instruction</b>					
Salaries	378,003	14,070	392,073	391,001	1,072
Supplies and materials	24,600	(168)	24,432	12,198	12,234
Other objects	11,050	1,320	12,370	11,432	938
<b>Total School-Spon. Cocurricular Actvts. - Instruction</b>	<u>413,653</u>	<u>15,222</u>	<u>428,875</u>	<u>414,631</u>	<u>14,244</u>
<b>School-Spon. Athletics - Instruction</b>					
Salaries	778,479	(13,720)	764,759	748,533	16,226
Purchased services (300-500 series)	177,450	(24,832)	152,618	137,367	15,251
Other purchased services (400-500 series)		-			
Supplies and materials	109,724	1,084	110,808	102,489	8,319
Other objects	27,100	1,280	28,380	27,907	473
<b>Total School-Spon. Cocurricular Actvts. - Instruction</b>	<u>1,092,753</u>	<u>(36,188)</u>	<u>1,056,565</u>	<u>1,016,296</u>	<u>40,269</u>
<b>Other Instructional Programs - Instruction</b>					
Before/After School Programs- Salaries	-	20,000	20,000	9,935	10,065
<b>Total Other Instructional Programs - Instruction</b>	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>9,935</u>	<u>10,065</u>
<b>Total Instruction</b>	<u>28,288,296</u>	<u>71,569</u>	<u>28,359,865</u>	<u>27,979,697</u>	<u>380,168</u>
<b>Undistributed Expenditures - Instruction:</b>					
Tuition to other LEAs within the state - Regular	-	24,900	24,900	24,890	10
Tuition to other LEAs within the state - Special	200,000	200,290	400,290	264,782	135,508
Tuition to Co. Voc. School Dist. - reg.	110,000	24,400	134,400	129,360	5,040
Tuition to CSSD & Reg. Day schools	350,000	21,169	371,169	327,358	43,811
Tuition to Private Sch for Disbl w/i State	1,760,540	(337,069)	1,423,471	1,249,781	173,690
Tuition - State Facilities	100,000	-	100,000	65,904	34,096
Tuition - Other	200,000	(200,000)	-	-	-
<b>Total Undistributed Expenditures - Instruction</b>	<u>2,720,540</u>	<u>(266,310)</u>	<u>2,454,230</u>	<u>2,062,075</u>	<u>392,155</u>
<b>Undistributed Expend. - Attend. &amp; Social Work</b>					
Salaries	199,496	5,837	205,333	205,333	-
<b>Total Undistributed Expend. - Attend. &amp; Social Work</b>	<u>199,496</u>	<u>5,837</u>	<u>205,333</u>	<u>205,333</u>	<u>-</u>
<b>Undist. Expend. - Health Services</b>					
Salaries	441,011	62,840	503,851	463,358	40,493
Purchased professional and technical services	169,397	(28,535)	140,862	138,335	2,527
Other purchased services (400-500 series)	-	54	54	54	-
Supplies and materials	13,200	(2,019)	11,181	11,181	-
<b>Total Undistributed Expenditures - Health Services</b>	<u>623,608</u>	<u>32,340</u>	<u>655,948</u>	<u>612,928</u>	<u>43,020</u>
<b>Undist. Expend. - Other Support Services - Students - Related Service</b>					
Salaries	401,210	(205)	401,005	401,005	-
Purchased professional - educational services	132,000	100,600	232,600	232,600	-
Supplies and materials	1,750	-	1,750	1,750	-
<b>Total Undist. Expend. - Other Support Services - Students - Related Service</b>	<u>534,960</u>	<u>100,395</u>	<u>635,355</u>	<u>635,355</u>	<u>-</u>
<b>Undist. Expend. - Other Support Services - Students - Extraordinary Services</b>					
Salaries	185,000	2,070	187,070	187,067	3
<b>Total Undist. Expend. - Other Support Services Students - Extraordinary Services</b>	<u>185,000</u>	<u>2,070</u>	<u>187,070</u>	<u>187,067</u>	<u>3</u>

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

	Original Budget	Transfers/ Encumbrances	Final Budget	Actual	Variance Final to Actual
<b>Undist. Expend. - Other Support Services Students-Regular</b>					
Salaries of other professional staff	\$ 1,093,217	\$ 13,359	\$ 1,106,576	1,106,576	\$ -
Salaries of secretarial and clerical assistants	93,109	4,841	97,950	97,950	-
Purchased professional - educational services	54,500	3,050	57,550	57,510	40
Supplies and materials	6,250	(1,417)	4,833	2,327	2,506
<b>Total Undist. Expend. - Other Support Services - Students-Regular</b>	<b>1,247,076</b>	<b>19,833</b>	<b>1,266,909</b>	<b>1,264,363</b>	<b>2,546</b>
<b>Undist. Expend. - Other Support Services - Students-Special</b>					
Salaries of other professional staff	910,520	(63,028)	847,492	839,619	7,873
Salaries of secretarial and clerical assistants	97,876	-	97,876	97,876	-
Purchased professional - educational services	120,600	102,602	223,202	218,385	4,817
<b>Total Undist. Expend. - Other Support Services - Students-Special</b>	<b>1,128,996</b>	<b>39,574</b>	<b>1,168,570</b>	<b>1,155,880</b>	<b>12,690</b>
<b>Undist. Expend.-Imprvmt of Instr. Svcs-Other Support Services-Instr.</b>					
Salaries superv. of instruction	1,097,767	61,204	1,158,971	1,087,505	71,466
Salaries other prof. staff	140,696	4,531	145,227	145,227	-
Salaries secr. & clerical asst.	74,439	646	75,085	75,085	-
Purchased professional - educational services	193,637	-	193,637	152,806	40,831
Supplies and materials	34,650	(500)	34,150	28,381	5,769
<b>Total Undist. Expend.-Imprvmt of Instr. Svcs-Other Support Services-Instr.</b>	<b>1,541,189</b>	<b>65,881</b>	<b>1,607,070</b>	<b>1,489,004</b>	<b>118,066</b>
<b>Undist. Expend. - Educational Media Services/School Library</b>					
Salaries	408,932	10,462	419,394	342,991	76,403
Purchased prof & tech svc.	27,635	(4,846)	22,789	22,789	-
Supplies and materials	14,000	(5,590)	8,410	6,766	1,644
<b>Total Undist. Expend. - Educational Media Services/School Library</b>	<b>450,567</b>	<b>26</b>	<b>450,593</b>	<b>372,546</b>	<b>78,047</b>
<b>Undist. Expend. - Instruction Staff Training Services</b>					
Other purchased services (400-500 series)	96,000	(34,659)	61,341	59,886	1,455
<b>Total Undist. Expend. - Instruction Staff Training Services</b>	<b>96,000</b>	<b>(34,659)</b>	<b>61,341</b>	<b>59,886</b>	<b>1,455</b>
<b>Undist. Expend. - Support Service - General Administration</b>					
Salaries	510,744	(2,853)	507,891	507,891	-
Legal services	100,000	(12,163)	87,837	87,709	128
Audit fees	24,000	-	24,000	24,000	-
Architectural/Engineering Services	20,000	(11,500)	8,500	8,500	-
Other purchased professional services	22,200	2,484	24,684	24,684	-
Communications/telephone	171,402	(46,150)	125,252	125,252	-
BOE Other Purchased Services	3,500	(840)	2,660	1,400	1,260
Misc. purch. serv.(400-500)	291,603	10,677	302,280	302,280	-
General supplies	11,250	347	11,597	11,597	-
BOE membership dues & fees	31,000	(20,140)	10,860	10,525	335
Miscellaneous expenditures	9,260	20,149	29,409	29,409	-
<b>Total Undist. Expend. - Support Service - General Administration</b>	<b>1,194,959</b>	<b>(59,989)</b>	<b>1,134,970</b>	<b>1,133,247</b>	<b>1,723</b>
<b>Undist. Expend. - Support Service - School Administration</b>					
Salaries of principals/assistant principals	1,015,192	88,439	1,103,631	1,103,631	-
Salaries of secretarial and clerical assistants	273,128	15,706	288,834	288,834	-
Supplies and materials	37,204	(12,951)	24,253	24,176	77
<b>Total Undist. Expend. - Support Service - School Administration</b>	<b>1,325,524</b>	<b>91,194</b>	<b>1,416,718</b>	<b>1,416,641</b>	<b>77</b>

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

	<u>Original Budget</u>	<u>Transfers/ Encumbrances</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Undistributed Expenditures- Central Services</b>					
Salaries	\$ 446,458	\$ 15,873	\$ 462,331	462,331	\$ -
Purchased Technical Services	3,000	33,310	36,310	36,307	3
Purchase professional services	36,220	(32,433)	3,787	3,787	-
Supplies and materials	10,080	(3,074)	7,006	7,006	-
Miscellaneous expenditures	3,900	(615)	3,285	3,285	-
<b>Total Central Services</b>	<u>499,658</u>	<u>13,061</u>	<u>512,719</u>	<u>512,716</u>	<u>3</u>
<b>Administration Information Technology</b>					
Salaries	462,372	-	462,372	460,033	2,339
Purchased Technical Services	178,080	(23,196)	154,884	142,307	12,577
<b>Total Admin info tech</b>	<u>640,452</u>	<u>(23,196)</u>	<u>617,256</u>	<u>602,340</u>	<u>14,916</u>
<b>Required Maint for School Facilities</b>					
Salaries	301,518	-	301,518	267,411	34,107
Cleaning, repair and maintenance services	196,145	56,059	252,204	201,221	50,983
General supplies	189,500	(38,209)	151,291	120,397	30,894
Other Objects	500	-	500	400	100
<b>Total Required Maintenance for School Facilities</b>	<u>687,663</u>	<u>17,850</u>	<u>705,513</u>	<u>589,429</u>	<u>116,084</u>
<b>Custodial Services</b>					
Salaries	2,255,954	-	2,255,954	2,210,631	45,323
Purchased professional and technical services	-	236,293	236,293	5,000	231,293
Cleaning, repair and maintenance services	105,000	-	105,000	92,441	12,559
Rental of land and building other than lease	4,000	-	4,000	-	4,000
Other purchased property services	88,800	-	88,800	68,179	20,621
Insurance	387,803	-	387,803	364,873	22,930
General supplies	107,000	-	107,000	97,725	9,275
Energy (natural gas)	347,700	(48,000)	299,700	287,560	12,140
Energy (electricity)	752,280	(193,529)	558,751	558,751	-
<b>Total Custodial services</b>	<u>4,048,537</u>	<u>(5,236)</u>	<u>4,043,301</u>	<u>3,685,160</u>	<u>358,141</u>
<b>Care and Upkeep of Grounds</b>					
Salaries	252,435	(12,622)	239,813	210,561	29,252
General Supplies	65,500	(15,706)	49,794	49,794	-
<b>Total Care and Upkeep of Grounds</b>	<u>317,935</u>	<u>(28,328)</u>	<u>289,607</u>	<u>260,355</u>	<u>29,252</u>
<b>Security</b>					
Salaries	321,075	9,738	330,813	329,527	1,286
Purchased Professional and Technical Services	70,000	7,795	77,795	77,795	-
General Supplies	17,250	20,271	37,521	37,521	-
<b>Total Security</b>	<u>408,325</u>	<u>37,804</u>	<u>446,129</u>	<u>444,843</u>	<u>1,286</u>
<b>Total Oper. And Maintenance of Plant Services</b>	<u>5,462,460</u>	<u>22,090</u>	<u>5,484,550</u>	<u>4,979,787</u>	<u>504,763</u>
<b>Student Transportation Services</b>					
Salaries of non-instructional aides	45,870	(5,687)	40,183	36,339	3,844
Salaries for pupil transportation (between home and school) - regular	1,047,891	(16,921)	1,030,970	1,030,970	-
Salaries for pupil transportation (other than between home and school)	407,700	27,292	434,992	434,992	-
Cleaning, repair and maint. services	14,000	750	14,750	11,969	2,781
Lease purchase payments - School buses	252,572	(54,759)	197,813	197,705	108
Contract serv.(spl. ed. students) - ESCs & CTSA's	960,000	116,784	1,076,784	1,076,784	-
Contr serv. - aid in lieu pymts-NonPub Sch	22,000	7,830	29,830	29,829	1
Misc. purchased services - transportation	136,268	(8,500)	127,768	114,670	13,098
General supplies	6,700	-	6,700	6,014	686
Transportation supplies	435,000	(67,464)	367,536	367,536	-
Other objects	79,190	670	19,770	19,139	631
<b>Total Student Transportation Services</b>	<u>3,347,101</u>	<u>(5)</u>	<u>3,347,096</u>	<u>3,325,947</u>	<u>21,149</u>

