

# **Comprehensive Annual Financial Report**

**of the**

**Essex Fells School District**

**Essex Fells, New Jersey**

**For the Fiscal Year Ended June 30, 2017**

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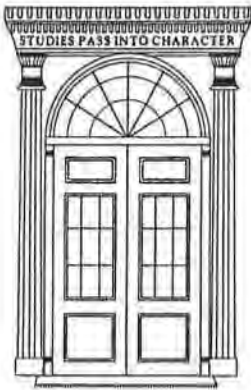
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## INTRODUCTORY SECTION



Essex Fells School District  
102 Hawthorne Road  
Essex Fells, New Jersey 07021

October 31, 2017

Honorable President and  
Members of the Board of Education  
Essex Fells School District  
County of Essex, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report of the Essex Fells School District for the fiscal year ended June 30, 2017, is respectfully submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

## 1. REPORTING ENTITY AND ITS SERVICES

Essex Fells School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Essex Fells 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 Pre-School through 6. These include regular as well as special education for handicapped youngsters. The District completed the 2016-2017 fiscal year with an enrollment of 223 students which is 6.70% above the previous year's enrollment. The following details the changes in the student enrollment of the District over the last five years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-17	223.0	6.70%
2015-16	209.0	(0.48%)
2014-15	210.0	0.48%
2013-14	209.0	(0.48%)
2012-13	210.0	2.44%

## 2. ECONOMIC CONDITION AND OUTLOOK

Essex Fells continues to be a very stable community relying solely on its residential tax base to meet the needs of its citizens. The Borough remains an attractive place to live with the quality of its housing stock being improved and upgraded on an ongoing basis by its residents.

## 3. MAJOR INITIATIVES

During the 2016-2017 school year, the School District accomplished the following:

- EFS was the recipient of the 2016 National Blue Ribbon Award.
- Successful N.J. State PARCC Assessments with 100% participation and #1 scores of all N.J. Elementary Schools.
- Teachers continued to differentiate instruction as an instructional methodology. Formative and ongoing assessments are conducted regularly in order to infuse enrichment and reinforcement lessons into the students' instruction on individual levels. These assessments are documented and data is analyzed to inform future instruction.
- Students utilized a dual platform of both MAC and PC computers on a daily basis. Laptops, I-Pads and desktop devices are available for student and staff use in all classrooms. Every classroom is equipped with a smartboard and document camera. A one to one laptop program is evidenced in 3<sup>rd</sup> - 6<sup>th</sup> grades where teachers and students use Google Classroom, Buncee, Achieve 3000 and Read Works to instruct students through technology.
- Teachers received inservice staff development training on Teamwork, HIB, Achieve 3000, Wilson and Special Education. The Global Compliance Network is utilized to insure staff members meet all mandated training requirements.
- The inclusion co-teaching model between the regular education teacher and the special education teachers continued to be the approach of instruction at each grade level, Preschool - Grade 6, in 1 of the 2 sections.



- Students continued to participate in the Essex County Gifted and Talented consortium and are involved in a variety of activities, including Totally Global and Problem Solving events which are hosted by EFS. John Hopkins CTY continues the learning beyond the classroom for identified students.
- The implementation of a district wide STEAM program has proven to be successful as the classroom teachers have worked with the Art and Technology teachers to infuse Art and Tech projects into daily lessons such as pumpkinology, 3D printing and web design. A 3D printer, photo printer and poster printer enhance STEAM programming.
- The District continued to participate in joint activities with the consortium districts of the West Essex Region. Joint meetings, training sessions, student activities, textbook sharing and curriculum writing are among many of the collaborative efforts.
- The arts were celebrated with successful Art and Music Festival, Art Therapist providing weekly Character Education Class Meetings, Olympic Days, Cultural Arts Assemblies and an after school enrichment program funded by the Essex Fells Foundation for Educational Excellence.
- In summary, during the 2016-2017 school year the Essex Fells School District continued to provide a high quality education to its students within a safe and nurturing environment.

#### **4. INTERNAL ACCOUNTING CONTROLS**

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

#### **5. BUDGETARY CONTROLS**

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts reappropriated were reported as reservations of fund balance at 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. FINANCIAL INFORMATION AT FISCAL YEAR-END**

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service revenues for the fiscal year ended June 30, 2017 and the amount and percentage of increase in relation to prior year revenues.

