

SCHOOL DISTRICT

OF

DEAL

Deal Board of Education
Deal, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

DEAL SCHOOL DISTRICT

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INTRODUCTORY SECTION



**OFFICE OF THE SUPERINTENDENT
DEAL SCHOOL DISTRICT
201 ROSELD AVENUE, DEAL, NEW JERSEY 07723-1098**

Donato J. Saponaro, Jr.
Superintendent of Schools
Office: 732-531-0480
Fax: 732-531-1908

Honorable President and
Members of the Board of Education
Borough of Deal School District
Roseld Avenue
Deal, New Jersey 07723

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Deal School District (“District”) for the fiscal year ended June 30, 2017, 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 Deal Board of Education (“Board”). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District’s organizational chart, a roster of principal officials and a list of consultants and advisors. The financial section includes the general purpose fund financial statements and schedules, as well as the auditor’s report thereon. The statistical section includes selected financial statements and demographic information, generally presented on a multi-year basis. Information related to the single audit, including the auditor’s report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments, OMB Circular Uniform Guidance and the New Jersey OMB Circular 15-08, “*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*”. Information related to this single audit, including the auditors’ report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

Deal School District is an Independent reporting entity as set forth in Section 2100 of the *GASB Codification of Government Accounting and Financial Reporting Standards*. All funds and account groups of the District are included in this report. The Deal Board of Education and its school constitute the District’s reporting entity.

The District provides a full range of educational services appropriate to grade levels kindergarten through eight. These include regular as well as special education for gifted and handicapped youngsters. The District completed the 2016-2017 fiscal year with an enrollment of 165 students. The following details the changes in the student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2016-17	165	1.2
2015-16	163	1.2
2014-15	161	13.4
2013-14	142	-7.8
2012-13	154	24.2
2011-12	124	21.6
2010-11	102	10.9
2009-10	92	4.17
2008-09	110	1.0
2007-08	109	-1.0

2. ECONOMIC CONDITION AND OUTLOOK:

The local tax levy remained the same during the 2016-2017 school year.

3. MAJOR INITIATIVES:

The Deal School District has embraced a movement in education referred to as “STEM”, which encourages a cross curricular integration of technology in all subject areas, especially mathematics, art and science. Each child in grades 3-8 is equipped with a laptop computer to engage with instructional software, which focuses on conceptual learning. Further, students benefit from “cutting edge” technology as they utilize the multimedia workstations in our engineering laboratory, which allows them to participate in virtual field trips, design software for engineers and creative inquiry.

An intense shift toward teaching language arts has occurred with the Treasure’s comprehensive literacy program. This approach toward teaching reading and writing offers a research-based reading model that utilizes 21st Century learning techniques to address student needs. The various components of the reading program focus on phonemic awareness, phonics, oral language development, vocabulary instruction, reading comprehension, and fluency. Writing instruction, connected to the theme of the unit, is incorporated into each lesson. While utilizing rotating literacy centers, project based learning is evident and embraced in each classroom.

The EnVision MATH program serves as a core program, which emphasizes higher order thinking skills, problem solving, and functional applications of skills and concepts in everyday experiences. Driven by cooperative learning with an emphasis on individual accountability, common goals and key concepts in math are introduced and achieved.

The Holt Science and Houghton Mifflin Social Studies programs are implemented at the Deal School District. The science series allows students to investigate through hands-on activities, learn about science concepts with reading support at every turn, and link the real world to the classroom. Thematic, integrated science and social studies units of study correlated to the New Jersey Core Curriculum Content Standards utilize various materials to provide a unique learning experience for students. Participation in project based learning allows teachers to promote application of concepts.

In addition, the Deal School District also offers music, physical education, health programs to all students. A comprehensive world language program is introduced to students in Kindergarten and continues throughout grade 8. Students are introduced to the Spanish language and study the culture and people of Spanish-speaking regions. Fostering a respect for cultural diversity is routinely emphasized throughout instruction. Students learn key vocabulary and are encouraged to utilize their newfound language through greetings and requests in the classroom.

4. INTERNAL ACCOUNTING CONTROLS:

Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system 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 over compliance with requirements of law, regulations, contracts and grants applicable to these programs. This internal control system is also subject to periodic evaluation by the District management.

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. Pursuant to P.L. 2011, c. 202 (S-3148), the Deal Board of Education changed the annual election date for its members from the third Tuesday in April to the first Tuesday after the first Monday in November beginning in 2012, also this law eliminates the need for an annual voter referendum on the proposed general fund tax levy when the base budget is at or below the statutory tax levy cap. If the general fund tax levy is in excess of statutory tax levy cap then it must be presented to voters as a separate question at the General Election.

This law requires the changes to remain in effect for four years. Annual appropriated budgets are adopted for the general fund and the special revenue 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 reappropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance on June 30, 2017.

6. ACCOUNTING SYSTEM AND REPORTS:

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

7. DEBT ADMINISTRATION:

The school district's outstanding debt is \$446,796.

8. CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan, 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 Government Units from a loss of funds on deposit with a failed banking system 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.

9. RISK MANAGEMENT:

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

10. OTHER INFORMATION:

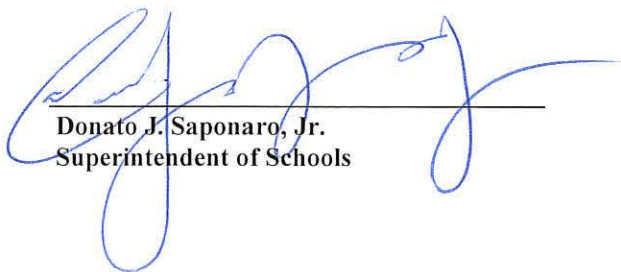
Independent Audit - State statutes requires an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Alvino & Shechter, L.L.C. was selected by the Board.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments, OMB Circular Uniform Guidance and the New Jersey OMB Circular 15-08, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*". Information related to this audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the federal and state assistance section of this report.

11. ACKNOWLEDGMENTS:

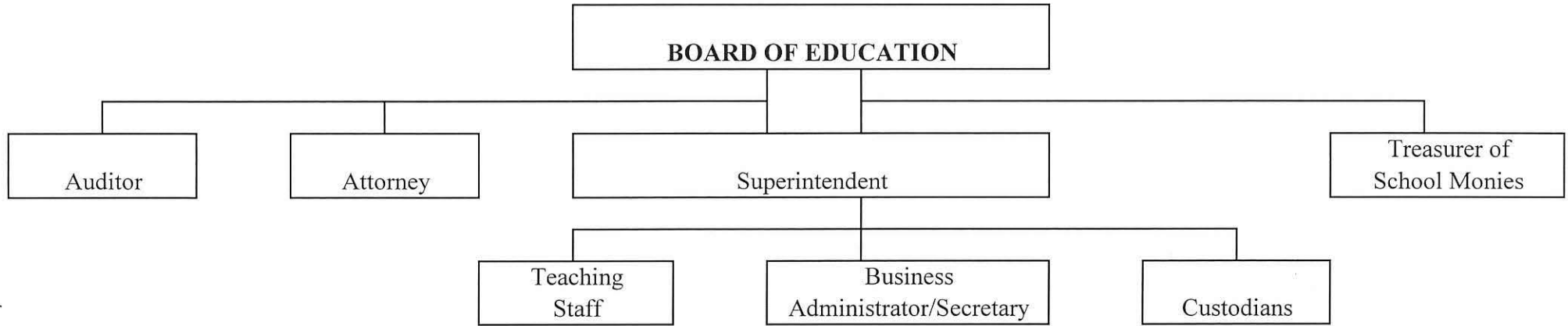
I would like to express my appreciation to the members of the Deal School Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,



Donato J. Saponaro, Jr.
Superintendent of Schools

**DEAL BOARD OF EDUCATION
ORGANIZATIONAL CHART**



DEAL BOARD OF EDUCATION

ROSTER OF OFFICIALS JUNE 30, 2017

<u>Members of the Board of Education</u>	<u>Term Expires Dec.</u>
Kathleen Jannarone - President	2017
Michael Sorrentino - Vice President	2018
David Tawil	2017
Donna Rienzo	2018
Dennis Melofchick	2019

Other Officials

Michael Salvatore, Ph.D., Superintendent of Schools

Pia Lordi, Business Administrator/Board Secretary

Theresa Davis, Treasurer of School Funds

Daniel R. Roberts, Attorney

DEAL BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

AUDIT FIRM

Allen B. Shechter, CPA, RMA, PSA
Alvino & Shechter, L.L.C.
110 Fortunato Place
Neptune, NJ 07753

ATTORNEY

Daniel R. Roberts, Esq.
Kenney, Gross, Kovats & Parton
130 Maple Avenue
P.O. Box 8610
Red Bank, NJ 07701

OFFICIAL DEPOSITORY

Wells Fargo Bank
1600 State Highway 35 & Deal Road
Oakhurst, NJ 07755

FINANCIAL SECTION

ALVINO & SHECHTER, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

110 Fortunato Place

Neptune, New Jersey 07753-3767

VINCENT J. ALVINO, CPA, PSA
ALLEN B. SHECHTER, CPA, RMA, PSA

Phone: (732) 922-4222
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Member

American Institute of Certified Public Accountants
New Jersey Society of Certified Public Accountants
PCPS of the AICPA Division of CPA Firms

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Deal Board of Education
County of Monmouth, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Deal School District (the "District") in the County of Monmouth, as of and for the fiscal year ended June 30, 2017, 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 due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Deal School District, in the County of Monmouth, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements, schedule of expenditures of federal awards as required by the Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 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 supplementary schedules and the schedule of expenditures of federal awards as required by the Uniform Guidance and the schedule of state financial assistance as required by New Jersey OMB Circular 15-08 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2017 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.



Allen B. Shechter
Licensed Public School Accountant No. 2183
Certified Public Accountant

November 1, 2017
Neptune, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

**DEAL SCHOOL DISTRICT
DEAL, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(Unaudited)

The discussion and analysis of the Deal School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- * General revenues accounted for \$5,186,157 in revenue or 99% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$69,573 or 1% of total revenues of \$5,255,730.
- * Total net position of governmental activities increased by \$457,343.
- * The School District had \$4,798,387 in expenses; \$69,573 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$1,967,702 and State Aid of \$3,178,239 were adequate to provide for these programs.
- * The General Fund had \$4,477,752 in revenues and \$4,300,092 in expenditures. The General Fund's balance increased \$177,660 over 2016.

Using this Comprehensive Annual Financial Report (CAFR)

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

The *Statement of Net Position* and the *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. In the case of Deal 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 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 2017?" The *Statement of Net Position* and the *Statement of Activities* helps 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 positions. This change in net position is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

Governmental Activities - All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major (all) funds is included in the 2016-17 Comprehensive Annual Financial Report as presented by the School District. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps 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.

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The School District as a Whole

The *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2017 compared to June 30, 2016.

Table 1
Net Position

	<u>2017</u>	<u>2016</u>
Assets		
Current and Other Assets	801,085	623,443
Capital Assets	<u>3,517,849</u>	<u>3,193,960</u>
Total Assets	<u>\$4,318,934</u>	<u>\$3,817,403</u>
Deferred Outflows	<u>\$ 121,701</u>	<u>\$ 58,015</u>
Liabilities		
Current Liabilities	5,301	5,319
Long-Term Liabilities	<u>446,796</u>	<u>334,791</u>
Total Liabilities	<u>\$ 452,097</u>	<u>\$ 340,110</u>
Deferred Inflows	<u>\$ 0</u>	<u>\$ 4,112</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	3,517,849	3,193,960
Restricted	814,469	453,074
Unrestricted	<u>(343,780)</u>	<u>(115,838)</u>
Total Net Position	<u>\$3,988,538</u>	<u>\$3,531,196</u>

Table 2 provides a comparison analysis of District-Wide changes in net assets from fiscal years 2016 and 2017.

Table 2
Changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenues		
Program Revenues:		
Charge for Services	0	0
Operating Grants and Contributions	69,573	75,912
General Revenues:		
Property Taxes	1,967,702	1,967,702
Grants and Entitlements	3,178,240	2,762,463
Other	<u>40,215</u>	<u>49,453</u>
Total Revenues	<u>5,255,730</u>	<u>4,855,530</u>
Program Expenses		
Instruction	2,478,588	2,157,566
Support Services:		
Pupils and Instructional Staff	868,566	828,535
General Administration, School		
Administration, Central Services	576,513	529,125
Operations and Maintenance of Facilities	669,213	712,405
Pupil Transportation	95,793	76,355
Unallocated Depreciation	109,714	95,726
Food Service	<u>0</u>	<u>0</u>
Total Expenses	<u>4,798,387</u>	<u>4,399,712</u>
Increase/(Decrease) in Net Position	<u>\$ 457,343</u>	<u>\$ 455,818</u>

Governmental Activities

Property taxes made up 37% of revenues for governmental activities for the Deal School District for the fiscal year 2017. The School District's total revenues were \$5,255,730 for the fiscal year ended June 30, 2017. Federal, state and local grants accounted for another 63% of revenues.

