

**READINGTON TOWNSHIP
SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2018

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



**READINGTON TOWNSHIP
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

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www.readington.k12.nj.us

Jonathan Hart, Ph.D., *Superintendent of Schools*

Jason M. Bohm, CPA, *Business Administrator/Board Secretary*

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P.O. Box 807 • 52 Readington Road • Whitehouse Station, NJ 08889 • (908)-534-2195 • (908) 349-3042 fax

February 15, 2019

Honorable President and
Members of the Board of Education
Readington Township Public Schools
P.O. Box 807
Whitehouse Station, New Jersey 08889

Dear Board Members:

The comprehensive annual financial report of the Readington Township Public School District for the fiscal year ended June 30, 2018 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in the auditor's 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: introduction, financial, statistical and single audit. The introduction section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements, management's discussion and analysis and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

Readington Township Public School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board. All funds and account groups of the District are included in this report. The Readington Township Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels pre-K through 8. These include regular, as well as special education (pre-school through 8th grade) handicapped youngsters. The District completed the 2017-2018 fiscal year with an in-district enrollment of 1528 students, which is 6.0% students below the previous year's enrollment. The following chart details the changes in the student

enrollment of the District for the past ten fiscal years. These figures do not include those students sent out of district for special education placements.

Fiscal Year	Enrollment in District	% Change
2008-2009	2164	-1.2%
2009-2010	2105	-2.7%
2010-2011	2040	-3.1%
2011-2012	1963	-3.8%
2012-2013	1867	-4.9%
2013-2014	1778	-4.8%
2014-2015	1752	-1.5%
2015-2016	1695	-3.2%
2016-2017	1620	-4.4%
2017-2018	1528	-6.0%

2. ECONOMIC CONDITION AND OUTLOOK:

The District has seen decreasing enrollments in prior years which may have been accelerated with the decline in the housing market and overall state of the economy. The district is still experiencing declining enrollments as confirmed by the latest demographic projections completed in 2015.

The District's enrollment projections were developed by an independent demographer. All schools currently have sufficient capacity to house the District's students.

3. MAJOR INITIATIVES:

The attainment of proficiency in state standards continues to be a primary focus of the District. Student achievement is consistently rated above state and county average performance, with achievement in Algebra II and English/Language Arts being especially strong. Several of the surrounding districts have visited Readington Township Schools to attend professional development hosted by our district staff, observe literacy instruction and discuss best practices with teachers.

Technology availability and bandwidth has been exemplary, with continued one-to-one initiatives taking place in our middle school with plans in future years to continue to lower grades. Student achievement results have been strong and compare favorably with peer districts and state averages.

Strategic Planning Goals established in the Fall of 2016 guide the District's leadership in setting annual ambitious objectives for student achievement, fiscal responsibility, and teacher leadership. District initiatives for 2017-18 have included:

- Expand academic and extra-curricular opportunities for students and provide staff with the professional training to support this work.
- Promote a healthy and caring school environment for students and staff members.
- Build a strong community in and among our schools and township.
- Enrich character education and service learning opportunities for our students.

In addition to furthering the already-rich instructional environment in Readington's classrooms, funding has been set aside for facility improvements. Student restrooms at the middle school will be renovated this summer along with improved lighting and walkway between the Readington Middle School and Holland

Brook School. Further, several safety and security upgrades are planned involving camera systems and communication systems are planned.

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 (G.A.A.P.). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District 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 financial assistance programs, and also 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. 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 projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

6. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted principles, as promulgated by the Governmental Accounting Standards Board (G.A.S.B.). 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.

8. DEBT ADMINISTRATION:

In October of 1996, the District passed a \$12,000,000 bond referendum for construction of a new intermediate school, Holland Brook School. The project was eligible for state funding through a grant from the SCC/SDA. Additionally, the referendum included Americans with Disabilities Act (A.D.A.) improvements. The total cost of the referendum was \$12,800,000, with the additional \$800,000 funded on the interest earnings received on the investment of the \$12,000,000. The bonds were partially refinanced in 2004. As of June 30, 2018, \$5,780,000 remained in principal to be paid, with the final payment to be made on January 1, 2027.

In 2002, the District passed a \$27,790,000 bond referendum for renovations and construction at Readington Middle School, Holland Brook School, Three Bridges School, and Whitehouse School. This project also qualified for state funding through an SCC/SDA grant. There was a partial refunding of the 2002 Bond Series in December of 2006 of \$10,000,000, and another partial refunding of \$5,415,000 in November, 2010, with an additional partial refunding in 2017 of the December 2006 Bond Series originally in aggregate of \$10,000,000. As of June 30, 2018, \$9,530,000 remained in principal to be paid, with the final payment to be made on July 15, 2026.

In 2016 the District passed a \$1,780,000 bond referendum approving the use of Capital Reserve to fund notes for paving at Holland Brook and Readington Middle school and step replacements at the Three Bridges and Readington Middle schools. As of June 30, 2018, the final \$990,000 remaining in principal on the first series was paid on July 15, 2017. Further, the remaining principal on the second series of \$790,000 was paid on July 15, 2017, leaving no aggregate balance remaining.

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 1. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey where the funds are secured in accordance with the Act.

The District utilizes Investors Bank as its main depository for District funds. The Business Administrator utilizes the investment vehicles available through Investors Bank. This program meets the G.U.D.P.A. requirements. Most of the District's funds are invested in interest bearing accounts, allowing the district to maximize interest and maintain the liquidity needed to meet its obligations.

10. RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to general liability and comprehensive collision, hazard and theft insurance on property and contents and fidelity bonds through its membership in the School Alliance Insurance Fund.

11. OTHER INFORMATION:

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of BKC, CPAs, PC were selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular Letter 15-08. The auditor's report on the general purpose financial statements combining individual fund statements and schedules is included in the financial section of the 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 Readington Township Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

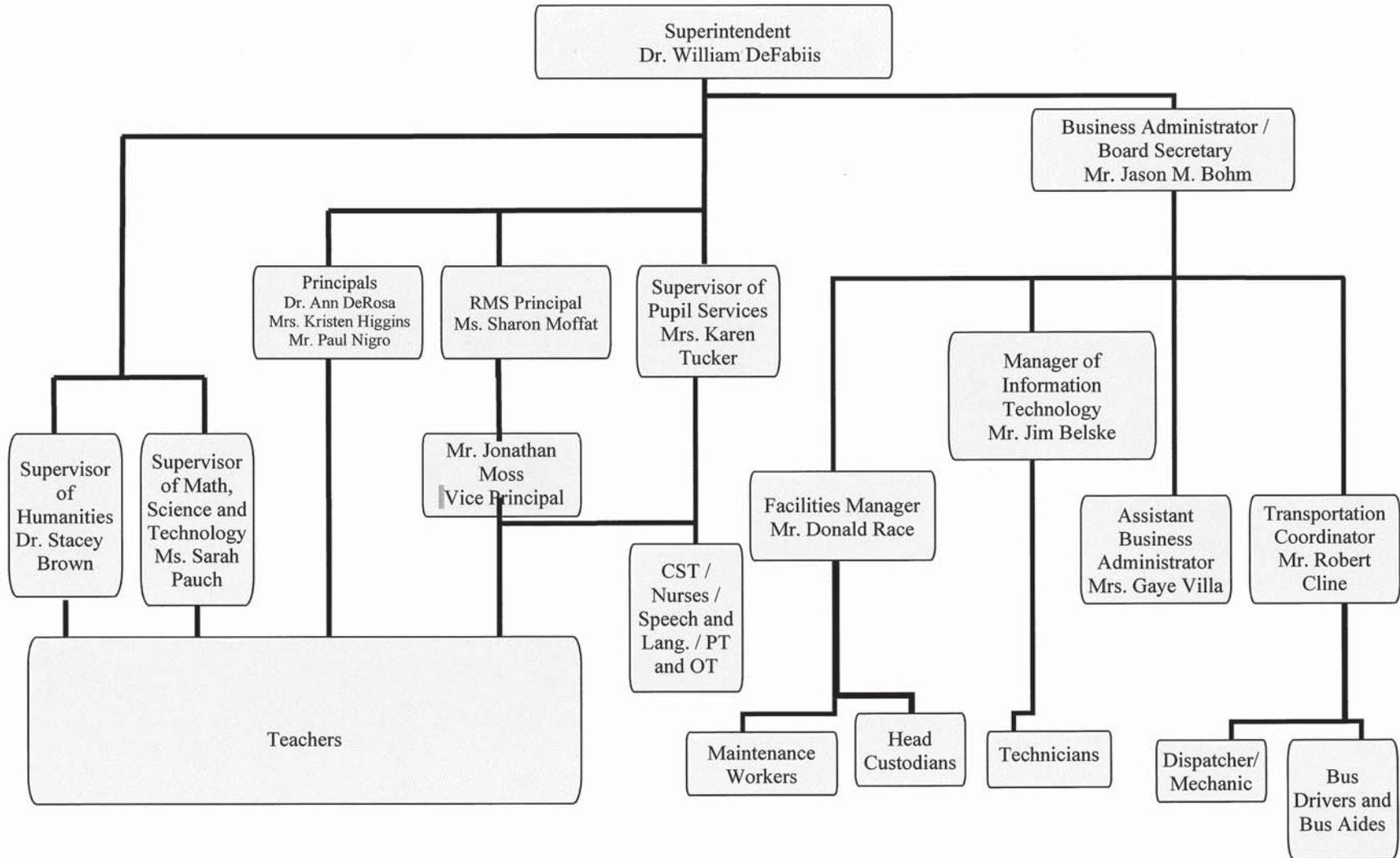


Jonathan Hart, Ph.D.
Superintendent of Schools



Jason M. Bohm, CPA
School Business Administrator/Board Secretary

Readington Township Public Schools
Organizational Chart 2017 - 2018



**READINGTON TOWNSHIP BOARD OF EDUCATION
READINGTON TOWNSHIP, NEW JERSEY**

**Roster of Officials
June 30, 2018**

MEMBERS OF THE BOARD OF EDUCATION

		TERM EXPIRES
Laura Simon	President	2020
Anna Shinn	Vice President	2019
Wayne Doran		2019
Ray Egbert		2021
Carol Hample		2021
Robyn Mikaelian		2021
Melissa Szanto		2019
Thomas Wallace		2020
Eric Zwerling		2019

OTHER OFFICIALS

Dr. William DeFabiis	Superintendent of Schools (Interim)
Jason M. Bohm	Board Secretary/Business Administrator

READINGTON TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors

AUDIT FIRM

BKC, CPAs, PC
114 Broad Street
Flemington, NJ 08822

SOLICITOR

Fogarty & Hara
16-00 Route 208 South
Fair Lawn, New Jersey 07410

OFFICIAL DEPOSITORY

Investors Bank
3563 US Highway 22 North
Whitehouse Station, NJ 08899

ARCHITECT

SSP Architectural Group
148 West End Avenue
Somerville, NJ 08876



Certified Public Accountants, PC

www.bkc-cpa.com

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Readington Township School District, (the District) in the County of Hunterdon, the State of New Jersey, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's Basic Financial Statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Other Information

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

also not a required part of the basic financial statements.

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



BKC, CPAs, PC



Michael A. Holk, CPA, PSA

February 15, 2019
Flemington, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

READINGTON TOWNSHIP SCHOOL DISTRICT
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The Readington Township School District's (the "District") management's discussion and analysis is designed to provide an overview of the District's financial activities for the year ended June 30, 2018, identify changes in the District's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position increased \$1,137,882 which represents a 5.58 percent increase from fiscal year 2017.
- General revenues accounted for \$47,131,497 in revenue or 97.24 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 \$1,339,249 or 2.76 percent to total revenues of \$48,470,746.
- Total assets of governmental activities decreased by \$1,334,843 as cash and cash equivalents decreased by \$390,472, receivables decreased by \$341,019 and capital assets decreased by \$603,352.
- The School District had \$47,332,864 in expenses; only \$1,339,249 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues (primarily property taxes) of \$47,131,497 were adequate to provide for these programs.
- Among major funds, the general fund had \$33,713,760 in revenues and \$33,763,722 in expenditures. After accounting for other financing uses of \$1,182,534, the General fund's balance decreased \$1,232,496 from fiscal year 2017.

Using this Generally Accepted Accounting Principles Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Readington 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 whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For Governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

READINGTON TOWNSHIP SCHOOL DISTRICT
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

These two statements report the School District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. No financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The School District as a Whole

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

Table 1
Net Position

	06/30/18	06/30/17	Variance	
			Dollars	%
Current & Other Assets	\$ 8,163,894	\$ 8,886,062	\$ (722,168)	-8.13%
Capital Assets	41,397,569	42,005,825	(608,256)	-1.45%
Total Assets	<u>49,561,463</u>	<u>50,891,887</u>	<u>(1,330,424)</u>	-2.61%
Deferred Pension Activity	3,139,315	4,383,469	(1,244,154)	-28.38%
Deferred Amount on Refunding	-	184,284	(184,284)	-100.00%
Total Deferred Outflow of Resources	<u>3,139,315</u>	<u>4,567,753</u>	<u>(1,428,438)</u>	-31.27%
Long-Term Liabilities	27,653,867	34,289,993	(6,636,126)	-19.35%
Other Liabilities	996,856	399,631	597,225	149.44%
Total Liabilities	<u>28,650,723</u>	<u>34,689,624</u>	<u>(6,038,901)</u>	-17.41%
Deferred Pension Activity	2,524,770	382,613	2,142,157	559.88%
Total Deferred Inflow of Resources	<u>2,524,770</u>	<u>382,613</u>	<u>2,142,157</u>	559.88%
Net Position				
Net Investment in				
Capital Assets	26,087,569	23,463,318	2,624,251	11.18%
Restricted	4,774,287	6,039,014	(1,264,727)	-20.94%
Unrestricted	(9,336,571)	(9,114,929)	(221,642)	2.43%
Total Net Position	<u>\$ 21,525,285</u>	<u>\$ 20,387,403</u>	<u>\$ 1,137,882</u>	5.58%

Total assets decreased by \$1,330,424. Cash and cash equivalents decreased by \$383,822, receivables and other assets decreased by \$338,346, and capital assets decreased by \$608,256. Unrestricted net position, the part of net position that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District decreased by \$221,642. This decrease and the negative balance in general is the result of the reporting of the State's net pension liability. The negative balance in unrestricted net assets is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions, which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

READINGTON TOWNSHIP SCHOOL DISTRICT
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Table 2 provides a summary of the District's changes in net position in fiscal year ending June 30, 2018 with comparisons to fiscal year ending June 30, 2017.

Table 2
Changes in Net Position

	06/30/18	06/30/17	Variance	
			Dollars	%
Revenues				
Program Revenues				
Charges for Services	\$ 689,139	\$ 738,303	\$ (49,164)	-6.66%
Operating Grants	650,110	652,150	(2,040)	-0.31%
Capital Grants	-	10,147	(10,147)	-100.00%
General Revenues				
Property Taxes	29,557,217	29,016,549	540,668	1.86%
Unrestricted Grants	17,432,113	13,619,700	3,812,413	27.99%
Other	142,167	269,488	(127,321)	-47.25%
Total Revenues	<u>48,470,746</u>	<u>44,306,337</u>	<u>4,164,409</u>	9.40%
Program Expenses				
Instruction				
Regular	19,047,867	17,497,506	1,550,361	8.86%
Special	7,140,540	6,409,476	731,064	11.41%
Other	2,165,433	2,179,322	(13,889)	-0.64%
Support Services				
Tuition	975,604	602,237	373,367	62.00%
Student & Instructional Staff	7,651,285	7,304,973	346,312	4.74%
General & Business Administration	1,640,582	1,983,103	(342,521)	-17.27%
School Administration	2,654,318	2,354,438	299,880	12.74%
Maintenance	2,810,879	2,623,557	187,322	7.14%
Transportation	2,042,716	1,851,479	191,237	10.33%
Food Service	535,128	475,181	59,947	12.62%
Summer Programs	10,677	15,676	(4,999)	-31.89%
Interest on Long-Term Debt	657,835	649,110	8,725	1.34%
Total Expenses	<u>47,332,864</u>	<u>43,946,058</u>	<u>3,386,806</u>	7.71%
Increases (Decreases) Before				
Special Items	<u>1,137,882</u>	<u>360,279</u>	<u>777,603</u>	215.83%
Special Items				
Gain (Loss) on Disposal of Assets	<u>-</u>	<u>8,101</u>	<u>(8,101)</u>	-100.00%
Total Special Items	<u>-</u>	<u>8,101</u>	<u>(8,101)</u>	-100.00%
Increase (Decrease) in Net Position	<u>\$ 1,137,882</u>	<u>\$ 368,380</u>	<u>\$ 769,502</u>	208.89%

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Governmental Activities

The Readington Township Board of Education has their annual election in November, thereby requiring voter budget approval only if the tax levy exceeds state mandated cap. Property taxes made up for 61.67 percent of revenues for governmental activities for the Readington Township School District for fiscal year 2018.

The dependence upon tax revenues is apparent. The community, as a whole, is the primary support for the Readington Township School District. Instruction comprises 60.6 percent of District expenses. Support services expenses make up 38 percent of the expenses, and interest expense comprises 1.4 percent of the expenses.

The Statement of Activities shows the cost of the program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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

Table 3
Cost of Governmental Services

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>06/30/18</u>	<u>06/30/17</u>	<u>06/30/18</u>	<u>06/30/17</u>
Instruction	\$28,353,840	\$26,086,304	\$28,241,922	\$25,910,240
Support Services				
Tuition	975,604	602,237	578,543	264,619
Student & Instructional Staff	7,651,285	7,304,973	7,428,673	7,081,221
General & Business	1,640,582	1,983,013	1,640,582	1,982,435
School Administration	2,654,318	2,354,438	2,654,318	2,353,790
Plant Operations & Maintenance	2,810,879	2,623,557	2,761,788	2,570,381
Pupil Transportation	2,042,716	1,851,479	2,018,847	1,772,825
Interest on Long-Term Debt	657,835	649,110	657,835	649,110
Total Expenses	<u>\$46,787,059</u>	<u>\$43,455,201</u>	<u>\$45,982,508</u>	<u>\$42,584,621</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student. Pupil and instructional staff costs include the activities involved with assisting staff with content and the process of teaching to students. General administration, school administration and business include expenses associated with administrative and financial supervision of the District. Operation and maintenance of facility activities involve keeping the school grounds, buildings and equipment in an effective working condition. Pupil transportation includes activities involved with the conveyance of students, to and from school as well as to and from school activities, as prescribed by state law. Interest on long-term debt involves the transactions associated with the payment of interest and other related charges to debt of the School District.

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The School District's Funds

School District's major funds are accounted for using the modified accrual basis of accounting. All Governmental funds had total revenues of \$36,980,745 and expenditures of \$38,219,193. The net negative change in fund balance for the year of \$1,238,448 was most significant in the general fund, a decrease of \$1,232,496.

General Fund Budgetary Highlights

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of the fiscal year 2018, the School District amended its general fund budget as needed. The School District uses program based budgeting, and the budgeting systems are designed to tightly control total program budgets and provide flexibility for program management. For the general fund, budgeted revenues were \$29,426,706, which was \$206,052 above original budgeted estimates of \$29,220,654. This difference was due primarily to realized miscellaneous revenues and state aid in excess of original budgets. The general fund revenues and other financing sources of the School District were less than expenditures and other financing uses by \$1,229,101.

Capital Assets

At the end of fiscal year 2018, the District had \$41,397,569 invested in land, buildings, furniture, equipment, and vehicles.