	<u>June 30, 2017</u>	<u>Percentage of Total</u>	<u>June 30, 2016</u>	<u>Increase/ Decrease from 2016</u>	<u>% of Increase/ Decrease</u>
<u>Revenues</u>					
Local Sources	\$ 4,478,956.65	85.21%	\$ 4,380,661.46	\$ 98,295.19	2.24%
State Sources	129,674.00	2.47%	184,168.00	(54,494.00)	-29.59%
TPAF Pension, Medical and Disability Contributions	431,698.00	8.21%	350,990.00	80,708.00	22.99%
TPAF Social Security Contributions	165,917.67	3.15%	154,043.52	11,874.15	7.71%
Federal Sources	50,306.00	0.96%	70,470.00	(20,164.00)	-28.61%
Total Revenues	<u>\$ 5,256,552.32</u>	<u>100.00%</u>	<u>\$ 5,140,332.98</u>	<u>\$ 116,219.34</u>	
<u>Expenditures</u>					
Instruction	\$ 2,256,809.71	43.89%	\$ 2,245,167.76	\$ 11,641.95	0.52%
Undistributed Costs	2,826,355.71	54.96%	2,693,517.88	132,837.83	4.93%
Special Schools	12,555.00	0.24%	25,259.50	(12,704.50)	-50.30%
Capital Outlay	46,807.08	0.91%	141,841.79	(95,034.71)	-67.00%
Total Expenditures	<u>\$ 5,142,527.50</u>	<u>100.00%</u>	<u>\$ 5,105,786.93</u>	<u>\$ 36,740.57</u>	

**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 Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

**9. RISK MANAGEMENT**

The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, school board liability, errors and omissions and fidelity bonds. The District is a member of a pooled insurance group through the New Jersey School Boards Association Insurance Group (NJSBAIG).

**10. OTHER INFORMATION**

**Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Samuel Klein and Company was selected by the Board of Education after reviewing the responses to a Request for Proposal issued prior to the end of the fiscal year. In addition to meeting the requirements set forth in state statutes, the audit also is designed to meet the requirements of the Uniform Guidance and State Treasury Circular Letter 15-08-OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports that relate specifically to the single audit are included in the single audit section of this report.

**11. ACKNOWLEDGMENTS**

We would like to express our appreciation to the members of the Essex Fells Board of Education for their concern in providing educational leadership and fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of the educational programs and financial operation of the school community. The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire Essex Fells School staff.