The total cost of all program and services was \$4,798,387. Instruction comprises 52% of School District expenses.

There were no revenues or expenses for the food services program for the year because the District entered into a master shared service agreement with the Ocean Township Board of Education.

The *Statement of Activities* reflects the cost of program services and program revenues, consisting of the charges for services and sales and grants and contributions, offsetting those services. Table 3, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	<u>2017</u>		<u>2016</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	2,478,588	2,478,588	2,157,566	2,157,566
Support Services:				
Pupil and Instructional Staff	868,566	798,993	828,535	752,623
General Administration, School Administration, Central Services	576,513	576,513	529,125	529,125
Operation and Maintenance of Facilities	669,213	669,213	712,405	712,405
Pupil Transportation	95,793	95,793	76,355	76,355
Unallocated Depreciation	<u>109,714</u>	<u>109,714</u>	<u>95,726</u>	<u>95,726</u>
Total Expenses	<u>\$4,798,387</u>	<u>\$4,728,814</u>	<u>\$4,399,712</u>	<u>\$4,323,800</u>

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

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

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

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

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

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

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

Other includes unallocated depreciation.

The School District's Funds

Information about the School District's major funds is included in the 2016-17 Comprehensive Annual Financial Report as presented by the School District. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., General Fund and Special Revenue Fund presented in the fund-based statements) had total revenues of \$4,547,325 and Expenditures of \$4,369,665. The net positive change in fund balance for the year was most significant in the General Fund, an increase of \$177,660. The School District is able to meet current operating costs with no urgent need for additional funds.

Capital Assets

At the end of the fiscal 2017 year, the School District had \$3,517,849 invested in land, building and building improvements and machinery and equipment, net of depreciation.

Table 4
Capital Assets (Net of Depreciation) at June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Land	11,400	11,400
Site Improvements	744,255	764,725
Buildings and Improvements	2,558,841	2,196,249
Machinery and Equipment	<u>203,353</u>	<u>221,586</u>
Totals	<u>\$3,517,849</u>	<u>\$3,193,960</u>

Debt Administration

At June 30, 2017, the School District had \$96,279 in compensated absences payable and \$350,517 in net pension liability.

Economic Factors and Next Years's Budget

The Deal Public School District is in very good financial condition presently. Future finances are not without challenges as the community continues to grow and state funding is decreased.

The Borough of Deal is primarily a residential community, with very few ratables. A majority of the revenue needed to operate the District is derived from homeowners through property tax assessments and collections.

For the 2016-2017 school year, the School Board was able to sustain its general fund budget through local tax levy, state education aid, federal aid, and local revenue sources. Approximately 56% of the School Board's general fund revenue is from Federal and State Aid, 43% of total revenue is from local tax levy, and 1% is from miscellaneous revenue, which among other things includes interest on deposits and rental of facilities.

Beginning in the 2011-2012 school year, the Deal School District became a participant in the New Jersey Inter District School Choice program. The District received \$1,785,366 in State School Choice Aid this school year.

The program provides the opportunity for non-resident students to attend the Deal School at no cost to their parents/guardians. Any school-age student who is a resident of New Jersey is eligible to take advantage of this program. The School Choice program covers grades Kindergarten through Eight. We are thrilled that the Deal School will continue to participate in the School Choice program for the 2017-2018 school year.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Donato J. Saponaro Jr., Superintendent of Schools at Deal Board of Education, Roseld Avenue, Deal, NJ 07723.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

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

DEAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	372,988.42	.00	372,988.42
Receivables, Net	2,610.00	.00	2,610.00
Restricted Assets:			
Capital Reserve Account - Cash	425,486.71	.00	425,486.71
Capital Assets, Net (Note 5)	<u>3,517,849.00</u>	<u>.00</u>	<u>3,517,849.00</u>
Total Assets	<u>4,318,934.13</u>	<u>.00</u>	<u>4,318,934.13</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows Related to Pensions (Note 12)	<u>121,701.00</u>	<u>.00</u>	<u>121,701.00</u>
LIABILITIES:			
Other Payable	5,301.14	.00	5,301.14
Noncurrent Liabilities (Note 7)			
Due Beyond One Year	96,278.92	.00	96,278.92
Net Pension Liability (Note 12)	<u>350,517.00</u>	<u>.00</u>	<u>350,517.00</u>
Total Liabilities	<u>452,097.06</u>	<u>.00</u>	<u>452,097.06</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows Related to Pensions (Note 12)	<u>.00</u>	<u>.00</u>	<u>.00</u>
NET POSITION:			
Invested in Capital Assets, Net of Related Debt	3,517,849.00	.00	3,517,849.00
Restricted for:			
Other Purposes	814,469.00	.00	814,469.00
Unrestricted	<u>(343,779.93)</u>	<u>.00</u>	<u>(343,779.93)</u>
Total Net Position	<u>\$3,988,538.07</u>	<u>.00</u>	<u>3,988,538.07</u>

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

DEAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes In Net Position		
		Indirect Expenses Allocation	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction:								
Regular Instruction	1,230,150.97	934,596.41	.00	.00	.00	(2,164,747.38)	.00	(2,164,747.38)
Special Education Instruction	116,074.00	67,668.32	.00	.00	.00	(183,742.32)	.00	(183,742.32)
Other Instruction	73,852.26	56,246.35	.00	.00	.00	(130,098.61)	.00	(130,098.61)
Support Services:								
Tuition	138,322.44	.00	.00	.00	.00	(138,322.44)	.00	(138,322.44)
Student & Instruction Related								
Services	503,768.20	226,475.89	.00	69,573.00	.00	(660,671.09)	.00	(660,671.09)
General Administration	103,157.24	3,048.38	.00	.00	.00	(106,205.62)	.00	(106,205.62)
School Administration	114,182.50	114,027.03	.00	.00	.00	(228,209.53)	.00	(228,209.53)
Central Services	139,334.66	102,762.72	.00	.00	.00	(242,097.38)	.00	(242,097.38)
Plant Operations and Maintenance	643,030.87	26,182.18	.00	.00	.00	(669,213.05)	.00	(669,213.05)
Pupil Transportation	95,792.87	.00	.00	.00	.00	(95,792.87)	.00	(95,792.87)
Employee Benefits	1,531,007.28	(1,531,007.28)	.00	.00	.00	(.00)	.00	(.00)
Unallocated Depreciation	109,714.00	.00	.00	.00	.00	(109,714.00)	.00	(109,714.00)
Total Governmental Activities	<u>\$4,798,387.29</u>	<u>.00</u>	<u>.00</u>	<u>69,573.00</u>	<u>.00</u>	<u>(4,728,814.29)</u>	<u>.00</u>	<u>(4,728,814.29)</u>
BUSINESS-TYPE ACTIVITIES:								
Food Service	.00	.00	.00	.00	.00	(.00)	.00	(.00)
Total Business-Type Activities	.00	.00	.00	.00	.00	(.00)	.00	(.00)
Total Primary Government	<u>\$4,798,387.29</u>	<u>.00</u>	<u>.00</u>	<u>69,573.00</u>	<u>.00</u>	<u>(4,728,814.29)</u>	<u>.00</u>	<u>(4,728,814.29)</u>
GENERAL REVENUES:								
Taxes:								
Property Taxes Levied for General Purposes, Net						1,967,702.00	.00	1,967,702.00
State Aid Not Restricted						3,178,239.47	.00	3,178,239.47
Miscellaneous Income						40,215.39	.00	40,215.39
Total General Revenues, Special Items, Extraordinary Items and Transfers						<u>5,186,156.86</u>	<u>.00</u>	<u>5,186,156.86</u>
Change in Net Position						457,342.57	.00	457,342.57
Net Position - Beginning						<u>3,531,195.50</u>	<u>.00</u>	<u>3,531,195.50</u>
Net Position - Ending						<u>\$3,988,538.07</u>	<u>.00</u>	<u>3,988,538.07</u>

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

FUND FINANCIAL STATEMENTS

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

DEAL SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	372,988.42	.00	372,988.42
Receivables from Other Governments	2,610.00	.00	2,610.00
Restricted Cash and Cash Equivalents	<u>425,486.71</u>	<u>.00</u>	<u>425,486.71</u>
Total Assets	<u>\$801,085.13</u>	<u>.00</u>	<u>801,085.13</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Other Payable	1.08	.00	1.08
Interfund Payable	<u>5,300.06</u>	<u>.00</u>	<u>5,300.06</u>
Total Liabilities	<u>5,301.14</u>	<u>.00</u>	<u>5,301.14</u>
Fund Balances:			
Restricted for:			
Capital Reserve Account	425,486.71	.00	425,486.71
Maintenance Reserve	212,000.00	.00	212,000.00
Excess Surplus - Designated for Subsequent Year's Expenditures	176,982.29	.00	176,982.29
Excess Surplus	.00	.00	.00
Assigned to:			
Designated for Subsequent Year's Expenditures	178,895.00	.00	178,895.00
Unassigned:			
General Fund	(197,580.01)	.00	(197,580.01)
Special Revenue Fund	<u>.00</u>	<u>.00</u>	<u>.00</u>
Total Fund Balances	<u>795,783.99</u>	<u>.00</u>	<u>795,783.99</u>
Total Liabilities and Fund Balances	<u>\$ 801,085.13</u>	<u>.00</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$5,175,873.00 and the accumulated depreciation is \$(1,658,024.00) (See Note 5). 3,517,849.00

The District's proportionate share of net pension assets and liabilities as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include (See Note 12).

Deferred Outflows of Resources from Pensions	121,701.00
Net Pension Liability	(350,517.00)
Deferred Inflows of Resources from Pensions	.00

Long-term liabilities, below are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 7). (96,278.92)

Net Position of Government Funds \$3,988,538.07

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

DEAL SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Local Sources:			
Local Tax Levy	1,967,702.00	.00	1,967,702.00
Miscellaneous	<u>40,215.39</u>	<u>.00</u>	<u>40,215.39</u>
Total - Local Sources	2,007,917.39	.00	2,007,917.39
State Sources	2,469,834.47	.00	2,469,834.47
Federal Sources	<u>.00</u>	<u>69,573.00</u>	<u>69,573.00</u>
Total Revenues	<u>4,477,751.86</u>	<u>69,573.00</u>	<u>4,547,324.86</u>
EXPENDITURES:			
Current:			
Regular Instruction	1,196,190.55	27,835.42	1,224,025.97
Special Education Instruction	116,074.00	.00	116,074.00
Other Instruction	73,852.26	.00	73,852.26
Support Services:			
Tuition	138,322.44	.00	138,322.44
Student & Instruction Related Services	448,857.07	41,737.58	490,594.65
General Administration	61,799.24	.00	61,799.24
School Administrative Services	103,850.08	.00	103,850.08
Central Services	138,698.16	.00	138,698.16
Plant Operations and Maintenance	642,128.87	.00	642,128.87
Pupil Transportation	95,792.87	.00	95,792.87
Employee Benefits	795,661.28	.00	795,661.28
Capital Outlay	<u>488,865.05</u>	<u>.00</u>	<u>488,865.05</u>
Total Expenditures	<u>4,300,091.87</u>	<u>69,573.00</u>	<u>4,369,664.87</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>177,659.99</u>	<u>.00</u>	<u>177,659.99</u>
Net Change in Fund Balances	177,659.99	.00	177,659.99
Fund Balance - July 1	<u>618,124.00</u>	<u>.00</u>	<u>618,124.00</u>
Fund Balance - June 30	<u>\$ 795,783.99</u>	<u>.00</u>	<u>795,783.99</u>

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

DEAL SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Total net change in fund balances - governmental funds (from B-2) 177,659.99

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, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.

Depreciation Expense	(164,321.00)	
Capital Outlay	<u>488,210.00</u>	
		323,889.00

In the statement of activities, certain operating expenses, e.g., compensated absences (vacation and sick pay) 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.