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

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

	06/30/18	06/30/17	Variance	
			Dollars	%
Land	\$ 412,362	\$ 412,362	\$ -	0.00%
Construction in Progress	68,451	1,692,136	(1,623,685)	-95.95%
Land Improvements	1,995,159	458,145	1,537,014	335.49%
Buildings & Improvements	37,699,983	38,163,955	(463,972)	-1.22%
Machinery & Equipment	729,857	813,016	(83,159)	-10.23%
Vehicles	491,757	466,211	25,546	5.48%
Total	\$ 41,397,569	\$ 42,005,825	\$ (608,256)	-1.45%

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Capital additions were less than depreciation expense and asset disposals in the current fiscal year by \$608,256. Additions to capital assets resulted primarily from the expenses related to building improvements and parking lot paving completed in fiscal year 2018. The district also purchased a new 54 passenger bus, a pickup truck, and 9 new whiteboards.

Liabilities and Long-term Debt

At June 30, 2018, the School District had \$27,653,867 in long-term liabilities. At June 30, 2018, the School District's overall legal debt limit was \$95,228,990 and the legal borrowing margin was \$79,918,990.

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

Table 5
Long-Term Liabilities at Year-end

	06/30/18	06/30/17	Variance	
			Dollars	%
General Obligation Bonds	\$ 15,310,000	\$ 18,685,000	\$ (3,375,000)	-18.06%
Net Pension Liability	10,468,045	13,525,652	(3,057,607)	-22.61%
Unamortized Bond Premium	1,349,723	1,563,783	(214,060)	-13.69%
Compensated Absences	526,099	515,558	10,541	2.04%
	<u>\$ 27,653,867</u>	<u>\$ 34,289,993</u>	<u>\$ (6,636,126)</u>	<u>-19.35%</u>

READINGTON TOWNSHIP SCHOOL DISTRICT
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2018
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Economic Factors and Next Year's Budgets and Rates

The District continues its need to rely upon local taxes as its main source of funding. Therefore, especially in consideration of current economic conditions, the Board of Education has proactively sought to control budget expenses to minimize the impact on the local tax levy. Cost savings measures employed in recent years included reductions in staffing levels to reflect declining enrollments, expansion of shared services, employing transportation and sustainability practices in all aspects of school operations. However, as the district understands these measures might not be sustainable long-term without affecting programs and student achievement, the district is projecting no reduction of certificated positions in the 2018-2019 budget along with expansion of certain positions to meet the changing student needs of the district including a full-time Board Certified Behavior Analyst, expansion of Gifted & Talent Program, new Social and Emotional Learning Program, and expansion of staffing needs and costs relating to special needs students based on individualized education programs. The district formulated its budget to implement action plans developed as a result of a new Strategic Plan developed during the 2016-17 school year.

The Board of Education developed a budget that was fiscally responsible that addressed the educational needs of our students. The District continues to diligently pursue and maintain a balanced class size with scheduling efficiencies, enrich students' academic experiences, and continue to implement the district's Strategic Plan. The district's budget provided for a expansion of a 1:1 technology initiative for students in 4th and 5th grade at Holland Brook School, and included several security and safety enhancements. The District achieved this while facing continued declining enrollment and compliance with state and federal educational requirements along with increasing mandates and regulations promulgated by the State Legislature and State Department of Education.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the School Business Administrator/Board Secretary at Readington Township Board of Education, P.O. Box 807, 52 Readington Road, Whitehouse Station, New Jersey 08889.

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,827,084	\$ 220,746	\$ 3,047,830
Receivables, net	416,674	7,190	423,864
Inventory	-	10,133	10,133
Restricted assets			
Capital reserve account - cash	3,730,303	-	3,730,303
Maintenance reserve account - cash	487,179	-	487,179
Emergency reserve account - cash	210,967	-	210,967
Capital projects fund - cash	253,618	-	253,618
Capital assets, net			
Land	412,362	-	412,362
Construction in progress	68,451	-	68,451
Other capital assets, net of depreciation	40,892,431	24,325	40,916,756
Total assets	49,299,069	262,394	49,561,463
Deferred outflows of resources			
Deferred amount on pension activity	3,139,315	-	3,139,315
Liabilities			
Accounts payable	635,537	27,408	662,945
Accrued interest	281,858	-	281,858
Unearned revenues	12,503	39,550	52,053
Long-term liabilities			
Due within one year	1,741,355	-	1,741,355
Due beyond one year	25,912,512	-	25,912,512
Total liabilities	28,583,765	66,958	28,650,723
Deferred inflows of resources			
Deferred amount on pension liability	2,524,770	-	2,524,770
Net position			
Net investment in capital assets	26,063,244	24,325	26,087,569
Restricted for			
Capital projects	332,562	-	332,562
Capital reserve fund	3,730,303	-	3,730,303
Maintenance reserve fund	487,179	-	487,179
Emergency reserve fund	210,967	-	210,967
Debt service fund	13,276	-	13,276
Unrestricted	(9,507,682)	171,111	(9,336,571)
Total net position	\$ 21,329,849	\$ 195,436	\$ 21,525,285

See accompanying notes to financial statements.

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

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 8,754,194	\$ 10,293,673	\$ 49,299	\$ 35,286	\$ -	\$ (18,963,282)	\$ -	\$ (18,963,282)
Special education	3,336,069	3,804,471	-	2,583	-	(7,137,957)	-	(7,137,957)
Other special instruction	755,935	924,946	-	24,750	-	(1,656,131)	-	(1,656,131)
Other instruction	279,909	204,643	-	-	-	(484,552)	-	(484,552)
Support services								
Tuition	975,604	-	-	397,061	-	(578,543)	-	(578,543)
Students and instruction related services	3,887,922	3,763,363	150,154	72,458	-	(7,428,673)	-	(7,428,673)
General and business administration services	948,807	691,775	-	-	-	(1,640,582)	-	(1,640,582)
School administration services	1,318,879	1,335,439	-	-	-	(2,654,318)	-	(2,654,318)
Plant operations and maintenance	2,375,060	435,819	49,091	-	-	(2,761,788)	-	(2,761,788)
Pupil transportation	1,461,883	580,833	23,869	-	-	(2,018,847)	-	(2,018,847)
Interest on long-term debt	657,835	-	-	-	-	(657,835)	-	(657,835)
Total governmental activities	<u>24,752,097</u>	<u>22,034,962</u>	<u>272,413</u>	<u>532,138</u>	<u>-</u>	<u>(45,982,508)</u>	<u>-</u>	<u>(45,982,508)</u>
Business-type activities								
Food service	535,128	-	408,719	117,972	-	-	(8,437)	(8,437)
Summer programs	10,677	-	8,007	-	-	-	(2,670)	(2,670)
Total business-type activities	<u>545,805</u>	<u>-</u>	<u>416,726</u>	<u>117,972</u>	<u>-</u>	<u>-</u>	<u>(11,107)</u>	<u>(11,107)</u>
Total primary government	<u>\$ 25,297,902</u>	<u>\$ 22,034,962</u>	<u>\$ 689,139</u>	<u>\$ 650,110</u>	<u>\$ -</u>	<u>(45,982,508)</u>	<u>(11,107)</u>	<u>(45,993,615)</u>
General revenues, special items & transfers								
Property taxes levied for general purposes						27,444,990	-	27,444,990
Property taxes levied for debt service						2,112,227	-	2,112,227
Federal & state aid not restricted						17,432,113	-	17,432,113
Investment earnings						108,024	2,448	110,472
Miscellaneous income						29,058	2,637	31,695
Total general revenues & special items						<u>47,126,412</u>	<u>5,085</u>	<u>47,131,497</u>
Change in net position						1,143,904	(6,022)	1,137,882
Net position - beginning						20,185,945	201,458	20,387,403
Net position - ending						<u>\$ 21,329,849</u>	<u>\$ 195,436</u>	<u>\$ 21,525,285</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

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

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

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,813,808	\$ -	\$ -	\$ 13,276	\$ 2,827,084
Due from other funds	9,940	-	-	-	9,940
Receivables from other governments					
State	301,736	-	78,944	-	380,680
Federal	-	15,549	-	-	15,549
Local	10,725	-	-	-	10,725
Other accounts receivable	9,720	-	-	-	9,720
Restricted cash and equivalents	4,428,449	-	253,618	-	4,682,067
Total assets	\$ 7,574,378	\$ 15,549	\$ 332,562	\$ 13,276	\$ 7,935,765
Liabilities and fund balances					
Liabilities					
Due to other funds	\$ -	\$ 9,940	\$ -	\$ -	\$ 9,940
Accounts payable	635,537	-	-	-	635,537
Unearned revenues	6,894	5,609	-	-	12,503
Total liabilities	642,431	15,549	-	-	657,980

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances (cont'd)					
Fund balances					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures	\$ 889,993	\$ -	\$ -	\$ -	\$ 889,993
Excess surplus	884,325	-	-	-	884,325
Capital reserve account	3,730,303	-	-	-	3,730,303
Maintenance reserve account	487,179	-	-	-	487,179
Emergency reserve account	210,967	-	-	-	210,967
Capital projects	-	-	332,562	-	332,562
Committed fund balance					
Year-end encumbrances	137,866	-	-	-	137,866
Assigned fund balance					
Designated for subsequent year's expenditures	19,169	-	-	10,868	30,037
Debt service fund balance	-	-	-	2,408	2,408
Unassigned fund balance	572,145	-	-	-	572,145
Total fund balances	<u>6,931,947</u>	<u>-</u>	<u>332,562</u>	<u>13,276</u>	<u>7,277,785</u>
Total liabilities and fund balances	<u>\$ 7,574,378</u>	<u>\$ 15,549</u>	<u>\$ 332,562</u>	<u>\$ 13,276</u>	

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

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$65,291,592 and the accumulated depreciation is \$23,918,348.	41,373,244
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	614,545
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.	(27,653,867)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(281,858)</u>
Total net position of governmental activities	<u>\$ 21,329,849</u>

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 27,444,990	\$ -	\$ -	\$ 2,112,227	\$ 29,557,217
Tuition fees	49,299	-	-	-	49,299
Transportation fees	6,225	-	-	-	6,225
Interest on investments	108,024	-	-	-	108,024
Local contributions	-	15,730	-	-	15,730
Miscellaneous	71,750	-	-	-	71,750
Total	<u>27,680,288</u>	<u>15,730</u>	<u>-</u>	<u>2,112,227</u>	<u>29,808,245</u>
State sources	6,003,100	-	-	622,620	6,625,720
Federal sources	30,372	516,408	-	-	546,780
Total revenues	<u>33,713,760</u>	<u>532,138</u>	<u>-</u>	<u>2,734,847</u>	<u>36,980,745</u>
Expenditures					
Current					
Instructional					
Regular instruction	8,718,908	35,286	-	-	8,754,194
Special education instruction	3,333,486	2,583	-	-	3,336,069
Other special instruction	731,185	24,750	-	-	755,935
Other instruction	279,909	-	-	-	279,909
Support service and undistributed costs					
Tuition	578,543	397,061	-	-	975,604
Student and instruction related services	3,665,310	72,458	-	-	3,737,768
General and business administrative services					
School administrative services	948,807	-	-	-	948,807
Plant operations and maintenance	1,318,879	-	-	-	1,318,879
Pupil transportation	2,368,661	-	-	-	2,368,661
Unallocated benefits	1,444,239	-	-	-	1,444,239
	9,455,413	-	-	-	9,455,413

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (continued)					
Capital outlay	\$ 852,571	\$ -	\$ 8,360	\$ -	\$ 860,931
Debt service					
Principal	-	-	-	3,375,000	3,375,000
Interest and other charges	67,811	-	-	539,973	607,784
Total expenditures	<u>33,763,722</u>	<u>532,138</u>	<u>8,360</u>	<u>3,914,973</u>	<u>38,219,193</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(49,962)</u>	<u>-</u>	<u>(8,360)</u>	<u>(1,180,126)</u>	<u>(1,238,448)</u>
Other financing sources (uses)					
Transfers in	-	-	-	1,182,534	1,182,534
Transfers out	<u>(1,182,534)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,182,534)</u>
Total other financing sources (uses)	<u>(1,182,534)</u>	<u>-</u>	<u>-</u>	<u>1,182,534</u>	<u>-</u>
Net change in fund balance	(1,232,496)	-	(8,360)	2,408	(1,238,448)
Fund balances, July 1	<u>8,164,443</u>	<u>-</u>	<u>340,922</u>	<u>10,868</u>	<u>8,516,233</u>
Fund balances, June 30	<u>\$ 6,931,947</u>	<u>\$ -</u>	<u>\$ 332,562</u>	<u>\$ 13,276</u>	<u>\$ 7,277,785</u>

See accompanying notes to financial statements.

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

Total net changes in fund balances - governmental fund (from B-2) \$(1,238,448)

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

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

Capital outlays	\$ 860,931	
Depreciation expense	<u>(1,464,283)</u>	(603,352)

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

Bond principal payments	3,375,000
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Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Amortization of bond premium	214,060
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See accompanying notes to financial statements.

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

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. \$ (328,704)

In the Statement of Activities, deferred outflows for refunding bond costs are amortized to current year expenses over the amortization period. (184,284)

In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item. (79,827)

In the Statement of Activities, compensated absences and early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation. (10,541)

Change in net position of governmental activities \$ 1,143,904

READINGTON TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Combining Statement of Net Position
June 30, 2018

	Food Service Fund	Summer Enrichment Fund	Summer Sports Camps Fund	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 204,041	\$ 14,346	\$ 2,359	\$ 220,746
Receivables from other governments				
State	472	-	-	472
Federal	6,718	-	-	6,718
Inventory	10,133	-	-	10,133
Total current assets	<u>221,364</u>	<u>14,346</u>	<u>2,359</u>	<u>238,069</u>
Noncurrent assets				
Capital assets	155,361	-	-	155,361
Less: accumulated depreciation	131,036	-	-	131,036
Total noncurrent assets	<u>24,325</u>	<u>-</u>	<u>-</u>	<u>24,325</u>
Total assets	<u>245,689</u>	<u>14,346</u>	<u>2,359</u>	<u>262,394</u>
Liabilities				
Current liabilities				
Accounts payable	27,408	-	-	27,408
Unearned revenues	-	11,465	2,210	13,675
Unearned revenues - commodities	1,459	-	-	1,459
Unearned revenues - prepaid sales	24,416	-	-	24,416
Total liabilities	<u>53,283</u>	<u>11,465</u>	<u>2,210</u>	<u>66,958</u>
Net position				
Net investment in capital assets	24,325	-	-	24,325
Unrestricted	168,081	2,881	149	171,111
Total net position	<u>\$ 192,406</u>	<u>\$ 2,881</u>	<u>\$ 149</u>	<u>\$ 195,436</u>

See accompanying notes to financial statements.

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

	Food Service Fund	Summer Enrichment Fund	Summer Sports Camps Fund	Total
Operating revenues				
Charges for services				
Daily sales - reimbursable programs	\$ 258,526	\$ -	\$ -	\$ 258,526
Daily sales - non-reimbursable programs	150,193	-	-	150,193
Summer program fees	-	5,550	2,457	8,007
Total operating revenues	<u>408,719</u>	<u>5,550</u>	<u>2,457</u>	<u>416,726</u>
Operating expenses				
Cost of sales - reimbursable programs	160,232	-	-	160,232
Cost of sales - non-reimbursable programs	74,568	-	-	74,568
Salaries	152,930	7,630	2,720	163,280
Employee benefits	31,888	23	110	32,021
Purchased property services	29,971	-	-	29,971
Other purchased services				
Insurance	2,727	-	-	2,727
Management fee	11,118	-	-	11,118
Other	7,853	-	-	7,853
General supplies	23,699	194	-	23,893
Commodity food costs	35,238	-	-	35,238
Depreciation	4,904	-	-	4,904
Total operating expenses	<u>535,128</u>	<u>7,847</u>	<u>2,830</u>	<u>545,805</u>
Operating income (loss)	<u>(126,409)</u>	<u>(2,297)</u>	<u>(373)</u>	<u>(129,079)</u>
Non-operating revenues (expenses)				
State sources				
State school lunch program	5,271	-	-	5,271
Federal sources				
National school lunch program				
Cash assistance	77,463	-	-	77,463
Non cash assistance (commodities)	35,238	-	-	35,238
Miscellaneous	2,637	-	-	2,637
Interest earned on investments	2,448	-	-	2,448
Total non-operating revenues (expenses)	<u>123,057</u>	<u>-</u>	<u>-</u>	<u>123,057</u>
Change in net position	(3,352)	(2,297)	(373)	(6,022)
Net position, beginning	<u>195,758</u>	<u>5,178</u>	<u>522</u>	<u>201,458</u>
Net position, ending	<u>\$ 192,406</u>	<u>\$ 2,881</u>	<u>\$ 149</u>	<u>\$ 195,436</u>

See accompanying notes to financial statements.

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

	Food Service Fund	Summer Enrichment Fund	Summer Sports Camps Fund	Total
Cash flows from operating activities				
Receipts from customers (net)	\$ 412,028	\$ 10,875	\$ 1,950	\$ 424,853
Payments to employees	(5,762)	(7,630)	(2,720)	(16,112)
Payments for employee benefits	(442)	(23)	(1,586)	(2,051)
Payments to Food Service Management Company	(433,222)	-	-	(433,222)
Payments to vendors (net)	(53,223)	(194)	-	(53,417)
Net cash provided by (used for) operating activities	<u>(80,621)</u>	<u>3,028</u>	<u>(2,356)</u>	<u>(79,949)</u>
Cash flows from non-capital financing activities				
State sources	5,128	-	-	5,128
Federal sources	76,386	-	-	76,386
Miscellaneous	2,637	-	-	2,637
Net cash provided by (used for) noncapital financing activities	<u>84,151</u>	<u>-</u>	<u>-</u>	<u>84,151</u>
Cash flows from investing activities				
Interest earned on investments	2,448	-	-	2,448
Net cash provided by (used for) investing activities	<u>2,448</u>	<u>-</u>	<u>-</u>	<u>2,448</u>
Net increase (decrease) in cash and cash equivalents	5,978	3,028	(2,356)	6,650
Cash and cash equivalents, beginning	198,063	11,318	4,715	214,096
Cash and cash equivalents, ending	<u>\$ 204,041</u>	<u>\$ 14,346</u>	<u>\$ 2,359</u>	<u>\$ 220,746</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (126,409)	\$ (2,297)	\$ (373)	\$ (129,079)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation	4,904	-	-	4,904
Federal food donation program	35,238	-	-	35,238
(Increase) decrease in inventory	(1,453)	-	-	(1,453)
Increase (decrease) in accounts payable	5,252	-	(1,476)	3,776
Increase (decrease) in unearned revenues	1,847	5,325	(507)	6,665
Net cash provided by (used for) operating activities	<u>\$ (80,621)</u>	<u>\$ 3,028</u>	<u>\$ (2,356)</u>	<u>\$ (79,949)</u>

See accompanying notes to financial statements.

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

	Private Purpose Scholarship Fund	Student Activity Agency Fund	Payroll Agency Fund
Assets			
Cash and cash equivalents	\$ 8,058	\$ 64,100	\$ 308,249
Total assets	\$ 8,058	\$ 64,100	\$ 308,249
Liabilities			
Due to students groups	\$ -	\$ 64,100	\$ -
Payroll deductions and withholdings	-	-	308,249
Total liabilities	-	\$ 64,100	\$ 308,249
Net position			
Reserve for scholarship funds	\$ 8,058		

See accompanying notes to financial statements.

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

	Private Purpose Scholarship Fund
Additions	
Contributions - other	\$ 556
Total additions	556
 Deductions	
Scholarships awarded	3,200
 Change in net position	(2,644)
 Net position, beginning of the year	10,702
 Net position, end of the year	\$ 8,058

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

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

The basic financial statements include:

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

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

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2018 of 1,528 students.

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

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State Statute, a municipality is required to remit to its school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

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

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

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

The District reports the following major governmental funds:

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

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by Board Resolution.