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

	Original Budget	Transfers/ Encumbrances	Final Budget	Actual	Variance Final to Actual
<b>Personal Services- Employee Benefits</b>					
Social security contributions	\$ 861,110	\$ 45,000	\$ 906,110	905,393	\$ 717
Other retirement contributions - PERS	1,007,989	(60,124)	947,865	947,865	-
Other retirement contributions - Regular	20,000	2,115	22,115	22,114	1
Workmen's compensation	485,000	(5,623)	479,377	479,377	-
Health benefits	14,236,216	165,473	14,401,689	14,184,292	217,397
Tuition reimbursement	97,450	(43,232)	54,218	54,218	-
Other employee benefits	1,309,640	(917,434)	392,206	386,264	5,942
Unused Sick Payment to Term/Ret Staff	-	869,217	869,217	775,133	94,084
<b>Total Personal Services-Employee Benefits</b>	<u>18,017,405</u>	<u>55,392</u>	<u>18,072,797</u>	<u>17,754,656</u>	<u>318,141</u>
On-behalf TPAF LTDI (non-budgeted)	-	-	-	6,151	(6,151)
On-behalf TPAF OPEB (post retirement med) (non-budgeted)	-	-	-	2,681,806	(2,681,806)
On-behalf TPAF Pension Contributions (non-budgeted)	-	-	-	4,152,181	(4,152,181)
Reimbursed TPAF social security contributions (non-budgeted)	-	-	-	1,962,276	(1,962,276)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,802,414</u>	<u>(8,802,414)</u>
<b>TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS</b>	<u>18,017,405</u>	<u>55,392</u>	<u>18,072,797</u>	<u>26,557,070</u>	<u>(8,484,273)</u>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<u>39,214,991</u>	<u>63,534</u>	<u>39,278,525</u>	<u>46,572,185</u>	<u>(7,293,660)</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>67,503,287</u>	<u>135,103</u>	<u>67,638,390</u>	<u>74,551,882</u>	<u>(6,913,492)</u>

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

	Original Budget	Transfers/ Encumbrances	Final Budget	Actual	Variance Final to Actual
<b>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
<b>Regular Programs - Instruction:</b>					
Grades 9-12	-	12,223	12,223	12,223	-
<b>Special Education - Instruction:</b>					
Undistributed expenditures - Instruction	30,000	-	30,000	26,697	3,303
<b>Undist.Exp.-Req. Maint. Schl Facilities</b>					
Undist. exp.- req. maint. schl facilities	-	3,152	3,152	3,152	-
<b>Undistributed exp.-Non-instructional services</b>					
Student transportation - non-instructional equip.	-	2,920	2,920	2,920	-
<b>Total Equipment</b>	<u>30,000</u>	<u>18,295</u>	<u>48,295</u>	<u>44,992</u>	<u>3,303</u>
<b>Facilities Acquisition and Construction Services</b>					
Legal Services	-	-	-	-	-
Architectural/Engineering Services	125,000	38,530	163,530	39,963	123,567
Construction services	375,000	211,470	586,470	52,687	533,783
Assessment for debt service on SDA funding	161,352	-	161,352	161,352	-
<b>Total</b>	<u>661,352</u>	<u>250,000</u>	<u>911,352</u>	<u>254,002</u>	<u>657,350</u>
<b>TOTAL CAPITAL OUTLAY</b>	<u>691,352</u>	<u>268,295</u>	<u>959,647</u>	<u>298,994</u>	<u>660,653</u>
Transfer of Funds to Charter Schools	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>68,194,639</u>	<u>403,398</u>	<u>68,598,037</u>	<u>74,850,876</u>	<u>(6,252,839)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(500,000)</u>	<u>(475,341)</u>	<u>(975,341)</u>	<u>2,374,483</u>	<u>3,349,824</u>
<b>Fund Balance, July 1</b>	4,790,431	-	4,790,431	4,790,431	-
<b>Fund Balance, June 30</b>	<u>\$ 4,290,431</u>	<u>\$ (475,341)</u>	<u>\$ 3,815,090</u>	<u>7,164,914</u>	<u>\$ 3,349,824</u>
<b>Recapitulation:</b>					
<b>Restricted Fund Balance:</b>					
Legally restricted-designated for subsequent year's expenditures					
Maintenance reserve				200,000	
Emergency reserve				-	
Excess surplus - current year				256,533	
Excess surplus-designated for subsequent year's expenditures				1,325,791	
Capital reserve				2,750,000	
<b>Committed Fund Balance:</b>					
Other purposes				-	
Year-end encumbrances				-	
<b>Assigned Fund Balance:</b>					
Year-end encumbrances				693,620	
Designated for subsequent year's expenditures				-	
Restricted for other purposes				-	
<b>Unrestricted/undesignated</b>				<u>1,938,970</u>	
<b>Reconciliation to governmental funds statements (GAAP)</b>					
Unsold SRECs recognized on GAAP basis				-	
Last state aid payment not recognized on GAAP basis				(2,067,765)	
<b>Fund balance per governmental funds (GAAP)</b>				<u>\$ (128,795)</u>	

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES</b>					
Local sources		\$ 249,223	\$ 249,223	\$ 123,648	\$ (125,575)
State sources	-	667	667	661	(6)
Federal sources	1,465,834	411,396	1,877,230	1,872,253	(4,977)
<b>Total Revenues</b>	1,465,834	661,286	2,127,120	1,996,562	(130,558)
<b>EXPENDITURES</b>					
<b>Instruction:</b>					
Personal services - salaries	300,000	268,601	568,601	567,088	1,513
Purchased professional and technical services	100,000	10,000	110,000	110,000	-
Travel	-	-	-	-	-
General supplies	193,827	66,779	260,606	134,081	126,525
Tuition	510,000	-	510,000	510,000	-
Other objects	-	1,401	1,401	832	569
<b>Total instruction</b>	1,103,827	346,781	1,450,608	1,322,001	128,607
<b>Support services:</b>					
Personal services - salaries	-	37,229	37,229	37,228	1
Purchased professional and technical services	268,137	134,907	403,044	402,899	145
Other purchased services	-	-	-	-	-
Employee benefits	56,000	84,264	140,264	140,264	-
Travel	37,870	(3,094)	34,776	34,776	-
Supplies - materials	-	61,199	61,199	59,394	1,805
<b>Total support services</b>	362,007	314,505	676,512	674,561	1,951
<b>EXPENDITURES:</b>					
<b>Facilities acquisition and const. serv.:</b>					
Instructional equipment	-	-	-	-	-
<b>Total facilities acquisition and const. serv.</b>	-	-	-	-	-
<b>Total expenditures</b>	1,465,834	661,286	2,127,120	1,996,562	130,558
<b>Other financing sources (uses)</b>					
Transfer in from general fund	-	-	-	-	-
Contribution to whole school reform	-	-	-	-	-
<b>Total outflows</b>	1,465,834	661,286	2,127,120	1,996,562	130,558
<b>Excess (deficiency) of revenues Over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation to governmental funds statements (GAAP)</b>					
Last state aid payment not recognized on GAAP basis				\$ -	
<b>Fund balance per governmental funds (GAAP)</b>				<u>\$ -</u>	

LACEY TOWNSHIP SCHOOL DISTRICT  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Note to Required Supplementary Information  
 For the Fiscal Year Ended June 30, 2018

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

	<b>General Fund</b>		<b>Special Revenue Fund</b>
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 77,225,359		[C-2] \$ 1,996,562
Difference - budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-		(18,723)
Unsold SRECs reported at fair market value for GAAP statements in the current year, subsequently recognized for budgetary purposes	-		
Unsold SRECs reported at fair market value for GAAP statements in the prior year, previously recognized for budgetary purposes	(385,410)		
TPAF pension payments completely funded by the State of New Jersey are not included on the GAAP statements.	(4,152,181)		-
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(2,067,765)		-
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	2,061,151		-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ 72,681,154		[B-2] \$ 1,977,839
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 74,850,876		[C-2] \$ 1,996,562
Differences - budget to GAAP:			
TPAF pension payments completely funded by the State of New Jersey are not included on the GAAP statements.	(4,152,181)		-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-		(18,723)
<b>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</b>	[B-2] \$ 70,698,695		[B-2] \$ 1,977,839

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**LACEY TOWNSHIP SCHOOL DISTRICT  
Required Supplementary Information  
Schedule of the District's Proportionate Share of Net Pension Liability-PERS  
For the Fiscal Year Ended June 30, 2018**

**Last 10 Fiscal Years\***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.1079429365%	0.1017494056%	0.1021228710%	0.1007709252%
District's proportionate share of the net pension liability	\$ 21,084,642	\$ 23,747,948	\$ 30,245,865	\$ 23,457,861
District's covered-employee payroll	6,984,405	7,070,140	7,215,297	6,820,621
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	301.88%	335.89%	419.19%	343.93%
Plan fiduciary net position as a percentage of the total pension liability	67.89%	61.84%	45.35%	58.18%

The amounts presented were determined as of the fiscal year-end that occurred one year before the District's fiscal year end.

\* The schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled governments should present information for those years for which information is available.

**LACEY TOWNSHIP SCHOOL DISTRICT  
 Required Supplementary Information  
 Schedule of the District Contributions-PERS  
 For the Fiscal Year Ended June 30, 20178**

**Last 10 Fiscal Years\***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contributions	\$ 889,866	\$ 883,741	\$ 911,962	\$ 947,865
Contributions in relation to the contractually required contribution	<u>895,190</u>	<u>883,741</u>	<u>935,593</u>	<u>947,865</u>
Contribution deficiency (excess)	<u>\$ (5,324)</u>	<u>\$ -</u>	<u>\$ (23,631)</u>	<u>\$ -</u>
District's covered-employee payroll	\$ -	\$ 6,984,405	\$ 7,070,140	\$ 7,215,297
Contributions as a percentage of covered-employee payroll	0	12.65%	12.90%	13.14%

\* The schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled governments should present information for those years for which information is available.

**LACEY TOWNSHIP SCHOOL DISTRICT  
Required Supplementary Information  
Schedule of the District's Proportionate Share of Net Pension Liability-TPAF  
For the Fiscal Year Ended June 30, 2017**

**Last 10 Fiscal Years\***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.2761674482%	0.2777601437%	0.2771662205%	0.2798576362%
District's proportionate share of the net pension liability	\$ 147,602,513	\$ 175,556,272	\$ 218,036,596	\$ 188,690,110
District's covered-employee payroll	28,536,671	28,541,864	27,558,762	27,621,846
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	517.24%	615.08%	791.17%	683.12%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%

The District has a special funding situation as is not required to make any payments for this liability therefore it is not recorded on the CAFR.

The amounts presented were determined as of the fiscal year-end that occurred one year before the District's fiscal year end.

\* The schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled governments should present information for those years for which information is available.

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited)**

Last 10 Fiscal Years\*

	2018
Total OPEB liability	
Service cost	\$ 7,662,668
Interest cost	6,145,147
Changes in assumptions	(25,521,227)
Member contributions	165,514
Gross benefit payments	(4,494,916)
Net change in total OPEB liability	(16,042,814)
Total OPEB liability - beginning	210,106,023
Total OPEB liability - ending	\$ 194,063,209
District's covered employee payroll	\$ 39,895,333
Total OPEB liability as a percentage of covered employee payroll	486%

\* The schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled governments should present information for those years for which information is available.