(17,265.42)

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension Expense - PERS Contribution - 2017	10,601.00	
State Share of Unfunded TPAF Pension Expenses	851,460.00	
Unfunded TPAF Pension Expense	(851,460.00)	
Pension Expense	<u>(37,542.00)</u>	
		<u>(26,941.00)</u>

Change in net position of governmental activities \$457,342.57

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

DEAL SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2017

Business-Type Activities-
Enterprise Funds

Food Service

ASSETS:

Current Assets:	
Cash and Cash Equivalents	.00
Interfund Receivable	<u>.00</u>
Total Current Assets	<u>.00</u>
Noncurrent Assets:	
Equipment	1,863.00
Less Accumulated Depreciation	<u>(1,863.00)</u>
Total Noncurrent Assets	<u>.00</u>
Total Assets	<u>\$.00</u>

LIABILITIES:

Current Liabilities:	
Interfund Payable	<u>.00</u>
Total Current Liabilities	<u>.00</u>

NET POSITION:

Invested in Capital Assets, Net of Related Debt	.00
Unrestricted	<u>.00</u>
Total Net Position	<u>\$.00</u>

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

DEAL SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

Business-Type Activities-
Enterprise Funds

Food Service

OPERATING REVENUES:

Local Sources:

Daily Sales

_____ .00

Total Operating Revenues

_____ .00

OPERATING EXPENSES:

Cost of Sales

.00

Other Expenses

_____ .00

Total Operating Expenses

_____ .00

Operating Loss

_____ .00

NONOPERATING REVENUES:

Federal Sources:

Special Milk Program

_____ .00

Total Nonoperating Revenues

_____ .00

Loss Before Contributions and Transfers

.00

Operating Transfer In/Out

_____ .00

Change in Net Position

.00

Total Net Position - July 1

_____ .00

Total Net Position - June 30

\$ _____ .00

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

DEAL SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

Business-Type Activities-
Enterprise Funds

Food Service

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Daily Sales	.00
Payments to Suppliers	.00
Payments for Other Expenses	<u>.00</u>
Net Cash Used for Operating Activities	<u>.00</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers To/From Other Funds	.00
Interfunds	<u>.00</u>
Net Cash Provided by Noncapital Financing Activities	<u>.00</u>

Net Increase (Decrease) in Cash and Cash Equivalents .00

Cash and Cash Equivalents - July 1 .00

Cash and Cash Equivalents - June 30 \$.00

Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:

Operating Income (Loss)	<u>.00</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by	
Operating Activities Depreciation	<u>.00</u>
Total Adjustments	<u>.00</u>
Net Cash Used for Operating Activities	<u><u>\$.00</u></u>

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

DEAL SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Unemployment Compensation Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and Cash Equivalents	15,002.56	31,187.71
Interfund Receivable	31,994.56	5,300.06
Total Assets	<u>46,997.12</u>	<u>36,487.77</u>
LIABILITIES:		
Interfund Payable	.00	31,994.56
Payroll Deductions and Withholdings	.00	494.71
Due to Student Groups	<u>.00</u>	<u>3,998.50</u>
Total Liabilities	<u>.00</u>	<u>\$36,487.77</u>
NET POSITION:		
Held in Trust for Unemployment Claims and Other Purposes	<u>46,997.12</u>	
Total Net Position	<u>\$46,997.12</u>	

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

DEAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Plan Members	2,563.17
Board Contribution	<u>7,424.15</u>
Total Contributions	<u>9,987.32</u>
Investment Earnings:	
Interest	_____ .00
Net Investment Earnings	<u>_____ .00</u>
Total Additions	<u>9,987.32</u>
DEDUCTIONS:	
Unemployment Claims	<u>2,871.14</u>
Total Deductions	<u>2,871.14</u>
Change in Net Position	7,116.18
Net Position - July 1	<u>39,880.94</u>
Net Position - June 30	<u>\$46,997.12</u>

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

NOTES TO THE FINANCIAL STATEMENTS

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

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

The financial statements of the Board of Education of Deal School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity:

The Deal School District is a Type II district located in the County of Monmouth, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The board is comprised of five members elected to three year-terms. The purpose of the District is to educate students in grades K-8.

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

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

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

B. New Accounting Standards:

During fiscal year 2017, the District adopted the following GASB statements:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. Implementation of this Statement did not impact the District's financial statements.
- GASB Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. Implementation of this Statement did not impact the District's financial statements.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. Implementation of this Statement did not impact the District's financial statements.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The objective of this Statement is to address accounting and financial reporting for certain external investment pools and pool participants. Implementation of this Statement did not impact the District's financial statements.

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. New Accounting Standards (Cont'd):

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

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. Management does not expect this Statement to impact the District's financial statements.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, will be effective for the year ended June 30, 2018. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No 14, *The Financial Reporting Entity, as amended*. Management does not expect this Statement to impact the District's financial statements.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, will be effective for the year ended June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Management does not expect this Statement to impact the District's financial statements.
- GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73*, will be effective for the year ended June 30, 2018. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Management has not yet determined the potential impact on the District's financial statements.
- GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for the year ended June 15, 2018. The objective of this Statement is to establish criteria for determining the timely pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. Management does not expect this Statement to impact the District's financial statements.
- GASB Statement No. 84, *Fiduciary Activities*, will be effective for the year ended June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial purposes and how those activities should be reported. Management does not expect this Statement to impact the District's financial statements.
- GASB Statement No. 85, *Omnibus 2017*, will be effective for the year ended June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. Management does not expect this Statement to impact the District's financial statements.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, will be effective for the year ended June 30, 2018. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. Management does not expect this Statement to impact the District's financial statements.
- GASB Statement No. 87, *Leases*, will be effective for the year ended June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Management is currently evaluating the effects this Statement will have on future financial statements.

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Presentation, Basis of Accounting:

The School District's basic financial statements consist of District-Wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Basis of Presentation

District-Wide Statements: The statement of net position and the statement of activities display information about the District as a whole. 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 activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

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

The District reports the following governmental funds:

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable 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 subfund.

As required by the NJDOE, the District includes budgeted capital outlay in this fund. GAAP as it pertains to governmental entities states 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.

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Presentation, Basis of Accounting (Cont'd):

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

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: The enterprise fund accounts for all revenues and expenses pertaining to the Board's cafeteria operations. The food service 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 (ie. 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.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund and Payroll Agency Fund.

Basis of Accounting:

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

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 for approval and are voted upon at the annual school election on the third Tuesday in April. The Board voted to adopt P.L. 2011 c.202, effective January 17, 2012, which eliminated the annual voter referendum on budgets which meet the statutory tax levy cap limitations and the board of education members are elected at the November general elections. Budgets are prepared using the modified accrual basis of accounting except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and GAAP 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 presented in the Notes to Required Supplementary Information. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at 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. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance:

Cash, Cash Equivalents, and Investments:

Cash and cash equivalents include cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest.

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

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont'd):

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

Interfund Transactions:

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

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities or governmental and agency funds, which are presented as internal balances.

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Inventories:

Inventory purchases, 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.

Capital Assets:

Districts are required to record capital assets in their general ledger or separate fixed asset system. The District contracts with Industrial Appraisal Company to prepare a property and accounting cost record report annually. The District defines capital assets as assets with an initial individual cost of more than \$2,000.00. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. All reported capital assets except for land and construction in progress are depreciated.

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.

Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	30-40
Building Improvements	20
Office & Computer Equipment	5-10
Instructional Equipment	10
Site Improvements	20

In the fund financial statements, fixed assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont'd):

Unearned Revenue:

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

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the District-Wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Net Position:

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

Fund Balance:

Beginning with the fiscal year 2011, the District implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definition*". The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

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

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont'd):

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

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

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position reports 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category, deferred outflows related to pensions.

In addition to liabilities, the statement of net position reports 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 a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item, deferred inflows related to pensions, that qualified for reporting in this category.

Revenues - Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, and tuition.

Operating Revenues and Expenses:

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

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont'd):

Allocation of Indirect Expenses:

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

Management Estimates:

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

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at June 30, 2017, and reported at fair value, are as follows:

<u>Type</u>	<u>Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			798,475.13
Investments:			
None			.00
Total deposits and investments			<u>\$798,475.13</u>
Reconciliation of Statement of Net Position:			
Current:			
Cash and Cash Equivalents			372,988.42
Capital Reserve Account - Cash			425,486.71
Investments			.00
			<u>\$798,475.13</u>

Custodial Credit Risk - Deposits in financial institutions, reported as components of cash, cash equivalents, and investments had a bank balance of \$838,692.76 at June 30, 2017. Of the bank balance \$250,000.00 was fully insured by depository insurance and \$588,692.76 was secured by a collateral pool held by the bank, but not in the District's name, as required by New Jersey statutes.

Investment Interest Rate Risk - The District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of any investments held at June 30, 2017, are provided in the above schedule.

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Investment Credit Risk - The District has no investment policy that limits its investment choices other than the limitation of state law as follows:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds;
3. Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located;
5. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by school district;
6. Local governments investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
8. Agreements for the repurchase of fully collateralized securities.

Concentration of Investment Credit Risk - The District places no limit on the amount it may invest in any one issuer. At June 30, 2017, the District had no investments.

NOTE 3. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Borough of Deal Board of Education in October 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation accounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6:23A-5.1(d)7*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning balance, July 1, 2016	\$25,486.71
Interest earnings	.00
Deposits	
Board resolution	400,000.00
Withdrawals	
Board resolution	<u>(.00)</u>
Ending balance, June 30, 2017	<u>\$425,486.71</u>

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 4. MAINTENANCE RESERVE ACCOUNT

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan.

Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning balance, July 1, 2016	\$212,000.00
Transfer by Resolution June, 2017	<u>.00</u>
Ending balance, June 30, 2017	<u>\$212,000.00</u>

NOTE 5. RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental accounts. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	<u>Governmental Fund Financial Statements</u>	<u>District-Wide Financial Statements</u>
State Aid	<u>2,610.00</u>	<u>2,610.00</u>
Gross Receivables	2,610.00	2,610.00
Less: Allowance for Uncollectibles	<u>.00</u>	<u>.00</u>
Total Receivables, Net	<u>\$2,610.00</u>	<u>2,610.00</u>

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	11,400.00	.00	.00	11,400.00
Total capital assets not being depreciated	<u>11,400.00</u>	<u>.00</u>	<u>.00</u>	<u>11,400.00</u>
Capital assets being depreciated:				
Site Improvements	890,345.00	7,920.00	.00	898,265.00
Building and building improvements	3,087,649.00	442,266.00	.00	3,529,915.00
Machinery and equipment	698,269.00	38,024.00	.00	736,293.00
Total capital assets being depreciated	<u>4,676,263.00</u>	<u>488,210.00</u>	<u>.00</u>	<u>5,164,473.00</u>
Total at historical cost	<u>4,687,663.00</u>	<u>488,210.00</u>	<u>.00</u>	<u>5,175,873.00</u>
Less accumulated depreciation for:				
Site Improvements	(125,620.00)	(28,390.00)	.00	(154,010.00)
Building and improvements	(891,400.00)	(79,674.00)	.00	(971,074.00)
Machinery and equipment	(476,683.00)	(56,257.00)	.00	(532,940.00)
Total accumulated depreciation	<u>(1,493,703.00)</u>	<u>(164,321.00)</u>	<u>.00</u>	<u>(1,658,024.00)</u>
Governmental activity capital assets, net	<u>\$ 3,193,960.00</u>	<u>323,889.00</u>	<u>.00</u>	<u>3,517,849.00</u>
Business-Type activities:				
Capital assets being depreciated:				
Equipment	1,863.00	.00	.00	1,803.00
Less accumulated depreciation	<u>(1,863.00)</u>	<u>(.00)</u>	<u>.00</u>	<u>(1,803.00)</u>
Enterprise fund capital assets, net	<u>\$.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>

Depreciation expense was charged to the following governmental programs:

Student & Instruction Related Services	12,347.00
Support Services - Administration	41,358.00
Plant Operations	902.00
Unallocated	109,714.00
Total	<u>\$164,321.00</u>

NOTE 7. LONG-TERM OBLIGATIONS:

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2017, are as follows:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Compensated absences	<u>\$79,013.50</u>	<u>17,580.42</u>	<u>(315.00)</u>	<u>96,278.92</u>	<u>.00</u>

B. Bonds Authorized But Not Issued: The District had no authorized but not issued bonds at June 30, 2017.

C. Capital Leases: The District had no capital leases as of June 30, 2017.

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 8. OPERATING LEASES

The District had four operating leases, two for Sharp Digital copiers, one which expires May 31, 2019 and one which expires February 14, 2021, one for a postage meter which expired June 30, 2017 and one for computer equipment which expires September 19, 2018. The total operating lease payments made during the year ended June 30, 2017 were \$25,062.16. Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>
2018	23,368.16
2019	4,260.88
2020	2,148.00
2021	1,074.00
2022	<u>.00</u>
Total minimum lease payments	<u>\$30,851.04</u>

NOTE 9. FUND BALANCE APPROPRIATED

General Fund - Of the \$795,783.99 General Fund balance at June 30, 2017, \$.00 has been restricted for the excess surplus, \$176,982.29 has been restricted for excess surplus at June 30, 2016 and has been appropriated and included as anticipated revenue for the year ending June 30, 2018; \$425,486.71 has been restricted for the Capital Reserve Account; \$212,000.00 has been restricted in a maintenance reserve; \$178,895.00 has been assigned to be designated for subsequent year's expenditures and included as anticipated revenue for the year ending June 30, 2018; and \$(197,580.01) is unassigned.