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

Special Revenue Fund - The District accounts for the proceeds of specific revenue sources from State and Federal Government (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes in the special revenue fund.

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

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

Additionally, the District reports the following fund types:

Proprietary fund types

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

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

The District's enterprise funds are comprised of the food service fund, summer enrichment fund and summer sport camps fund.

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

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

Equipment	12 Years
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Fiduciary fund types

Trust and Agency Funds - This fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the trust and agency funds of the District.

Private Purpose Scholarship Fund - This fund is used to account for scholarship accounts donated to the District to be utilized for scholarship awards to qualifying students.

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

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

D. Budgets/budgetary control

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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

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

E. Encumbrances

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

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as unearned revenues at fiscal year-end.

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

F. Tuition receivable

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

G. Tuition payable

Tuition charges for the fiscal years 2017-2018 and 2016-2017 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-term interfund receivable and payables

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

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

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

J. Capital assets

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

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

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

Assets	Years
Buildings	50
Building improvements & portable classroom	20 - 50
Land improvements	20
Furniture	20
Maintenance equipment	15
Musical instruments	10
Athletic equipment	10
Audio visual equipment	10
Office equipment	5 - 10
Computer equipment	5 - 10
Vehicles	8

K. Compensated absences

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

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

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

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

L. Unearned revenue

Unearned revenue in the general fund and special revenue fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the special revenue fund.

Unearned revenue in the enterprise fund includes United States government commodity inventories at year end. The aid revenue associated with this commodity inventory is deferred until it is used in the operations of the food service fund. Prepaid lunch debit card revenue balances at year end are also included in unearned revenue.

M. Long-term obligations

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

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

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

O. Fund balances - governmental funds

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

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

P. Use of estimates

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

Q. Allocation of indirect expenses

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

R. Deferred outflows/inflows of resources

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

Note 2 - Tax assessments and property taxes

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 2 - Tax assessments and property taxes (continued)

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

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

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

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

Note 3 - Deposits and cash equivalents and investments

Cash and cash equivalents include petty cash, change funds, and cash in banks. As of June 30, 2018, the District had no investments.

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits, cash equivalents, and investments (continued)

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

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

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

Insured by the FDIC	\$ 250,000
Insured by GUDPA	8,358,023
Total bank balances	\$ 8,608,023

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

Cash		\$ 8,110,304
	<u>Ref.</u>	
Unrestricted cash		
Governmental funds, Balance Sheet	B-1	\$ 2,827,084
Enterprise funds, Statement of Net Position	B-4	220,746
Fiduciary funds, Statement of Net Position	B-7	380,407
Restricted cash		
Governmental funds, Balance Sheet	B-1	4,682,067
Total cash		\$ 8,110,304

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 -

Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 412,362	\$ -	\$ -	\$ 412,362
Construction in progress	1,692,136	670,266	2,293,951	68,451
Total	<u>2,104,498</u>	<u>670,266</u>	<u>2,293,951</u>	<u>480,813</u>
Capital assets, being depreciated				
Land improvements	2,060,694	1,645,867	-	3,706,561
Building & improvements	54,972,520	658,717	-	55,631,237
Vehicles	2,383,826	131,108	111,972	2,402,962
Furniture & equipment	3,047,795	48,924	26,700	3,070,019
Total	<u>62,464,835</u>	<u>2,484,616</u>	<u>138,672</u>	<u>64,810,779</u>
Accumulated depreciation				
Land improvements	1,602,549	108,853	-	1,711,402
Building & improvements	16,808,565	1,122,689	-	17,931,254
Vehicles	1,917,615	105,562	111,972	1,911,205
Furniture & equipment	2,264,008	127,179	26,700	2,364,487
Total	<u>22,592,737</u>	<u>1,464,283</u>	<u>138,672</u>	<u>23,918,348</u>
Total capital assets, being depreciated, net	<u>39,872,098</u>	<u>1,020,333</u>	<u>-</u>	<u>40,892,431</u>
Transfer	<u>-</u>	<u>(2,293,951)</u>	<u>(2,293,951)</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 41,976,596</u>	<u>\$ (603,352)</u>	<u>\$ -</u>	<u>\$ 41,373,244</u>

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Furniture & equipment	\$ 155,361	\$ -	\$ -	\$ 155,361
Less: accumulated depreciation	126,132	4,904	-	131,036
Business type activities capital assets, net	<u>\$ 29,229</u>	<u>\$ (4,904)</u>	<u>\$ -</u>	<u>\$ 24,325</u>

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

Instruction	
Regular	\$ 629,906
Special education	228,510
Other special instruction	50,928
Other instruction	19,958
Support services	
Student & instruction	254,360
General & business administration	64,164
School administration	89,499
Plant maintenance	23,332
Transportation	103,626
Total depreciation expense, governmental activities	<u>\$ 1,464,283</u>

Note 5 - Long-term debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 18,685,000	\$ -	\$ 3,375,000	\$ 15,310,000	\$ 1,495,000
Unamortized bond premium	1,563,783	-	214,060	1,349,723	214,060
PERS net pension liability	13,525,652	-	3,057,607	10,468,045	-
Compensated absences payable	515,558	43,114	32,573	526,099	32,295
Total governmental activities long-term liabilities	<u>\$ 34,289,993</u>	<u>\$ 43,114</u>	<u>\$ 6,679,240</u>	<u>\$ 27,653,867</u>	<u>\$ 1,741,355</u>

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,495,000	\$ 595,463	\$ 2,090,463
2020	1,470,000	540,375	2,010,375
2021	1,565,000	484,037	2,049,037
2022	1,620,000	426,788	2,046,788
2023	1,685,000	367,238	2,052,238
2024 - 2027	7,475,000	719,900	8,194,900
Total	<u>\$ 15,310,000</u>	<u>\$ 3,133,801</u>	<u>\$ 18,443,801</u>

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

\$7,905,000 - 2013 refunding school bonds, interest at 3.00% to 4.00%, due in annual installments beginning January 1, 2014 to January 1, 2027.	\$ 5,780,000
\$5,415,000 - 2010 refunding school bonds, interest at 1.625% to 4.50%, due in annual installments beginning January 15, 2011 to July 15, 2019.	1,170,000
\$8,495,000 - 2016 refunding school bonds, interest at 2.00% to 5.00%, due in annual installments beginning July 15, 2018 to July 15, 2026.	<u>8,360,000</u>
	<u>\$ 15,310,000</u>

The general obligation bonded debt of the District is limited by State Law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2018 is \$95,228,990. General obligation debt at June 30, 2018 is \$15,310,000, resulting in a legal debt margin of \$79,918,990.

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

Operating Leases

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

Fiscal Year Ended June 30,

2019	\$	51,778
2020		51,777
2021		51,778
2022		51,778
2023		493
Total minimum lease payments	\$	207,604

Note 6 - Pension plans

Description of systems

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

A. Public employees' retirement systems (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.

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
A. Public employees' retirement systems (PERS) (continued)
Plan description (continued)

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

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

Allocation methodology and reconciliation to financial statements

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Allocation methodology and reconciliation to financial statements (continued)

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

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

Contributions

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

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
A. Public employees' retirement systems (PERS) (continued)
Collective net pension liability and actuarial information
Components of net pension liability

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

	2017
Total pension liability	\$ 20,169,624
Plan fiduciary net position	9,701,579
Net pension liability	\$ 10,468,045

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

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

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

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

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.

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
A. Public employees' retirement systems (PERS) (continued)

Long-term expected rate of return

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

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

Discount rate

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
A. Public employees' retirement systems (PERS) (continued)
Discount rate (continued)

The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plans fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

<u>District's Proportionate Share of the Net Pension Liability</u>	<u>2017</u>
At current discount rate (5.00%)	\$ 10,468,045
At a 1% lower rate (4.00%)	12,986,321
At a 1% higher rate (6.00%)	8,370,010

Collective deferred outflows of resources and deferred inflows of resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 246,486	\$ -
Changes of assumptions	2,108,950	2,101,219
Net difference between projected and actual earnings on pension plan investments	71,280	-
Changes in proportion and differences between District contributions and proportionate share of contributions	296,010	423,551
District contributions subsequent to the measurement date	416,589	-
Total	\$ 3,139,315	\$ 2,524,770

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

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

The amount reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date (i.e., for the school year ended June 30, 2018, the plan measurement date is June 30, 2017) of \$416,589 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Deferred outflows of resources				
Differences between expected and actual experience	\$ 247,684	\$ 76,438	\$ 77,636	\$ 246,486
Changes of assumptions	2,758,883	-	649,933	2,108,951
Difference between projected and actual earnings on pension plan investments	507,847	(448,685)	(12,118)	71,280
Deferred inflows of resources				
Changes of assumptions	-	(2,570,241)	(469,022)	(2,101,220)
Net of deferred outflows	<u>\$ 3,514,414</u>	<u>\$ (2,942,488)</u>	<u>\$ 246,429</u>	<u>\$ 325,497</u>

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

Year Ended June 30,

2018	\$ 246,428
2019	371,866
2020	225,332
2021	(299,692)
2022	(218,437)
Total	<u>\$ 325,497</u>

Pension expense

For the year ended June 30, 2018, the District recognized net pension expense of \$749,762, which represents the District's proportionate share of allocable plan pension expense of \$755,042, plus the net amortization of deferred amounts from changes in proportion of \$1,125, plus pension expense related to specific liabilities of individual employers of \$4,473, less other adjustments to the net pension liability of \$10,878.

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 -

Pension plan (continued)

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

Pension expense (continued)

The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ended June 30, 2017 are as follows:

Service cost	\$	488,257
Interest on total pension liability		886,010
Member contributions		(232,257)
Administrative expense		6,077
Expected investment return net of investment expense		(632,604)
Pension expense related to specific liabilities of individual employers		(6,869)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		180,910
Amortization of expected versus actual experience		77,636
Amortization of projected versus actual investment earnings on pension plan investments		(12,118)
Pension expense	<u>\$</u>	<u>755,042</u>

B. Teacher's pension and annuity fund (TPAF)

Plan description

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

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after 10-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.

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 -

Pension plan (continued)

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

Plan description (continued)

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

Contributions

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

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. During the State fiscal year ended June 30, 2017, the State of New Jersey contributed \$311,593 to the TPAF for normal pension benefits on behalf of the District.

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 -

Pension plan (continued)

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

Collective net pension liability and actuarial information

Components of net pension liability

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

	2017
State's proportionate share of net pension liability	\$ 90,187,865
District's proportionate share of net pension liability	-
Employer pension expense and related revenue	6,247,759
Non-employer contribution	1,502,040
 Allocable proportionate percentage	 .1337630406%

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

Service cost	\$ 4,036,504
Interest on total pension liability	4,404,742
Member contributions	(1,053,927)
Administrative expense	15,891
Expected investment return net of investment expense	(2,141,669)
Pension expense related to specific liabilities of individual employers	(477)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	71,078
Amortization of expected versus actual experience	964,689
Amortization of projected versus actual investment earnings on pension plan investments	(49,072)
Pension expense	\$ 6,247,759

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

	2017
Total pension liability	\$ 120,916,099
Plan fiduciary net position	30,728,234
Net pension liability	\$ 90,187,865

Plan fiduciary net position as a percentage of the total pension liability	25.41%
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READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
B. Teacher's pension and annuity fund (TPAF) (continued)
Collective net pension liability and actuarial information
Components of net pension liability

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

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

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

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

Long-term expected rate of return

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

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

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

Discount rate

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

Based on those assumptions, the plans fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 -

Pension plan (continued)

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

District's Proportionate Share of the Net Pension Liability

	2017
At current discount rate (4.25%)	\$ 90,187,865
At a 1% lower rate (3.25%)	107,146,013
At a 1% higher rate (5.25%)	76,217,670

C. Defined contribution retirement program

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

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District's contribution to the DCRP for fiscal year ended June 30, 2018 was \$4,008.

D. Other pension plan information

During the year ended June 30, 2018, the State of New Jersey contributed \$1,306,032 to the TPAF for post-retirement medical benefits, \$47,909 for non-contributory insurance premiums, \$2,513 for long-term disability insurance, and \$1,974,194 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$959,801 during the year ended June 30, 2018 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits

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

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

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

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

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

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

Total OPEB liability

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

State's proportionate share of the OPEB liability	\$	53,639,841,858
District's proportionate share of the State's OPEB liability		70,176,341
Employer pension expense and related revenue		4,528,262
Allocable proportionate percentage		.130828762%

Changes in the total OPEB liability

	<u>Total OPEB Liability</u>	
Total OPEB liability at June 30, 2016	\$	75,560,786
Service cost		3,267,503
Interest cost		2,224,453
Change of benefit terms		-
Differences between expected and actual experiences		-
Changes of assumptions		(9,310,821)
Member contributions		59,853
Gross benefit payments		(1,625,433)
Total OPEB liability at June 30, 2017	<u>\$</u>	<u>70,176,341</u>

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

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

Inflation rate		2.50%
	TPAF	PERS
	(based on years of service)	(based on age)
Salary increases		
Through 2026	1.55% - 4.55%	2.15% - 4.15%
Thereafter	2.00% - 5.45%	3.15% - 5.15%

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

Health Care Trend Assumptions

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

Discount rate

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

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

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

<u>Total OPEB Liability (school retirees)</u>	2017
At current discount rate (3.58%)	\$ 70,176,341
At a 1% lower rate (2.58%)	83,304,380
At a 1% higher rate (4.58%)	59,763,056

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

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

<u>Total OPEB Liability (school retirees)</u>	2017
Healthcare cost trend rate	\$ 70,176,341
At a 1% lower rate (1% decrease)	57,713,257
At a 1% higher rate (1% increase)	86,727,171

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

For the year ended June 30, 2017, the District recognized OPEB expense of \$4,528,262 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

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

Note 8 - Deferred compensation

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 8 - Deferred compensation (continued)
 AXA Equitable Life Insurance Company
 FTJ Fundchoice Inc.
 Lincoln Financial Group
 Lincoln Investment Planning
 National Life Group
 Oppenheimer Shareholders Services
 Security Benefit
 Siracusa Benefits Program

Note 9 - Interfund receivable and payables
 The composition of interfund balances as of June 30, 2018 is as follows:

Fund	Receivable Fund	Payable Fund
General fund	\$ 9,940	\$ -
Special revenue fund	-	9,940
Total	\$ 9,940	\$ 9,940

The balance due from the special revenue fund to the general fund of \$9,940 represents a loan as a result of cash flow issues relating to the delayed receipt of grant revenues.

Note 10 - Inventory
 Inventory in the food service fund as of June 30, 2018 consisted of the following:

Food	\$ 6,055
Supplies	4,078
Total	\$ 10,133

Note 11 - Contingent liabilities
 The District is involved in various legal proceedings that are incidental to its operations. These legal proceedings are not likely to have a material adverse effect on the financial position of the School District.

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 12 - Risk management

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

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

New Jersey Unemployment Compensation Insurance - The District has elected to fund its NJ Unemployment Compensation Insurance under the Contributory Method. Under this plan, the District is required to remit the entire employee deduction of unemployment compensation to the state. Any claims for unemployment are paid for by the state from those funds.

Note 13 - Legal reserve accounts

A capital reserve account was established by the District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the Districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to NJAC 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Districts are allowed as per N.J.S.A. 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board Resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$310,000 to their capital reserve account, \$30,000 to their emergency reserve, and \$160,000 to their maintenance reserve account by Board Resolution in June 2018 as summarized in the following schedule. The following schedule is a summarization of the legal reserve accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 5,253,712	\$310,000	\$ 35,967	\$ 536,358	\$ (2,405,734)	\$ 3,730,303
Emergency	208,826	30,000	2,141	-	(30,000)	210,967
Maintenance	367,179	160,000	-	-	(40,000)	487,179
Total	<u>\$ 5,829,717</u>	<u>\$500,000</u>	<u>\$ 38,108</u>	<u>\$ 536,358</u>	<u>\$ (2,475,734)</u>	<u>\$ 4,428,449</u>

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 14 - Fund balance

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

Restricted

Excess surplus - Designated for subsequent year's expenditures. Amount appropriated in the succeeding year's budget to reduce tax requirements	\$ 889,993
Excess surplus - Represents amount in excess of allowable percentage of expenditures. In accordance with State statute, the excess surplus is designated for utilization in succeeding year's budgets.	884,325
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	3,730,303
Emergency reserve account - Represents funds accumulated to finance unanticipated general fund expenditures required for a thorough and efficient education.	210,967
Maintenance reserve account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A.18A:76-9).	487,179

Committed

Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30.	137,866
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Assigned

Designated for subsequent year's expenditures	19,169
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Unassigned

Undesignated - Represents fund balance which has not been restricted or designated.	706,487
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Total fund balance - Budgetary basis	<u>7,066,289</u>
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Last state aid payments not recognized on GAAP basis	<u>(134,342)</u>
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Total fund balance - GAAP basis	<u><u>\$ 6,931,947</u></u>
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Note 15 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve general fund 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 \$884,325.