Lacey Township School District

Notes to Required Supplementary Information - Part III

For the Year Ended June 30, 2018

**Notes for TPAF Pension Schedules**

Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.25 %
Salary increases: 2012-2021	1.65 - 4.15 % based on age
Thereafter	2.65 - 5.15 % based on age
Investment rate of return	7.00 %

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

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

**Notes to OPEB Schedule**

Benefit changes: None

Changes in assumptions: The increase in the liability from June 30, 2015 to June 30, 2016 is due to the decrease in the assumed discount rate from 3.8% as of June 30, 2015 to 2.85% as of June 30, 2016. The decrease in the liability from June 30, 2016 to June 30, 2017 is due to the increase in the assumed discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

## OTHER SUPPLEMENTARY INFORMATION

D. School Based Budget Schedules  
Not Applicable

E. Special Revenue Fund

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

	Title I 17/18	Title II Part A 17/18	Title IV 17/18	IDEA-Part B Preschool 17/18	IDEA-Part B-Basic Reg Prog 17/18
<b>Revenues:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	<u>709,139</u>	<u>147,612</u>	<u>10,000</u>	<u>32,499</u>	<u>973,003</u>
<b>Total revenues</b>	<u>709,139</u>	<u>147,612</u>	<u>10,000</u>	<u>32,499</u>	<u>973,003</u>
<b>Expenditures:</b>					
Instruction:					
Salaries	490,984	61,245	-	-	-
Purchased services	-	-	-	-	110,000
Other purchased services	-	-	-	-	-
General supplies	37,216	-	-	-	25,925
Tuition	-	-	-	-	510,000
Other objects	-	-	-	-	-
<b>Total instruction</b>	<u>528,200</u>	<u>61,245</u>	<u>-</u>	<u>-</u>	<u>645,925</u>
<b>Support services:</b>					
Other support services - students - special:					
Salaries	1,820	35,408	-	-	-
Prof. and tech. services	36,586	15,700	-	32,499	318,114
Other purchased services	-	-	-	-	-
Employee benefits	124,394	15,870	-	-	-
Travel	18,139	10,069	568	-	6,000
Supplies and materials	-	9,320	9,432	-	2,964
<b>Total other support services - students - special</b>	<u>180,939</u>	<u>86,367</u>	<u>10,000</u>	<u>32,499</u>	<u>327,078</u>
<b>Total support services</b>	<u>180,939</u>	<u>86,367</u>	<u>10,000</u>	<u>32,499</u>	<u>327,078</u>
<b>Equipment:</b>					
Regular programs instruction	-	-	-	-	-
Non-instructional equipment	-	-	-	-	-
<b>Total equipment</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>\$ 709,139</u>	<u>\$ 147,612</u>	<u>\$ 10,000</u>	<u>\$ 32,499</u>	<u>\$ 973,003</u>

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

(Continued from prior page)

	Nonpublic Textbook	Nonpublic Security Aid	Nonpublic Technology	Other	Total 2018
<b>Revenues:</b>					
Local sources	\$ -	\$ -	\$ -	\$ 123,648	\$ 123,648
State sources	215	300	146	-	661
Federal sources	-	-	-	-	1,872,253
<b>Total revenues</b>	<b>215</b>	<b>300</b>	<b>146</b>	<b>123,648</b>	<b>1,996,562</b>
<b>Expenditures:</b>					
Instruction:					
Salaries	-	-	-	14,859	567,088
Purchased services	-	-	-	-	110,000
Other purchased services	-	-	-	-	-
General supplies	215	300	146	70,279	134,081
Tuition	-	-	-	-	510,000
Other objects	-	-	-	832	832
<b>Total instruction</b>	<b>215</b>	<b>300</b>	<b>146</b>	<b>85,970</b>	<b>1,322,001</b>
<b>Support services:</b>					
Other support services - students - special:					
Salaries	-	-	-	-	37,228
Prof. and tech. services	-	-	-	-	402,899
Other purchased services	-	-	-	-	-
Employee benefits	-	-	-	-	140,264
Travel	-	-	-	-	34,776
Supplies and materials	-	-	-	37,678	59,394
<b>Total other support services - students - special</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,678</b>	<b>674,561</b>
<b>Total support services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,678</b>	<b>674,561</b>
<b>Equipment:</b>					
Instruction equipment	-	-	-	-	-
Non-instructional equipment	-	-	-	-	-
<b>Total equipment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>\$ 215</b>	<b>\$ 300</b>	<b>\$ 146</b>	<b>\$ 123,648</b>	<b>\$ 1,996,562</b>

F. Capital Projects Fund  
Not Applicable

## G. Proprietary Funds

LACEY TOWNSHIP SCHOOL DISTRICT  
Enterprise Funds  
Combining Statement of Net Position  
June 30, 2018

	Business-type Activities - Enterprise Funds		
	Food Service	Child Care	Total Enterprise
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 301,917	\$ 219,278	\$ 521,195
Accounts receivable:			
State	837	-	837
Federal	29,969	-	29,969
Interfund receivable	-	950	950
Other	11,342	-	11,342
Inventories	8,407	-	8,407
<b>Total current assets</b>	<u>352,472</u>	<u>220,228</u>	<u>572,700</u>
<b>Fixed assets:</b>			
Equipment	448,543	24,558	473,101
Accumulated depreciation	(382,332)	(24,558)	(406,890)
<b>Total fixed assets</b>	<u>66,211</u>	<u>-</u>	<u>66,211</u>
<b>Total assets</b>	<u>\$ 418,683</u>	<u>\$ 220,228</u>	<u>\$ 638,911</u>
<b>Liabilities and Fund Equity:</b>			
Liabilities:			
Accounts payable	\$ 10,177	\$ 450	\$ 10,627
Accrued salaries and benefits	-	-	-
Deferred revenue	10,112	-	10,112
Compensated absences	-	-	-
Interfund payable	204,668	-	204,668
<b>Total liabilities</b>	<u>224,957</u>	<u>450</u>	<u>225,407</u>
<b>Net position :</b>			
Net investment in capital assets	66,211	-	66,211
Restricted for other purposes	-	-	-
Unrestricted net position	127,515	219,778	347,293
<b>Total fund equity</b>	<u>193,726</u>	<u>219,778</u>	<u>413,504</u>
<b>Total liabilities and fund equity</b>	<u>\$ 418,683</u>	<u>\$ 220,228</u>	<u>\$ 638,911</u>

LACEY TOWNSHIP SCHOOL DISTRICT  
Enterprise Funds  
Combined Statement of Revenues, Expenses and  
Changes in Net Position  
For the Fiscal Year ended June 30, 2018

Business-type Activities -  
Enterprise Funds

	Food Service	Child Care	Total Enterprise
<b>Operating revenues:</b>			
<b>Local sources:</b>			
Daily sales-reimbursable programs:			
School lunch program	\$ 715,440	\$ -	\$ 715,440
Total daily sales-reimbursable programs	715,440	-	715,440
Daily sales non-reimbursable programs	30,010	-	30,010
Child Care Revenue	-	248,428	248,428
Fitness Revenues	-	-	-
<b>Total operating revenues</b>	<b>745,450</b>	<b>248,428</b>	<b>993,878</b>
<b>Operating expenses:</b>			
Salaries and benefits	760,914	196,707	957,621
Supplies and materials	20,185	14,923	35,108
Utilities	-	-	-
Miscellaneous	-	6,141	6,141
Depreciation	7,880	-	7,880
Cost of sales - reimbursable programs	614,379	-	614,379
Cost of sales - non-reimbursable programs	12,409	-	12,409
<b>Total operating expenses</b>	<b>1,415,767</b>	<b>217,771</b>	<b>1,633,538</b>
<b>Operating income (loss)</b>	<b>(670,317)</b>	<b>30,657</b>	<b>(639,660)</b>
<b>Nonoperating revenues:</b>			
State sources:			
State school lunch program	14,053	-	14,053
Federal sources:			
School breakfast program	44,586	-	44,586
National school lunch program	412,380	-	412,380
Special milk program	195	-	195
Food distribution program	102,361	-	102,361
National School Performance Based Program	15,206	-	15,206
<b>Total nonoperating revenues</b>	<b>588,781</b>	<b>-</b>	<b>588,781</b>
Change in net position before transfers	(81,536)	30,657	(50,879)
Transfers in (out)	-	-	-
Change in net position	(81,536)	30,657	(50,879)
Total unrestricted net position - beginning	275,262	189,121	464,383
Total unrestricted net position - ending	<u>\$ 193,726</u>	<u>\$ 219,778</u>	<u>\$ 413,504</u>

LACEY TOWNSHIP SCHOOL DISTRICT  
Food Services Enterprise Fund  
Combining Statement of Cash Flows  
for the Fiscal Year ended June 30, 2018

	Business-type Activities - Enterprise Funds		
	Food Service	Child Care	Total Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and other funds	\$ 847,859	\$ 248,428	\$ 1,096,287
Payments to employees & benefits	(556,246)	(197,657)	(753,903)
Payments to suppliers	(625,978)	(20,614)	(646,592)
<b>Net cash provided by (used in) operating activities</b>	<u>(334,365)</u>	<u>30,157</u>	<u>(304,208)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State sources	13,757	-	13,757
Federal sources	464,157	-	464,157
<b>Net cash provided by non-capital financing activities</b>	<u>477,914</u>	<u>-</u>	<u>477,914</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	-	-	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	-	-	-
Proceeds from sale/maturities of investments	-	-	-
<b>Net cash provided by (used for) investing activities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	143,549	30,157	173,706
<b>Balances—beginning of year</b>	158,368	189,121	347,489
<b>Balances—end of year</b>	<u>\$ 301,917</u>	<u>\$ 219,278</u>	<u>\$ 521,195</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used) in operating activities:</b>			
Operating income (loss)	\$ (670,317)	\$ 30,657	\$ (639,660)
Adjustments to reconcile operating income (loss) to net cash provided by (used) in operating activities:			
Depreciation and net amortization	7,880	-	7,880
Federal commodities	102,361	-	102,361
(Increase) decrease in interfund receivable	-	(950)	(950)
(Increase) decrease in accounts receivable, net	(10,064)	-	(10,064)
(Increase) decrease in inventories	10,818	-	10,818
Increase (decrease) in accounts payable	10,177	450	10,627
Increase (decrease) in interfund payable	204,668	-	204,668
Increase (decrease) in deferred revenue	10,112	-	10,112
Total adjustments	<u>335,952</u>	<u>(500)</u>	<u>335,452</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (334,365)</u>	<u>\$ 30,157</u>	<u>\$ (304,208)</u>

## H. Fiduciary Funds

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**Combining Statement of Fiduciary Net Position**  
**June 30, 2018**

	<u>Trust</u>		<u>Agency</u>		<u>Total</u>
	<u>Student Activity</u>	<u>Payroll Agency</u>	<u>Scholarship Fund</u>	<u>Unemployment Compensation Trust</u>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 194,712	\$ 556,010	\$ 10,021	\$ 81,460	\$ 842,203
Total assets	<u>194,712</u>	<u>556,010</u>	<u>10,021</u>	<u>81,460</u>	<u>842,203</u>
<b>LIABILITIES</b>					
Payroll deductions and withholdings	-	553,270	-	-	553,270
Payable to student groups	194,712	-	-	-	194,712
Interfund payable	-	2,740	-	-	2,740
Total liabilities	<u>194,712</u>	<u>556,010</u>	<u>-</u>	<u>-</u>	<u>750,722</u>
<b>Fund Balances</b>					
Reserved for :					
Scholarships	-	-	10,021	-	10,021
Held in trust for: Unemployment Claims	-	-	-	81,460	81,460
Total fund balances	<u>-</u>	<u>-</u>	<u>10,021</u>	<u>81,460</u>	<u>91,481</u>
Total liabilities and fund balances	<u>\$ 194,712</u>	<u>\$ 556,010</u>	<u>\$ 10,021</u>	<u>\$ 81,460</u>	<u>\$ 842,203</u>

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

	Scholarship Funds	Unemployment Compensation Fund	Total
<b>ADDITIONS</b>			
Contributions:			
Plan member	\$ -	\$ 49,586	\$ 49,586
Other	-	-	-
Total Contributions	<u>-</u>	<u>49,586</u>	<u>49,586</u>
Investment earnings:			
Net increase (decrease) in fair value of investments	-	-	-
Interest	142	182	324
Dividends	-	-	-
Less investment expense	-	-	-
Net investment earnings	<u>142</u>	<u>182</u>	<u>324</u>
Total additions	<u>142</u>	<u>49,768</u>	<u>49,910</u>
<b>DEDUCTIONS</b>			
Quarterly contribution reports	-	-	-
Unemployment claims	-	72,679	72,679
Scholarships awarded	180	-	180
Refunds of contributions	-	-	-
Administrative expenses	-	-	-
Total deductions	<u>180</u>	<u>72,679</u>	<u>72,859</u>
Change in net position	(38)	(22,911)	(22,949)
Net position –beginning of the year	<u>10,059</u>	<u>104,371</u>	<u>114,430</u>
Net position –end of the year	<u>\$ 10,021</u>	<u>\$ 81,460</u>	<u>\$ 91,481</u>