NOTE 10. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance- Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1997 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2017 is \$.00.

NOTE 11. CONTINGENT LIABILITIES

Grant Programs:

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

NOTE 12. PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrprts.shtml>.

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 12. PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund (TPAF) was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$11,332,233 as measured on June 30, 2016 and \$7,493,747 as measured on June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$851,460 and revenue of \$851,460 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2017 is based upon changes in the collective net pension liability with a measurement period of June 30, 2015 through June 30, 2016. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2015 and June 30, 2016.

Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>06/30/2015</u>	<u>06/30/2016</u>
Collective deferred outflows of resources	\$7,521,378,257	\$17,440,003,201
Collective deferred inflows of resources	554,399,005	195,027,919
Collective net pension liability (Nonemployer-State of New Jersey)	\$63,204,270,305	78,666,367,052
State's portion of the net pension liability that was associated with the district	7,493,747	11,332,233
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.0118563930%	0.0144054352%

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 12. PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Actuarial assumptions - The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

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

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 12. PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Discount rate. The discount rate used to measure the State's total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. Since the District has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Division of Pension and Benefits financial report at <http://www.nj.gov/treasury/pensions/annrpts.shtml>.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pension and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

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

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

At June 30, 2017, the District reported a liability of \$350,517 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the year ended June 30, 2016. At June 30, 2016, the District's proportion was 0.0011834949% which was a decrease of 0.0000440698% from its proportion measured as of June 30, 2015.

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 12. PENSION PLANS (CONT'D)

Public Employees' Retirement System (PERS) (Cont'd)

For the year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$37,542. At June 30, 2017, 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	6,519	-
Changes of assumptions	72,608	-
Net difference between projected and actual earnings on pension plan investments	13,366	-
Changes in proportion and differences between District contributions and proportionate share of contributions	18,607	-
District contributions subsequent to the measurement date	<u>10,601</u>	<u>-</u>
Total	<u>\$121,701</u>	<u>\$ -</u>

\$10,601 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (ie. for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability measured as of June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30</u>
2018	\$25,642.00
2019	25,643.00
2020	28,721.00
2021	23,620.00
2022	<u>7,474.00</u>
Total	<u>\$111,100.00</u>

Additional Information:

Local Group Collective balances at June 30, 2015 and 2016 are as follows:

	<u>06/30/2015</u>	<u>06/30/2016</u>
Collective deferred outflows of resources	\$3,578,755,666	\$8,685,338,380
Collective deferred inflows of resources	993,410,455	870,133,595
Collective net pension liability (Non State - Local Group)	22,447,996,119	29,617,131,759
District's portion of net pension liability	255,778	350,517
District's portion %	0.0011394251%	0.0011834949%

Actuarial assumptions - The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65%-4.15% based on age
Thereafter	2.65%-5.15% based on age
Investment Rate of Return	7.65%

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 12. PENSION PLANS (CONT'D)

Public Employees' Retirement System (PERS) (Cont'd)

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
US Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount rate. The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability measured as of June 30, 2016, calculated using the discount rate of (3.98%), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	<u>1% Decrease (2.98%)</u>	<u>Current Discount Rate (3.98%)</u>	<u>1% Increase (4.98%)</u>
District's proportionate share of the net pension liability	\$420,061	\$350,517	\$293,164

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 12. PENSION PLANS (CONT'D)

Public Employees' Retirement System (PERS) (Cont'd)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pension and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Defined Contribution Retirement Plan (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Member contributions are matched by a 3% employer contribution. For the year ended June 30, 2017, employee contributions total \$1,081.90, and the District recognized pension expense of \$590.10. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

PERS and TPAF Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. 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.

Significant Legislation - Chapter 78, P.L. 2011, effective June 28, 2011, made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011, (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011, (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 12. PENSION PLANS (CONT'D)

Significant Legislation (Cont'd)

- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 7.06% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 7.06% and the PERS rate is 7.06% of covered payroll.

The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Liability</u>
6/30/17	10,601	100%	350,517
6/30/16	9,796	100%	255,778
6/30/15	9,099	100%	206,649

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

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Liability</u>
6/30/17	143,055	100%	-
6/30/16	115,336	100%	-
6/30/15	64,100	100%	-

During the fiscal year ended June 30, 2017, the State of New Jersey did contribute \$119,197.00 to the TPAF for post-retirement medical benefits and \$673.00 for long-term disability insurance on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$103,649.47 during the year ended June 30, 2017, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in the fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 13. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in the Fiscal Year 2016.

GASB Statement No. 45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide post-employment benefits other than pension. Healthcare provided to eligible TPAF and PERS board of education retirees through the NJ State Health Benefits Program are paid by the State of New Jersey and as such, no district OPEB liability exists.

NOTE 14. COMPENSATED ABSENCES

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

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

The entire liability for compensated absences is reported in the District-Wide Statements of Net Position in two components - the amount due within one year and the amount due in more than one year.

NOTE 15. 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 surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

DEAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 15. RISK MANAGEMENT (CONT'D)

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

Fiscal Year	Interest Earnings/ District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2016-2017	\$7,424.15	2,563.17	2,871.14	46,997.12
2015-2016	13,842.38	2,557.34	9,690.00	39,880.94
2014-2015	3,597.76	3,574.46	.00	33,171.22

NOTE 16. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2017 consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund:		
Payroll Agency Fund	.00	5,300.06*
Unemployment Compensation Trust:		
Payroll Agency Fund	31,994.56	.00
Payroll Agency Fund:		
General Fund	5,300.06	.00
Unemployment Compensation Trust	.00	31,994.56
	<u>37,294.62</u>	<u>37,294.62</u>

All of the above interfunds represent short-term loans.

*Reported as a payable on the District-Wide statement of net position.

The District had no operating transfers during the year ended June 30, 2017.

NOTE 17. INVENTORY

The District had no inventory at June 30, 2017.

NOTE 18. DEFICIT UNRESTRICTED NET POSITION

As reflected on Exhibit A-1, Statement of Net Position, a deficit in unrestricted net position of (\$343,779.93) existed as of June 30, 2017 for governmental activities. The primary causes of this deficit is the District not recognizing the receivable for the last two state aid payments and the recording of the long-term liability for compensated absences and net pension. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net Position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), compensated absences and pension liabilities that related to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the District is facing financial difficulties.

NOTE 19. SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2017 and November 1, 2017, the date that the financial statements were available to be issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

DEAL SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	1,967,702.00	0.00	1,967,702.00	1,967,702.00	0.00
Miscellaneous	40,000.00	0.00	40,000.00	40,215.39	215.39
Total - Local Sources	2,007,702.00	0.00	2,007,702.00	2,007,917.39	215.39
State Sources:					
School Choice Aid	1,785,366.00	0.00	1,785,366.00	1,785,366.00	0.00
Security Aid	5,902.00	0.00	5,902.00	5,902.00	0.00
Transportation Aid	31,676.00	0.00	31,676.00	31,676.00	0.00
Special Education Categorical Aid	42,805.00	0.00	42,805.00	42,805.00	0.00
Supplemental Enrollment Growth Aid	33,201.00	0.00	33,201.00	33,201.00	0.00
Under Adequacy Aid	57,916.00	0.00	57,916.00	57,916.00	0.00
Additional Adjustment Aid	138,303.00	0.00	138,303.00	138,303.00	0.00
PARCC Readiness Aid	2,720.00	0.00	2,720.00	2,720.00	0.00
Per Pupil Growth Aid	2,720.00	0.00	2,720.00	2,720.00	0.00
Professional Learning Community Aid	1,930.00	0.00	1,930.00	1,930.00	0.00
Extraordinary Aid	5,732.00	(5,732.00)	0.00	0.00	0.00
Reimbursed Nonpublic School Transportation Costs Aid	0.00	0.00	0.00	2,610.00	2,610.00
TPAF - Post Retirement Medical (On-Behalf - Non-Budgeted)	0.00	0.00	0.00	119,197.00	119,197.00
TPAF - Pension Contribution (On-Behalf - Non-Budgeted)	0.00	0.00	0.00	143,055.00	143,055.00
TPAF - LTD Insurance Contribution (On-Behalf - Non-Budgeted)	0.00	0.00	0.00	673.00	673.00
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	0.00	0.00	0.00	103,649.47	103,649.47
Total - State Sources	2,108,271.00	(5,732.00)	2,102,539.00	2,471,723.47	369,184.47
Total Revenues	4,115,973.00	(5,732.00)	4,110,241.00	4,479,640.86	369,399.86
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	96,177.00	0.00	96,177.00	88,601.50	7,575.50
Grades 1-5 - Salaries of Teachers	558,360.00	0.00	558,360.00	556,552.33	1,807.67
Grades 6-8 - Salaries of Teachers	350,395.00	0.00	350,395.00	344,846.60	5,548.40
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	40,740.00	0.00	40,740.00	40,740.00	0.00
Purchased Professional - Educational Services	17,500.00	0.00	17,500.00	0.00	17,500.00
Purchased Technical Services	27,500.00	0.00	27,500.00	25,950.30	1,549.70
Other Purchased Services (400-500 series)	28,000.00	0.00	28,000.00	27,132.26	867.74
General Supplies	80,000.00	0.00	80,000.00	79,294.35	705.65
Textbooks	35,000.00	0.00	35,000.00	33,073.21	1,926.79
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,233,672.00	0.00	1,233,672.00	1,196,190.55	37,481.45
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	137,145.00	0.00	137,145.00	116,074.00	21,071.00
Total Resource Room/Resource Center	137,145.00	0.00	137,145.00	116,074.00	21,071.00
TOTAL SPECIAL EDUCATION - INSTRUCTION	137,145.00	0.00	137,145.00	116,074.00	21,071.00
School-Spon. Cocurricular Actvts. - Inst.					
Salaries	16,223.00	0.00	16,223.00	11,577.83	4,645.17
Other Objects	11,500.00	0.00	11,500.00	11,162.77	337.23
Total School-Spon. Cocurricular Actvts. - Inst.	27,723.00	0.00	27,723.00	22,740.60	4,982.40
School-Spon. Cocurricular Athletics - Inst.					
Salaries	23,690.00	0.00	23,690.00	23,537.59	152.41
Other Objects	10,000.00	0.00	10,000.00	9,579.29	420.71
Total School-Spon. Cocurricular Athletics - Inst.	33,690.00	0.00	33,690.00	33,116.88	573.12
Summer School - Inst.					
Salaries of Teachers	18,000.00	0.00	18,000.00	17,994.78	5.22
General Supplies	1,000.00	0.00	1,000.00	0.00	1,000.00
Total Summer School - Inst.	19,000.00	0.00	19,000.00	17,994.78	1,005.22
TOTAL INSTRUCTION AND AT-RISK PROGRAMS	1,451,230.00	0.00	1,451,230.00	1,386,116.81	65,113.19
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Regular	183,595.00	(12,887.00)	170,708.00	81,247.74	89,460.26
Tuition to Private Schools for the Disabled - Within State	166,405.00	0.00	166,405.00	57,074.70	109,330.30
Total Undistributed Expenditures - Instruction:	350,000.00	(12,887.00)	337,113.00	138,322.44	198,790.56
Undistributed Expend. - Attend. & Social Work					
Salaries	15,312.00	0.00	15,312.00	15,312.00	0.00
Total Undistributed Expend. - Attend. & Social Work	15,312.00	0.00	15,312.00	15,312.00	0.00
Undist. Expend. - Health Services					
Salaries	87,200.00	375.00	87,575.00	87,575.00	0.00
Purchased Professional and Technical Services	2,000.00	(375.00)	1,625.00	1,200.00	425.00
Total Undistributed Expenditures - Health Services	89,200.00	0.00	89,200.00	88,775.00	425.00
Undist. Expend. - Speech, OT, PT, & Related Services					
Purchased Professional - Educational Services	122,500.00	0.00	122,500.00	86,536.50	35,963.50
Total Undist. Exp. - Speech, OT, PT & Related Services	122,500.00	0.00	122,500.00	86,536.50	35,963.50