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

- Note 16 - Deficit balance in unrestricted net position
The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2018 of (\$9,507,682) on Schedule A-1, Statement of Net Position. The deficit balance is not a negative reflection on the District's financial condition but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.
- Note 17 - Solar power purchase agreement (PPA)
The District entered into a Solar Power Purchase Agreement with Ameresco (the Developer) on September 23, 2016, and Amendment No. 1 on May 26, 2017. Under the terms of the 15-year contract, the District is leasing the solar equipment from Ameresco for the rights to receive the energy savings over the 15-year period through a reduced dollar per kwh. The District has the option to buy the equipment at end of the 15 years or have it removed. Any default of the agreement by the District would result in a buyer termination payment to the Developer ranging from approximately \$4.9 million in year 1 to approximately \$69,000 in year 15.
- Note 18 - Recent accounting pronouncements not yet effective
The following is of recent accounting pronouncements which are not yet effective as of the date of this report:

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 *Leases*. This statement, which is effective for reporting periods beginning after June 15, 2019, is not expected to have a material impact on the District's financial reporting.
- Note 19 - Subsequent events
The District has evaluated subsequent events through February 15, 2019, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 27,444,990	\$ -	\$ 27,444,990	\$ 27,444,990	\$ -
Tuition from individuals	50,000	-	50,000	49,299	(701)
Transportation fees from individuals	4,500	-	4,500	6,225	1,725
Rents and royalties	45,000	-	45,000	42,692	(2,308)
Unrestricted miscellaneous revenues	70,000	-	70,000	98,974	28,974
Interest earned on current expense emergency reserve	-	-	-	2,141	2,141
Interest earned on capital reserve funds	4,000	-	4,000	35,967	31,967
Total	27,618,490	-	27,618,490	27,680,288	61,798
State sources					
Categorical transportation aid	180,177	-	180,177	180,177	-
Extraordinary aid	158,709	-	158,709	228,537	69,828
Categorical special education aid	1,116,747	-	1,116,747	1,150,343	33,596
Categorical security aid	69,578	-	69,578	69,578	-
Adjustment aid	9,488	-	9,488	9,488	-
PARCC readiness aid	16,410	-	16,410	16,410	-
Per pupil growth aid	16,410	-	16,410	16,410	-
Professional learning community aid	15,980	-	15,980	15,980	-
Lead testing for drinking water	-	-	-	5,580	5,580
Other state aid	-	-	-	23,543	23,543
TPAF pension (on-behalf)	-	-	-	2,022,103	2,022,103
TPAF social security (reimbursed)	-	-	-	959,801	959,801
TPAF post retirement benefits	-	-	-	1,306,032	1,306,032
TPAF long-term disability insurance	-	-	-	2,513	2,513
Total	1,583,499	-	1,583,499	6,006,495	4,422,996
Federal sources					
Medicaid reimbursement	18,665	-	18,665	30,372	11,707
Total	18,665	-	18,665	30,372	11,707
Total revenues	\$ 29,220,654	\$ -	\$ 29,220,654	\$ 33,717,155	\$ 4,496,501
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 62,725	\$ 998	\$ 63,723	\$ 62,185	\$ 1,538
Kindergarten	559,070	(500)	558,570	483,041	75,529
Grades 1-5	4,076,201	105,498	4,181,699	4,172,114	9,585
Grades 6-8	3,434,506	(116,425)	3,318,081	3,262,371	55,710
Home instruction					
Salaries of teacher	15,000	-	15,000	10,845	4,155
Purchased professional - educational services	5,000	6,000	11,000	9,822	1,178
Other purchased services	250	600	850	472	378

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Regular programs - undistributed instruction					
Other salaries for instruction	\$ 135,665	\$ -	\$ 135,665	\$ 131,058	\$ 4,607
Purchased professional - educational services	1,700	-	1,700	1,300	400
Other purchased services	80,460	(5,661)	74,799	34,200	40,599
General supplies	530,137	12,012	542,149	508,025	34,124
Textbooks	52,261	(8,300)	43,961	42,527	1,434
Other objects	1,415	75	1,490	948	542
Total	8,954,390	(5,703)	8,948,687	8,718,908	229,779
Special education					
Learning and/or language disabilities					
Salaries of teachers	136,568	5,665	142,233	133,843	8,390
Other salaries for instruction	69,683	-	69,683	65,796	3,887
Other purchased services	2,000	(36)	1,964	1,635	329
General supplies	5,100	4,044	9,144	8,602	542
Total	213,351	9,673	223,024	209,876	13,148
Resource room/resource center					
Salaries of teachers	2,280,571	(18,626)	2,261,945	2,145,013	116,932
Other salaries for instruction	498,607	136,490	635,097	633,657	1,440
General supplies	26,887	(3,144)	23,743	23,743	-
Textbooks	650	(650)	-	-	-
Total	2,806,715	114,070	2,920,785	2,802,413	118,372
Autism					
Salaries of teachers	64,754	92,577	157,331	157,236	95
Other salaries for instruction	22,518	151	22,669	21,469	1,200
General supplies	5,500	1,395	6,895	6,728	167
Total	92,772	94,123	186,895	185,433	1,462
Preschool disabilities - part-time					
Salaries of teachers	28,273	(200)	28,073	27,255	818
Other salaries for instruction	25,465	272	25,737	24,537	1,200
General supplies	500	(45)	455	452	3
Total	54,238	27	54,265	52,244	2,021
Preschool disabilities - full-time					
Salaries of teachers	84,040	4,775	88,815	80,787	8,028
General supplies	1,900	900	2,800	2,733	67
Total	85,940	5,675	91,615	83,520	8,095
Total special education	3,253,016	223,568	3,476,584	3,333,486	143,098
Basic skills/remedial					
Salaries of teachers	774,354	18,535	792,889	653,278	139,611
General supplies	4,331	-	4,331	2,547	1,784
Total	778,685	18,535	797,220	655,825	141,395

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Bilingual education - instruction					
Salaries of teachers	\$ 72,614	\$ 876	\$ 73,490	\$ 73,490	\$ -
Other purchased services	1,650	(807)	843	843	-
General supplies	650	377	1,027	1,027	-
Total	<u>74,914</u>	<u>446</u>	<u>75,360</u>	<u>75,360</u>	<u>-</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	120,470	-	120,470	104,112	16,358
Purchased services	2,500	-	2,500	1,437	1,063
Supplies and materials	6,100	449	6,549	3,802	2,747
Other objects	750	(449)	301	301	-
Total	<u>129,820</u>	<u>-</u>	<u>129,820</u>	<u>109,652</u>	<u>20,168</u>
School-sponsored athletics - instruction					
Salaries	160,230	-	160,230	146,225	14,005
Purchased services	18,624	(816)	17,808	14,316	3,492
Supplies and materials	7,336	2,016	9,352	9,346	6
Other objects	1,700	(1,200)	500	370	130
Total	<u>187,890</u>	<u>-</u>	<u>187,890</u>	<u>170,257</u>	<u>17,633</u>
Total instruction regular	<u>\$ 13,378,715</u>	<u>\$ 236,846</u>	<u>\$ 13,615,561</u>	<u>\$ 13,063,488</u>	<u>\$ 552,073</u>
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - special	\$ 110,500	\$ (110,500)	\$ -	\$ -	\$ -
Tuition to priv. school for the disabled w/i state	479,902	100,000	579,902	578,543	1,359
Total	<u>590,402</u>	<u>(10,500)</u>	<u>579,902</u>	<u>578,543</u>	<u>1,359</u>
Undistributed expenditures - health services					
Salaries	316,211	2,728	318,939	305,413	13,526
Purchased professional and technical services	7,360	2,949	10,309	9,062	1,247
Other purchased services	1,500	-	1,500	588	912
Supplies and materials	13,850	9,241	23,091	21,501	1,590
Other objects	400	(400)	-	-	-
Total	<u>339,321</u>	<u>14,518</u>	<u>353,839</u>	<u>336,564</u>	<u>17,275</u>
Undistributed expenditures - speech, ot, pt & related services					
Salaries	511,353	39,807	551,160	481,537	69,623
Purchased professional - educational services	123,510	(17,852)	105,658	95,774	9,884
Supplies and materials	3,200	3,751	6,951	6,927	24
Other objects	150	2,287	2,437	1,013	1,424
Total	<u>638,213</u>	<u>27,993</u>	<u>666,206</u>	<u>585,251</u>	<u>80,955</u>
Undistributed expend - other supp. service stds. - extra service					
Salaries	424,088	(34,098)	389,990	367,055	22,935
Purchased professional - educational services	3,500	(118)	3,382	2,805	577
Supplies and materials	2,200	1,865	4,065	4,027	38
Total	<u>429,788</u>	<u>(32,351)</u>	<u>397,437</u>	<u>373,887</u>	<u>23,550</u>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - guidance					
Salaries of other professional staff	\$ 509,585	\$ -	\$ 509,585	\$ 484,076	\$ 25,509
Other salaries	1,500	-	1,500	-	1,500
Purchased professional - educational services	1,000	-	1,000	-	1,000
Other purchased services	1,400	-	1,400	462	938
Supplies and materials	8,775	(1,395)	7,380	5,851	1,529
Total	522,260	(1,395)	520,865	490,389	30,476
Undistributed expenditures - child study teams					
Salaries of other professional staff	747,265	(1,186)	746,079	695,521	50,558
Salaries of secretarial and clerical assistants	144,652	1,186	145,838	145,838	-
Other salaries	3,000	-	3,000	-	3,000
Other purchased professional & technical services	67,750	(6,000)	61,750	35,948	25,802
Other purchased services	3,250	-	3,250	1,699	1,551
Miscellaneous purchased service	20,987	203	21,190	19,086	2,104
Supplies and materials	16,350	(3,794)	12,556	12,033	523
Total	1,003,254	(9,591)	993,663	910,125	83,538
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	205,179	5,218	210,397	210,397	-
Salaries of other professional staff	11,580	(1,361)	10,219	9,236	983
Salaries of secretarial & clerical assist	27,878	191	28,069	28,069	-
Other purchased services	6,400	(1,583)	4,817	4,659	158
Supplies and materials	5,330	(1,855)	3,475	3,447	28
Other objects	5,580	(1,077)	4,503	4,503	-
Total	261,947	(467)	261,480	260,311	1,169
Undistributed expenditures - edu. media service/sch. library					
Salaries	444,841	(43,845)	400,996	388,815	12,181
Salaries of technology coordinators	50,564	199	50,763	50,763	-
Purchased professional and technical services	7,500	(199)	7,301	1,125	6,176
Other purchased services	120,989	(5,103)	115,886	107,981	7,905
Supplies and materials	17,262	8	17,270	16,927	343
Other objects	50	15	65	65	-
Total	641,206	(48,925)	592,281	565,676	26,605
Undistributed expenditures - instructional staff training services					
Salaries of other professional staff	81,281	35,327	116,608	103,057	13,551
Salaries of secretarial & clerical assist.	27,878	192	28,070	28,070	-
Purchased professional - educational services	3,500	2,930	6,430	6,199	231
Other purchased services	19,730	-	19,730	3,258	16,472
Supplies and materials	1,850	689	2,539	2,523	16
Total	134,239	39,138	173,377	143,107	30,270

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expend. - support service - general admin.					
Salaries	\$ 236,184	\$ 5,572	\$ 241,756	\$ 238,363	\$ 3,393
Legal services	100,000	(6,126)	93,874	47,765	46,109
Audit fees	45,500	-	45,500	18,000	27,500
Architectural/engineering services	3,000	-	3,000	-	3,000
Other purchased professional services	14,700	23,476	38,176	29,726	8,450
Purchased technical services	3,000	-	3,000	-	3,000
Communications/telephone	115,318	-	115,318	106,560	8,758
BOE other purchased services	5,700	-	5,700	950	4,750
Misc purch services	70,992	(2,400)	68,592	65,222	3,370
General supplies	3,500	144	3,644	3,644	-
BOE in-house training/meeting supplies	700	-	700	177	523
Miscellaneous expenditures	3,000	-	3,000	1,255	1,745
BOE membership dues and fees	17,500	-	17,500	17,478	22
Total	619,094	20,666	639,760	529,140	110,620
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	767,583	4,762	772,345	772,345	-
Salaries of secretarial and clerical assistants	400,697	4,491	405,188	401,878	3,310
Other purchased services	51,700	6,373	58,073	46,244	11,829
Supplies and materials	28,008	(4,345)	23,663	14,588	9,075
Other objects	7,045	(15)	7,030	4,360	2,670
Total	1,255,033	11,266	1,266,299	1,239,415	26,884
Undistributed expenditures - central services					
Salaries	399,334	(10,057)	389,277	385,928	3,349
Purchased professional services	850	-	850	850	-
Purchased technical services	22,428	(1,800)	20,628	19,644	984
Miscellaneous purchased services	6,150	6,800	12,950	4,911	8,039
Supplies and materials	8,050	2,000	10,050	5,922	4,128
Other objects	2,700	-	2,700	2,412	288
Total	439,512	(3,057)	436,455	419,667	16,788
Undistributed expenditures - admin. info. technology					
Salaries	77,594	6,000	83,594	77,978	5,616
Other purchased services	3,500	-	3,500	1,486	2,014
Other objects	1,200	-	1,200	-	1,200
Total	82,294	6,000	88,294	79,464	8,830
Undistributed expend. - required maint. for school facilities					
Salaries	306,526	(807)	305,719	293,370	12,349
Cleaning, repair, and maintenance services	165,782	5,000	170,782	145,465	25,317
Lead testing in water	7,760	-	7,760	7,602	158
General supplies	65,000	4,000	69,000	57,088	11,912
Total	545,068	8,193	553,261	503,525	49,736

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - custodial services					
Salaries	\$ 248,718	\$ 5,796	\$ 254,514	\$ 236,367	\$ 18,147
Unused vacation payment to terminated/retired staff	-	807	807	807	-
Purchased professional and technical services	28,500	1,300	29,800	28,705	1,095
Cleaning, repair, and maintenance service	686,439	12,510	698,949	690,887	8,062
Other purchased property services	36,000	(85)	35,915	27,153	8,762
Insurance	67,649	-	67,649	65,179	2,470
Miscellaneous purchased services	8,600	2,218	10,818	9,478	1,340
General supplies	150,000	(59,504)	90,496	71,457	19,039
Energy (natural gas)	160,000	-	160,000	150,291	9,709
Energy (electricity)	456,000	-	456,000	444,380	11,620
Other objects	3,000	-	3,000	1,471	1,529
Total	1,844,906	(36,958)	1,807,948	1,726,175	81,773
Undistributed expenditures - care and upkeep of grounds					
Salaries	49,280	641	49,921	44,846	5,075
Cleaning, repair, and maintenance service	43,900	-	43,900	34,525	9,375
General supplies	24,000	-	24,000	22,505	1,495
Total	117,180	641	117,821	101,876	15,945
Undistributed expenditures - security					
Purchased professional and technical services	37,000	85	37,085	37,085	-
Total	37,000	85	37,085	37,085	-
Undistributed expenditures - student transportation service					
Salaries of non-instructional aides	20,178	-	20,178	3,058	17,120
Salaries for pupil trans (between home & school) - reg.	489,293	-	489,293	461,460	27,833
Salaries for pupil trans (between home & school) - sp ed	146,522	10,540	157,062	146,719	10,343
Salaries for pupil trans (other than between home & school)	34,996	(12,000)	22,996	11,485	11,511
Management fee - esc & ctsa trans. program	12,000	-	12,000	9,867	2,133
Other purchased professional and technical service	97,100	3,001	100,101	100,101	-
Cleaning, repair, & maint. services	27,650	(12,000)	15,650	13,355	2,295
Contract service (between home & school) - vendors	234,679	(136,878)	97,801	94,921	2,880
Contract service (between home & school) - joint agreements	64,532	163,463	227,995	227,995	-
Contract service (sp ed stds) - vendors	-	6,006	6,006	6,006	-
Contract service (sp ed stds) - joint agreements	-	10,922	10,922	10,922	-
Contract service (sp ed stds) - escs & ctsas	167,715	34,570	202,285	200,056	2,229
Miscellaneous purchased services - transportation	45,546	-	45,546	41,731	3,815
General supplies	2,500	2,245	4,745	1,386	3,359
Transportation supplies	189,579	(69,821)	119,758	113,546	6,212
Other objects	3,485	-	3,485	1,631	1,854
Total	1,535,775	48	1,535,823	1,444,239	91,584

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Unallocated benefits - employee benefits					
Social security contributions	\$ 375,000	\$ 25,143	\$ 400,143	\$ 400,143	\$ -
Other retirement contributions - PERS	437,000	10,211	447,211	447,211	-
Other retirement contributions - regular	15,000	(4,209)	10,791	4,397	6,394
Unemployment compensation	78,133	171	78,304	74,646	3,658
Workmen's compensation	245,220	(11,327)	233,893	226,549	7,344
Health benefits	4,114,350	(389,115)	3,725,235	3,725,235	-
Tuition reimbursement	126,000	-	126,000	85,695	40,305
Other employee benefits	165,240	13,500	178,740	176,080	2,660
Unused sick payment to terminated/retired staff	45,000	-	45,000	25,008	19,992
Total	5,600,943	(355,626)	5,245,317	5,164,964	80,353
On-behalf TPAF pension contribution	-	-	-	2,022,103	(2,022,103)
On-behalf TPAF post retirement medical benefits	-	-	-	1,306,032	(1,306,032)
On-behalf TPAF long-term disability insurance	-	-	-	2,513	(2,513)
Reimbursed TPAF social security contribution	-	-	-	959,801	(959,801)
Total	-	-	-	4,290,449	(4,290,449)
Total undistributed expenditures	\$ 16,637,435	\$ (370,322)	\$ 16,267,113	\$ 19,779,852	\$ (3,512,739)
Total current	\$ 30,016,150	\$ (133,476)	\$ 29,882,674	\$ 32,843,340	\$ (2,960,666)
Capital outlay					
Equipment					
Undistributed					
Undistributed expenditures - instruction	\$ 36,000	\$ -	\$ 36,000	\$ 34,659	\$ 1,341
Undistributed expenditures - admin. info. technology	12,000	-	12,000	10,888	1,112
Undistributed expenditures - required maint. for school facilities	-	3,021	3,021	3,021	-
Undistributed expenditures - custodial services	30,000	4,962	34,962	34,962	-
Undistributed expenditures - care and upkeep of grounds	-	3,377	3,377	3,377	-
Undistributed expenditures - security	-	23,116	23,116	-	23,116
Undistributed expenditures student transportation	8,400	-	8,400	-	8,400
School buses - regular	-	99,000	99,000	96,146	2,854
Total equipment	86,400	133,476	219,876	183,053	36,823
Facilities acquisition and construction service					
Architectural/engineering services	24,171	112,000	136,171	94,676	41,495
Construction services	1,111,200	-	1,111,200	574,842	536,358
Assessment for debt service on SDA funding	67,811	-	67,811	67,811	-
Total facilities acquisition and construction service	1,203,182	112,000	1,315,182	737,329	577,853
Total capital outlay	\$ 1,289,582	\$ 245,476	\$ 1,535,058	\$ 920,382	\$ 614,676
Total expenditures	\$ 31,305,732	\$ 112,000	\$ 31,417,732	\$ 33,763,722	\$ (2,345,990)
Excess (deficiency) of revenues over (under) expenditures	\$ (2,085,078)	\$ (112,000)	\$ (2,197,078)	\$ (46,567)	\$ 2,150,511

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Other financing sources (uses)					
Capital reserve - transfer to debt service	\$ (1,182,534)	\$ -	\$ (1,182,534)	\$ (1,182,534)	\$ -
Total other financing sources (uses)	<u>(1,182,534)</u>	<u>-</u>	<u>(1,182,534)</u>	<u>(1,182,534)</u>	<u>-</u>
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	(3,267,612)	(112,000)	(3,379,612)	(1,229,101)	2,150,511
Fund balances, July 1	8,295,390	-	8,295,390	8,295,390	-
Fund balances, June 30	<u>\$ 5,027,778</u>	<u>\$ (112,000)</u>	<u>\$ 4,915,778</u>	<u>\$ 7,066,289</u>	<u>\$ 2,150,511</u>
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (60,613)	\$ -	\$ (60,613)	\$ (60,613)	\$ -
Increase in capital reserve	-	300,000	300,000	300,000	-
Interest deposit to capital reserve	4,000	-	4,000	35,967	31,967
Withdrawal from capital reserve	(2,293,734)	(112,000)	(2,405,734)	(1,869,376)	536,358
Increase in emergency reserve	-	30,000	30,000	30,000	-
Interest earned on emergency reserve	-	-	-	2,141	2,141
Withdrawal from emergency reserve	(30,000)	-	(30,000)	(30,000)	-
Increase in maintenance reserve	-	160,000	160,000	160,000	-
Withdrawal from maintenance reserve	(40,000)	-	(40,000)	(40,000)	-
Budgeted fund balance	<u>(847,265)</u>	<u>(490,000)</u>	<u>(1,337,265)</u>	<u>242,780</u>	<u>1,580,045</u>
Total	<u>\$ (3,267,612)</u>	<u>\$ (112,000)</u>	<u>\$ (3,379,612)</u>	<u>\$ (1,229,101)</u>	<u>\$ 2,150,511</u>
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures				\$ 889,993	
Excess surplus - current year				884,325	
Capital reserve				3,730,303	
Emergency reserve				210,967	
Maintenance reserve				487,179	
Committed fund balance					
Year-end encumbrances				137,866	
Assigned fund balance					
Designated for subsequent year's expenditures				19,169	
Unassigned fund balance				<u>706,487</u>	
Fund balance per budgetary basis				7,066,289	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(134,342)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 6,931,947</u>	

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources	\$ 120,325	\$ -	\$ 120,325	\$ 105,716	\$ (14,609)
Federal sources	519,639	-	519,639	516,408	(3,231)
Total revenues	\$ 639,964	\$ -	\$ 639,964	\$ 622,124	\$ (17,840)
Expenditures					
Instruction					
Salaries	\$ 840	\$ -	\$ 840	\$ 840	\$ -
Other purchased services	385,399	11,935	397,334	397,254	80
General supplies	59,711	574	60,285	56,628	3,657
Totals	445,950	12,509	458,459	454,722	3,737
Support services					
Purchased professional and technical services	33,483	(11,297)	22,186	12,186	10,000
Other purchased services	53,403	(2,212)	51,191	47,088	4,103
Supplies and materials	12,183	1,000	13,183	13,183	-
Total	99,069	(12,509)	86,560	72,457	14,103
Facility acquisition and construction services					
Construction services	94,945	-	94,945	94,945	-
Total expenditures	\$ 639,964	\$ -	\$ 639,964	\$ 622,124	\$ 17,840