LACEY TOWNSHIP SCHOOL DISTRICT  
 Student Activity Agency Fund  
 Schedule of Receipts and Disbursements  
 For the Fiscal Year ended June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>ASSETS</b>				
Elementary School	\$ 281	1,891	2,009	\$ 163
Middle School	13,696	52,275	55,842	10,129
High School	161,082	283,216	259,878	184,420
<b>Total Assets</b>	<u>\$ 175,059</u>	<u>337,382</u>	<u>317,729</u>	<u>\$ 194,712</u>
<b>LIABILITIES</b>				
Payable to Student Groups	<u>\$ 175,059</u>	<u>337,382</u>	<u>317,729</u>	<u>\$ 194,712</u>
<b>Total Liabilities</b>	<u>\$ 175,059</u>	<u>337,382</u>	<u>317,729</u>	<u>\$ 194,712</u>

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**  
**For the Fiscal Year ended June 30, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 1,353,358	\$ 59,526,534	\$ 60,323,882	\$ 556,010
<b>Total assets</b>	<u>\$ 1,353,358</u>	<u>\$ 59,526,534</u>	<u>\$ 60,323,882</u>	<u>\$ 556,010</u>
<b>LIABILITIES:</b>				
Payroll deductions and withholdings	\$ 1,353,358	\$ 59,526,719	\$ 60,323,882	\$ 556,195
Accrued salaries and wages	<u>-</u>	<u>24,102,326</u>	<u>24,102,326</u>	<u>-</u>
<b>Total liabilities</b>	<u>\$ 1,353,358</u>	<u>\$ 83,629,045</u>	<u>\$ 84,426,208</u>	<u>\$ 556,195</u>

## I. Long-Term Debt

LACEY TOWNSHIP SCHOOL DISTRICT  
 Long-Term Debt  
 Schedule of Serial Bonds  
 June 30, 2018

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount Of Issue</u>	<u>Annual Maturities Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance July 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Refinanced</u>	<u>Balance June 30, 2018</u>
Installation of Solar Panels and Various Elem School Renovations	4/28/2009	\$ 19,806,000	1/15/2019	1,170,000	3.250%	\$ 2,295,000	\$ -	\$ (1,125,000)	\$ -	\$ 1,170,000
Refunding School Bonds Series 2016A		12,020,000	1/15/2019	-						
			1/15/2020	1,125,000						
			1/15/2021	1,220,000						
			1/15/2022	1,265,000						
			1/15/2023	1,325,000						
			1/15/2024	1,385,000						
			1/15/2025	1,440,000						
			1/15/2026	660,000						
			1/15/2027	660,000						
			1/15/2028	760,000						
			1/15/2029	855,000						
			1/15/2030	855,000		11,550,000	-	-	-	11,550,000
Refunding School Bonds Series 2016	1/13/2016	16,090,000	4/1/2019	1,585,000	4.000%					
			4/1/2020	1,665,000	4.000%					
			4/1/2021	1,640,000	5.000%					
			4/1/2022	1,630,000	5.000%					
			4/1/2023	1,625,000	5.000%					
			4/1/2024	1,515,000	5.000%					
			4/1/2025	1,505,000	5.000%					
			4/1/2026	1,465,000	5.000%					
						14,250,000	-	(1,620,000)	-	12,630,000
						<u>\$ 28,095,000</u>	<u>\$ -</u>	<u>\$ (2,745,000)</u>	<u>\$ -</u>	<u>\$ 25,350,000</u>

**LACEY TOWNSHIP SCHOOL DISTRICT  
Long-Term Debt  
Schedule of Obligations Under Capital Leases  
Year Ended June 30, 2018**

<u>Series</u>	<u>Amount of Original Issue</u>	<u>Balance 06/30/17</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 06/30/18</u>
School Buses	185,730	\$ 37,992	-	37,992	\$ -
School Buses	261,087	156,906	-	51,102	105,804
School Buses	103,500	62,079	-	20,224	41,855
School Buses	242,300	-	242,300	50,040	192,260
School Buses	88,200	-	309,213	80,149	229,064
		<u>\$ 256,977</u>	<u>551,513</u>	<u>239,507</u>	<u>\$ 568,983</u>

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

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative) Final to Actual</b>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 3,172,854	\$ -	\$ 3,172,854	\$ 3,172,854	\$ -
Miscellaneous	-	-	-	-	-
State Sources:					
Debt Service Aid Type II	542,845	-	542,845	542,845	-
<b>Total Revenues</b>	<b>3,715,699</b>	<b>-</b>	<b>3,715,699</b>	<b>3,715,699</b>	<b>-</b>
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	1,160,738	-	1,160,738	1,160,738	-
Redemption of Principal	2,745,000	-	2,745,000	2,745,000	-
Total Regular Debt Service	3,905,738	-	3,905,738	3,905,738	-
<b>Total Expenditures</b>	<b>3,905,738</b>	<b>-</b>	<b>3,905,738</b>	<b>3,905,738</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(190,039)	-	(190,039)	(190,039)	-
Other Financing Sources:					
Bond premium	-	-	-	-	-
Bond refunding costs	-	-	-	-	-
Payoff old bonds & interest	-	-	-	-	-
Issue new bonds	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(190,039)	-	(190,039)	(190,039)	-
Fund Balance, July 1	246,187	-	246,187	246,187	-
Fund Balance, June 30	<u>\$ 56,148</u>	<u>\$ -</u>	<u>\$ 56,148</u>	<u>\$ 56,148</u>	<u>\$ -</u>

## STATISTICAL SECTION

Lacey Township School District  
Statistical Section

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	111-116
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	117-120
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the district' s current levels of outstanding debt and the district's ability to issue additional debt in the future.	121-124
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	125-126
<b>Operating Information</b>	
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.	127-131

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2003; schedules presenting district-wide information include information beginning in that year.*

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**Net Assets/Position by Component**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities</b>										
Net investment in capital assets	\$ (6,037,951)	\$ 4,972,940	\$ 6,220,655	\$ 8,058,176	\$ 11,311,352	\$ 11,059,256	\$ 11,165,085	\$ 10,799,607	\$ 10,587,219	\$ 11,388,749
Restricted	21,428,794	10,657,836	10,141,673	6,922,653	2,697,936	1,083,794	1,789,230	1,760,939	3,225,375	4,588,472
Unrestricted	(4,316,450)	(4,746,812)	(3,373,649)	(3,306,663)	(4,128,614)	(4,855,733)	(27,402,090)	(24,639,494)	(23,899,938)	(23,909,827)
Total governmental activities net position	<u>11,074,393</u>	<u>10,883,964</u>	<u>12,988,679</u>	<u>11,674,166</u>	<u>9,880,674</u>	<u>7,287,317</u>	<u>(14,447,775)</u>	<u>(12,078,948)</u>	<u>(10,087,344)</u>	<u>(7,932,606)</u>
<b>Business-type activities</b>										
Net investment in capital assets	-	-	-	47,092	82,277	82,673	73,961	70,051	74,091	66,211
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	130,742	144,829	248,964	277,411	275,632	342,112	269,771	267,422	390,292	347,293
Total business-type activities net position	<u>130,742</u>	<u>144,829</u>	<u>248,964</u>	<u>324,503</u>	<u>357,909</u>	<u>424,785</u>	<u>343,732</u>	<u>337,473</u>	<u>464,383</u>	<u>413,504</u>
<b>District-wide</b>										
Net investment in capital assets	(6,037,951)	4,972,940	6,220,655	8,105,268	11,393,629	11,141,929	11,239,046	10,869,658	10,661,310	11,454,960
Restricted	21,428,794	10,657,836	10,141,673	6,922,653	2,697,936	1,083,794	1,789,230	1,760,939	3,225,375	4,588,472
Unrestricted	(4,185,708)	(4,601,983)	(3,124,685)	(3,029,252)	(3,852,982)	(4,513,621)	(27,132,319)	(24,372,072)	(23,509,646)	(23,562,534)
Total district net position	<u>\$ 11,205,135</u>	<u>\$ 11,028,793</u>	<u>\$ 13,237,643</u>	<u>\$ 11,998,669</u>	<u>\$ 10,238,583</u>	<u>\$ 7,712,102</u>	<u>\$ (14,104,043)</u>	<u>\$ (11,741,475)</u>	<u>\$ (9,622,961)</u>	<u>\$ (7,519,102)</u>

LACEY TOWNSHIP SCHOOL DISTRICT  
 Changes in Net Assets/Net Position  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities										
Instruction										
Regular	\$ 21,069,758	\$ 22,775,378	\$ 23,301,900	\$ 22,709,081	\$ 22,199,001	\$ 21,656,072	\$ 24,485,567	\$ 23,524,652	\$ 21,889,525	\$ 22,743,587
Special education	5,196,187	5,442,477	5,799,390	6,088,388	6,320,828	6,378,308	6,650,473	7,131,374	7,145,866	7,214,208
Other special education	1,343,013	1,408,180	1,455,353	1,403,269	1,420,127	1,490,344	1,480,905	1,510,517	1,562,297	1,624,222
Support Services:										
Tuition	1,260,773	1,285,374	1,545,010	1,988,740	1,899,808	1,954,601	-	-	-	-
Instruction	5,391,509	5,660,586	6,010,560	6,036,326	6,360,879	6,648,193	2,613,472	2,716,205	2,884,134	2,712,874
Attendance and social work	-	-	-	-	-	-	251,700	222,909	197,948	205,333
Health services	-	-	-	-	-	-	600,624	602,206	538,336	612,928
Improvement of instr. services	-	-	-	-	-	-	1,769,130	1,790,641	1,421,315	1,549,001
Educational media services	-	-	-	-	-	-	424,491	433,462	420,637	372,546
Instruction staff training	-	-	-	-	-	-	56,423	61,567	37,607	59,886
School administrative services	1,455,554	1,424,257	1,438,819	1,407,849	1,451,965	1,478,501	1,240,863	1,546,351	1,624,392	1,282,793
General administration	1,120,088	1,235,349	1,255,437	1,112,901	998,769	1,012,210	948,532	860,630	1,094,239	1,133,247
Central services	452,327	504,963	515,023	517,263	528,064	568,372	554,588	597,772	487,873	512,716
Plant operations and maintenance	5,454,230	5,630,773	5,535,596	5,616,086	5,669,269	6,113,044	6,218,740	6,108,858	4,626,130	5,192,745
Administrative information technology	-	-	-	-	-	-	-	-	633,422	602,340
Pupil transportation	2,427,506	2,491,549	2,448,582	2,771,058	2,825,083	2,938,907	2,998,784	2,877,930	3,209,224	3,325,947
Other support services	-	-	-	-	-	-	3,377,656	3,408,729	3,200,719	3,380,011
Business and other support services	-	-	-	-	-	-	-	-	-	-
Non-budgeted expenditures	5,054,045	3,698,021	3,845,322	-	-	-	2,966,345	4,671,054	4,581,484	4,650,233
Unallocated Employee Benefit/Compensation Absences	12,995,861	11,396,320	11,733,576	18,192,869	21,166,209	20,532,179	-	-	-	-
Interest on Long-Term Debt and Other Charges	1,479,852	1,641,437	1,872,412	1,797,008	1,638,517	1,634,313	-	-	-	-
Unallocated Amortization	193,957	193,956	193,956	193,957	110,535	-	-	-	-	-
Unallocated Adjustment to Capital Assets	2,036,435	160,079	(198,049)	833,756	(672,290)	212,959	-	-	-	-
Loss on Disposal of Undepreciated Capital Assets	-	-	-	-	59,763	-	-	-	-	-
Unallocated Depreciation	2,259,730	2,492,389	1,924,170	1,954,712	2,041,518	3,644,911	-	-	-	-
Transfer of funds to charter schools	-	-	-	-	-	-	-	7,461	-	-
Special Schools	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	1,557,828	2,011,363	2,030,173	641,148
Unallocated employee benefits	-	-	-	-	-	-	15,237,999	15,747,519	17,954,591	18,404,189
Total governmental activities expenses	69,190,825	67,441,088	68,677,057	72,623,263	74,018,045	76,262,914	73,434,120	75,831,200	75,539,912	76,219,954
Business-type activities:										
Food service	1,499,835	1,494,472	1,503,050	1,483,028	1,471,681	1,477,126	1,442,100	1,363,573	1,260,465	1,415,767
Community Education	301,437	313,667	304,361	178,852	179,941	219,506	334,606	287,548	254,055	217,771
Total business-type activities expense	1,801,272	1,808,139	1,807,411	1,661,880	1,651,622	1,696,632	1,776,706	1,651,121	1,514,520	1,633,538
Total district expenses	\$ 70,992,097	\$ 69,249,227	\$ 70,484,468	\$ 74,285,143	\$ 75,669,667	\$ 77,959,546	\$ 75,210,826	\$ 77,482,321	\$ 77,054,432	\$ 77,853,492
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Central and other support services	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	5,772,404	5,699,983	6,591,676	6,718,495	8,835,923	7,444,337	2,966,345	4,671,054	4,581,484	4,650,233
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	5,772,404	5,699,983	6,591,676	6,718,495	8,835,923	7,444,337	2,966,345	4,671,054	4,581,484	4,650,233
Business-type activities:										
Charges for services										
Food service	\$ 996,209	\$ 989,830	\$ 952,145	\$ 887,406	\$ 821,382	\$ 806,999	\$ 755,941	\$ 737,288	\$ 768,833	\$ 745,450
Community Education	242,168	287,856	252,592	221,224	211,497	243,076	271,807	275,787	253,190	248,428
Operating grants and contributions	467,061	543,812	571,845	628,789	652,149	713,433	667,905	631,787	619,407	588,781
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	1,705,438	1,821,498	1,776,582	1,737,419	1,685,028	1,763,508	1,695,653	1,644,862	1,641,430	1,582,659
Total district program revenues	\$ 7,477,842	\$ 7,521,481	\$ 8,368,258	\$ 8,455,914	\$ 10,520,951	\$ 9,207,845	\$ 4,661,998	\$ 6,315,916	\$ 6,222,914	\$ 6,232,892