DEAL SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Expenditures (Continued):					
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.					
Salaries	35,460.00	0.00	35,460.00	35,460.00	0.00
Purchased Professional - Educational Services	36,000.00	2,145.00	38,145.00	38,145.00	0.00
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.	71,460.00	2,145.00	73,605.00	73,605.00	0.00
Undist. Expend. - Guidance					
Salaries of Other Professional Staff	64,900.00	0.00	64,900.00	52,763.00	12,137.00
Salaries of Secretarial and Clerical Assistants	15,312.00	0.00	15,312.00	15,312.00	0.00
Total Undist. Expend. - Guidance	80,212.00	0.00	80,212.00	68,075.00	12,137.00
Undist. Expend. - Child Study Teams					
Salaries of Secretarial and Clerical Assistants	30,625.00	0.00	30,625.00	30,625.00	0.00
Purchased Professional - Educational Services	32,750.00	(2,145.00)	30,605.00	29,280.00	1,325.00
Total Undist. Expend. - Child Study Teams	63,375.00	(2,145.00)	61,230.00	59,905.00	1,325.00
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of Supervisor of Instruction	27,926.00	0.00	27,926.00	27,926.00	0.00
Purchased Professional - Educational Services	20,000.00	0.00	20,000.00	12,802.00	7,198.00
Other Objects	10,000.00	0.00	10,000.00	889.58	9,110.42
Total Undist. Expend. - Improvement of Inst. Serv.	57,926.00	0.00	57,926.00	41,617.58	16,308.42
Undist. Expend. - Instructional Staff Training Services					
Purchased Professional - Educational Services	7,500.00	0.00	7,500.00	7,495.99	4.01
Other Purchased Professional & Technical Services	8,000.00	0.00	8,000.00	7,535.00	465.00
Total Undist. Expend. - Instr. Staff Training Serv.	15,500.00	0.00	15,500.00	15,030.99	469.01
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	4,600.00	0.00	4,600.00	4,600.00	0.00
Legal Services	20,000.00	(204.24)	19,795.76	19,495.00	300.76
Audit Fees	13,500.00	0.00	13,500.00	13,500.00	0.00
Other Purchased Professional & Technical Services	10,000.00	0.00	10,000.00	10,000.00	0.00
Miscellaneous Expenditures	14,000.00	204.24	14,204.24	14,204.24	0.00
Total Undist. Expend. - Supp. Serv. - General Admin.	62,100.00	(0.00)	62,100.00	61,799.24	300.76
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals/Program Directors	100,000.00	0.08	100,000.08	100,000.08	0.00
Other Salaries	5,775.00	(0.08)	5,774.92	3,850.00	1,924.92
Total Undist. Expend. - Support Serv. - School Admin.	105,775.00	0.00	105,775.00	103,850.08	1,924.92
Undistributed Expenditures - Central Services					
Salaries	113,636.00	0.00	113,636.00	113,636.00	0.00
Sale/Lease-back Payments	32,500.00	0.00	32,500.00	25,062.16	7,437.84
Total Undistributed Expenditures - Central Services	146,136.00	0.00	146,136.00	138,698.16	7,437.84
Undist. Expend. -Required Maintenance for School Facilities					
Cleaning, Repair, and Maintenance Services	86,500.00	0.00	86,500.00	75,054.69	11,445.31
General Supplies	7,500.00	0.00	7,500.00	3,921.99	3,578.01
Total Undist. Expend. -Required Maintenance for School Facilities	94,000.00	0.00	94,000.00	78,976.68	15,023.32
Undist. Expend. - Custodial Services					
Salaries	32,000.00	0.00	32,000.00	28,000.29	3,999.71
Cleaning, Repair and Maintenance Services	175,000.00	1,499.00	176,499.00	176,419.43	79.57
Other Purchased Property Services	195,000.00	10,463.97	205,463.97	205,463.97	0.00
Insurance	36,000.00	(4,245.29)	31,754.71	31,754.71	0.00
General Supplies	10,000.00	0.00	10,000.00	9,999.13	0.87
Energy (Natural Gas)	60,000.00	(2,504.71)	57,495.29	51,344.26	6,151.03
Energy (Electricity)	45,000.00	(5,212.97)	39,787.03	25,940.80	13,846.23
Other Objects	500.00	0.00	500.00	12.00	488.00
Total Undist. Expend. - Custodial Services	553,500.00	0.00	553,500.00	528,934.59	24,565.41
Undist. Expend. - Care & Upkeep of Grounds					
Cleaning, Repair and Maintenance Services	15,000.00	0.00	15,000.00	15,000.00	0.00
Total Undist. Expend. - Care & Upkeep of Grounds	15,000.00	0.00	15,000.00	15,000.00	0.00
Undist. Expend. - Security					
Purchased Professional and Technical Services	16,640.00	0.00	16,640.00	16,158.80	481.20
Cleaning, Repair and Maintenance Services	3,500.00	0.00	3,500.00	3,058.80	441.20
Total Undist. Expend. - Security	20,140.00	0.00	20,140.00	19,217.60	922.40
Total Undist. Expend. - Oper. & Maint. Of Plant	682,640.00	0.00	682,640.00	642,128.87	40,511.13
Undist. Expend. - Student Transportation Serv.					
Contracted Services - Aid In Lieu of Payment for Non-Public Students	13,232.00	322.60	13,554.60	13,554.60	0.00
Contract Services (Other than Between Home & School)-Vendors	14,000.00	(127.00)	13,873.00	13,873.00	0.00
Contract Services - (Between Home and Sch) - Joint Agrmts	13,000.00	(4,695.60)	8,304.40	8,183.13	121.27
Contract Services - (Spl. Ed. Students) - Vendors	35,000.00	5,568.56	40,568.56	40,568.56	0.00
Contract Services - (Regular Students) - ESCs & CTSA	22,500.00	(1,068.56)	21,431.44	19,613.58	1,817.86
Total Undist. Expend. - Student Transportation Serv.	97,732.00	(0.00)	97,732.00	95,792.87	1,939.13

DEAL SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Expenditures (Continued):					
Regular Programs - Instruction - Employee Benefits					
Health Benefits	361,000.00	12,887.00	373,887.00	361,706.71	12,180.29
Total Regular Programs - Instruction	361,000.00	12,887.00	373,887.00	361,706.71	12,180.29
TOTAL ALLOCATED BENEFITS	361,000.00	12,887.00	373,887.00	361,706.71	12,180.29
UNALLOCATED BENEFITS					
Other Retirement Contributions - PERS	11,500.00	0.00	11,500.00	10,601.00	899.00
Social Security Contributions	19,000.00	4,426.32	23,426.32	23,196.32	230.00
Other Retirement Contributions - ERIP	1,250.00	0.00	1,250.00	796.70	453.30
Unemployment Compensation	16,000.00	0.00	16,000.00	7,424.15	8,575.85
Workmen's Compensation	18,000.00	0.00	18,000.00	15,361.93	2,638.07
Tuition Reimbursement	10,000.00	0.00	10,000.00	10,000.00	0.00
Unused Sick Payment to Terminated/Retired Staff	25,059.00	(8,244.32)	16,814.68	0.00	16,814.68
TOTAL UNALLOCATED BENEFITS	100,809.00	(3,818.00)	96,991.00	67,380.10	29,610.90
On-Behalf TPAF Pension Contributions (non-budgeted)	0.00	0.00	0.00	143,055.00	(143,055.00)
On-Behalf TPAF OPEB (Post Retire. Medical) Contrib.(non-budgeted)	0.00	0.00	0.00	119,197.00	(119,197.00)
On-Behalf TPAF LTD Insurance Contributions (non-budgeted)	0.00	0.00	0.00	673.00	(673.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)	0.00	0.00	0.00	103,649.47	(103,649.47)
TOTAL ON-BEHALF CONTRIBUTIONS	0.00	0.00	0.00	366,574.47	(366,574.47)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	461,809.00	9,069.00	470,878.00	795,661.28	(324,783.28)
TOTAL UNDISTRIBUTED EXPENDITURES	2,421,677.00	(3,818.00)	2,417,859.00	2,425,110.01	-7,251.01
TOTAL GENERAL CURRENT EXPENSE	3,872,907.00	(3,818.00)	3,869,089.00	3,811,226.82	57,862.18
CAPITAL OUTLAY					
Equipment					
Grades 1-5	20,000.00	(398.85)	19,601.15	19,026.16	574.99
Grades 6-8	20,000.00	(1,000.00)	19,000.00	18,998.04	1.96
Total Equipment	40,000.00	(1,398.85)	38,601.15	38,024.20	576.95
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	36,000.00	2,330.00	38,330.00	38,330.00	0.00
Construction Services	416,500.00	(931.15)	415,568.85	412,361.85	3,207.00
Assessment for Debt Service on SDA Funding	149.00	0.00	149.00	149.00	0.00
Total Facilities and Construction Services	452,649.00	1,398.85	454,047.85	450,840.85	3,207.00
TOTAL CAPITAL OUTLAY	492,649.00	(0.00)	492,649.00	488,865.05	3,783.95
TOTAL EXPENDITURES	4,365,556.00	(3,818.00)	4,361,738.00	4,300,091.87	61,646.13
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(249,583.00)	(1,914.00)	(251,497.00)	179,548.99	431,045.99
Other Financing Sources (Uses):					
Operating Transfer In (Out):					
Capital Reserve - Transfer to Capital Projects Fund	(25,486.00)	0.00	(25,486.00)	0.00	25,486.00
Total Other Financing Sources (Uses):	(25,486.00)	0.00	(25,486.00)	0.00	25,486.00
Excess (Deficiency) of Revenues and Other Financing Sources					
Over (Under) Expenditures and Other Financing Uses	(275,069.00)	(1,914.00)	(276,983.00)	179,548.99	456,531.99
Fund Balance, July 1	826,465.00	0.00	826,465.00	826,465.00	0.00
Fund Balance, June 30	\$551,396.00	(1,914.00)	549,482.00	1,006,013.99	456,531.99
Recapitulation:					
Restricted Fund Balance:					
Capital Reserve				425,486.71	
Maintenance Reserve				212,000.00	
Excess Surplus - Designated for Subsequent Year's Expenditures				176,982.29	
Excess Surplus - Current year				0.00	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				178,895.00	
Unassigned Fund Balance				12,649.99	
				1,006,013.99	
Reconciliation to Governmental Funds Statements (GAAP):					
Last Two State Aid Payment not recognized on GAAP basis				(210,230.00)	
Fund Balance per Governmental Funds (GAAP)				\$795,783.99	

DEAL SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Federal Sources	75,904.00	(6,331.00)	69,573.00	69,573.00	.00
Total Revenues	75,904.00	(6,331.00)	69,573.00	69,573.00	.00
EXPENDITURES:					
Instruction					
Salaries	34,394.00	(19,663.23)	14,730.77	14,730.77	.00
General Supplies	.00	13,104.65	13,104.65	13,104.65	.00
Total Instruction	34,394.00	(6,558.58)	27,835.42	27,835.42	.00
Support Services					
Professional and Technical Services	41,510.00	(1,000.00)	40,510.00	40,510.00	.00
Personal Services - Employee Benefits	.00	1,227.58	1,227.58	1,227.58	.00
Total Support Services	41,510.00	227.58	41,737.58	41,737.58	.00
Total Expenditures	75,904.00	(6,331.00)	69,573.00	69,573.00	.00
Total Outflows	75,904.00	(6,331.00)	69,573.00	69,573.00	.00
Excess (Deficiency) of Revenues Over (Under) Expenditures & Other Financing Sources (Uses)	\$.00	.00	.00	.00	.00

**NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION - PART II**

DEAL SCHOOL DISTRICT
Notes to Required Supplementary Information
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended June 30, 2017

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	4,479,640.86	69,573.00
Difference - budget to GAAP:		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	208,341.00	.00
State aid payments recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(210,230.00)</u>	<u>(.00)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>4,477,751.86</u>	<u>69,573.00</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	4,300,091.87	69,573.00
No Differences - budget to GAAP		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$4,300,091.87</u>	<u>69,573.00</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

DEAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Position Liability - PERS
Last Ten Fiscal Years*

Public Employees' Retirement System (PERS)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
District's proportion of the net pension liability (asset)	0.0144054352%	0.0011394251%	0.0011037311%	0.0010355954%						
District's proportionate share of the net pension liability (asset)	\$ 350,517	\$ 255,778	\$ 206,649	\$ 197,923						
District's covered-employee payroll	\$107,424	\$85,819	\$77,964	\$77,408						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	362.29%	298.04%	265.06%	255.69%						
Plan fiduciary net position as a percentage of the total pension liability (local)	40.14%	47.93%	52.08%	48.72%						

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

DEAL SCHOOL DISTRICT
Schedule of District's Contribution - PERS
Last Ten Fiscal Years*

Public Employees' Retirement System (PERS)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 10,601	\$ 9,796	\$ 7,803	\$ 9,862						
Contribution in relation to the contractually required contribution	<u>10,601</u>	<u>9,796</u>	<u>7,803</u>	<u>9,862</u>						
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>						
District's covered-employee payroll	\$ 107,424	\$ 85,819	\$ 77,964	\$ 77,408						
Contributions as a percentage of covered-employee payroll	9.87%	11.41%	10.01%	12.74%						

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

DEAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF
Last Ten Fiscal Years*

Teachers' Pension and Annuity Fund (TPAF)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
State's proportionate share of the net pension liability (asset) associated with the District	\$ 11,332,233	\$ 7,493,747	\$ 5,947,996	\$ 5,453,103						
Total	<u>\$ 11,332,233</u>	<u>\$ 7,493,747</u>	<u>\$ 5,947,996</u>	<u>\$ 5,453,103</u>						
District's covered-employee payroll	\$ 1,413,344	\$ 1,372,244	\$ 1,244,950	\$ 1,200,702						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A						
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%						

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the district (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the district.

**NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION - PART III**

DEAL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III
PENSION SCHEDULES
June 30, 2017

Teachers' Pension and Annuity Fund (TPAF)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of services, except for medical benefits, which vest after 25 years of service or under the disability 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.

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

Public Employees' Retirement System (PERS)

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

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

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

DEAL SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2017

	<u>No Child Left Behind</u>		<u>I.D.E.A.</u>	
	<u>Title I</u>	<u>Title II Part A</u>	<u>Part B</u>	
			<u>Basic</u>	<u>Totals</u>
REVENUES:				
Federal Sources	<u>29,063.00</u>	<u>1,387.00</u>	<u>39,123.00</u>	<u>69,573.00</u>
Total Revenues	<u>29,063.00</u>	<u>1,387.00</u>	<u>39,123.00</u>	<u>69,573.00</u>
EXPENDITURES:				
Instruction:				
Salaries	14,730.77	.00	.00	14,730.77
General Supplies	<u>13,104.65</u>	<u>.00</u>	<u>.00</u>	<u>13,104.65</u>
Total Instruction	<u>27,835.42</u>	<u>.00</u>	<u>.00</u>	<u>27,835.42</u>
Support Services:				
Professional and Technical Services	.00	1,387.00	39,123.00	40,510.00
Personal Services - Employee Benefits	<u>1,227.58</u>	<u>.00</u>	<u>.00</u>	<u>1,227.58</u>
Total Support Services	<u>1,227.58</u>	<u>1,387.00</u>	<u>39,123.00</u>	<u>41,737.58</u>
Total Expenditures	<u>29,063.00</u>	<u>1,387.00</u>	<u>39,123.00</u>	<u>69,573.00</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>

FIDUCIARY FUNDS DETAIL STATEMENTS

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

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

Student Activity Fund - This Agency Fund is used to account for student funds held at the schools.

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

DEAL SCHOOL DISTRICT
Combining Statement of Fiduciary Net Position
Trust and Agency Funds
June 30, 2017

	<u>Trust</u>	<u>Agency</u>		
	<u>Unemployment Compensation</u>	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Fund</u>
ASSETS:				
Cash and Cash Equivalents	15,002.56	3,998.50	27,189.21	31,187.71
Interfund Receivable	<u>31,994.56</u>	<u>.00</u>	<u>5,300.06</u>	<u>5,300.06</u>
Total Assets	<u>\$46,997.12</u>	<u>3,998.50</u>	<u>32,489.27</u>	<u>36,487.77</u>
LIABILITIES:				
Payroll Deductions and Withholdings	.00	.00	494.71	494.71
Interfund Payable	.00	.00	31,994.56	31,994.56
Due to Student Groups	<u>.00</u>	<u>3,998.50</u>	<u>.00</u>	<u>3,998.50</u>
Total Liabilities	<u>.00</u>	<u>3,998.50</u>	<u>32,489.27</u>	<u>36,487.77</u>
NET POSITION:				
Held in Trust for Unemployment Claims and Other Purposes	<u>46,997.12</u>			
Total Net Position	<u>\$46,997.12</u>			

DEAL SCHOOL DISTRICT
Combining Statement of Changes in Fiduciary Net Position
Trust Funds
For the Fiscal Year Ended June 30, 2017

**Unemployment
 Compensation
 Trust**

ADDITIONS:

Contribution:	
Employee Contributions	2,563.17
Board Contributions	<u>7,424.15</u>
Total Contributions	<u>9,987.32</u>
Investment Earnings:	
Interest	<u>.00</u>
Net Investment Earnings	<u>.00</u>
Total Additions	<u>9,987.32</u>

DEDUCTIONS:

Unemployment Claims	<u>2,871.14</u>
Total Deductions	<u>2,871.14</u>
Change in Net Position	7,116.18
Net Position - Beginning of Year	<u>39,880.94</u>
Net Position - End of Year	<u>\$46,997.12</u>

DEAL SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Elementary Schools:				
Deal Elementary	<u>\$3,024.25</u>	<u>9,535.00</u>	<u>8,560.75</u>	<u>3,998.50</u>

DEAL SCHOOL DISTRICT
Schedule of Receipts and Disbursements
Payroll Agency Fund
For the Fiscal Year Ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Interfunds	22,207.79	4,486.71	.00	26,694.50
Payroll Deductions and Withholdings	<u>504.78</u>	<u>1,170,237.39</u>	<u>1,170,247.46</u>	<u>494.71</u>
Totals	<u>\$22,712.57</u>	<u>1,174,724.10</u>	<u>1,170,247.46</u>	<u>27,189.21</u>

STATISTICAL SECTION (Unaudited)

Deal School District
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Invested in capital assets, net of related debt	\$ 250,390	\$ 301,405	\$ 324,456	\$ 303,083	\$ 549,931	\$ 1,229,976	\$ 2,217,570	\$ 2,884,660	\$ 3,193,960	\$ 3,517,849
Restricted	363,205	497,721	471,518	224,184	148,274	237,487	237,487	276,091	453,074	814,469
Unrestricted	278,287	225,651	206,338	216,977	-	49,111	(84,279)	(85,374)	(115,838)	(343,780)
Total governmental activities net position	<u>\$ 891,882</u>	<u>\$ 1,024,777</u>	<u>\$ 1,002,312</u>	<u>\$ 744,244</u>	<u>\$ 698,205</u>	<u>\$ 1,516,574</u>	<u>\$ 2,370,778</u>	<u>\$ 3,075,377</u>	<u>\$ 3,531,196</u>	<u>\$ 3,988,538</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(138)	(1,690)	(2,066)	(2,066)	-	-	-	-	-	-
Total business-type activities net position	<u>\$ (138)</u>	<u>\$ (1,690)</u>	<u>\$ (2,066)</u>	<u>\$ (2,066)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District-wide										
Invested in capital assets, net of related debt	\$ 250,390	\$ 301,405	\$ 324,456	\$ 303,083	\$ 549,931	\$ 1,229,976	\$ 2,217,570	\$ 2,884,660	\$ 3,193,960	\$ 3,517,849
Restricted	363,205	497,721	471,518	224,184	148,274	237,487	237,487	276,091	453,074	814,469
Unrestricted	278,149	223,961	204,272	214,911	-	49,111	(84,279)	(85,374)	(115,838)	(343,780)
Total district net position	<u>\$ 891,744</u>	<u>\$ 1,023,087</u>	<u>\$ 1,000,246</u>	<u>\$ 742,178</u>	<u>\$ 698,205</u>	<u>\$ 1,516,574</u>	<u>\$ 2,370,778</u>	<u>\$ 3,075,377</u>	<u>\$ 3,531,196</u>	<u>\$ 3,988,538</u>

Deal School District
Changes in Net Assets/Net Position
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
Instruction										
Regular	\$ 1,144,551	\$ 1,071,308	\$ 1,119,005	\$ 1,252,504	\$ 1,436,437	\$ 1,379,458	\$ 1,424,411	\$ 1,658,199	\$ 1,932,605	\$ 2,164,747
Special education	52,882	50,275	54,995	27,100	39,171	44,821	104,216	95,066	97,393	183,742
Other special education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	63,690	49,758	65,768	60,868	76,074	67,092	69,106	74,127	127,568	130,099
Nonpublic school programs	-	-	-	-	-	-	-	-	-	-
Support Services:										
Tuition	234,473	282,263	203,919	226,439	261,619	228,720	207,447	169,172	120,531	138,322
Student & instruction related services	210,524	217,764	360,696	345,779	362,483	480,517	512,074	675,996	708,004	730,244
General administration	11,903	64,312	134,464	139,929	165,846	188,095	217,551	89,447	99,200	106,206
School administrative and central services	224,032	211,590	163,218	116,865	135,487	162,587	147,911	338,505	429,925	470,307
Plant operations and maintenance	387,312	354,396	378,767	430,425	825,623	691,742	671,822	620,525	712,405	669,213
Administrative information technology	-	-	-	-	-	-	-	-	-	-
Pupil transportation	188,397	115,016	114,540	130,139	124,668	96,586	110,231	67,333	76,355	95,793
Other support services	-	-	-	-	-	-	-	-	-	-
Special Schools	-	-	-	-	-	-	-	-	-	-
Charter Schools	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Unallocated depreciation	7,834	8,959	9,852	9,806	11,636	24,082	47,480	81,631	95,726	109,714
Total governmental activities expenses	2,525,598	2,425,641	2,605,224	2,739,854	3,439,044	3,363,700	3,512,249	3,870,001	4,399,712	4,798,387
Business-type activities:										
Food service	2,149	2,671	1,786	-	-	-	-	-	-	-
Child Care	-	-	-	-	-	-	-	-	-	-
Total business-type activities expense	2,149	2,671	1,786	-	-	-	-	-	-	-
Total district expenses	2,527,747	2,428,312	2,607,010	2,739,854	3,439,044	3,363,700	3,512,249	3,870,001	4,399,712	4,798,387
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	391,553	361,097	293,492	240,501	-	-	-	-	-	-
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Central and other support services	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	35,079	36,823	38,021	75,912	69,573
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	391,553	361,097	293,492	240,501	-	35,079	36,823	38,021	75,912	69,573

Deal School District
Changes in Net Assets/Net Position
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

Exhibit J-2
(Continued)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services										
Food service	1,612	1,119	1,410	-	-	-	-	-	-	-
Child care	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	1,612	1,119	1,410	-	-	-	-	-	-	-
Total district program revenues	\$ 393,165	\$ 362,216	\$ 294,902	\$ 240,501	\$ -	\$ 35,079	\$ 36,823	\$ 38,021	\$ 75,912	\$ 69,573
Net (Expense)/Revenue										
Governmental activities	\$ (2,134,045)	\$ (2,064,544)	\$ (2,311,732)	\$ (2,499,353)	\$ (3,439,044)	\$ (3,328,621)	\$ (3,475,426)	\$ (3,831,980)	\$ (4,323,800)	\$ (4,728,814)
Business-type activities	(537)	(1,552)	(376)	-	-	-	-	-	-	-
Total district-wide net expense	\$ (2,134,582)	\$ (2,066,096)	\$ (2,312,108)	\$ (2,499,353)	\$ (3,439,044)	\$ (3,328,621)	\$ (3,475,426)	\$ (3,831,980)	\$ (4,323,800)	\$ (4,728,814)
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 1,748,681	\$ 1,818,628	\$ 1,891,294	\$ 1,929,120	\$ 1,967,702	\$ 1,967,702	\$ 1,967,702	\$ 1,967,702	\$ 1,967,702	\$ 1,967,702
Taxes levied for debt service	-	-	-	-	-	-	-	-	-	-
Unrestricted grants and contributions	405,969	301,250	292,902	210,355	1,326,988	2,076,840	2,335,557	2,444,017	2,762,463	3,178,240
Payments in lieu of taxes	-	-	-	-	-	-	-	-	-	-
Tuition received	-	-	-	-	-	-	-	-	-	-
Investment earnings	26,399	5,804	1,035	824	36	-	-	-	-	-
Miscellaneous income	99,869	71,757	104,036	100,986	106,555	102,529	26,371	80,884	49,453	40,215
Transfers	-	-	-	-	(2,066)	-	-	-	-	-
Total governmental activities expenses	2,280,918	2,197,439	2,289,267	2,241,285	3,399,215	4,147,071	4,329,630	4,492,603	4,779,618	5,186,157
Business-type activities:										
Investment earnings	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	2,066	-	-	-	-	-
Fixed asset adjustment	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	-	-	-	-	2,066	-	-	-	-	-
Total district-wide expenses	\$ 2,280,918	\$ 2,197,439	\$ 2,289,267	\$ 2,241,285	\$ 3,401,281	\$ 4,147,071	\$ 4,329,630	\$ 4,492,603	\$ 4,779,618	\$ 5,186,157
Change in Net Position										
Governmental activities	\$ 146,873	\$ 132,895	\$ (22,465)	\$ (258,068)	\$ (39,829)	\$ 818,450	\$ 854,204	\$ 660,623	\$ 455,818	\$ 457,343
Business-type activities	(537)	(1,552)	(376)	-	2,066	-	-	-	-	-
Total district	\$ 146,336	\$ 131,343	\$ (22,841)	\$ (258,068)	\$ (37,763)	\$ 818,450	\$ 854,204	\$ 660,623	\$ 455,818	\$ 457,343