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Required Supplementary Information
Budget-to-GAAP Reconciliation

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

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 33,717,155	\$ 622,124
Difference - budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized:		
Outstanding encumbrances prior year	-	4,959
Outstanding encumbrances current year	-	(94,945)
The last state aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33):		
State aid receivable prior year	130,947	-
State aid receivable current year	(134,342)	-
Total revenues (GAAP basis)	<u>\$ 33,713,760</u>	<u>\$ 532,138</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 33,763,722	\$ 622,124
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes:		
Outstanding encumbrances prior year	-	4,959
Outstanding encumbrances current year	-	(94,945)
Total expenditures (GAAP basis)	<u>\$ 33,763,722</u>	<u>\$ 532,138</u>

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - percentage	N/A	0.0449689181%	0.0456683389%	0.0480161369%	0.0457782148%	0.0445193222%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 10,468,045	\$ 13,525,652	\$ 10,778,661	\$ 8,570,934	\$ 8,508,527	N/A	N/A	N/A	N/A
District's covered employee payroll	\$ 3,242,311	3,055,998	3,113,569	3,084,486	3,191,173	3,026,223	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	342.54%	434.41%	349.45%	268.58%	281.16%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	48.10%	40.14%	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A

N/A - Information is Not Available

See independent auditors' report.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 416,589	\$ 405,711	\$ 412,810	\$ 377,389	\$ 335,444	\$ 343,867	\$ 459,728	\$ 430,105	\$ 329,262	\$ 275,006
Contributions in relation to the contractually required contribution	(416,589)	(405,711)	(412,810)	(377,389)	(335,444)	(343,867)	(459,728)	(430,105)	(329,262)	(275,006)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 3,242,311	\$ 3,055,998	\$ 3,113,569	\$ 3,084,486	\$ 3,191,173	\$ 3,026,223	\$ 2,901,557	\$ 3,030,474	\$ 4,099,330	\$ 3,854,541
Contributions as a percentage of covered employee payroll	12.85%	13.28%	13.26%	12.24%	10.51%	11.36%	15.84%	14.19%	8.03%	7.13%

See independent auditors' report.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	N/A	90,187,865	109,635,356	89,215,568	73,924,434	73,638,734	N/A	N/A	N/A	N/A
Total	<u>\$ -</u>	<u>\$ 90,187,865</u>	<u>\$ 109,635,356</u>	<u>\$ 89,215,568</u>	<u>\$ 73,924,434</u>	<u>\$ 73,638,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ -	\$ 13,980,596	\$ 13,800,976	\$ 13,835,859	\$ 13,993,415	\$ 13,904,799	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	0.00%	25.41%	22.33%	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A

N/A - Information Is Not Available

See independent auditors' report.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 2,022,103	\$ 1,504,571	\$ 1,115,830	\$ 763,132	\$ 585,126	\$ 941,487	\$ 451,476	\$ 44,175	\$ 48,019	\$ 45,656
Contributions in relation to the contractually required contribution	<u>(2,022,103)</u>	<u>(1,504,571)</u>	<u>(1,115,830)</u>	<u>(763,132)</u>	<u>(585,126)</u>	<u>(941,487)</u>	<u>(451,476)</u>	<u>(44,175)</u>	<u>(48,019)</u>	<u>(45,656)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 13,327,916	\$ 13,980,596	\$ 13,800,976	\$ 13,835,859	\$ 13,993,415	\$ 13,904,799	\$ 13,563,963	\$ 14,039,057	\$ 14,103,692	\$ 14,135,062
Contributions as a percentage of covered employee payroll	15.17%	10.76%	8.09%	5.52%	4.18%	6.77%	3.33%	0.31%	0.34%	0.32%

See independent auditors' report.

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportionate share of the other post employment employee benefits liability (asset) - percentage	N/A	0.00%	N/A							
District's proportionate share of the other post employment employee benefits liability (asset) - value	N/A	\$ -	N/A							
State's proportionate share of the other post employment employee benefits liability (asset) associated with the District	N/A	70,176,341	N/A							
Total	\$ -	\$ 70,176,341	\$ -							
District's covered employee payroll	N/A	\$ 17,036,594	N/A							
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	N/A							
Plan fiduciary net position as a percentage of the total pension liability	N/A	0.00%	N/A							

N/A - Information Is Not Available

See independent auditors' report.

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

- Note 1 - Special funding situation - TPAF and other post-retirement benefits
The participating employer allocations included in the supplemental Schedule of Employer Special Funding Allocations and the supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense and other post-retirement benefits (OPEB) expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability and OPEB liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund and for OPEB allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.
- Note 2 - Changes in assumptions - TPAF
The discount rate increased from 3.22% in State fiscal year 2016 to 4.25% in State fiscal year 2017. The inflation rate was 2.50% for State fiscal years 2016 and 2.25% in State fiscal year 2017.
- Note 3 - Changes in assumptions - PERS
The discount rate increased from 3.98% in State fiscal year 2016 to 5.00% in State fiscal year 2017. The inflation rate decreased from 3.08% for State fiscal year 2016 to 2.25% for State fiscal year 2017.
- Note 4 - Changes in assumptions - other post-retirement employee benefits
The other post-retirement employee benefits discount rate increased from 2.85% in State fiscal year 2016 to 3.58% in State fiscal year 2017. The inflation rate was not available for State fiscal year 2016 and for State fiscal year 2017 was 2.50%.
- Note 5 - Changes in healthcare trend assumptions - other post-retirement employee benefits
For pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For Health Maintenance Organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.
- Note 6 - Changes in benefit term assumptions - other post-retirement employee benefits
There were no changes of the benefit terms from June 30, 2016 to June 30, 2017.

SPECIAL REVENUE FUND

DETAIL STATEMENTS

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

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

	ESSA Title IA	ESSA Title IIA	ESSA Title III	ESSA Title IV	IDEA Basic	IDEA Preschool	Local Grants	Total
Revenues								
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,716	\$ 105,716
Federal sources	53,353	34,080	10,743	10,000	393,773	14,459	-	516,408
Total revenues	<u>\$ 53,353</u>	<u>\$ 34,080</u>	<u>\$ 10,743</u>	<u>\$ 10,000</u>	<u>\$ 393,773</u>	<u>\$ 14,459</u>	<u>\$ 105,716</u>	<u>\$ 622,124</u>
Expenditures								
Instruction								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 840	\$ 840
Other purchased services	-	-	-	-	383,780	13,281	193	397,254
General supplies	24,750	-	10,557	10,000	1,405	1,178	8,738	56,628
Total	<u>24,750</u>	<u>-</u>	<u>10,557</u>	<u>10,000</u>	<u>385,185</u>	<u>14,459</u>	<u>9,771</u>	<u>454,722</u>
Support services								
Purchased professional and technical services	-	11,000	186	-	-	-	1,000	12,186
Other purchased services	28,603	9,897	-	-	8,588	-	-	47,088
Supplies and materials	-	13,183	-	-	-	-	-	13,183
Total	<u>28,603</u>	<u>34,080</u>	<u>186</u>	<u>-</u>	<u>8,588</u>	<u>-</u>	<u>1,000</u>	<u>72,457</u>
Facility acquisition and construction services								
Construction services	-	-	-	-	-	-	94,945	94,945
Total expenditures	<u>\$ 53,353</u>	<u>\$ 34,080</u>	<u>\$ 10,743</u>	<u>\$ 10,000</u>	<u>\$ 393,773</u>	<u>\$ 14,459</u>	<u>\$ 105,716</u>	<u>\$ 622,124</u>

See independent auditors' report.

CAPITAL PROJECTS FUND

DETAIL STATEMENTS

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Project Expenditures
For the Fiscal Year Ended June 30, 2018

Description	Approval Date	Revised Budgetary Appropriations	GAAP		Unexpended Appropriations 06/30/18
			Prior Years	Expenditures to Date Current Year	
Security surveillance upgrades at all four schools	06/03/14	\$ 404,662	\$ 256,250	\$ -	\$ 148,412
Roof replacement at Three Bridges and Whitehouse Elementary Schools	06/03/14	1,082,249	987,176	-	95,073
Paving reconstruction at Holland Brook Elementary School	03/22/16	990,000	915,795	4,681	69,524
Paving & stair reconstruction at Readington Middle School	06/14/16	670,000	619,568	3,177	47,255
Stair reconstruction at Three Bridges Elementary School	06/14/16	120,000	102,144	502	17,354
		<u>\$ 3,266,911</u>	<u>\$ 2,880,933</u>	<u>\$ 8,360</u>	<u>\$ 377,618</u>

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budgetary Basis
For the Fiscal Year Ended June 30, 2018

Expenditures		
Purchased professional & technical services	\$	8,360
Total expenditures		8,360
Excess (deficiency) of revenues over (under) expenditures		(8,360)
Fund balance - beginning		385,978
Fund balance - ending	\$	377,618
<u>Reconciliation of Fund Balance Difference for GAAP Purposes</u>		
Fund balance - budgetary basis (schedule F-2)	\$	377,618
Receivables from other governments - state		
GAAP basis (schedule B-1)		78,944
Budgetary basis (schedule K-4)		(124,000)
Fund balance - GAAP basis (schedule B-1)	\$	332,562

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status -
Budgetary Basis
Security Surveillance Upgrades
at All Four Schools
For the Fiscal Year Ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - transfer from capital reserve fund	\$ 280,662	\$ -	\$ 280,662	\$ 280,662
State sources - SDA grant	124,000	-	124,000	124,000
Total revenues	<u>404,662</u>	<u>-</u>	<u>404,662</u>	<u>404,662</u>
Expenditures and other financing uses				
Legal services	-	-	-	24,974
Purchased professional & technical services	25,194	-	25,194	25,194
Construction services	231,056	-	231,056	354,494
Total expenditures	<u>256,250</u>	<u>-</u>	<u>256,250</u>	<u>404,662</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 148,412</u>	<u>\$ -</u>	<u>\$ 148,412</u>	<u>\$ -</u>

Additional Project Information

Project number	4350-030-14-1005
Project number	4350-050-14-1006
Project number	4350-060-14-1007
Project number	4350-070-14-1008
Grant date	6/3/2014
Bonds authorization date	N/A
Bonds authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 310,000
Increase in authorized cost	\$ 94,662
Revised authorized cost	\$ 404,662
Percentage completion	63%

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status -
Budgetary Basis
Roof Replacement at Three Bridges and Whitehouse
Elementary Schools
For the Fiscal Year Ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - transfer from capital reserve fund	\$ 687,000	\$ -	\$ 687,000	\$ 687,000
State sources - SDA grant	395,249	-	395,249	395,249
Total revenues	<u>1,082,249</u>	<u>-</u>	<u>1,082,249</u>	<u>1,082,249</u>
Expenditures and other financing uses				
Legal services	1,326	-	1,326	14,530
Purchased professional & technical services	76,736	-	76,736	89,870
Construction services	909,114	-	909,114	977,849
Total expenditures	<u>987,176</u>	<u>-</u>	<u>987,176</u>	<u>1,082,249</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 95,073</u>	<u>\$ -</u>	<u>\$ 95,073</u>	<u>\$ -</u>

Additional Project Information

Project number	4350-060-13-3003
Project number	4350-070-13-3004
Grant date	6/3/2014
Bonds authorization date	N/A
Bonds authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 1,145,000
Reduction in authorized cost	\$ (62,751)
Revised authorized cost	\$ 1,082,249
Percentage completion	91%

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status -
Budgetary Basis
Paving Reconstruction at Holland Brook Elementary School
For the Fiscal Year Ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - proceeds from bond issue	\$ 990,000	\$ -	\$ 990,000	\$ 990,000
Total revenues	<u>990,000</u>	<u>-</u>	<u>990,000</u>	<u>990,000</u>
Expenditures and other financing uses				
Other costs	28,756	-	28,756	28,756
Purchased professional & technical services	66,365	4,681	71,046	86,145
Land improvements	820,674	-	820,674	875,099
Total expenditures	<u>915,795</u>	<u>4,681</u>	<u>920,476</u>	<u>990,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 74,205</u>	<u>\$ (4,681)</u>	<u>\$ 69,524</u>	<u>\$ -</u>

Additional Project Information

Project number	4350-030-16-1000
Grant date	N/A
Bonds authorization date	3/22/2016
Bonds authorized	\$ 990,000
Bonds issued	\$ 990,000
Original authorized cost	\$ 990,000
Reduction in authorized cost	\$ -
Revised authorized cost	\$ 990,000
Percentage completion	93%

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status -
Budgetary Basis
Paving & Stair Reconstruction at Readington Middle School
For the Fiscal Year Ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - proceeds from bond issue	\$ 670,000	\$ -	\$ 670,000	\$ 670,000
Total revenues	<u>670,000</u>	<u>-</u>	<u>670,000</u>	<u>670,000</u>
Expenditures and other financing uses				
Other costs	19,242	-	19,242	19,242
Purchased professional and technical services	42,835	3,177	46,012	55,000
Land improvements	557,491	-	557,491	595,758
Total expenditures	<u>619,568</u>	<u>3,177</u>	<u>622,745</u>	<u>670,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 50,432</u>	<u>\$ (3,177)</u>	<u>\$ 47,255</u>	<u>\$ -</u>

Additional Project Information

Project number	4350-050-16-1000
Grant date	N/A
Bonds authorization date	6/14/2016
Bonds authorized	\$ 670,000
Bonds issued	\$ -
Original authorized cost	\$ 670,000
Reduction in authorized cost	\$ -
Revised authorized cost	\$ 670,000
Percentage completion	93%

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status -
Budgetary Basis
Stair Reconstruction at Three Bridges Elementary School
For the Fiscal Year Ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - proceeds from bond issue	\$ 120,000	\$ -	\$ 120,000	\$ 120,000
Total revenues	<u>120,000</u>	<u>-</u>	<u>120,000</u>	<u>120,000</u>
Expenditures and other financing uses				
Other costs	2,821	-	2,821	5,000
Purchased professional & technical services	12,303	502	12,805	20,000
Land improvements	87,020	-	87,020	95,000
Total expenditures	<u>102,144</u>	<u>502</u>	<u>102,646</u>	<u>120,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 17,856</u>	<u>\$ (502)</u>	<u>\$ 17,354</u>	<u>\$ -</u>

Additional Project Information

Project number	4350-060-16-1000
Grant date	
Bonds authorization date	6/14/2016
Bonds authorized	\$ 120,000
Bonds issued	\$ -
Original authorized cost	\$ 120,000
Reduction in authorized cost	\$ -
Revised authorized cost	\$ 120,000
Percentage completion	86%

See independent auditors' report.

PROPRIETARY FUND

DETAIL STATEMENTS

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the District's Board is that the costs of providing goods or services be financed through user charges.

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

	Food Service Fund	Summer Enrichment Fund	Summer Sports Camps Fund	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 204,041	\$ 14,346	\$ 2,359	\$ 220,746
Receivables from other governments				
State	472	-	-	472
Federal	6,718	-	-	6,718
Inventory	10,133	-	-	10,133
Total current assets	<u>221,364</u>	<u>14,346</u>	<u>2,359</u>	<u>238,069</u>
Noncurrent assets				
Capital assets	155,361	-	-	155,361
Less: accumulated depreciation	131,036	-	-	131,036
Total noncurrent assets	<u>24,325</u>	<u>-</u>	<u>-</u>	<u>24,325</u>
Total assets	<u>245,689</u>	<u>14,346</u>	<u>2,359</u>	<u>262,394</u>
Liabilities				
Current liabilities				
Accounts payable	27,408	-	-	27,408
Unearned revenues	-	11,465	2,210	13,675
Unearned revenues - commodities	1,459	-	-	1,459
Unearned revenues - prepaid sales	24,416	-	-	24,416
Total liabilities	<u>53,283</u>	<u>11,465</u>	<u>2,210</u>	<u>66,958</u>
Net position				
Net investment in capital assets	24,325	-	-	24,325
Unrestricted	168,081	2,881	149	171,111
Total net position	<u>\$ 192,406</u>	<u>\$ 2,881</u>	<u>\$ 149</u>	<u>\$ 195,436</u>

See independent auditors' report.

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

	Food Service Fund	Summer Enrichment Fund	Summer Sports Camps Fund	Total
Operating revenues				
Charges for services				
Daily sales - reimbursable programs	\$ 258,526	\$ -	\$ -	\$ 258,526
Daily sales - non-reimbursable programs	150,193	-	-	150,193
Summer program fees	-	5,550	2,457	8,007
Total operating revenues	<u>408,719</u>	<u>5,550</u>	<u>2,457</u>	<u>416,726</u>
Operating expenses				
Cost of sales - reimbursable programs	160,232	-	-	160,232
Cost of sales - non-reimbursable programs	74,568	-	-	74,568
Salaries	152,930	7,630	2,720	163,280
Employee benefits	31,888	23	110	32,021
Purchased property services	29,971	-	-	29,971
Other purchased services				
Insurance	2,727	-	-	2,727
Management fee	11,118	-	-	11,118
Other	7,853	-	-	7,853
General supplies	23,699	194	-	23,893
Commodity food costs	35,238	-	-	35,238
Depreciation	4,904	-	-	4,904
Total operating expenses	<u>535,128</u>	<u>7,847</u>	<u>2,830</u>	<u>545,805</u>
Operating income (loss)	<u>(126,409)</u>	<u>(2,297)</u>	<u>(373)</u>	<u>(129,079)</u>
Non-operating revenues (expenses)				
State sources				
State school lunch program	5,271	-	-	5,271
Federal sources				
National school lunch program				
Cash assistance	77,463	-	-	77,463
Non cash assistance (commodities)	35,238	-	-	35,238
Interest earned on investments	2,448	-	-	2,448
Miscellaneous	2,637	-	-	2,637
Total non-operating revenues (expenses)	<u>123,057</u>	<u>-</u>	<u>-</u>	<u>123,057</u>
Change in net position	(3,352)	(2,297)	(373)	(6,022)
Net position, beginning	<u>195,758</u>	<u>5,178</u>	<u>522</u>	<u>201,458</u>
Net position, ending	<u>\$ 192,406</u>	<u>\$ 2,881</u>	<u>\$ 149</u>	<u>\$ 195,436</u>

See independent auditors' report.

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

	Food Service Fund	Summer Enrichment Fund	Summer Sports Camps Fund	Total
Cash flows from operating activities				
Receipts from customers (net)	\$ 412,028	\$ 10,875	\$ 1,950	\$ 424,853
Payments to employees	(5,762)	(7,630)	(2,720)	(16,112)
Payments for employee benefits	(442)	(23)	(1,586)	(2,051)
Payments to Food Service Management Co.	(433,222)	-	-	(433,222)
Payments to vendors (net)	(53,223)	(194)	-	(53,417)
Net cash provided by (used for) operating activities	<u>(80,621)</u>	<u>3,028</u>	<u>(2,356)</u>	<u>(79,949)</u>
Cash flows from non-capital financing activities				
State sources	5,128	-	-	5,128
Federal sources	76,386	-	-	76,386
Miscellaneous	2,637	-	-	2,637
Net cash provided by (used for) noncapital financing activities	<u>84,151</u>	<u>-</u>	<u>-</u>	<u>84,151</u>
Cash flows from investing activities				
Interest earned on investments	2,448	-	-	2,448
Net cash provided by (used for) investing activities	<u>2,448</u>	<u>-</u>	<u>-</u>	<u>2,448</u>
Net increase (decrease) in cash and cash equivalents	5,978	3,028	(2,356)	6,650
Cash and cash equivalents, beginning	198,063	11,318	4,715	214,096
Cash and cash equivalents, ending	<u>\$ 204,041</u>	<u>\$ 14,346</u>	<u>\$ 2,359</u>	<u>\$ 220,746</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (126,409)	\$ (2,297)	\$ (373)	\$ (129,079)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation	4,904	-	-	4,904
Federal food donation program	35,238	-	-	35,238
(Increase) decrease in inventory	(1,453)	-	-	(1,453)
Increase (decrease) in accounts payable	5,252	-	(1,476)	3,776
Increase (decrease) in unearned revenues	1,847	5,325	(507)	6,665
Net cash provided by (used for) operating activities	<u>\$ (80,621)</u>	<u>\$ 3,028</u>	<u>\$ (2,356)</u>	<u>\$ (79,949)</u>

See independent auditors' report.