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**Changes in Net Assets/Net Position**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (63,418,421)	\$ (61,741,105)	\$ (62,085,381)	\$ (65,904,768)	\$ (65,182,122)	\$ (68,818,577)	\$ (70,467,775)	\$ (71,160,146)	\$ (70,958,428)	\$ (71,569,721)
Business-type activities	(95,834)	13,359	(30,829)	75,539	33,406	66,876	(81,053)	(6,259)	126,910	(50,879)
Total district-wide net expense	<u>\$ (63,514,255)</u>	<u>\$ (61,727,746)</u>	<u>\$ (62,116,210)</u>	<u>\$ (65,829,229)</u>	<u>\$ (65,148,716)</u>	<u>\$ (68,751,701)</u>	<u>\$ (70,548,828)</u>	<u>\$ (71,166,405)</u>	<u>\$ (70,831,518)</u>	<u>\$ (71,620,600)</u>
<b>General Revenues and Other Changes in Net Assets/Position</b>										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 35,639,904	\$ 37,029,824	\$ 38,379,406	\$ 39,413,121	\$ 40,090,630	\$ 41,210,651	\$ 41,393,480	\$ 42,435,625	\$ 44,747,538	\$ 45,642,489
Taxes levied for debt service	2,800,396	2,788,058	1,651,730	628,680	1,103,479	2,919,047	3,776,467	3,675,013	3,383,058	3,172,854
Unrestricted grants and contributions	22,121,965	22,643,277	22,349,266	22,879,861	21,160,059	21,549,895	24,173,405	24,327,929	24,054,405	24,289,284
Payments in lieu of taxes	-	-	-	-	-	-	-	-	-	-
Tuition Received	17,484	22,585	71,270	153,068	97,251	94,567	-	-	-	-
Solar Renewable Energy Credits	-	-	1,067,829	1,284,028	689,549	341,547	605,033	449,764	449,764	449,764
Cancellation of State Receivable Balances	-	-	-	-	-	(139,283)	-	-	-	-
Investment earnings	112,589	158,454	67,021	26,905	11,875	5,081	-	-	-	-
Miscellaneous income	89,773	72,980	287,396	133,125	235,787	394,519	452,925	516,053	315,267	170,068
Amortization of Bond Premium	71,467	71,467	71,467	71,467	-	-	-	-	-	-
Transfers	(50,000)	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>60,803,578</u>	<u>62,786,645</u>	<u>63,945,385</u>	<u>64,590,255</u>	<u>63,388,630</u>	<u>66,376,024</u>	<u>70,401,310</u>	<u>71,404,384</u>	<u>72,950,032</u>	<u>73,724,459</u>
Business-type activities:										
Investment earnings	-	-	-	-	-	-	-	-	-	-
Transfers	50,000	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>50,000</u>	<u>-</u>								
Total district-wide	<u>\$ 60,853,578</u>	<u>\$ 62,786,645</u>	<u>\$ 63,945,385</u>	<u>\$ 64,590,255</u>	<u>\$ 63,388,630</u>	<u>\$ 66,376,024</u>	<u>\$ 70,401,310</u>	<u>\$ 71,404,384</u>	<u>\$ 72,950,032</u>	<u>\$ 73,724,459</u>
<b>Change in Net Assets/Position</b>										
Governmental activities	\$ (2,614,843)	\$ 1,045,540	\$ 1,860,004	\$ (1,314,513)	\$ (1,793,492)	\$ (2,442,553)	\$ (66,465)	\$ 244,238	\$ 1,991,604	\$ 2,154,738
Business-type activities	(45,834)	13,359	(30,829)	75,539	33,406	66,876	(81,053)	(6,259)	126,910	(50,879)
Total district	<u>\$ (2,660,677)</u>	<u>\$ 1,058,899</u>	<u>\$ 1,829,175</u>	<u>\$ (1,238,974)</u>	<u>\$ (1,760,086)</u>	<u>\$ (2,375,677)</u>	<u>\$ (147,518)</u>	<u>\$ 237,979</u>	<u>\$ 2,118,514</u>	<u>\$ 2,103,859</u>

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,825,791	\$ 4,532,324
Committed	-	-	-	1,046,367	945,747	248,305	39,228	130,985	-	-
Assigned	-	-	-	1,610,859	478,117	833,910	1,750,000	939,915	153,397	693,620
Unassigned	-	-	-	-	-	-	-	-	135,502	(128,795)
Reserved	177,982	473,765	983,462	568,849	327,493	-	-	500,000	-	-
Unreserved	2,210,291	1,371,659	(277,953)	-	-	-	(1,145,262)	(873,395)	-	-
Total general fund	<u>\$ 2,388,273</u>	<u>\$ 1,845,424</u>	<u>\$ 705,509</u>	<u>\$ 3,226,075</u>	<u>\$ 1,751,357</u>	<u>\$ 1,082,215</u>	<u>\$ 643,966</u>	<u>\$ 697,505</u>	<u>\$ 3,114,690</u>	<u>\$ 5,097,149</u>
All Other Governmental Funds										
Reserved	\$ 254,491	\$ 402,359	\$ 3,285,165	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted										
Special revenue fund	-	-	-	-	-	-	-	-	-	-
Capital projects fund	18,390,954	8,193,016	3,700,770	3,696,577	946,577	1,577	-	-	-	-
Debt service fund	-	-	1	1	2	2	2	190,039	246,187	56,148
Unreserved, reported in:										
Special revenue fund	-	-	-	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 18,645,445</u>	<u>\$ 8,595,375</u>	<u>\$ 6,985,936</u>	<u>\$ 3,696,578</u>	<u>\$ 946,579</u>	<u>\$ 1,579</u>	<u>\$ 2</u>	<u>\$ 190,039</u>	<u>\$ 246,187</u>	<u>\$ 56,148</u>

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Tax levy	38,440,300	39,817,882	40,031,136	40,041,801	41,194,109	44,129,698	45,169,947	46,110,638	48,130,596	48,815,343
Tuition charges	17,484	22,585	71,270	153,068	97,251	94,567	167,414	60,875	31,372	112,175
Interest earnings	112,589	158,454	67,021	26,905	11,875	5,081	3,091	3,842	4,949	12,189
Solar Renewable Energy Credits	-	-	1,067,829	1,284,028	689,549	341,547	605,033	605,033	605,034	605,034
Miscellaneous	163,457	192,085	363,988	242,060	235,787	394,519	282,420	296,067	123,676	(109,566)
Transportation fees	-	-	-	-	-	-	-	-	-	-
State sources	26,098,631	22,958,117	26,141,595	26,818,605	28,235,179	27,277,246	25,357,006	27,071,687	26,853,695	27,020,733
Federal sources	1,722,054	5,266,038	2,722,755	2,670,816	1,760,803	1,716,986	1,782,744	1,927,296	1,782,194	1,918,784
<b>Total revenue</b>	<b>66,554,515</b>	<b>68,415,161</b>	<b>70,465,594</b>	<b>71,237,283</b>	<b>72,224,553</b>	<b>73,959,644</b>	<b>73,367,655</b>	<b>76,075,438</b>	<b>77,531,516</b>	<b>78,374,692</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	22,775,378	23,301,900	21,415,354	22,709,081	22,199,001	21,656,072	21,892,026	21,350,848	19,613,799	20,576,854
Special education instruction	5,442,477	5,799,390	5,735,472	6,088,388	6,320,828	6,378,308	6,558,936	7,054,651	7,065,546	7,137,735
Other special instruction	1,408,180	1,455,353	1,363,751	1,403,269	1,420,127	1,490,344	1,465,649	1,497,730	1,548,910	1,611,477
<b>Support Services:</b>										
Instruction	1,285,374	1,545,010	1,406,711	1,988,740	1,899,808	1,954,601	2,354,118	2,498,825	2,656,562	2,496,202
Attendance and social work	207,893	225,678	228,199	240,966	246,381	247,081	251,700	222,909	197,948	205,333
Health services	573,725	599,143	580,154	614,344	642,853	634,049	600,624	602,206	538,336	612,928
Other support services	4,185,419	4,480,466	4,636,630	4,694,870	4,930,852	5,268,393	3,377,656	3,408,729	3,200,719	3,380,011
Improvement of instruction	-	-	-	-	-	-	1,769,130	1,790,641	1,421,315	1,549,001
Educational media services	632,666	651,038	539,690	445,656	467,127	420,773	424,491	433,462	420,637	372,546
Instruction staff training	60,883	54,235	14,870	40,490	73,666	77,897	56,423	61,567	37,607	59,886
General administrative services	1,235,349	1,255,437	1,106,604	1,112,901	998,769	1,012,210	948,532	860,630	1,094,239	1,133,247
School administrative services	1,424,257	1,438,819	1,371,073	1,407,849	1,451,965	1,478,501	1,457,582	1,467,863	1,388,634	1,416,641
School central services	504,963	515,023	498,371	517,263	528,064	568,372	554,588	597,772	487,873	512,716
School admin info technology	-	-	-	-	-	-	-	-	633,422	602,340
Allowed maintenance for school facilities	318,700	1,566,900	1,535,052	1,867,513	1,818,911	2,066,306	1,903,249	1,938,420	610,821	589,429
Other operation & maintenance of plant	5,312,073	3,968,696	3,775,506	3,748,573	3,850,358	4,046,738	4,033,168	4,025,826	4,514,864	4,390,358
Student transportation services	2,491,549	2,448,582	2,468,123	2,771,058	2,825,083	2,938,907	2,998,784	2,877,930	3,209,224	3,325,947
Business and other support services	-	-	-	-	-	-	-	-	-	-
Unallocated employee benefits	11,396,320	12,376,717	13,262,203	13,656,604	20,395,173	19,970,627	15,253,093	16,115,424	17,840,688	17,754,656
Non-budgeted expenditures	3,698,021	3,845,322	3,865,599	4,689,961	-	-	2,966,345	4,671,054	4,581,484	4,650,233
<b>Special Schools</b>										
Charter Schools	-	-	-	-	-	-	-	-	-	-
Capital outlay	1,649,024	10,735,063	1,001,740	1,345,989	1,352,167	810,774	668,787	377,053	177,544	298,994
<b>Debt service:</b>										
Principal	2,185,000	2,245,000	2,651,000	3,280,000	3,330,000	2,795,000	2,755,000	2,810,000	2,670,000	2,745,000
Interest and other charges	1,412,400	1,340,425	2,414,598	1,832,788	1,698,137	1,619,550	1,517,600	1,160,861	1,148,011	1,160,738
Transfer of funds to charter schools	-	-	-	-	-	-	-	7,461	-	-
<b>Total expenditures</b>	<b>68,199,651</b>	<b>79,848,197</b>	<b>69,870,700</b>	<b>74,456,303</b>	<b>76,449,270</b>	<b>75,434,503</b>	<b>73,807,481</b>	<b>75,831,862</b>	<b>75,058,183</b>	<b>76,582,272</b>
Excess (Deficiency) of revenues over (under) expenditures	(1,645,136)	(11,433,036)	594,894	(3,219,020)	(4,224,717)	(1,474,859)	(439,826)	243,576	2,473,333	1,792,420
<b>Other Financing sources (uses)</b>										
Proceeds from borrowing	-	-	-	-	-	-	-	-	-	-
Capital leases (non-budgeted)	-	243,051	245,895	-	-	-	-	-	-	-
Proceeds from Bond Issuance	19,806,000	-	-	-	-	-	-	16,090,000	11,595,000	-
Refunding of bonds	-	-	-	-	-	-	-	(18,150,513)	(12,924,140)	-
Premium and costs for bond refunding	-	-	-	-	-	-	-	2,060,513	1,329,140	-
Transfers in	-	-	2,230,000	3,280,000	2,750,000	945,000	1,577	-	-	-
Transfers out	(50,000)	-	(2,230,000)	(3,280,000)	(2,750,000)	(945,000)	(1,577)	-	-	-
Cancellation of State Receivable Balances	-	-	-	-	-	(139,283)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>19,756,000</b>	<b>243,051</b>	<b>245,895</b>	<b>-</b>	<b>-</b>	<b>(139,283)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>18,110,864</b>	<b>(11,189,985)</b>	<b>840,789</b>	<b>(3,219,020)</b>	<b>(4,224,717)</b>	<b>(1,614,142)</b>	<b>(439,826)</b>	<b>243,576</b>	<b>2,473,333</b>	<b>1,792,420</b>
Debt service as a percentage of noncapital expenditures	5.4%	5.2%	7.4%	7.0%	6.7%	5.9%	5.8%	5.26%	5.10%	5.12%