Deal School District
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 363,205	\$ 497,721	\$ 471,518	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	373,406	329,358	334,547	-	-	-	-	-	-	-
Restricted	-	-	-	224,184	237,487	237,487	237,487	276,091	453,074	814,469
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	340,908	49,422	181,449	81,275	112,645	160,082	178,895
Unassigned	-	-	-	3,807	-	22,545	-	70,596	4,968	(197,580)
Total General fund	<u>\$ 736,611</u>	<u>\$ 827,079</u>	<u>\$ 806,065</u>	<u>\$ 568,898</u>	<u>\$ 286,909</u>	<u>\$ 441,481</u>	<u>\$ 318,762</u>	<u>\$ 459,332</u>	<u>\$ 618,124</u>	<u>\$ 795,784</u>
All Other Governmental Funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

63

Beginning with Fiscal Year 2011, the District implemented GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

Deal School District
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax levy	\$ 1,748,681	\$ 1,818,628	\$ 1,891,294	\$ 1,929,120	\$ 1,967,702	\$ 1,967,702	\$ 1,967,702	\$ 1,967,702	\$ 1,967,702	\$ 1,967,702
Tuition charges	391,553	361,096	293,492	240,501	-	-	-	-	-	-
Interest earnings	26,400	5,804	1,036	823	36	-	-	-	-	-
Miscellaneous	99,869	71,757	104,036	100,986	106,555	102,529	26,371	35,305	49,453	40,215
State sources	386,108	279,920	265,422	186,007	1,297,507	2,076,840	2,335,557	2,188,059	2,420,238	2,469,835
Federal sources	19,861	21,330	27,479	24,349	29,481	35,079	36,823	38,021	75,912	69,573
Total revenue	2,672,472	2,558,535	2,582,759	2,481,786	3,401,281	4,182,150	4,366,453	4,229,087	4,513,305	4,547,325
Expenditures										
Instruction										
Regular Instruction	768,634	796,456	822,123	861,533	1,014,930	1,048,621	1,073,447	1,114,785	1,250,693	1,224,026
Special education instruction	32,165	34,488	37,394	20,193	32,444	32,043	76,122	59,676	58,332	116,074
Other special instruction	43,954	38,609	53,718	53,538	67,333	50,866	59,094	54,502	88,747	73,852
Support Services:										
Tuition	234,473	282,263	203,919	226,440	261,619	228,720	207,447	169,172	120,531	138,323
Student & instruction related services	183,859	193,368	329,311	337,904	348,648	367,447	427,841	503,142	522,695	490,595
General administrative	178,399	158,785	113,814	90,586	133,178	135,435	160,752	63,209	61,902	61,799
School administrative services	4,649	2,600	-	4,250	-	-	-	100,000	130,525	103,850
Central services	7,254	46,635	91,272	95,362	112,896	120,523	109,212	131,745	136,190	138,698
Operations and maintenance	356,109	337,697	378,189	428,513	792,901	636,585	638,380	603,952	692,717	642,129
Student transportation	175,287	109,810	99,340	130,139	124,669	96,586	110,231	67,333	76,355	95,793
Unallocated employee benefits	542,475	381,772	422,946	453,078	476,938	497,305	552,514	692,404	749,347	795,661
Capital outlay	95,229	85,584	51,747	17,417	309,358	813,447	1,074,133	574,176	466,479	488,865
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-	-
Total general fund expenditures	2,622,487	2,468,067	2,603,773	2,718,953	3,674,914	4,027,578	4,489,173	4,134,096	4,354,513	4,369,665
Excess (Deficiency) of revenues over (under) expenditures	49,985	90,468	(21,014)	(237,167)	(273,633)	154,572	(122,720)	94,991	158,792	177,660
Other Financing sources (uses)										
Insurance Recoveries	-	-	-	-	-	-	-	45,580	-	-
Prior year's account payable cancelled	-	-	-	-	-	-	-	-	-	-
Accrued interest on bonds	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(2,066)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(2,066)	-	-	45,580	-	-
Net change in fund balances	\$ 49,985	\$ 90,468	\$ (21,014)	\$ (237,167)	\$ (275,699)	\$ 154,572	\$ (122,720)	\$ 140,571	\$ 158,792	\$ 177,660
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Deal School District
General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Interest	26,400	5,804	1,035	823	36	-	-	-	-	-
Tuition	391,553	361,096	293,492	240,501	-	-	-	-	-	-
Transportation fees	-	-	-	-	-	-	-	-	-	-
Admissions	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Refund prior year's expenditures	-	-	-	-	-	-	-	-	-	-
Polling place rentals	-	-	-	-	-	-	-	-	-	-
Book fines	-	-	-	-	-	-	-	-	-	-
Miscellaneous	99,869	71,757	104,036	100,986	106,555	102,529	26,371	35,305	49,453	40,215
	<u>517,822</u>	<u>438,657</u>	<u>398,563</u>	<u>342,310</u>	<u>106,591</u>	<u>102,529</u>	<u>26,371</u>	<u>35,305</u>	<u>49,453</u>	<u>40,215</u>

Source: District Records

Deal School District
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities	Net Valuation Taxable	Total Direct School Tax Rate	Estimated Actual (County Equalized Value)
2008	47,043,100	1,042,771,600	0	0	13,309,100	0	2,470,500	1,105,594,300	0	465,808	1,106,060,108	0.164	2,810,822,442
RV 2009	120,733,500	2,574,121,300	0	0	29,987,800	0	5,240,500	2,730,083,100	0	1,152,909	2,731,236,009	0.069	2,910,448,625
2010	121,464,500	2,507,573,100	0	0	30,806,000	0	5,240,500	2,665,084,100	0	1,126,173	2,666,210,273	0.072	2,842,847,654
2011	114,989,500	2,467,029,400	0	0	30,662,000	0	5,240,500	2,617,921,400	0	1,006,538	2,618,927,938	0.075	2,864,330,719
RA 2012	83,920,500	1,959,860,500	0	0	24,490,000	0	3,790,700	2,072,061,700	0	1,032,793	2,073,094,493	0.095	2,654,960,932
2013	207,785,300	1,943,019,000	0	0	26,117,100	0	3,790,700	2,180,712,100	0	874,923	2,181,587,023	0.095	2,387,169,930
2014	83,120,900	1,715,030,600	0	0	24,296,500	0	3,623,500	1,826,071,500	0	743,492	1,826,814,992	0.108	1,791,702,365
2015	81,671,300	1,859,758,100	0	0	24,378,600	0	3,222,900	1,969,030,900	0	774,719	1,969,805,619	0.108	2,079,230,095
RA 2016	92,816,800	1,876,035,600	0	0	22,591,200	0	3,128,200	1,994,571,800	0	776,055	1,995,347,855	0.099	2,086,507,982
2017	99,040,300	1,996,600,500	0	0	22,723,000	0	3,215,600	2,121,579,400	0	776,200	2,122,355,600	0.093	2,211,236,367

Source: District records Tax list summary & Municipal Tax Assessor

RV: Revaluation
RA: Reassessment

Deal School District
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (rate per \$100 of assessed value)
 Unaudited

Fiscal Year Ended June 30,	Deal School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Borough of Deal	Monmouth County	
2008	0.164	0.000	0.164	0.400	0.610	1.174
2009	0.069	0.000	0.069	0.143	0.268	0.480
2010	0.072	0.000	0.072	0.168	0.287	0.527
2011	0.075	0.000	0.075	0.186	0.302	0.563
2012	0.095	0.000	0.095	0.242	0.359	0.696
2013	0.095	0.000	0.095	0.258	0.349	0.702
2014	0.108	0.000	0.108	0.306	0.300	0.714
2015	0.100	0.000	0.100	0.293	0.322	0.715
2016	0.099	0.000	0.099	0.292	0.308	0.699
2017	0.093	0.000	0.093	0.304	0.300	0.697

Source: District Records and Municipal Tax Collector

Deal School District
Principal Property TaxPayers*
Current Year and Nine Years Ago
Unaudited

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Individual Taxpayer #1	\$ 26,412,700	1	1.24%			
Individual Taxpayer #2	21,484,700	2	1.01%			
Individual Taxpayer #3	12,034,800	3	0.57%			
Individual Taxpayer #4	11,696,700	4	0.55%			
Individual Taxpayer #5	11,420,700	5	0.54%			
Individual Taxpayer #6	10,637,700	6	0.50%		N/A	
Individual Taxpayer #7	10,180,400	7	0.48%			
Individual Taxpayer #8	9,958,200	8	0.47%			
Individual Taxpayer #9	9,503,100	9	0.45%			
Individual Taxpayer #10	9,464,700	10	0.45%			
Total	<u>\$ 132,793,700</u>		<u>6.26%</u>			

Source: Municipal Tax Assessor

Deal School District
Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Amount</u>	<u>Percentage of Levy</u>	<u>Collections in Subsequent Years</u>
2008	1,748,681	1,748,681	100.00%	0
2009	1,818,628	1,818,628	100.00%	0
2010	1,891,293	1,891,293	100.00%	0
2011	1,929,120	1,929,120	100.00%	0
2012	1,967,702	1,967,702	100.00%	0
2013	1,967,702	1,967,702	100.00%	0
2014	1,967,702	1,967,702	100.00%	0
2015	1,967,702	1,967,702	100.00%	0
2016	1,967,702	1,967,702	100.00%	0
2017	1,967,702	1,967,702	100.00%	0

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

Deal School District
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
 Unaudited

Not Applicable

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2008									
2009									
2010									
2011									
2012									
2013									
2014									
2015									
2016									
2017									

Deal School District
 Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years
 Unaudited

Not Applicable

General Bonded Debt Outstanding

<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Deductions</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2008					
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					

Deal School District
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2017
 Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Deal	5,212,102	100%	5,212,102
Other debt			
Monmouth County	456,319,190	0.02%	<u>9,126,383</u>
Subtotal, overlapping debt			14,338,485
Deal School District Debt			<u>0</u>
Total direct and overlapping debt			<u><u>\$14,338,485</u></u>

**Deal School District
Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited**

Not applicable

Legal Debt Margin Calculation for Fiscal Year 2017

Equalized valuation basis	
2016	2,197,685,573
2015	2,085,733,263
2014	<u>2,069,437,330</u>
Average equalized valuation of taxable property	<u>\$2,117,618,722</u>
Debt limit (3 % of average equalization value)	63,528,561
Total Net Debt Applicable to Limit	-
Legal debt margin	<u>\$ 63,528,561</u>

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit										
Total net debt applicable to limit										
Legal debt margin										
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Deal School District
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2008	1,044	-	60,732	2.5%
2009	1,047	-	57,666	3.3%
2010	753	-	57,750	5.5%
2011	752	-	60,789	5.5%
2012	748	-	62,996	5.6%
2013	743	-	63,625	5.8%
2014	740	-	66,749	6.1%
2015	738	-	69,410	5.7%
2016	720	-	N/A	4.5%
2017	733	-	N/A	3.7%

Deal School District
Principal Employers
Current Year and Nine Years Ago
Unaudited

Not Available

Employer	2017			2008		
	Employees	Rank	Percentage of Total Municipality Employment	Employees	Rank	Percentage of Total Municipality Employment

Deal School District
 Full-time Equivalent District Employees by Function/Program
 Last Ten Fiscal Years
 Unaudited

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	12.7	12.7	12.7	12.7	12.7	12.7	12.0	16.0	16.0	16.0
Special education	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	4.0	4.0
Other special education	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Vocational	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other instruction	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0
Nonpublic school programs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adult/continuing education programs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Support Services:										
Student & instruction related services	0.4	0.4	0.4	0.4	0.4	0.4	0.7	0.0	0.0	0.0
General administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
School administrative services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Other administrative services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administrative information technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Plant operations and maintenance	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pupil transportation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other support services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special Schools	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Food Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Child Care	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	<u>20.1</u>	<u>18.1</u>	<u>18.1</u>	<u>18.1</u>	<u>18.1</u>	<u>18.1</u>	<u>19.7</u>	<u>23.0</u>	<u>25.0</u>	<u>25.0</u>

Source: District Personnel Records

Deal School District
Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year	Daily Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Attendance (ADA) ^c
						Elementary	Middle School	Senior High School	
2008	110	2,400,379	\$ 21,822	1.11%	13.1	8.32:1			
2009	96	2,425,641	\$ 25,267	14.74%	13.1	7.33:1			
2010	92	2,524,546	\$ 27,441	8.60%	13.1	7.60:1			
2011	102	2,677,188	\$ 26,247	-4.35%	13.1	7.78:1			
2012	124	3,365,556	\$ 27,142	3.41%	13.1	9.46:1			
2013	154	3,214,131	\$ 20,871	-23.10%	13.1	8.85:1			
2014	156	3,415,039	\$ 21,891	4.89%	16.1	9.75:1			
2015	163	3,559,920	\$ 21,840	-0.23%	17.1	9.58:1			
2016	165	3,888,034	\$ 23,564	7.89%	17.1	9.58:1			
2017	165	3,880,800	\$ 23,520	-0.19%	17.1	10.6:1			

Sources: District records

Note: Enrollment based on annual October district count.