FIDUCIARY FUNDS

DETAIL STATEMENTS

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

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

	Private Purpose Scholarship Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 8,058	\$ 64,100	\$ 308,249	\$ 380,407
Total assets	<u>\$ 8,058</u>	<u>\$ 64,100</u>	<u>\$ 308,249</u>	<u>\$ 380,407</u>
Liabilities				
Due to students groups	\$ -	\$ 64,100	\$ -	\$ 64,100
Payroll deductions and withholdings	<u>-</u>	<u>-</u>	<u>308,249</u>	<u>308,249</u>
Total liabilities	<u>-</u>	<u>64,100</u>	<u>308,249</u>	<u>372,349</u>
Net position				
Reserve for scholarship funds	<u>\$ 8,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,058</u>

See independent auditors' report.

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

	Private Purpose Scholarship Fund
Additions	
Scholarship contributions	\$ 556
Total additions	556
 Deductions	
Scholarships awarded	3,200
 Change in net position	(2,644)
 Net position - beginning of the year	10,702
 Net position - end of the year	\$ 8,058

See independent auditors' report.

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

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Assets				
Cash and cash equivalents	\$ 59,604	\$ 156,682	\$ 154,560	\$ 64,100
Total assets	\$ 59,604	\$ 156,682	\$ 154,560	\$ 64,100
Liabilities				
Due to student groups				
Holland Brook School	\$ 11,149	\$ 46,759	\$ 48,238	\$ 9,670
Readington Middle School	34,177	94,298	89,770	38,705
Three Bridges School	9,830	6,677	7,532	8,975
Whitehouse School	6,822	8,948	9,020	6,750
Total liabilities	\$ 61,978	\$ 156,682	\$ 154,560	\$ 64,100

See independent auditors' report.

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

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Assets				
Cash and cash equivalents	\$ 315,451	\$ 20,658,589	\$ 20,665,791	\$ 308,249
Total assets	\$ 315,451	\$ 20,658,589	\$ 20,665,791	\$ 308,249
Liabilities				
Due to other funds	\$ 20,000	\$ -	\$ 20,000	\$ -
Payroll deductions and withholdings	295,304	9,219,141	9,206,196	308,249
Net payroll	147	11,439,448	11,439,595	-
Total liabilities	\$ 315,451	\$ 20,658,589	\$ 20,665,791	\$ 308,249

See independent auditors' report.

LONG-TERM DEBT SCHEDULES

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

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

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/17	Issued	Retired	Balance 06/30/18
			Date	Amount					
Refunding school bonds of 2006	03/15/11	\$ 10,000,000				\$ 35,000	\$ -	\$ 35,000	\$ -
Refunding school bonds of 2010	11/24/10	5,415,000	07/15/18	\$ 775,000	4.00%	2,055,000	-	885,000	1,170,000
				160,000	5.00%	-	-	-	-
			07/15/19	235,000	3.50%	-	-	-	-
Refunding school bonds of 2013	10/09/13	7,905,000	01/01/19	560,000	3.87%	6,320,000	-	540,000	5,780,000
			01/01/20	580,000	4.00%	-	-	-	-
			01/01/21	605,000	3.00%	-	-	-	-
			01/01/22	625,000	3.00%	-	-	-	-
			01/01/23	640,000	3.00%	-	-	-	-
			01/01/24	660,000	3.13%	-	-	-	-
			01/01/25	685,000	3.25%	-	-	-	-
			01/01/26	700,000	3.38%	-	-	-	-
			01/01/27	725,000	3.50%	-	-	-	-

See independent auditor's report.

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

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/17	Issued	Retired	Balance 06/30/18
			Date	Amount					
General obligation bonds of 2016	03/22/16	\$ 990,000				\$ 990,000	\$ -	\$ 990,000	\$ -
General obligation bonds of 2016	07/07/16	790,000				790,000	-	790,000	-
Refunding school bonds of 2017	05/23/17	8,495,000	07/15/19	\$ 655,000	3.00%	8,495,000	-	135,000	8,360,000
		-	07/15/20	960,000	4.00%	-	-	-	-
		-	07/15/21	995,000	4.00%	-	-	-	-
		-	07/15/22	1,045,000	4.00%	-	-	-	-
		-	07/15/23	1,095,000	5.00%	-	-	-	-
		-	07/15/24	1,155,000	5.00%	-	-	-	-
		-	07/15/25	1,225,000	5.00%	-	-	-	-
		-	07/15/26	1,230,000	5.00%	-	-	-	-
						<u>\$ 18,685,000</u>	<u>\$ -</u>	<u>\$ 3,375,000</u>	<u>\$ 15,310,000</u>

See independent auditor's report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources - debt service tax levy	\$ 2,112,227	\$ -	\$ 2,112,227	\$ 2,112,227	\$ -
State sources - debt service aid	622,620	-	622,620	622,620	-
Total revenues	<u>2,734,847</u>	<u>-</u>	<u>2,734,847</u>	<u>2,734,847</u>	<u>-</u>
Expenditures					
Regular debt service					
Redemption of bond principal	3,240,000	135,000	3,375,000	3,375,000	-
Interest on bonds	677,381	(135,000)	542,381	539,973	2,408
Total expenditures	<u>3,917,381</u>	<u>-</u>	<u>3,917,381</u>	<u>3,914,973</u>	<u>2,408</u>
Excess (deficiency) of revenues Over (under) expenditures	(1,182,534)	-	(1,182,534)	(1,180,126)	2,408
Other financing sources					
Transfer in from capital reserve	<u>1,182,534</u>	<u>-</u>	<u>1,182,534</u>	<u>1,182,534</u>	<u>-</u>
Excess (deficiency) of revenues & other financing sources over (under) expenditures	-	-	-	2,408	2,408
Fund balance, July 1	<u>10,868</u>	<u>-</u>	<u>10,868</u>	<u>10,868</u>	<u>-</u>
Fund balance, June 30	<u>\$ 10,868</u>	<u>\$ -</u>	<u>\$ 10,868</u>	<u>\$ 13,276</u>	<u>\$ 2,408</u>
Recapitulation of excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses					
Budgeted fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,408</u>	<u>\$ 2,408</u>
	See independent auditors' report.				

STATISTICAL SECTION

READINGTON TOWNSHIP SCHOOL DISTRICT
Statistical Section J Series

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

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

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Government activities										
Net investment in capital assets	\$ 18,148,935	\$ 18,354,636	\$ 19,168,645	\$ 18,823,939	\$ 18,900,825	\$ 19,567,989	\$ 21,148,418	\$ 21,870,825	\$ 23,434,089	\$ 26,063,244
Restricted	2,879,577	3,630,236	3,279,636	4,509,014	5,271,205	4,940,642	4,899,507	5,308,140	6,039,014	4,774,287
Unrestricted	1,415,899	965,065	725,876	1,123,822	784,125	(7,028,548)	(7,173,776)	(7,320,859)	(9,287,158)	(9,507,682)
Total governmental activities	<u>\$ 22,444,411</u>	<u>\$ 22,949,937</u>	<u>\$ 23,174,157</u>	<u>\$ 24,456,775</u>	<u>\$ 24,956,155</u>	<u>\$ 17,480,083</u>	<u>\$ 18,874,149</u>	<u>\$ 19,858,106</u>	<u>\$ 20,185,945</u>	<u>\$ 21,329,849</u>
Business-type activities										
Net investment in capital assets	\$ 29,764	\$ 37,872	\$ 30,263	\$ 43,297	\$ 45,550	\$ 39,990	\$ 34,979	\$ 29,968	\$ 29,229	\$ 24,325
Unrestricted	284,554	252,121	284,185	253,785	200,899	117,147	85,779	130,949	172,229	171,111
Total business-type activities	<u>\$ 314,318</u>	<u>\$ 289,993</u>	<u>\$ 314,448</u>	<u>\$ 297,082</u>	<u>\$ 246,449</u>	<u>\$ 157,137</u>	<u>\$ 120,758</u>	<u>\$ 160,917</u>	<u>\$ 201,458</u>	<u>\$ 195,436</u>
District-wide										
Net investment in capital assets	\$ 18,178,699	\$ 18,392,508	\$ 19,198,908	\$ 18,867,236	\$ 18,946,375	\$ 19,607,979	\$ 21,183,397	\$ 21,900,793	\$ 23,463,318	\$ 26,087,569
Restricted	3,164,131	3,882,357	3,563,821	4,762,799	5,472,104	5,057,789	4,985,286	5,439,089	6,211,243	4,945,398
Unrestricted	1,415,899	965,065	725,876	1,123,822	784,125	(7,028,548)	(7,173,776)	(7,320,859)	(9,287,158)	(9,507,682)
Total district-wide	<u>\$ 22,758,729</u>	<u>\$ 23,239,930</u>	<u>\$ 23,488,605</u>	<u>\$ 24,753,857</u>	<u>\$ 25,202,604</u>	<u>\$ 17,637,220</u>	<u>\$ 18,994,907</u>	<u>\$ 20,019,023</u>	<u>\$ 20,387,403</u>	<u>\$ 21,525,285</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction										
Regular	\$ 13,190,998	\$ 13,370,985	\$ 12,978,633	\$ 12,797,258	\$ 13,434,484	\$ 12,639,720	\$ 14,792,796	\$ 15,532,061	\$ 17,497,506	\$ 19,047,867
Special education	3,869,467	3,990,987	4,256,991	4,357,246	4,600,346	4,492,434	5,374,421	5,797,724	6,409,476	7,140,540
Other special education	1,068,158	1,138,559	1,218,113	1,233,805	1,160,214	1,178,118	1,354,506	1,410,624	1,733,351	1,680,881
Other instruction	300,984	288,351	307,976	367,467	369,819	384,880	381,331	425,542	445,971	484,552
Support services										
Tuition	533,058	553,980	724,867	495,464	614,482	708,273	787,923	583,148	602,237	975,604
Student and instruction related services	4,817,680	5,135,703	4,595,912	4,841,487	5,015,386	5,129,190	6,189,717	6,695,902	7,304,973	7,651,285
General and business administrative services	1,690,800	1,731,386	1,714,006	1,786,567	1,351,217	1,647,645	1,621,382	1,792,644	1,983,103	1,640,582
School administration	1,544,345	1,694,551	1,635,008	1,654,804	1,725,208	1,690,141	1,964,952	2,101,185	2,354,438	2,654,318
Plant operations and maintenance	3,134,763	3,201,640	2,492,943	2,360,481	2,450,613	2,556,242	2,413,523	2,505,463	2,623,557	2,810,879
Pupil transportation	2,413,981	2,163,025	2,124,628	1,947,401	2,035,908	2,054,985	1,714,418	1,571,941	1,851,479	2,042,716
Special schools	-	16,072	-	-	-	-	-	-	-	-
Interest on long-term debt	1,222,922	1,147,982	1,062,815	1,047,243	1,014,502	809,984	842,475	802,887	649,110	657,835
Total governmental activities expenses	<u>33,787,156</u>	<u>34,433,221</u>	<u>33,111,892</u>	<u>32,889,223</u>	<u>33,772,179</u>	<u>33,291,612</u>	<u>37,437,444</u>	<u>39,219,121</u>	<u>43,455,201</u>	<u>46,787,059</u>
Business-type activities										
Food service	661,060	686,536	649,107	657,727	613,691	583,311	567,851	488,618	475,181	535,128
Summer program	30,352	24,341	21,617	27,067	29,760	23,962	20,901	17,509	15,676	10,677
Total business-type activities	<u>691,412</u>	<u>710,877</u>	<u>670,724</u>	<u>684,794</u>	<u>643,451</u>	<u>607,273</u>	<u>588,752</u>	<u>506,127</u>	<u>490,857</u>	<u>545,805</u>
Total district expenses	<u>\$ 34,478,568</u>	<u>\$ 35,144,098</u>	<u>\$ 33,782,616</u>	<u>\$ 33,574,017</u>	<u>\$ 34,415,630</u>	<u>\$ 33,898,885</u>	<u>\$ 38,026,196</u>	<u>\$ 39,725,248</u>	<u>\$ 43,946,058</u>	<u>\$ 47,332,864</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program revenues										
Governmental activities										
Charges for services										
Regular instruction	\$ 13,782	\$ 23,050	\$ 21,257	\$ 30,187	\$ 22,832	\$ 54,359	\$ 76,222	\$ 51,592	\$ 54,865	\$ 49,299
Special education instruction	-	-	-	22,418	50,263	99,573	43,193	16,841	15,109	-
Student & instruction related services	157	474	50,040	50,000	30,000	116,750	117,918	120,276	121,044	150,154
General & business administrative services	4,656	2,851	-	-	-	-	-	-	-	-
Plant operations and maintenance	52,317	56,113	52,756	48,598	63,965	76,285	54,191	52,186	53,176	49,091
Pupil transportation	28,920	33,197	5,985	21,028	25,160	4,285	31,794	11,881	78,654	23,869
Operating grants and contributions	544,617	703,907	681,329	500,139	535,302	507,168	564,735	440,978	537,585	532,138
Capital grants and contributions	230,036	263,681	265,594	43,716	-	32,530	477,251	64,689	10,147	-
Total governmental activities program revenues	<u>874,485</u>	<u>1,083,273</u>	<u>1,076,961</u>	<u>716,086</u>	<u>727,522</u>	<u>890,950</u>	<u>1,365,304</u>	<u>758,443</u>	<u>870,580</u>	<u>804,551</u>
Business-type activities										
Charges for services										
Food service	581,848	555,039	563,547	527,490	461,034	397,259	418,003	411,684	401,220	408,719
Summer programs	33,350	24,650	21,220	23,935	27,618	21,225	20,350	22,483	14,235	8,007
Operating grants and contributions	96,710	105,648	109,288	113,827	103,253	98,764	113,326	111,606	114,565	117,972
Total business-type activities program revenues	<u>711,908</u>	<u>685,337</u>	<u>694,055</u>	<u>665,252</u>	<u>591,905</u>	<u>517,248</u>	<u>551,679</u>	<u>545,773</u>	<u>530,020</u>	<u>534,698</u>
Total district-program revenues	<u>\$ 1,586,393</u>	<u>\$ 1,768,610</u>	<u>\$ 1,771,016</u>	<u>\$ 1,381,338</u>	<u>\$ 1,319,427</u>	<u>\$ 1,408,198</u>	<u>\$ 1,916,983</u>	<u>\$ 1,304,216</u>	<u>\$ 1,400,600</u>	<u>\$ 1,339,249</u>
Net (expense) revenues										
Governmental activities	\$ (32,912,671)	\$ (33,349,948)	\$ (32,034,931)	\$ (32,173,137)	\$ (33,044,657)	\$ (32,400,662)	\$ (36,072,140)	\$ (38,460,678)	\$ (42,584,621)	\$ (45,982,508)
Business-type activities	20,496	(25,540)	23,331	(19,542)	(51,546)	(90,025)	(37,073)	39,646	39,163	(11,107)
Total district-wide net expenses	<u>\$ (32,892,175)</u>	<u>\$ (33,375,488)</u>	<u>\$ (32,011,600)</u>	<u>\$ (32,192,679)</u>	<u>\$ (33,096,203)</u>	<u>\$ (32,490,687)</u>	<u>\$ (36,109,213)</u>	<u>\$ (38,421,032)</u>	<u>\$ (42,545,458)</u>	<u>\$ (45,993,615)</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 28,085,596	\$ 27,038,539	\$ 27,703,081	\$ 27,426,050	\$ 26,586,701	\$ 26,582,012	\$ 26,582,012	\$ 26,643,599	\$ 26,906,853	\$ 27,444,990
Taxes levied for debt service	2,103,521	2,118,903	1,889,894	2,183,349	2,194,238	2,182,408	2,098,623	2,037,036	2,109,696	2,112,227
Unrestricted grants and contributions	4,219,457	4,617,847	2,995,051	3,660,562	4,560,512	4,157,942	8,644,779	10,549,409	13,619,700	17,432,113
Investment earnings	86,279	28,904	25,829	51,050	30,540	31,822	30,984	33,091	48,130	108,024
Miscellaneous income	26,253	30,116	89,905	117,490	144,537	136,924	109,808	155,465	219,980	29,058
Special item - proceeds from insurance claim	-	-	-	-	25,448	-	-	-	-	-
Special item - payment to refunding bond agent	-	-	(444,609)	-	-	-	-	-	-	-
Special item - gain (loss) on disposition of assets	6,488	21,165	-	17,254	2,061	6,565	-	26,035	8,101	-
Total governmental activities	<u>34,527,594</u>	<u>33,855,474</u>	<u>32,259,151</u>	<u>33,455,755</u>	<u>33,544,037</u>	<u>33,097,673</u>	<u>37,466,206</u>	<u>39,444,635</u>	<u>42,912,460</u>	<u>47,126,412</u>
Business-type activities										
Investment earnings	2,384	1,102	1,045	2,176	913	707	527	513	451	2,448
Miscellaneous income	4,667	113	79	-	-	6	167	-	927	2,637
Total business-type activities	<u>7,051</u>	<u>1,215</u>	<u>1,124</u>	<u>2,176</u>	<u>913</u>	<u>713</u>	<u>694</u>	<u>513</u>	<u>1,378</u>	<u>5,085</u>
Total district-wide	<u>\$ 34,534,645</u>	<u>\$ 33,856,689</u>	<u>\$ 32,260,275</u>	<u>\$ 33,457,931</u>	<u>\$ 33,544,950</u>	<u>\$ 33,098,386</u>	<u>\$ 37,466,900</u>	<u>\$ 39,445,148</u>	<u>\$ 42,913,838</u>	<u>\$ 47,131,497</u>
Change in net position										
Governmental activities	\$ 1,614,923	\$ 505,526	\$ 224,220	\$ 1,282,618	\$ 499,380	\$ 697,011	\$ 1,394,066	\$ 983,957	\$ 327,839	\$ 1,143,904
Business-type activities	<u>27,547</u>	<u>(24,325)</u>	<u>24,455</u>	<u>(17,366)</u>	<u>(50,633)</u>	<u>(89,312)</u>	<u>(36,379)</u>	<u>40,159</u>	<u>40,541</u>	<u>(6,022)</u>
Total district	<u>\$ 1,642,470</u>	<u>\$ 481,201</u>	<u>\$ 248,675</u>	<u>\$ 1,265,252</u>	<u>\$ 448,747</u>	<u>\$ 607,699</u>	<u>\$ 1,357,687</u>	<u>\$ 1,024,116</u>	<u>\$ 368,380</u>	<u>\$ 1,137,882</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Restricted	\$ 3,591,973	\$ 2,227,303	\$ 2,996,728	\$ 4,934,839	\$ 5,786,207	\$ 4,404,201	\$ 5,225,677	\$ 6,338,677	\$ 7,566,975	\$ 6,202,767
Committed	1,059,129	536,084	267,295	638,927	372,039	499,975	182,693	250,268	60,613	137,866
Assigned	-	-	-	314,774	36,715	56,696	-	-	-	19,169
Unassigned	517,470	464,788	647,356	445,833	446,835	582,415	606,312	605,781	536,855	572,145
Total general fund	<u>\$ 5,168,572</u>	<u>\$ 3,228,175</u>	<u>\$ 3,911,379</u>	<u>\$ 6,334,373</u>	<u>\$ 6,641,796</u>	<u>\$ 5,543,287</u>	<u>\$ 6,014,682</u>	<u>\$ 7,194,726</u>	<u>\$ 8,164,443</u>	<u>\$ 6,931,947</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 436,505	\$ 2,628,165	\$ 1,585,938	\$ 901,465	\$ 867,665	\$ 1,920,494	\$ 1,204,618	\$ 1,591,939	\$ 340,922	\$ 332,562
Assigned, reported in										
Debt service fund	41	455	2,508	15,296	13,264	75,779	75,758	-	10,868	13,276
Total all other governmental funds	<u>\$ 436,546</u>	<u>\$ 2,628,620</u>	<u>\$ 1,588,446</u>	<u>\$ 916,761</u>	<u>\$ 880,929</u>	<u>\$ 1,996,273</u>	<u>\$ 1,280,376</u>	<u>\$ 1,591,939</u>	<u>\$ 351,790</u>	<u>\$ 345,838</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax levy	\$ 30,189,117	\$ 29,157,442	\$ 29,592,975	\$ 29,609,399	\$ 28,780,939	\$ 28,764,420	\$ 28,680,635	\$ 28,680,635	\$ 29,016,549	\$ 29,557,217
Tuition charges	13,650	23,050	21,104	52,605	70,290	153,932	119,415	68,433	69,974	49,299
Transportation fees	28,920	32,058	2,340	3,240	3,976	2,740	30,651	5,300	4,410	6,225
Interest earnings	86,279	28,904	25,829	51,050	30,540	31,822	30,984	33,091	48,130	108,024
Miscellaneous	89,887	110,723	107,123	105,781	143,231	128,390	127,875	135,272	195,787	87,480
State sources	4,222,290	4,618,592	2,996,620	3,596,796	4,562,436	4,157,942	4,666,750	5,101,995	5,382,089	6,625,720
State sources - capital projects	230,036	263,681	265,594	43,716	-	32,530	477,251	64,689	10,147	-
Federal sources	519,609	667,274	666,366	550,742	519,018	506,572	515,143	430,168	516,647	546,780
Total revenues	35,379,788	34,901,724	33,677,951	34,013,329	34,110,430	33,778,348	34,648,704	34,519,583	35,243,733	36,980,745
Expenditures										
Instruction										
Regular instruction	9,717,006	9,473,762	9,197,202	8,923,049	9,248,836	8,865,777	8,561,728	8,409,875	8,667,280	8,718,908
Special education instr.	2,752,680	2,753,078	2,837,376	2,935,415	3,077,130	3,060,710	3,149,810	3,184,856	3,197,239	3,333,486
Other special instruction	752,258	799,152	836,210	834,278	757,010	771,403	728,214	731,952	824,762	731,185
School sponsored/other instructional	229,070	210,693	219,503	257,875	262,570	275,295	265,499	279,355	272,258	279,909
Support services										
Tuition	112,998	22,972	342,118	186,502	205,805	347,447	435,836	275,801	264,619	578,543
Student & inst. related services	3,520,906	3,655,341	3,253,594	3,390,964	3,451,729	3,566,545	3,682,757	3,736,526	3,624,785	3,665,310
General administration	679,115	644,047	681,554	610,822	537,283	587,730	538,087	584,315	561,157	529,140
School admin. services	1,181,275	1,208,303	1,142,257	1,173,417	1,217,813	1,169,356	1,179,916	1,214,701	1,229,833	1,239,415
Central services	472,596	456,892	447,153	454,006	418,120	432,803	439,609	433,996	519,533	419,667
Administrative information technology	184,359	192,899	141,994	63,445	30,307	72,272	70,358	74,915	79,946	79,464
Plant operations and maintenance	2,748,294	2,750,409	2,208,103	2,071,894	2,178,294	2,300,029	2,133,662	2,171,537	2,224,999	2,368,661
Pupil transportation	1,927,922	1,941,299	1,901,384	1,716,881	1,818,183	1,867,199	1,252,666	1,094,538	1,249,673	1,444,239
Employee benefits	4,269,281	4,892,720	4,601,797	4,474,216	4,452,886	4,429,031	5,055,633	4,923,510	4,986,488	5,164,964
On-behalf TPAF pension & social security contrib.	2,001,933	2,024,497	2,053,485	2,394,144	3,081,345	2,571,355	2,975,277	3,477,161	3,770,332	4,290,449
Capital outlay	487,562	320,360	80,839	18,521	288,060	661,251	493,343	522,825	551,660	852,571
Special schools	-	16,072	-	-	-	-	-	-	-	-