Source: District records

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**General Fund - Other Local Revenue by Source**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

Fiscal Year Ending June 30,	Sale of Equipment	Joint Transportation	Use of Facilities	Prior Year Refunds	Solar Panels	Student Fines/Lost Textbooks	Miscellaneous	Totals
2009	9	3,571	20,446	4,554	-	4,446	56,747	125,778
2010	3,325	7,964	16,309	7,388	-	4,873	33,121	72,980
2011	2,847	20,749	12,610	17,184	-	6,953	227,053	287,396
2012	-	-	-	-	-	-	133,125	133,125
2013	-	-	-	-	-	-	81,082	81,082
2014	-	-	-	-	-	-	326,352	326,352
2015	4,532	-	-	14,834	-	4,240	775,861	799,467
2016	22,279	-	-	36,372	-	3,809	584,569	647,029
2017	2,096	-	1,110	6,383	-	2,250	264,129	275,968
2018	1,500	-	10,435	38,717	-	1,815	704,763	757,230

Source: District records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate <sup>b</sup>
2009	38,150,700	1,522,697,000	1,485,700	914,300	135,219,600	66,638,700	2,143,500	1,767,249,500	1,919,933	1,765,329,567	4,421,896,274	2.173
2010	145,748,200	3,608,130,300	3,742,800	946,100	303,242,600	223,661,100	5,172,700	4,290,643,800	8,008,576	4,282,635,224	4,445,884,025	0.926
2011	126,311,200	3,614,292,600	3,097,300	945,100	340,414,600	223,441,800	5,172,700	4,313,675,300	7,969,581	4,305,705,719	4,250,453,976	0.926
2012	121,820,400	3,620,835,200	3,096,600	945,700	340,944,500	222,691,800	5,172,700	4,315,506,900	7,164,737	4,308,342,163	4,069,866,421	0.957
2013	117,660,700	3,577,090,600	4,662,100	965,800	337,470,300	222,691,800	5,172,700	4,265,714,000	7,009,567	4,258,704,433	3,957,650,065	1.033
2014	107,786,900	3,556,920,000	3,893,800	996,700	336,213,100	222,393,200	5,172,700	4,233,376,400	5,123,899	4,228,252,501	3,915,633,894	1.070
2015	99,467,900	3,158,811,800	4,202,300	1,000,000	319,523,800	190,066,500	4,759,000	3,777,831,300	-	3,777,831,300	3,782,292,706	1.221
2016	98,051,800	3,179,379,400	4,242,300	957,200	320,674,300	190,066,500	4,759,000	3,798,130,500	-	3,798,130,500	3,850,550,781	1.267
2017	97,817,900	3,199,509,750	4,049,800	957,200	319,895,555	190,585,300	4,759,000	3,817,574,505	-	3,817,574,505	3,785,195,332	1.279
2018	103,385,900	3,234,796,950	4,031,600	962,000	315,846,455	190,235,400	4,759,000	3,854,017,305	-	3,854,017,305	3,795,191,832	1.313

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, Telegraph and Messenger System Companies

**b** Tax rates are per \$100

**c** Based on county abstract of ratables column 11 net valuation for county tax apportionment

**N/A** At the time of CAFR completion, this data was not yet available

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
*(rate per \$100 of assessed value)*

Fiscal Year Ended June 30,	LACEY TOWNSHIP School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	(From J-6) Total Direct School Tax Rate	Municipal <sup>c</sup>	Ocean County <sup>c</sup>	
2009	2.1730	-	2.1730	0.3480	0.7400	3.2610
2010	0.9260	-	0.9260	0.1660	0.3070	1.3990
2011	0.9260	-	0.9260	0.2070	0.3240	1.4570
2012	0.9570	-	0.9570	0.2270	0.3001	1.4841
2013	1.0330	-	1.0330	0.2520	0.3490	1.6340
2014	1.0660	-	1.0660	0.2800	0.3610	1.7070
2015	1.2210	-	1.2210	3.0800	0.4010	4.7020
2016	1.2670	-	1.2670	0.3480	0.4060	2.0210
2017	1.2790	-	1.2790	0.3570	0.3930	2.0290
2018	1.3130	-	1.3130	0.3730	0.4050	2.0910

Source: Municipal Tax Collector

**Note:**

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

- 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.
- c** Municipal and county tax rate from local tax assessor

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

	2018				2009		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value		Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Exelon Generation Co, LLC	114,054,400.00	1	2.959%	Exelon Generation Co, LLC	145,292,204.00	1	3.178%
JCP & L	50,059,100.00	2	1.299%	JCP & L	50,094,100.00	2	1.229%
Piedmont Associates	20,656,100.00	3	0.536%	PR Lacey LLC	32,298,600.00	3	0.372%
BRE RC Sunrise NJ LLC	18,425,300.00	4	0.478%	Toll Land XI, LP	30,581,600.00	4	0.00%
Wal-Mart R.E. Business Trust	17,492,100.00	5	0.454%	Piedmont Associates	21,200,000.00	5	0.381%
Toll Land XI, LP	15,333,700.00	6	0.398%	NJ Bell/Verizon	10,601,376.00	6	0.171%
Kohls	11,843,600.00	7	0.307%	Forked River Power, LLC	7,554,000.00	7	0.000%
Taxpayer #1	6,754,600.00	8	0.175%	WaWa, Inc	6,789,900.00	8	0.137%
Cav-Burt, LLC	5,302,300.00	9	0.138%	Taxpayer #1	6,734,100.00	9	0.184%
Marina At Southwinds, LLC	4,916,000.00	10	0.128%	Fieldcrest, LLC	5,484,600.00	10	0.184%
Total	\$ 264,837,200		6.872%	Total	\$ 316,630,480		5.836%

Source: Municipal Tax Assessor

**LACEY TOWNSHIP SCHOOL DISTRICT  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	39,648,961	32,500,316	81.97%	-
2010	38,440,300	39,817,882	103.58%	(1,377,582)
2011	39,817,882	36,832,843	92.50%	-
2012	40,031,136	36,757,377	91.82%	3,273,759
2013	41,194,109	38,353,214	93.10%	2,840,895
2014	44,129,698	44,129,698	100.00%	-
2015	45,169,947	45,169,947	100.00%	-
2016	46,110,638	46,110,638	100.00%	-
2017	48,130,596	48,130,596	100.00%	-
2018	48,815,343	48,815,343	100.00%	-

Source: Municipal Chief Financial Officer

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

Fiscal Year Ended June 30,	Governmental Activities				Business- Type Activities	Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Capital Leases	Bond Anticipa- tion Notes (BANs)	Capital Leases			
2009	52,736,000	-	243,150	-	-	52,979,150	N/A	1,994.00
2010	50,491,000	-	265,103	-	-	50,756,103	N/A	1,709.00
2011	47,840,000	-	338,189	-	-	48,178,189	N/A	1,734.00
2012	44,560,000	-	246,541	-	-	44,806,541	N/A	N/A
2013	41,230,000	-	150,929	-	-	41,380,929	N/A	N/A
2014	38,435,000	-	51,180	-	-	38,486,180	N/A	N/A
2015	35,680,000	-	111,672	-	-	35,791,672	N/A	N/A
2016	31,190,000	-	363,811	-	-	31,553,811	N/A	N/A
2017	28,095,000	-	256,977	-	-	28,351,977	N/A	N/A
2018	25,350,000	-	568,983	-	-	25,918,983	N/A	N/A

**Note:** Details regarding the district's outstanding debt can be found in the notes to the financial statements.

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

**b** Includes Early Retirement Incentive Plan (ERIP) refunding

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions			
2009	52,736,000	-	35,115,000	2.98%	1,994.00
2010	50,491,000	-	50,491,000	1.18%	1,709.00
2011	47,840,000	-	47,840,000	1.11%	1,734.00
2012	44,560,000	-	44,560,000	1.03%	N/A
2013	41,230,000	-	41,230,000	N/A	N/A
2014	38,435,000	-	38,435,000	N/A	N/A
2015	35,680,000	-	35,680,000	1.06%	N/A
2016	31,190,000	-	31,190,000	1.23%	N/A
2017	28,095,000	-	28,095,000	0.00%	N/A
2018	25,350,000	-	25,350,000	0.00%	N/A

**Notes:** Details regarding the district's outstanding debt can be found in the notes to the financial statements.

**a** Use Estimated County equalized value from J-6

**b** Population data can be found in Exhibit NJ J-14.

**LACEY TOWNSHIP SCHOOL DISTRICT  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2018**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Lacey Township's Share (100%)	\$ 16,881,479	100.00% d	\$ 16,881,479
Other debt	-	-	-
County of Ocean - Borough's Share (XXX%)	a \$ 457,267,841	4.03%	<u>\$ 18,427,894</u>
Subtotal, overlapping debt			35,309,373
<b>Lacey Township School District Direct Debt</b>			<u>25,350,000</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 60,659,373</u></u>

**Sources:** Assessed value data used to estimate applicable percentages provided by the Ocean County Board of Taxation.  
 Debt outstanding data provided by each governmental unit. Pt Boro county debt from Steven Marrus County of Ocean  
 a= June 30 2011 county of ocean total net debt    b = as provided by OCUA Santo Manilito allocated based on flow gallons

LACEY TOWNSHIP SCHOOL DISTRICT  
 Legal Debt Margin Information  
 Last Ten Fiscal Years

Equalized valuation basis

2018	\$	3,854,017,305	c
2017		3,850,550,781	c
2016		3,782,292,706	c
<b>[A]</b>	<b>\$</b>	<b>11,486,860,792</b>	

Average equalized valuation of taxable	<b>[A/3]</b>	\$	3,828,953,597
Debt limit (4 % of average equalization)	<b>[B]</b>		153,158,144
	<b>[C]</b>	<b>\$</b>	<b>25,350,000</b>
	<b>[B-C]</b>	<b>\$</b>	<b>127,808,144</b>

Fiscal Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 163,084,000	\$ 174,064,000	\$ 174,910,000	\$ 170,216,059	\$ 163,706,273	\$ 159,242,005	\$ 155,348,203	\$ 153,280,761	\$ 153,410,015	\$ 153,158,144
Total net debt applicable to limit	<u>52,736,000</u>	<u>50,491,000</u>	<u>47,840,000</u>	<u>44,560,000</u>	<u>41,230,000</u>	<u>38,435,000</u>	<u>35,680,000</u>	<u>31,190,000</u>	<u>28,095,000</u>	<u>25,350,000</u>
Legal debt margin	<u>\$ 110,348,000</u>	<u>\$ 123,573,000</u>	<u>\$ 127,070,000</u>	<u>\$ 125,656,059</u>	<u>\$ 122,476,273</u>	<u>\$ 120,807,005</u>	<u>\$ 119,668,203</u>	<u>\$ 122,090,761</u>	<u>\$ 125,445,015</u>	<u>\$ 127,808,144</u>
Total net debt applicable to the limit as a percentage of debt limit	32.34%	29.01%	27.35%	26.18%	25.19%	24.14%	22.97%	20.35%	18.30%	16.55%

Source:

a Equalized valuation bases were obtained from the Annual Report of the State of New Jersey,  
 Department of Treasury, Division of Taxation

c from Ocean County Abstract of ratables net valuation for county tax apportionment column 11

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2009	26,566		39,766	10.10%
2010	27,672		39,793	10.50%
2011	27,722		41,475	10.10%
2012	27,946		42,603	10.20%
2013	28,090		42,946	8.70%
2014	28,307		44,453	7.00%
2015	28,451		46,109	5.50%
2016	28,569		47,413	5.10%
2017	28,819		N/A	4.50%
2018	N/A		N/A	N/A

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

<sup>c</sup> Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

NOT AVAILABLE

Exhibit J-15

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

Employer	2018			2009		
	Employees	Rank [Optional]	Percentage of Total Municipal Employment	Employees	Rank [Optional]	Percentage of Total Municipal Employment
	-		0%	-		0.00%
	-		-	-		0.00%
	-		0%	-		0.00%
	-		0%	-		0.00%
	-		0%	-		0.00%
	-		0%	-		0.00%
	-		0.00%	-		0.00%

Source: Municipal Tax Collector

Municipality didn't have the information available a time to publication of this report.