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

Deal School District
 School Building Information
 Last Ten Fiscal Years
 Unaudited

<u>District Building</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Elementary</u>										
Deal Elementary										
Square Feet	37,119	37,119	37,119	37,119	37,119	37,119	37,119	37,119	37,119	37,119
Capacity (students)	180	180	180	180	180	180	180	180	180	180
Enrollment	110	96	92	102	124	154	156	163	165	167

Number of Schools at June 30, 2017
 Elementary = 1

Source: District records, ASSA

Deal School District
Schedule of Required Maintenance Expenditures by School Facility
Last Ten Fiscal years
Unaudited

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Deal</u> <u>Elementary School</u>	<u>Total</u>
2008	7,068	7,068
2009	67,258	67,258
2010	82,860	82,860
2011	136,663	136,663
2012	73,371	73,371
2013	84,557	84,557
2014	87,383	87,383
2015	84,386	84,386
2016	88,128	88,128
2017	78,977	78,977

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

Source: District records

Deal School District
Insurance Schedule
Year Ended June 30, 2017

Type of Coverage	Coverage	Deductible
Package Policy - MOCSSIF/NJSIG		
Property - Blanket Building & Business Personal Property	\$ 8,335,394	\$ 1,000
Blanket Extra Expense	\$ 50,000,000	\$ 1,000
Valuable Papers	\$ 10,000,000	\$ 1,000
Boiler & Machinery	\$ 100,000,000	\$ 1,000
Comprehensive General Liability	\$ 11,000,000	-
Employee Benefits Liability	\$ 11,000,000	\$ 1,000
Hired & Non-owned Automobile Liability	\$ 11,000,000	-
Environmental Impairment	\$ 1,000,000	\$ 10,000
Earthquake	\$ 50,000,000	\$ 1,000
Flood	\$ 75,000,000	\$ 10,000
Excess Liability - MOCSSIF/NJSIG	\$ 10,000,000	-
School Board Legal Liability - MOCSSIF/NJSIG	\$ 1,000,000	\$ 5,000
Workers Compensation - MOCSSIF/NJSIG	\$ -	-
Excess Workers Compensation - Chubb/NJSIG	\$ -	-
Student Accident - Peoples Benefit/Bollinger	\$ 1,000,000	-
Employee Dishonesty - MOCSSIF/NJSIG	\$ 100,000	\$ 1,000
Michael Salvatore, Ph.D., Board Superintendent - Selective	\$ 500,000	-
Theresa Davis - Treasurer - Selective	\$ 175,000	-
Pia Lordi - Business Administrator/Board Secretary - Selective	\$ 118,000	-

Source: District Records

SINGLE AUDIT SECTION

ALVINO & SHECHTER, L.L.C.

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PCPS of the AICPA Division of CPA Firms

Exhibit K-1

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

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Deal Board of Education
County of Monmouth, New Jersey

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Deal School District, in the County of Monmouth (the "District") as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basis financial statements, and have issued our report thereon dated November 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designated 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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 result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Allen B. Shechter
Licensed Public School Accountant No. 2183
Certified Public Accountant

November 1, 2017
Neptune, New Jersey

ALVINO & SHECHTER, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Exhibit K-2

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

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Deal Board of Education
County of Monmouth, New Jersey

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Deal School District's (the "District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and New Jersey *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2017. 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 the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's 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; audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Those standards, the Uniform Guidance and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedure 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 fiscal year ended June 30, 2017.

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 a 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 Uniform Guidance and 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider 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 that the testing based on the requirements of the Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.



Allen B. Shechter
Licensed Public School Accountant No. 2183
Certified Public Accountant

November 1, 2017
Neptune, New Jersey

DEAL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2017

SCHEDULE A
 Exhibit K-3

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award	Grant Period		Balance at June 30, 2016			Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2017		
					From	To	Accounts Receivable	Unearned Revenue	Due to Grantor						Accounts Receivable	Unearned Revenue	Due to Grantor
U.S. Department of Education																	
Passed-through State Department of Education																	
Special Revenue Fund:																	
Title I	84.010A	S010A160050	NCLB 1000-17	29,063.00	7/1/16	6/30/17					29,063.00	(29,063.00)					
Title II, Part A, Improving Teacher Quality	84.367A	S367A160029	NCLB 1000-17	1,387.00	7/1/16	6/30/17					1,387.00	(1,387.00)					
I.D.E.A. Part B, Basic	84.027	H027A160100	IDEA 1000-17	39,123.00	7/1/16	6/30/17					39,123.00	(39,123.00)					
Total Special Revenue Fund											\$69,573.00	(\$69,573.00)					
Total Federal Financial Awards											\$69,573.00	(\$69,573.00)					

(Note: Single Audit is not Required)

DEAL SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2017

SCHEDULE B
Exhibit K-4

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2016			Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	Balance at June 30, 2017			MEMO	
			From	To	Unearned Revenue (Accts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount				(Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education															
General Funds:															
State Aid - Public Cluster															
School Choice Aid	17-495-034-5120-068	1,785,366.00	7/1/16	6/30/17			1,785,366.00	(1,785,366.00)					*	178,506.30	1,785,366.00
Security Aid	17-495-034-5120-084	5,902.00	7/1/16	6/30/17			5,902.00	(5,902.00)					*	588.64	5,902.00
Special Education Categaorical Aid	17-495-034-5120-089	42,805.00	7/1/16	6/30/17			42,805.00	(42,805.00)					*	4,288.69	42,805.00
Supplemental Enrollment Growth Aid	17-495-034-5120-094	33,201.00	7/1/16	6/30/17			33,201.00	(33,201.00)					*	3,321.63	33,201.00
Under Adequacy Aid	17-495-034-5120-096	57,916.00	7/1/16	6/30/17			57,916.00	(57,916.00)					*	5,781.33	57,916.00
Additional Adjustment Aid	17-495-034-5120-085	138,303.00	7/1/16	6/30/17			138,303.00	(138,303.00)					*	13,833.13	138,303.00
PARCC Readiness Aid	17-495-034-5120-098	2,720.00	7/1/16	6/30/17			2,720.00	(2,720.00)					*	273.30	2,720.00
Per Pupil Growth Aid	17-495-034-5120-097	2,720.00	7/1/16	6/30/17			2,720.00	(2,720.00)					*	273.30	2,720.00
Professional Learning Community Aid	17-495-034-5120-101	1,930.00	7/1/16	6/30/17			1,930.00	(1,930.00)					*	189.21	1,930.00
Total State Aid - Public Cluster							2,070,863.00	(2,070,863.00)					*	207,055.53	2,070,863.00
Transportation Aid	17-495-034-5120-014	31,676.00	7/1/16	6/30/17			31,676.00	(31,676.00)					*	3,174.47	31,676.00
Reimbursed Nonpublic School Transportation Costs	17-100-034-5120-014	2,610.00	7/1/16	6/30/17				(2,610.00)		(2,610.00)			*		2,610.00
Reimbursed Nonpublic School Transportation Costs	16-100-034-5120-014	1,914.00	7/1/15	6/30/16	(1,914.00)		1,914.00						*		
On Behalf TPAF Pension Contributions	17-495-034-5094-002	143,055.00	7/1/16	6/30/17			143,055.00	(143,055.00)					*		143,055.00
On Behalf TPAF Post Retirement Medical Contr.	17-495-034-5094-001	119,197.00	7/1/16	6/30/17			119,197.00	(119,197.00)					*		119,197.00
On Behalf TPAF LTD Insurance Contributions	17-495-034-5094-004	673.00	7/1/16	6/30/17			673.00	(673.00)					*		673.00
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	103,649.47	7/1/16	6/30/17			103,649.47	(103,649.47)					*		103,649.47
Total General Fund					(\$1,914.00)		\$2,471,027.47	(\$2,471,723.47)		(\$2,610.00)			*	\$210,230.00	\$2,471,723.47
Total State Financial Assistance Subject to Single Audit					(\$1,914.00)		\$2,471,027.47	(\$2,471,723.47)		(\$2,610.00)			*	\$210,230.00	\$2,471,723.47
Less:															
On Behalf Assistance Not Included in State Single Audit - Major Program Determination															
Total State Financial Assistance Subject to State Single Audit - Major Program Determination															(\$2,208,798.47)

DEAL SCHOOL DISTRICT
Notes to the Schedules of Expenditures of Awards and Financial Assistance
June 30, 2017

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which is presented using the accrual basis of accounting. These bases of accounting are described in Notes 1 to the Board's basic financial statements. The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(1,889.00) for the general fund and \$.00 for the special revenue fund. See Note A to required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	.00	2,469,834.47	2,469,834.47
Special Revenue Fund	69,573.00	.00	69,573.00
Food Service Fund	<u>.00</u>	<u>.00</u>	<u>.00</u>
Total Awards & Financial Assistance	<u>\$69,573.00</u>	<u>2,469,834.47</u>	<u>2,539,407.47</u>

DEAL SCHOOL DISTRICT
Notes to the Schedules of Expenditures of Awards and Financial Assistance
June 30, 2017

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER INFORMATION

The amount reported as TPAF Pension, Post-Retirement Medical and LTD Insurance Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2017. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017.

NOTE 6. ON-BEHALF PROGRAMS - STATE SINGLE AUDIT MAJOR PROGRAM DETERMINATION

On-behalf State Programs for TPAF Pension, Post-Retirement Medical and LTD Insurance Contributions payments are included in the calculation for expenditures subject to State single audit determination but are excluded from the calculation for State single audit major program determination. The Schedule of State Financial Assistance provides a reconciliation of state financial assistance reported in the District's basic financial statements and the amount subject to State single audit major program determination.

NOTE 7. DE MINIMUS INDIRECT COST RATE

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

DEAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section I - Summary of Auditor's Report

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- 1) Material weakness(es) identified? _____ yes X no
- 2) Were significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported
- Noncompliance material to basic financial statements noted? _____ yes X no

State Awards

Dollar threshold used to distinguish between type A and B programs: \$750,000.00

Auditee qualified as low-risk auditee? X yes _____ no

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

Internal Control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 Section .516(a) of the Uniform Guidance or New Jersey OMB Circular Letter 15.08 as applicable? _____ yes X no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
_____	State Aid Public Cluster
17-495-034-5120-068	_____ School Choice Aid
17-495-034-5120-089	_____ Special Education Categorical Aid
17-495-034-5120-084	_____ Security Aid
17-495-034-5120-094	_____ Supplemental Enrollment Growth Aid
17-495-034-5120-085	_____ Additional Adjustment Aid
17-495-034-5120-097	_____ Per Pupil Growth Aid
17-495-034-5120-098	_____ PARCC Readiness Aid
17-495-034-5120-096	_____ Under Adequacy Aid
17-495-034-5120-101	_____ Professional Learning Community Aid

Section II - Financial Statement Findings

NONE

Section III - State Financial Assistance Findings and Questioned Costs

NONE

DEAL SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2017

STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings since all areas of State financial assistance for the prior year were found to be in compliance.