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenditures (cont'd)										
Special revenue funds	\$ 544,617	\$ 703,907	\$ 681,329	\$ 500,139	\$ 535,302	\$ 507,168	\$ 564,735	\$ 440,978	\$ 537,585	\$ 532,138
Capital projects	2,853,297	436,021	1,211,976	37,037	33,800	176,406	1,193,127	319,761	1,658,181	8,360
Debt service										
Principal	916,977	3,326,837	1,163,763	1,164,737	1,230,786	1,331,887	1,315,000	1,370,000	1,410,000	3,375,000
Interest & other charges	1,203,254	1,215,112	1,107,132	1,071,932	1,041,089	873,119	857,949	817,774	785,904	607,784
Total expenditures	<u>36,555,400</u>	<u>37,044,373</u>	<u>34,108,769</u>	<u>32,279,274</u>	<u>33,866,348</u>	<u>33,866,783</u>	<u>34,893,206</u>	<u>34,064,376</u>	<u>36,416,234</u>	<u>38,219,193</u>
Excess (deficiency) of revenues over (under) expenditures	(1,175,612)	(2,142,649)	(430,818)	1,734,055	244,082	(88,435)	(244,502)	455,207	(1,172,501)	(1,238,448)
Other financing sources (uses)										
Proceeds from bond issue & refunding bond issue	-	-	5,415,000	-	-	7,905,000	-	990,000	9,285,000	-
Premium on bond issue	-	-	458,457	-	-	279,024	-	-	1,276,745	-
Temporary notes financed in debt service fund	-	2,364,000	-	-	-	-	-	-	-	-
Payments to refunding bond escrow agent	-	-	(5,799,609)	-	-	(8,085,319)	-	-	(9,667,777)	-
Proceeds from disposition of capital assets	7,800	30,326	-	17,254	2,061	6,565	-	46,400	8,101	-
Insurance claim proceeds for flooding damage	-	-	-	-	25,448	-	-	-	-	-
Total other financing sources (uses)	<u>7,800</u>	<u>2,394,326</u>	<u>73,848</u>	<u>17,254</u>	<u>27,509</u>	<u>105,270</u>	<u>-</u>	<u>1,036,400</u>	<u>902,069</u>	<u>-</u>
Net change in fund balances	<u>\$ (1,167,812)</u>	<u>\$ 251,677</u>	<u>\$ (356,970)</u>	<u>\$ 1,751,309</u>	<u>\$ 271,591</u>	<u>\$ 16,835</u>	<u>\$ (244,502)</u>	<u>\$ 1,491,607</u>	<u>\$ (270,432)</u>	<u>\$ (1,238,448)</u>
Debt service as a percentage of non-capital expenditures	6.82%	14.31%	7.43%	7.46%	7.26%	7.15%	7.00%	7.05%	6.86%	11.93%

Source: District Records

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

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Interest income	\$ 85,644	\$ 28,449	\$ 25,708	\$ 51,050	\$ 25,829	\$ 31,822	\$ 30,984	\$ 33,091	\$ 48,129	\$ 108,024
Tuition	13,650	23,050	21,104	52,605	21,104	153,932	119,415	68,434	69,974	49,299
Transportation fees	28,920	32,058	2,340	3,240	2,340	2,740	30,651	5,300	4,410	6,225
Building use rental income	47,948	53,224	46,821	39,495	48,701	51,842	43,863	44,585	43,881	42,692
Prior year refunds	11,305	149	765	7,875	2,738	14,616	-	-	4,246	1,812
Bid spec fees	4,600	2,800	-	-	-	-	-	-	-	-
Insurance claims	-	338	-	-	-	-	-	-	-	-
Insurance refunds/rebates	-	15,037	-	-	-	-	-	-	-	-
Recycling proceeds	-	1,225	-	-	-	-	-	-	-	-
Sale of surplus supplies	-	-	-	-	4,873	-	247	6,052	480	25
Donations	3,136	-	-	-	26,000	-	-	-	-	-
Prior year outstanding checks canceled	300	562	3,112	35	19	57	-	-	-	-
Prior year accounts payable canceled	-	690	-	-	-	-	-	-	-	283
E-rate telephone rebates	-	-	43,026	42,498	46,520	43,878	33,948	73,240	91,870	15,266
Sale of assets	-	-	-	-	-	-	-	-	-	1,445
Miscellaneous										
Account balances canceled	68	-	-	215	-	-	-	-	20,000	-
Refunds	135	-	-	2,500	-	-	-	360	-	55
Other	220	810	5	-	-	7,857	25	224	3,465	10,172
Annual totals	\$ 195,926	\$ 158,392	\$ 142,881	\$ 199,513	\$ 178,124	\$ 306,744	\$ 259,133	\$ 231,286	\$ 286,455	\$ 235,298

Source: District Records

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Vacant land	\$ 33,696,200	\$ 34,795,800	\$ 27,970,300	\$ 25,304,300	\$ 35,670,602	\$ 36,540,300	\$ 35,541,000	\$ 31,194,600	\$ 26,021,500	\$ 23,944,836
Residential	2,154,643,100	2,172,275,700	2,075,417,700	2,024,958,200	1,989,936,800	2,007,826,300	2,023,142,400	2,036,191,100	2,058,524,200	2,076,043,900
Farm regular	141,413,100	140,856,600	136,828,300	137,991,300	133,364,572	128,271,821	126,445,100	123,306,100	125,242,400	121,786,200
Q farm	4,636,337	4,277,344	4,132,562	4,197,992	4,171,297	4,235,707	4,213,574	4,726,655	4,674,248	5,022,757
Commercial	454,458,300	434,530,900	436,529,600	435,330,900	432,721,600	429,259,800	366,926,100	342,902,000	342,292,300	323,400,000
Industrial	51,437,700	49,100,200	52,183,200	51,523,000	51,486,800	51,486,800	51,486,800	53,386,800	53,912,800	53,912,800
Apartment	1,281,400	1,193,900	1,193,900	1,111,400	1,368,100	1,368,100	1,368,100	1,368,100	1,367,100	1,096,400
Total assessed value	2,841,566,137	2,837,030,444	2,734,255,562	2,680,417,092	2,648,719,771	2,658,988,828	2,609,123,074	2,593,077,371	2,612,034,548	2,605,206,893
Public utilities (a)	4,171,952	4,581,241	6,296,043	4,845,327	4,355,257	4,447,256	257,705	257,705	257,705	257,705
Net valuation taxable	\$ 2,845,738,089	\$ 2,841,611,685	\$ 2,740,551,605	\$ 2,685,262,419	\$ 2,653,075,028	\$ 2,663,436,084	\$ 2,609,380,779	\$ 2,593,335,076	\$ 2,612,292,253	\$ 2,605,464,598
Estimated actual county equalized value	\$ 3,659,066,138	\$ 3,628,844,262	\$ 3,480,065,530	\$ 3,207,815,577	\$ 3,172,017,011	\$ 3,105,323,638	\$ 2,980,105,960	\$ 3,078,505,532	\$ 3,233,436,382	\$ 3,207,910,119
Percentage of net valuation to estimated actual equalized value	77.77%	78.31%	78.75%	83.71%	83.64%	85.77%	87.56%	84.24%	80.79%	81.22%
Total direct school tax rate (b)	\$ 1.04	\$ 1.04	\$ 1.08	\$ 1.09	\$ 1.09	\$ 1.08	\$ 1.10	\$ 1.11	\$ 1.12	\$ 1.16

Source: Municipal Tax Assessor

NOTE: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation. Reassessment occurs when the County Board of Taxation requests Treasury to order a reassessment.

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

See independent auditors' report.

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

Assessment Year	School District Direct Rate				Regional School Rate	Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6)			Municipality	County	
			Total Direct School Tax Rate					
2009	\$ 0.97	\$ 0.07	\$ 1.04	\$ 0.65	\$ 0.44	\$ 0.44	\$ 2.57	
2010	0.97	0.07	1.04	0.68	0.45	0.43	2.60	
2011	1.00	0.08	1.08	0.71	0.45	0.43	2.67	
2012	1.01	0.08	1.09	0.69	0.47	0.42	2.67	
2013	1.01	0.08	1.09	0.70	0.51	0.43	2.73	
2014	1.00	0.08	1.08	0.69	0.52	0.43	2.72	
2015	1.02	0.08	1.10	0.69	0.54	0.42	2.75	
2016	1.03	0.08	1.11	0.70	0.55	0.44	2.80	
2017	1.04	0.08	1.12	0.72	0.57	0.46	2.87	
2018	1.08	0.08	1.16	0.73	0.58	0.47	2.94	

Sources: Municipal Tax Collector

NOTE: NJSA 18A:7F-5d limits the amount that the District can submit for a general fund tax levy. The levy when added to other components of the District's net budget may not exceed the pre-budget by more than the spending growth limitation calculated as follows: the pre-budget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

- (a) The District's basic tax rate is calculated from the A4F Form which is submitted with the budget and the net valuation taxable.
- (b) Rates for debt service are based on each year's requirements.

See independent auditors' report.

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

	2018			2009		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Merck & Co	\$ 107,557,230	1	4.13%	\$ 228,709,404	1	8.04%
Federal Insurance Co	55,507,800	2	2.13%	63,285,000	2	2.22%
Lamington River Farms	12,303,270	3	0.47%	14,529,700	3	0.51%
Individual Property Owner #1	9,867,171	4	0.38%	-		0.00%
Transcontinental Gas Pipeline	8,274,600	5	0.32%	8,334,400	4	0.29%
Toll NJ I LLC	6,720,000	6	0.26%	-		0.00%
Whitehouse Mall	6,587,400	7	0.25%	6,587,400	6	0.23%
Somerville Associates	5,700,000	8	0.22%	5,700,000	7	0.20%
Salem Realty II LLC	5,540,000	9	0.21%	5,500,000	9	0.19%
Bishop & Bishop Land Partnership	5,539,700	10	0.21%	5,539,700	8	0.19%
Stanton Golf Properties	-		0.00%	7,492,500	5	0.26%
Readington Farms Inc.	-		0.00%	5,370,500	10	0.19%
	<u>\$ 223,597,171</u>		<u>8.58%</u>	<u>\$ 351,048,604</u>		<u>12.34%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

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

Year Ending June 30,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2009	\$ 30,189,117	\$ 30,189,117	100.00%
2010	29,157,442	29,157,442	100.00%
2011	29,592,975	29,592,975	100.00%
2012	29,609,399	29,609,399	100.00%
2013	28,780,939	28,780,939	100.00%
2014	28,764,420	28,764,420	100.00%
2015	28,680,635	28,680,635	100.00%
2016	28,680,635	28,680,635	100.00%
2017	29,016,549	29,016,549	100.00%
2018	29,557,217	29,557,217	100.00%

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

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

See independent auditors' report.

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

Fiscal Year Ending June 30,	Governmental Activities				Business-Type	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Activities Capital Leases			
2009	\$ 27,789,010	\$ -	\$ -	\$ 2,364,000	\$ -	\$ 30,153,010	2.53%	\$ 1,868
2010	26,826,173	-	-	-	-	26,826,173	2.32%	1,659
2011	25,722,410	-	-	-	-	25,722,410	2.24%	1,596
2012	24,557,673	-	-	-	-	24,557,673	2.10%	1,529
2013	23,326,887	-	-	-	-	23,326,887	1.93%	1,459
2014	21,990,000	-	-	-	-	21,990,000	1.82%	1,375
2015	20,675,000	-	-	-	-	20,675,000	1.65%	1,296
2016	20,295,000	-	-	-	-	20,295,000	1.58%	1,272
2017	18,685,000	-	-	-	-	18,685,000	1.43%	1,173
2018	15,310,000	-	-	-	-	15,310,000	N/A	959

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

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

See independent auditors' report.

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

Fiscal Year Ending June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 27,789,010	\$ -	\$ 27,789,010	0.98%	\$ 1,722
2010	26,826,173	-	26,826,173	0.94%	1,659
2011	25,722,410	-	25,722,410	0.94%	1,596
2012	24,557,673	-	24,557,673	0.91%	1,529
2013	23,326,887	-	23,326,887	0.88%	1,459
2014	21,990,000	-	21,990,000	0.83%	1,375
2015	20,675,000	-	20,675,000	0.79%	1,296
2016	20,295,000	-	20,295,000	0.78%	1,272
2017	18,685,000	-	18,685,000	0.72%	1,173
2018	15,310,000	-	15,310,000	0.59%	959

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

(a) See Exhibit J-6 for property tax data.

(b) Population data can be found in Exhibit J-14.

See independent auditors' report.

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

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Municipality	\$ 59,643,517	100.00%	\$ 59,643,517
Regional High School	8,175,000	33.99%	2,778,906
County general obligation debt	85,249,037	14.90%	<u>12,703,850</u>
Subtotal, overlapping debt			75,126,273
School district direct debt			<u>15,850,000</u>
Total direct and overlapping debt			<u><u>\$ 90,976,273</u></u>

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

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

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

See independent auditors' report.

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

Legal Debt Margin Calculation for Fiscal Year 2018

	Equalized Valuation Basis
	2017 \$ 3,216,000,428
	2016 3,209,648,911
	2015 3,097,249,613
	\$ 9,522,898,952
Average equalized valuation of taxable property	\$ 3,174,299,651
Debt limit (3.0% of average equalization value)	\$ 95,228,990
Total net debt applicable to limit	15,310,000
Legal debt margin	\$ 79,918,990

	Fiscal Year				
	2014	2015	2016	2017	2018
Debt limit	\$ 95,592,158	\$ 93,296,350	\$ 92,221,774	\$ 93,436,605	\$ 95,228,990
Total net debt applicable	21,990,000	20,675,000	20,295,000	18,685,000	15,310,000
Legal debt margin	\$ 73,602,158	\$ 72,621,350	\$ 71,926,774	\$ 74,751,605	\$ 79,918,990
Total net debt applicable to the limit as a percentage of debt limit	23.00%	22.16%	22.01%	20.00%	16.08%

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt limit	\$ 113,312,549	\$ 113,516,416	\$ 111,275,512	\$ 105,035,670	\$ 100,736,283
Total net debt applicable	30,849,138	27,504,301	26,400,538	24,557,673	23,326,887
Legal debt margin	\$ 82,463,411	\$ 86,012,115	\$ 84,874,974	\$ 80,477,997	\$ 77,409,396
Total net debt applicable to the limit as a percentage of debt limit	27.22%	24.23%	23.73%	23.38%	23.16%

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

(a) Limit Set by NJSA 18A:24-19

See independent auditors' report.

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

Fiscal Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2009	16,169	\$ 1,156,536,232	\$ 71,528	6.0%
2010	16,119	1,148,494,869	71,251	6.2%
2011	16,064	1,169,668,032	72,813	6.1%
2012	15,988	1,209,492,200	75,650	6.3%
2013	15,994	1,205,691,696	75,384	6.3%
2014	15,957	1,249,449,057	78,301	4.7%
2015	15,959	1,286,694,375	80,625	3.9%
2016	15,928	1,307,832,152	82,109	3.7%
2017	15,963	N/A	N/A	3.7%
2018	N/A	N/A	N/A	N/A

Sources:

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

See independent auditors' report.