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**Full-time Equivalent District Employees by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Instruction										
Regular	323	325	290	285	283.0	283.0	283.0	276.0	254.0	260.0
Special education	104	114	119	123	128.0	128.0	141.0	143.0	144.0	143.0
Other special education										
Vocational										
Other instruction	4	6	5	5	4.0	4.0	4.0	4.0	4.0	4.0
Nonpublic school programs										
Adult/continuing education programs										
Support Services:										
Student & instruction related services	82	85	80	77	82.0	82.0	80.0	82.0	72.0	71.0
General administration	17	17	17	13	11.0	11.0	13.0	13.0	12.0	14.0
School administrative services	19	17	17	18	17.0	17.0	17.0	16.0	17.0	18.0
Other administrative services									7.0	7.0
Central services										
Administrative Information Technology										
Plant operations and maintenance	69	69	101	110	113.0	113.0	122.0	124.0	114.0	112.0
Pupil transportation	45	43	45	37	41.0	41.0	44.0	46.0	46.0	44.0
Other support services										
Special Schools										
Food Service										
Child Care										
<b>Total</b>	<b>663.0</b>	<b>676.0</b>	<b>674.0</b>	<b>668.0</b>	<b>679.0</b>	<b>679.0</b>	<b>704.0</b>	<b>704.0</b>	<b>670.0</b>	<b>673.0</b>

**Source:** District Personnel Records

LACEY TOWNSHIP SCHOOL DISTRICT  
 Operating Statistics  
 Last Ten Fiscal Years

Pupil/Teacher Ratio

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Elementary	Middle School	High School	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
2009	4,789	62,953,227	13,145	2.92%	N/A	11	12	10	4,742	4,472	N/A	94.31%
2010	4,773	65,527,709	13,729	4.44%	359	11	12	11	4,719	4,379	-0.49%	92.80%
2011	4,783	63,803,362	13,340	-2.84%	357	11	13	11	4,672	4,335	-1.00%	92.79%
2012	4,718	67,997,526	14,412	8.04%	355	11	12	11	4,604	4,294	-1.46%	93.27%
2013	4,651	70,068,966	15,065	4.53%	N/A	N/A	N/A	N/A	4,524	4,201	-1.74%	92.86%
2014	4,563	70,209,179	15,387	2.13%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2015	4,415	65,899,752	14,926	-2.99%	366	12	11	11	4,299	4,000	N/A	93.04%
2016	4,281	71,476,487	16,696	8.51%	360	12	12	11	4,142	3,858	-3.65%	93.14%
2017	4,134	69,305,171	16,765	8.96%	346	12	12	11	4,013	3,741	-6.65%	93.22%
2018	4,113	70,698,695	17,189	11.71%	345	12	12	11	3,987	3,696	-7.26%	92.70%

Sources: District records

Note: Enrollment based on annual June 30 Superintendent's Report.

- a Operating expenditures equal total expenditures less debt service and capital outlay per schedule B -2
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**School Building Information**  
**Last Ten Fiscal Years**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>District Building</b>										
<b>Elementary</b>										
Forked River Elementary (1959)										
Square Feet	45,800	45,800	45,800	45,800	45,800	45,800	45,800	45,800	45,800	45,800
Capacity (students)	675	675	675	675	675	675	675	675	675	675
Enrollment	501	528	549	545	540	540	493	452	407	-
Lanoka Harbor Elementary (1969)										
Square Feet	51,630	51,630	51,630	51,630	51,630	51,630	51,630	51,630	51,630	51,630
Capacity (students)	750	750	750	750	750	750	750	750	750	750
Enrollment	606	607	589	579	593	593	543	504	479	-
Cedar Creek Elementary (1990)										
Square Feet	64,420	64,420	64,420	64,420	64,420	64,420	64,420	64,420	64,420	64,420
Capacity (Students)	700	700	700	700	700	700	700	700	700	700
Enrollment	547	613	613	619	599	599	559	536	526	-
Mill Pond Elementary (1980)										
Square Feet	100,250	100,250	100,250	100,250	100,250	100,250	100,250	100,250	100,250	100,250
Capacity (Students)	975	975	975	975	975	975	975	975	975	975
Enrollment	772	758	730	707	679	679	763	786	775	-
<b>Middle School</b>										
Lacey Twp Middle School (2000)										
Square Feet	105,335	105,335	105,335	105,335	105,335	105,335	105,335	105,335	105,335	105,335
Capacity (students)	900	900	900	900	900	900	900	900	900	900
Enrollment	756	763	777	738	707	707	648	645	672	-
<b>High School</b>										
Lacey Township High School (1981)										
Square Feet	276,175	276,175	276,175	276,175	276,175	276,175	276,175	276,175	276,175	276,175
Capacity (students)	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Enrollment	1,507	1,504	1,453	1,460	1,460	1,460	1,337	1,279	1,185	-
<b>Other</b>										
Board Office (1989)										
Square Feet	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Grounds Department (1995) (b)										
Square Feet	8,960	8,960	8,960	8,960	8,960	8,960	8,960	8,960	8,960	8,960
Number of Schools at June 30, 2018										
Elementary = 4										
Middle School = 1										
Senior High School = 1										
Other = 2										
<b>Source:</b> District Facilities Office										

LACEY TOWNSHIP SCHOOL DISTRICT  
 Schedule of Required Maintenance  
 Last Ten Fiscal Years

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

* School Facilities Project # (s)	Lacey Township High School	Lacey Township Middle School	Mill Pond Elementary	Cedar Creek Elementary	Lanoka Harbor Elementary	Forked River Elementary	Total
2009	81,672	57,229	53,750	35,265	37,389	43,634	308,939
2010	365,855	264,228	312,107	187,114	219,024	218,572	1,566,900
2011	365,774	222,803	303,717	184,507	226,243	232,008	1,535,052
2012	320,586	208,213	245,120	217,307	160,050	179,605	1,330,881
2013	604,141	231,075	328,916	202,064	209,615	243,100	1,818,911
2014	500,583	323,937	388,381	272,051	285,149	296,205	2,066,306
2015	464,905	310,394	352,461	241,171	266,732	267,586	1,903,249
2016	848,588	311,487	297,451	189,969	154,219	136,706	1,938,420
2017	244,228	104,326	84,348	72,324	56,867	48,728	610,821
2018	252,925	96,468	91,811	58,997	47,284	41,944	589,429
Total School Facilities	<u>\$ 4,049,257</u>	<u>\$ 2,130,160</u>	<u>\$ 2,458,062</u>	<u>\$ 1,660,769</u>	<u>\$ 1,662,572</u>	<u>\$ 1,708,088</u>	<u>\$ 13,668,908</u>

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

Source: District records

**LACEY TOWNSHIP SCHOOL DISTRICT**  
**Insurance Schedule**  
**June 30, 2018**

	<u>Coverage</u>	<u>Deductible</u>
<b>School Package Policy (1):</b>		
Building & Contents (ALL LOCATIONS)	\$ 165,604,750	\$ 5,000
Equipment Breakdown	100,000,000	5,000
Computers - EDP Blanket	2,000,000	1,000
General Liability	16,000,000	
General Automobile Liability		
Auto Physical Liability	16,000,000	-
Employee Benefit Liability	16,000,000	-
Crime - Employee Dishonesty	100,000	500
School Leaders Errors & Omissions	16,000,000	10,000
Workers' Compensation:		
Employers Liability	\$ 2,000,000	
Terrorism	\$ 1,000,000	
 Surety Bonds:		
Board Secretary	\$ 340,000	\$ 500
 Environmental:		
Limit of Liability	\$ 1,000,000	10,000
 Student Accident Insurance (2)		
Accident Medical Benefit	\$ 5,000,000	\$ 25,000
Catastrophic Cash Benefit	1,000,000	25,000

(1) New Jersey School Boards Assoc Insurance Group

(2) Axis Global Accident & Health

(3) Beazley Environmental

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  
Lacey Township School District  
County of Ocean  
Lanoka Harbor, New Jersey 08734

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Board of Education of the Lacey Township School District in the County of Ocean, 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 Board of Education of the Lacey Township School District basic financial statements, and have issued our report thereon dated January 31, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered of the Lacey Township School District in the County of Ocean, State of New Jersey's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Board of Education of the Lacey Township School District in the County of Ocean, State of New Jersey's internal control. Accordingly, we do not express an opinion on the effectiveness of Board of Education of the Lacey Township School District 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 School District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted

Jump, Perry and Company, LLP  
Toms River, NJ

  
Kathryn Perry, Partner  
Licensed Public School Accountant  
No. CS 20CS00226400

January 31, 2019

**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 15-08**

Honorable President and  
Members of the Board of Education  
Lacey Township School District  
County of Ocean  
Lanoka Harbor, New Jersey 08734

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

We have audited the Lacey Township School District's compliance with the types of compliance requirements described in the OMB Compliance Supplement and the New Jersey OMB Circular 15-08 that could have a direct and material effect on each of Lacey Township School District's major federal programs for the year ended June 30, 2018. Lacey Township School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

## Opinion on Each Major Federal and State Program

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

## Report on Internal Control Over Compliance

Management of Lacey Township School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lacey Township School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the New Jersey OMB 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 Lacey Township School District's internal control over compliance.