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

2018

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2009

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function/Program										
Instruction										
Regular	134.5	135.4	129.7	129.3	127.9	126.4	117.7	109.0	122.5	117.4
Special education	56.8	63.2	58.8	50.4	66.5	76.5	66.1	55.0	60.0	70.3
Other special education	13.0	13.0	11.5	24.8	12.6	11.5	10.5	10.5	11.5	10.3
Support services										
Student and instruction related services	48.4	50.0	41.0	46.0	44.8	43.8	60.3	55.8	49.0	51.4
General administration	2.5	2.5	2.1	2.1	2.1	2.0	2.0	2.0	2.0	2.0
School administration services	17.0	18.0	15.5	15.5	15.5	15.5	16.0	15.0	16.0	16.0
Other administration services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Central services	7.0	7.0	6.7	6.7	6.0	6.0	6.0	6.0	6.0	6.0
Administrative information technology	2.0	2.0	2.0	1.0	1.0	1.0	1.5	1.0	1.0	1.0
Plant operations and maintenance	31.0	28.0	13.0	12.6	13.3	13.3	15.0	11.5	11.0	10.0
Pupil transportation	25.0	23.5	19.5	18.6	19.4	19.4	21.0	21.0	19.0	14.0
Total	<u>338.2</u>	<u>343.6</u>	<u>300.8</u>	<u>308.0</u>	<u>310.1</u>	<u>316.4</u>	<u>317.1</u>	<u>287.8</u>	<u>299.0</u>	<u>299.4</u>

Source: District Personnel Records

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff (b)	Teacher Ratio	Average Daily Enrollment (ADE) (c)	Average Daily Attendance (ADA) (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2009	2,164	\$ 31,094,310	\$ 14,369	1.49%	230	1 to 9.41	2,033.1	1,969.4	-9.83%	96.87%
2010	2,097	31,746,043	15,139	5.36%	214	1 to 9.80	2,089.4	2,004.1	2.77%	95.92%
2011	2,040	30,545,059	14,973	-1.09%	209	1 to 9.76	2,030.5	1,953.2	-2.82%	96.19%
2012	1,955	29,987,047	15,339	2.44%	206	1 to 9.49	1,959.1	1,880.5	-3.52%	95.99%
2013	1,875	31,272,613	16,679	8.74%	200	1 to 9.38	1,844.1	1,762.6	-5.87%	95.58%
2014	1,780	30,824,120	17,317	3.83%	195	1 to 9.13	1,777.9	1,706.0	-3.59%	95.96%
2015	1,752	31,033,787	17,713	2.29%	196	1 to 8.94	1,754.8	1,684.0	-1.30%	95.96%
2016	1,690	31,034,016	18,363	3.67%	195	1 to 8.66	1,689.5	1,622.8	-3.63%	96.05%
2017	1,620	32,010,489	19,760	7.60%	191	1 to 8.48	1,609.2	1,549.2	-4.54%	96.27%
2018	1,528	33,375,478	21,843	10.54%	198	1 to 7.72	1,512.8	1,452.0	-6.28%	95.98%

Source: District Records

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

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

District Building	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Elementary										
Whitehouse School (1916)										
Square feet	73,333	73,333	73,333	73,333	73,333	73,333	73,333	73,333	73,333	73,333
Capacity (students)	531	531	531	531	531	531	531	531	531	531
Enrollment	450	411	385	372	337	342	352	341	331	303
Three Bridges School (1950)										
Square feet	61,435	61,435	61,435	61,435	61,435	61,435	61,435	61,435	61,435	61,435
Capacity (students)	445	445	445	445	445	445	445	445	445	445
Enrollment	414	415	382	373	337	317	333	320	321	301
Holland Brook School (1999)										
Square feet	90,150	90,150	90,150	90,150	90,150	90,150	90,150	90,150	90,150	90,150
Capacity (students)	653	653	653	653	653	653	653	653	653	653
Enrollment	503	496	497	463	429	405	378	372	361	335
Middle										
Readington Middle School (1962)										
Square feet	121,536	121,536	121,536	121,536	121,536	121,536	121,536	121,536	121,536	121,536
Capacity (students)	832	832	832	832	832	832	832	832	832	832
Enrollment	771	743	763	742	748	709	688	641	607	577
Number of Schools at June 30, 2018										
Elementary =	3									
Middle =	1									

Source: District Facilities Office

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

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Schedule of Required Maintenance Expenditures by School Facilities
Last Ten Fiscal Years

Undistributed Expenditures - Required Maintenance for School Facilities

Fiscal Year Ending	*School Facilities				Total
	Three Bridges School	Whitehouse School	Holland Brook School	Readington Middle School	
2009	\$ 100,520	\$ 91,969	\$ 166,069	\$ 174,239	\$ 532,797
2010	108,313	112,045	204,589	206,633	631,580
2011	99,942	105,405	179,268	165,132	549,747
2012	115,270	100,249	142,749	177,767	536,035
2013	128,858	108,675	181,545	202,067	621,145
2014	146,587	100,587	124,561	188,397	560,132
2015	91,615	85,736	108,262	159,699	445,312
2016	90,478	90,458	127,052	177,695	485,683
2017	82,333	83,136	120,859	149,677	436,005
2018	115,113	89,246	128,967	170,199	503,525
Total school facilities	<u>\$ 1,079,029</u>	<u>\$ 967,506</u>	<u>\$ 1,483,921</u>	<u>\$ 1,771,505</u>	<u>\$ 5,301,961</u>

* School Facilities as Defined Under EFCFA.
(NJAC 6A:26-1.2 and NJAC 6A:26A-1.3)

Source: District Records

See independent auditors' report.

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

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - School Alliance Insurance Fund		
Property - Blanket Building & Contents (Insurance Cooperative)	\$ 500,000,000	\$ 2,500
Comprehensive General Liability (Policy Limit)	5,000,000	-
Blanket Dishonesty Bond	500,000	1,000
Pollution Liability - School Alliance Insurance Fund Through ACE Insurance Company		
Claim Limit	1,000,000	10,000
School Board Legal Liability - School Alliance Insurance Fund Through National Union Fire Insurance Company of Pittsburgh PA		
Policy Limit	5,000,000	10,000
Worker's Compensation - School Alliance Insurance Fund Per Accident, Disease and Disease Limit	5,000,000	-
Excess Liability - School Alliance Insurance Fund Policy Limit	5,000,000	-
Public Employees' Faithful Performance - Hanover Insurance Company Business Administrator's Bond	250,000	-
Treasurer's Bond	250,000	-

Source: District Records

See independent auditors' report.

SINGLE AUDIT SECTION



**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Readington Township School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 15, 2019.

Internal Control over Financial Reporting

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

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

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



BKC, CPAs, PC



Michael A. Holk, CPA, PSA

February 15, 2019
Flemington, New Jersey



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

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

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

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



BKC, CPAs, PC



Michael A. Holk, CPA, PSA

February 15, 2019
Flemington, New Jersey

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

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance 06/30/17	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment/Repayment of Prior Year Balance	Balance June 30, 2018		
					From	To						Receivable	Unearned Revenue	Due to Grantor
U.S. Departments of Education and Health & Human Services														
General fund														
Medical assistance program	93.778	1705NJ5MAP	N/A	\$ 30,372	07/01/17	06/30/18	\$ -	\$ -	\$ 30,372	\$ 30,372	\$ -	\$ -	\$ -	\$ -
Total general fund							-	-	30,372	30,372	-	-	-	-
U.S. Department of Education passed through State Department of Education														
Special revenue fund														
NCLB Title I A	84.010A	S010S160030	NCLB-435017	53,678	07/01/16	06/30/17	(555)	-	555	-	-	-	-	-
ESSA Title I A	84.010A	S010S170030	ESSA-435018	53,353	07/01/17	06/30/18	-	-	49,546	53,353	-	(3,807)	-	-
ESSA Title II A	84.367A	S367A160029	NCLB-435017	22,601	07/01/16	06/30/17	(1,853)	(6,845)	8,698	-	-	-	-	-
NCLB Title II A carryover	84.367A	S367A160029	NCLB-435017	22,601	07/01/17	06/30/18	-	6,845	-	6,845	-	-	-	-
ESSA Title II A	84.367A	S367A170029	ESSA-435018	27,338	07/01/17	06/30/18	-	-	26,251	27,235	-	(984)	-	-
NCLB Title III consortium	84.365A	S365A160030	NCLB-435017	19,478	07/01/16	06/30/17	(1,691)	(2,060)	3,751	-	-	-	-	-
NCLB Title III consortium carryover	84.365A	S365A160030	NCLB-435017	19,478	07/01/17	06/30/18	-	2,060	-	2,060	-	-	-	-
ESSA Title III consortium	84.365A	S365A170030	ESSA-435018	11,364	07/01/17	06/30/18	-	-	6,312	8,683	-	(2,371)	-	-
ESSA Title IV	84.365	S365A170030	ESSA-435018	10,000	07/01/17	06/30/18	-	-	9,997	10,000	-	(3)	-	-
Special education cluster														
IDEA Basic	84.027	H027A160100	IDEA-435017	376,081	07/01/16	06/30/17	(12,735)	(30,030)	42,765	-	-	-	-	-
IDEA Basic carry over	84.027	H027A160100	IDEA-435017	376,081	07/01/17	06/30/18	-	30,030	-	30,030	-	-	-	-
IDEA Basic	84.027	H027A170100	IDEA-435018	363,743	07/01/17	06/30/18	-	-	355,359	363,743	-	(8,384)	-	-
IDEA Preschool	84.173	H173S160114	IDEA-435017	13,466	07/01/16	06/30/17	-	(1,625)	1,625	-	-	-	-	-
IDEA Preschool carry over	84.173	H173S160114	IDEA-435017	13,466	07/01/17	06/30/18	-	1,625	-	1,625	-	-	-	-
IDEA Preschool	84.173	H173S170114	IDEA-435018	13,281	07/01/17	06/30/18	-	-	12,834	12,834	-	-	-	-
Total special education cluster							(12,735)	-	412,583	408,232	-	(8,384)	-	-
Total special revenue fund							(16,834)	-	517,693	516,408	-	(15,549)	-	-
U.S. Department of Agriculture passed through State Department of Agriculture														
Enterprise fund														
Child nutrition cluster														
National school lunch program non-cash assistance (commodities)	10.555	171NJ304N1099	N/A	34,643	10/01/16	09/30/17	2,922	-	-	2,922	-	-	-	-
National school lunch program non-cash assistance (commodities)	10.555	181NJ304N1099	N/A	33,775	10/01/17	09/30/18	-	-	33,775	32,316	-	-	1,459	-
National school lunch program cash assistance	10.555	171NJ304N1099	N/A	75,617	10/01/16	09/30/17	(5,641)	-	5,641	-	-	-	-	-
National school lunch program cash assistance	10.555	181NJ304N1099	N/A	77,463	10/01/17	09/30/18	-	-	70,745	77,463	-	(6,718)	-	-
Total enterprise fund							(2,719)	-	110,161	112,701	-	(6,718)	1,459	-
Total federal financial assistance							\$ (19,553)	\$ -	\$ 658,226	\$ 659,481	\$ -	\$ (22,267)	\$ 1,459	\$ -

See independent auditors' report

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

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2017		Cash Received	Budgetary Expenditure	Repayment	Balance June 30, 2018			Memo	
			From	To	Unearned Rev. (Accts. Rec)	Due to Grantor			Year of Prior Balances	Accounts Receivable	Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education														
General fund														
Special education categorical aid	18-495-034-5120-089	\$ 1,150,343	07/01/17	06/30/18	\$ -	\$ -	\$ 1,044,377	\$ 1,150,343	\$ -	\$ -	\$ -	\$ -	\$ 105,966	\$ 1,150,343
Security aid	18-495-034-5120-084	69,578	07/01/17	06/30/18	-	-	63,169	69,578	-	-	-	-	6,409	69,578
Transportation aid	18-495-034-5120-014	180,177	07/01/17	06/30/18	-	-	163,580	180,177	-	-	-	-	16,597	180,177
Adjustment aid	18-495-034-5120-085	9,488	07/01/17	06/30/18	-	-	8,614	9,488	-	-	-	-	874	9,488
PARCC readiness aid	18-495-034-5120-098	16,410	07/01/17	06/30/18	-	-	14,898	16,410	-	-	-	-	1,512	16,410
Per pupil growth aid	18-495-034-5120-097	16,410	07/01/17	06/30/18	-	-	14,898	16,410	-	-	-	-	1,512	16,410
Professional learning community aid	18-495-034-5120-101	15,980	07/01/17	06/30/18	-	-	14,508	15,980	-	-	-	-	1,472	15,980
Extraordinary special education costs aid	18-495-034-5120-044	228,537	07/01/17	06/30/18	-	-	-	228,537	-	(228,537)	-	-	-	228,537
Extraordinary special education costs aid	17-495-034-5120-044	169,386	07/01/16	06/30/17	(169,386)	-	169,386	-	-	-	-	-	-	169,386
Non-public transportation aid	18-495-034-5120-014	23,543	07/01/17	06/30/18	-	-	-	23,543	-	(23,543)	-	-	-	23,543
Non-public transportation aid	17-495-034-5120-014	11,750	07/01/16	06/30/17	(11,750)	-	11,750	-	-	-	-	-	-	11,750
Lead testing for school aid	18-495-034-5120-104	5,580	07/01/17	06/30/18	-	-	5,580	5,580	-	-	-	-	-	5,580
On behalf TPAF pension contribution - post retirement medical	18-495-034-5094-001	1,306,032	07/01/17	06/30/18	-	-	1,306,032	1,306,032	-	-	-	-	-	1,306,032
On behalf TPAF pension contribution - non-contributory insurance	18-495-034-5094-004	47,909	07/01/17	06/30/18	-	-	47,909	47,909	-	-	-	-	-	47,909
On behalf TPAF pension contribution - teachers' pension & annuity fund	18-495-034-5094-002	1,974,194	07/01/17	06/30/18	-	-	1,974,194	1,974,194	-	-	-	-	-	1,974,194
On behalf TPAF pension contribution - long-term disability	18-495-034-5094-004	2,513	07/01/17	06/30/18	-	-	2,513	2,513	-	-	-	-	-	2,513
Reimbursed TPAF social security contribution	18-495-034-5094-003	959,801	07/01/17	06/30/18	-	-	910,145	959,801	-	(49,656)	-	-	-	959,801
Reimbursed TPAF social security contribution	17-495-034-5094-003	1,008,839	07/01/16	06/30/17	(50,989)	-	50,989	-	-	-	-	-	-	1,008,839
Total general fund					(232,125)	-	5,802,542	6,006,495	-	(301,736)	-	-	134,342	7,196,470

See independent auditors' report.

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

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2017		Cash Received	Budgetary Expenditure	Repayment	Balance June 30, 2018			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor			of Prior Year Balances	Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
NJ School Development Authority														
Capital projects fund														
ROD IV-Security surveillance upgrades														
Readington Middle School	4350-050-14-1006	\$ 46,000	N/A	N/A	\$ (46,000)	\$ -	\$ -	\$ -	\$ -	\$ (46,000)	\$ -	\$ -	\$ -	\$ 46,000
Three Bridges Elementary School	4350-060-14-1007	24,000	N/A	N/A	(24,000)	-	-	-	-	(24,000)	-	-	-	24,000
Whitehouse Elementary School	4350-070-14-1008	28,000	N/A	N/A	(28,000)	-	-	-	-	(28,000)	-	-	-	28,000
Holland Brook Elementary School	4350-030-14-1005	26,000	N/A	N/A	(26,000)	-	-	-	-	(26,000)	-	-	-	26,000
ROD IV-Roof replacement														
Whitehouse Elementary School	4350-070-13-3004	208,000	N/A	N/A	(179,502)	-	179,502	-	-	-	-	-	-	208,000
Three Bridges Elementary School	4350-060-13-3003	250,000	N/A	N/A	(215,747)	-	215,747	-	-	-	-	-	-	250,000
Total capital projects fund					<u>(519,249)</u>	<u>-</u>	<u>395,249</u>	<u>-</u>	<u>-</u>	<u>(124,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>582,000</u>
State Department of Education														
Debt service fund														
Debt service aid - state support	18-495-034-5120-017	622,620	07/01/17	06/30/18	-	-	622,620	622,620	-	-	-	-	-	622,620
Total debt service fund					<u>-</u>	<u>-</u>	<u>622,620</u>	<u>622,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>622,620</u>
State Department of Agriculture														
Enterprise fund														
State school lunch program	17-100-010-3350-023	4,287	07/01/16	06/30/17	(329)	-	329	-	-	-	-	-	-	4,287
State school lunch program	18-100-010-3350-023	5,271	07/01/17	06/30/18	-	-	4,799	5,271	-	(472)	-	-	-	5,271
Total enterprise fund					<u>(329)</u>	<u>-</u>	<u>5,128</u>	<u>5,271</u>	<u>-</u>	<u>(472)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,558</u>
Total state financial assistance					<u>\$ (751,703)</u>	<u>\$ -</u>	<u>\$ 6,825,539</u>	<u>6,634,386</u>	<u>\$ -</u>	<u>\$(426,208)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,342</u>	<u>\$7,788,028</u>
Less: On behalf TPAF pension system contributions								<u>(3,330,648)</u>						
Total for state financial assistance - major program determination								<u>\$ 3,303,738</u>						

See independent auditors' report.

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

Note 1 - General

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of all federal awards and state financial assistance programs of the Readington Township School District. The District is defined in Note 1 (A) to the District's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, is included on the Schedules of Expenditures of Federal Awards and State Financial Assistance.

Note 2 - Basis of accounting

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1 (C) and 1 (D) to the District's Basic Financial Statements.

Note 3 - Relationship of financial statements

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$3,395) for the general fund and (\$89,986) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

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

Note 3 - Relationship of financial statements (continued)

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

	<u>Local</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General fund	\$ -	\$ 30,372	\$ 6,003,100	\$ 6,033,472
Special revenue fund	15,730	516,408	-	532,138
Debt service fund	-	-	622,620	622,620
Food service fund	-	112,701	5,271	117,972
Total awards and financial assistance	<u>\$ 15,730</u>	<u>\$ 659,481</u>	<u>\$ 6,630,991</u>	<u>\$ 7,306,202</u>

Note 4 - Relationship to federal and state financial reports

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

Note 5 - Other

Revenues and expenditures reported under the USDA Commodities Program represent current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the District for the year ended June 30, 2018. TPAF Social Security Contribution represents the amount reimbursed by the State for the employer's share of Social Security Contributions for TPAF members for the year ended June 30, 2018.

Note 6 - Indirect costs

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

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

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

Noncompliance material to basic financial statements noted?

Yes No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

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

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

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

Yes No

Identification of Major Programs:

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

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

Did the auditee qualify as a low-risk auditee?

Yes No

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

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

State Awards

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

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

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

<u>State Grant/Project Numbers</u>	<u>Name of State Program</u>
<u>18-495-034-5120-089</u>	<u>State Aid Public Cluster:</u>
<u>18-495-034-5120-078</u>	<u>Special Education Categorical Aid</u>
<u>18-495-034-5120-084</u>	<u>Adjustment Aid</u>
<u>18-495-034-5120-097</u>	<u>Security Aid</u>
<u>18-495-034-5120-098</u>	<u>Per Pupil Growth Aid</u>
<u>18-495-034-5120-101</u>	<u>PARCC Readiness aid</u>
<u>18-495-034-5120-017</u>	<u>Professional Learning Community Aid</u>
<u>18-495-034-5094-003</u>	<u>Debt Service Aid - State Support</u>
<u>18-495-034-5120-044</u>	<u>Reimbursed TPAF Social Security Contribution</u>
	<u>Extraordinary Special Education Costs Aid</u>

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

Section II - Financial Statement Findings

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

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

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

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

Status of Prior Year Findings

Financial Statement Findings

Finding # 2017-01

Condition

The District had instances at the Holland Brook School where student activity receipts lacked supporting documentation and were not deposited timely.

Current Status

The condition has been corrected.