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

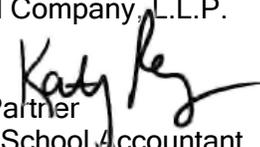
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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

Respectfully submitted,

Jump, Perry and Company, L.L.P.  
Toms River, NJ

Kathryn Perry, Partner  
Licensed Public School Accountant  
No. CS 20CS00226400



January 31, 2019

LACEY TOWNSHIP SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 for the Fiscal Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Period	Award Amount	Balance at June 30, 2017	Cash Received	Budgetary Expenditures	Deferred Revenue at June 30, 2018	Accounts Receivable at June 30, 2018	Due to Grantor at June 30, 2018
<b>General Fund</b>									
U.S. Department of Agriculture Passed-through State Department of Education:									
Medical Assistance Program	93.778	9/1/17-8/31/18	\$ 65,254	\$ -	\$ 65,254	\$ (65,254)	\$ -	\$ -	\$ -
<b>Total General Fund</b>				<b>-</b>	<b>65,254</b>	<b>(65,254)</b>	<b>-</b>	<b>-</b>	<b>-</b>
U.S. Department of Education Passed-through State Department of Education:									
Special Education Cluster:									
I.D.E.A. Part B Preschool	84.173	7/1/17-6/30/18	32,499	-	32,499	(32,499)	-	-	-
I.D.E.A. Part B, Basic Regular	84.027	7/1/16-6/30/17	1,000,241	(59,768)	59,768	-	-	-	-
I.D.E.A. Part B, Basic Regular	84.027	7/1/17-6/30/18	973,003	-	966,051	(973,003)	-	(6,952)	-
<b>Subtotal of Special Education Cluster</b>			<b>2,005,743</b>	<b>(59,768)</b>	<b>1,058,318</b>	<b>(1,005,502)</b>	<b>-</b>	<b>(6,952)</b>	<b>-</b>
N.C.L.B. Title I	84.010	7/1/16-6/30/17	564,502	(146,719)	146,719	-	-	-	-
N.C.L.B. Title I	84.010	7/1/17-6/30/18	709,139	-	490,052	(709,139)	-	(219,087)	-
N.C.L.B. Title IV	84.424	7/1/17-6/30/18	10,000	-	6,291	(10,000)	-	(3,709)	-
N.C.L.B. Title II - Part A	84.367A	7/1/16-6/30/17	126,906	(23,679)	23,679	-	-	-	-
N.C.L.B. Title II - Part A	84.367A	7/1/17-6/30/18	147,612	-	88,679	(147,612)	-	(58,933)	-
<b>Total Special Revenue Fund</b>				<b>(230,166)</b>	<b>1,813,738</b>	<b>(1,872,253)</b>	<b>-</b>	<b>(288,681)</b>	<b>-</b>
U.S. Department of Agriculture Passed-through State Department of Education:									
Food distribution Program									
Child Nutrition Cluster	10.565	7/1/17-6/30/18	102,361	-	102,361	(102,361)	-	-	-
National School Lunch Program	10.555	7/1/16-6/30/17	435,637	(16,835)	16,835	-	-	-	-
National School Lunch Program	10.555	7/1/17-6/30/18	412,380	-	386,700	(412,380)	-	(25,680)	-
National Performance Based Lunch	10.555	7/1/16-6/30/17	17,917	(703)	703	-	-	-	-
National Performance Based Lunch	10.555	7/1/17-6/30/18	15,206	-	15,206	(15,206)	-	-	-
National School Breakfast Program	10.553	7/1/16-6/30/17	50,604	(4,212)	4,212	-	-	-	-
National School Breakfast Program	10.553	7/1/17-6/30/18	44,586	-	40,308	(44,586)	-	(4,278)	-
School Milk Program	10.556	7/1/16-6/30/17	235	(9)	9	-	-	-	-
School Milk Program	10.556	7/1/17-6/30/18	195	-	184	(195)	-	(11)	-
<b>Subtotal of Child Nutrition Cluster</b>				<b>(21,759)</b>	<b>464,157</b>	<b>(472,367)</b>	<b>-</b>	<b>(29,969)</b>	<b>-</b>
<b>Total Enterprise (Food Service) Fund</b>				<b>(21,759)</b>	<b>566,518</b>	<b>(574,728)</b>	<b>-</b>	<b>(29,969)</b>	<b>-</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ (251,925)</b>	<b>\$ 2,445,510</b>	<b>\$ (2,512,235)</b>	<b>\$ -</b>	<b>\$ (318,650)</b>	<b>\$ -</b>

See accompanying notes to schedules of expenditures.

LACEY TOWNSHIP SCHOOL DISTRICT  
 Schedule of Expenditures of State Financial Assistance  
 for the Fiscal Year ended June 30, 2018

										MEMO	
State Grantor/ Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017	Cash Received	Budgetary Expenditures	Deferred Revenue at June 30, 2018	(Accounts Receivable) at June 30, 2018	Due to Grantor at June 30, 2018	Budgetary Receivable	Cumulative Total Expenditures
New Jersey Department of Education											
General Fund:											
Extraordinary Aid	17-100-034-5120-473	7/1/16-6/30/17	\$ 515,203	\$ (515,203)	\$ 515,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Extraordinary Aid	18-100-034-5120-473	7/1/17-6/30/18	624,793	-	-	(624,793)	-	(624,793)	-	-	(624,793)
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	2,504,516	(500,903)	500,903	-	-	-	-	-	-
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	2,504,516	-	2,254,805	(2,504,516)	-	-	-	(249,711)	(2,504,516)
Nonpublic Transportation Aid	17-495-034-5120-045	7/1/16-6/30/17	1,566	(1,566)	1,566	-	-	-	-	-	-
Nonpublic Transportation Aid	18-495-034-5120-015	7/1/17-6/30/18	4,238	-	-	(4,238)	-	(4,238)	-	-	(4,238)
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	17,753,571	(1,356,562)	1,356,562	-	-	-	-	-	-
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	17,753,571	-	16,030,166	(17,753,571)	-	-	(1,723,405)	-	(17,753,571)
Categorical Security Aid	17-495-034-5120-084	7/1/16-6/30/17	483,794	(96,759)	96,759	-	-	-	-	-	-
Categorical Security Aid	18-495-034-5120-084	7/1/17-6/30/18	483,794	-	435,415	(483,794)	-	-	(48,379)	-	(483,794)
Categorical Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	333,156	(66,630)	66,630	-	-	-	-	-	-
Categorical Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	333,156	-	299,840	(333,156)	-	-	(33,316)	-	(333,156)
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	71,943	(14,389)	14,389	-	-	-	-	-	-
Per pupil growth aid	17-495-034-5120-097	7/1/16-6/30/17	44,380	(8,876)	8,876	-	-	-	-	-	-
Per pupil growth aid	18-495-034-5120-097	7/1/17-6/30/18	44,380	-	39,942	(44,380)	-	-	(4,438)	-	(44,380)
PARCC readiness	17-495-034-5120-098	7/1/16-6/30/17	44,380	(8,876)	8,876	-	-	-	-	-	-
PARCC readiness	18-495-034-5120-098	7/1/17-6/30/18	44,380	-	39,942	(44,380)	-	-	(4,438)	-	(44,380)
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	40,780	(8,156)	8,156	-	-	-	-	-	-
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	40,780	-	36,702	(40,780)	-	-	(4,078)	-	(40,780)
On-Behalf TPAF Pension Contributions	18-495-034-5095-002	7/1/17-6/30/18	4,152,181	-	4,152,181	(4,152,181)	-	-	-	-	(4,152,181)
On-Behalf TPAF Post-Retirement Medical	18-495-034-5095-001	7/1/17-6/30/18	2,681,806	-	2,681,806	(2,681,806)	-	-	-	-	(2,681,806)
On-Behalf TPAF Long-Term Disability Insurance Contribution	18-495-034-5095-004	7/1/17-6/30/18	6,151	-	6,151	(6,151)	-	-	-	-	(6,151)
Reimbursed TPAF Social Security Tax Contribution	17-495-034-5094-003	7/1/16-6/30/17	1,951,161	(96,972)	96,972	-	-	-	-	-	-
Reimbursed TPAF Social Security Tax Contribution	18-495-034-5094-003	7/1/17-6/30/18	1,962,276	-	1,865,692	(1,962,276)	-	(96,584)	-	-	(1,962,276)
<b>Total General Fund</b>				<u>(2,674,892)</u>	<u>30,517,534</u>	<u>(30,636,022)</u>	-	<u>(725,615)</u>	-	<u>(2,067,765)</u>	<u>(30,636,022)</u>
Special Revenue Fund:											
Nonpublic Aid:											
Security Aid	18-100-034-5120-070	7/1/17-6/30/18	-	-	300	(300)	-	-	-	-	(300)
Technology	18-100-034-5120-070	7/1/17-6/30/18	-	-	148	(148)	-	-	2	-	(146)
Textbooks	18-100-034-5120-064	7/1/17-6/30/18	-	-	219	(215)	-	-	4	-	(215)
<b>Total Special Revenue Fund</b>				-	<u>667</u>	<u>(661)</u>	-	-	<u>6</u>	-	<u>(661)</u>
Debt Service Fund											
Debt Service Aid Type II	18-495-034-5120-075	7/1/17-6/30/18	542,845	-	542,845	(542,845)	-	-	-	-	(542,845)
<b>Total Debt Service Fund</b>				-	<u>542,845</u>	<u>(542,845)</u>	-	-	-	-	<u>(542,845)</u>
Enterprise Fund:											
National School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	13,813	(541)	541	-	-	-	-	-	-
National School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	14,053	-	13,216	(14,053)	-	(837)	-	-	(14,053)
<b>Total Enterprise Fund</b>				<u>(541)</u>	<u>13,757</u>	<u>(14,053)</u>	-	<u>(837)</u>	-	-	<u>(14,053)</u>
<b>Total Expenditures of State Awards</b>				<u>(2,675,433)</u>	<u>31,074,803</u>	<u>(31,193,581)</u>	-	<u>(726,452)</u>	-	<u>(2,067,765)</u>	<u>(31,193,581)</u>
Less: State Financial Assistance Not Subject to Single Audit Determination											
On-Behalf TPAF Pension Contributions (Non-Budgeted)			6,840,138	-	(6,840,138)	6,840,138	-	-	-	-	6,840,138
<b>Total State Awards Subject to Single Audit</b>				<u>\$ (2,675,433)</u>	<u>\$ 24,234,665</u>	<u>\$ (24,353,443)</u>	<u>\$ -</u>	<u>\$ (726,452)</u>	<u>\$ -</u>	<u>\$ (2,067,765)</u>	<u>\$ (24,353,443)</u>

See accompanying notes to schedules of expenditures.

## Lacey Township School District

## Notes to Schedules of Awards and Financial Assistance

June 30, 2018

## 1. General

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

## 2. Basis of Accounting

The accompanying schedules of expenditures of federal and state awards are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements.

## 3. Relationship to General Purpose Financial Statements

## Relationship to Basic Financial Statements

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules 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 last state aid payment in the current budget year, which is mandated pursuant to P.L. 2003, c.97.(A3521). For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

## Lacey Township School District

## Notes to Schedules of Awards and Financial Assistance (continued)

June 30, 2018

## 3. Relationship to General Purpose Financial Statements (continued)

## Relationship to Basic Financial Statements (continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(4,158,795) for the general fund and \$(18,723) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue fund. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 65,254	26,477,227	26,542,481
Special Revenue Fund	1,853,530	661	1,854,191
Debt Service Fund	-	542,845	542,845
Food Service Fund	<u>574,728</u>	<u>14,053</u>	<u>588,781</u>
Total awards and financial assistance	<u>\$ 2,493,512</u>	<u>27,034,786</u>	<u>\$ 29,528,298</u>

## 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.

## 5. Other

TPAF Social Security and Post Retirement/Medical Benefits Contributions represent the amounts reimbursed by the State for the employer's share of social security contributions and Post Retirement/Medical Benefits for TPAF members for the year ended June 30, 2018.

The TPAF post retirement/medical benefits expenditures are not subject to New Jersey OMB Circular 15-08.

## 6. Indirect Costs

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

Lacey Township School District  
Schedule of Findings and Questioned Costs

June 30, 2018

**Section I - Summary of Auditor's Results**

Financial Statement Section

Type of auditor's report issued: Unmodified opinion

Internal control over financial reporting:

- 1) Material weakness(es) identified?  yes  no
- 2) Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to general-purpose financial statements noted?  yes  no

Federal Awards Section:

Internal Control over major programs:

- 1) Material weakness(es) identified?  yes  no
- 2) Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section .516(a) of the Uniform Guidance?  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA Part B Basic Regular
84.173	IDEA Part B Preschool

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

Auditee qualified as low-risk auditee?  yes  no

Lacey Township School District  
 Schedule of Findings and Questioned Costs (continued)

June 30, 2018

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

State Awards Section

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

Auditee qualified as low-risk auditee?        X yes        \_\_\_ none reported

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

Internal Control over major programs:

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

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

Any audit findings disclosed that are required  
 to be reported in accordance with NJOMB  
 Circular Letter 15-08                        \_\_\_ yes        X no

Identification of major programs:

GMIS Number(s)	Name of State Program
State Aid-Public (Cluster)	
495-034-5120-089	Special Education Aid
495-034-5120-078	Equalization Aid
495-034-5120-084	Security Aid
495-034-5120-097	Per Pupil Growth Aid
495-034-5120-098	PARCC Readiness
495-034-5120-101	Professional Learning Community Aid
495-034-5094-003	Reimbursed TPAF Social Security Contributions

**Section II - Financial Statement Findings**

No matters were reported for the period ended June 30, 2018.

**Section III - State Award Findings and Questioned Costs**

No matters were reported for the period ended June 30, 2018.

Lacey Township School District  
Summary Schedule of Prior Audit Findings  
June 30, 2018

There were no prior year findings for the period ended June 30, 2017.