Respectfully submitted,

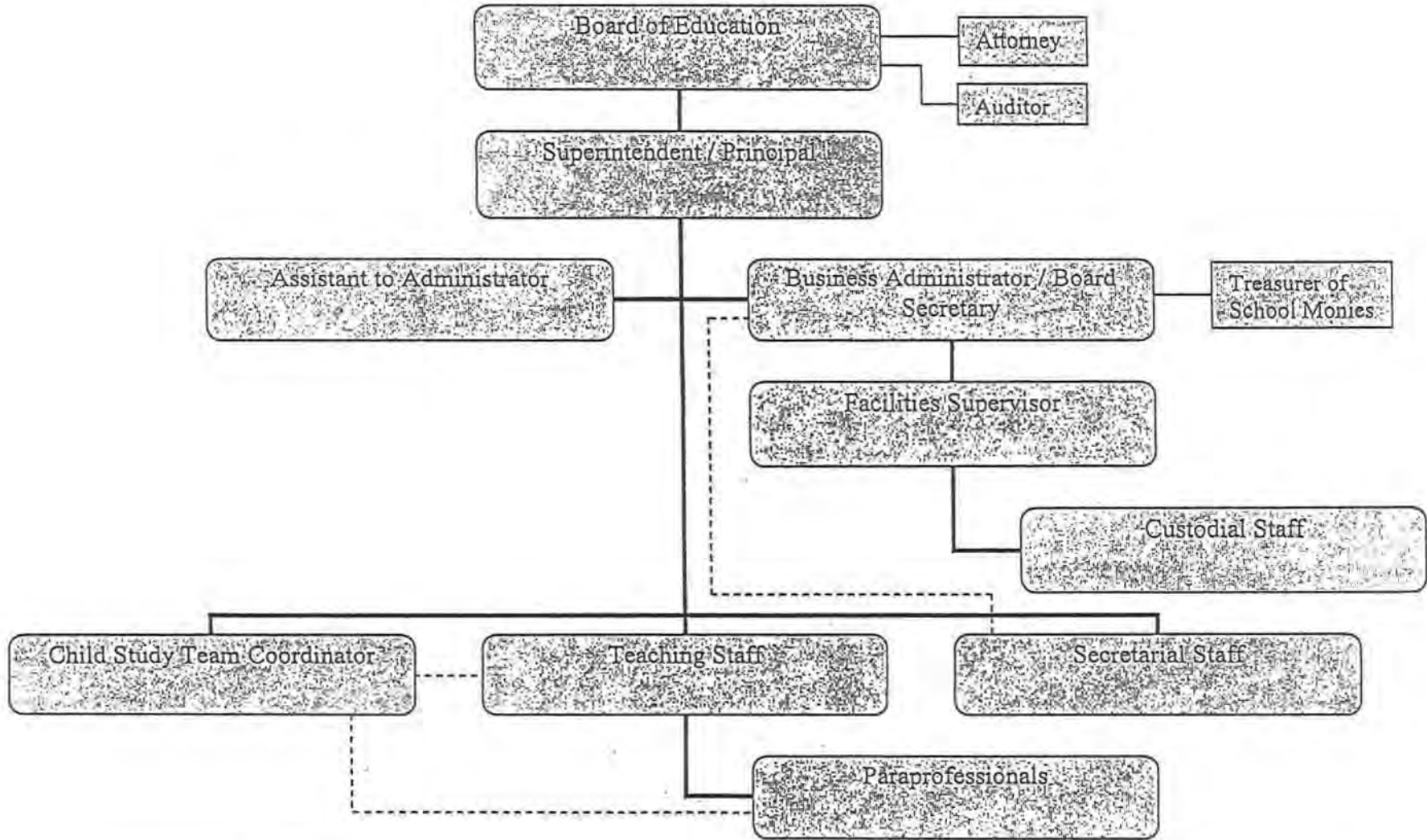


Michelle V. Gadaleta  
Superintendent of Schools/  
Principal



Steven J. Lella  
School Business Administrator/  
Board Secretary

**Essex Fells Public School**  
**ORGANIZATIONAL CHART**



———— Direct Chain  
 - - - - Indirect Chain

ESSEX FELLS BOARD OF EDUCATION  
ESSEX FELLS, NEW JERSEY

ROSTER OF OFFICIALS  
JUNE 30, 2017

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Carol D'Alessandro, President	2017
Shani Drogin, Vice President	2019
Kris Huegel	2019
Dr. Steven LoCascio	2018
Debra Tedesco	2018
 <u>Other Officials</u>	
Michelle V. Gadaleta, Superintendent of Schools	
Steven J. Lella, Business Administrator/Board Secretary	
Marie Criscuolo, Treasurer of School Moneys	

**ESSEX FELLS BOARD OF EDUCATION  
CONSULTANTS AND ADVISORS**

**Architect**

Robert E. Donahue, Architect  
14 Main Street, Suite 305  
Madison, New Jersey 07940

**Audit Firm**

Samuel Klein and Company  
Certified Public Accountants  
550 Broad Street, 11<sup>th</sup> Floor  
Newark, New Jersey 07102

**Attorney**

Fogarty & Hara, Esqs.  
21-00 Route 208 South  
Fair Lawn, New Jersey 07410

**Official Depositories**

Valley National Bank  
15 Roseland Avenue  
Caldwell, New Jersey 07006

and

State of New Jersey Cash Management Fund  
State Street Bank and Trust  
P. O. Box 5994  
Boston, MA 02206-5994

**FINANCIAL SECTION**

# SAMUEL KLEIN AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

550 BROAD STREET, 11TH FLOOR  
NEWARK, N.J. 07102-9969  
PHONE (973) 624-6100  
FAX (973) 624-6101

33 WEST MAIN STREET, SUITE 303  
FREEHOLD, N.J. 07728-2291  
PHONE (732) 780-2600  
FAX (732) 780-1030

## INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members  
of the Board of Education  
Essex Fells School District  
County of Essex  
Essex Fells, New Jersey 07021

### 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 Essex Fells School District, in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to 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 School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School'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, business-type activities, each major fund and the aggregate remaining fund information of the Essex Fells School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

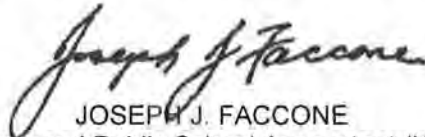
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Essex Fells School District's basic financial statements. The accompanying supplementary information, which consists of the combining and individual nonmajor fund financial statements and the other information such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of the Essex Fells School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Essex Fells School District's 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 Essex Fells School District's internal control over financial reporting and compliance.



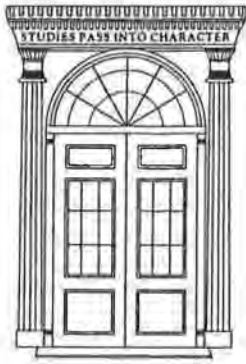
JOSEPH J. FACCONI  
Licensed Public School Accountant #194



SAMUEL KLEIN AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey  
October 31, 2017

**REQUIRED SUPPLEMENTARY INFORMATION - PART I**



Essex Fells School District  
102 Hawthorne Road  
Essex Fells, New Jersey 07021

October 31, 2017

Honorable President and  
Members of the Board of Education  
Essex Fells Board of Education  
102 Hawthorne Road  
Essex Fells, New Jersey 07021

Dear Board Members:

### **Management's Discussion and Analysis of Financial Statements**

The following analysis of Essex Fells Board of Education's financial performance provides a summary of the District's financial integrity. The intent of the analysis is to provide an interpretation of the financial statements. This is the fourteenth year of the State Mandated GASB 34 reporting for school districts. School districts operate as a non-profit organization, yet, GASB 34 is instrumental in providing outside entities the opportunity to measure for profit operations. Financial information that is analyzed utilizing GASB 34 for non-profit entities may well contain irrelevant and misleading reports. School districts are now being required to account for asset depreciation even though the need to match revenues with purchased assets are not necessary since all similar purchases are budgeted for in capital outlay and expensed in the operating year.

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

The statement of Net Position provides a summary of assets, items costing more than \$2,000 each, and their accumulated depreciation. Accumulated Depreciation is the yearly costing of an asset's useful life. Accrual accounting is utilized as prescribed by GAAP (Generally Accepted Accounting Principals).

### **Fund Financial Statements**

School Districts utilize two categories for reporting assets. The first category identified as Governmental Funds, records the most activity. Governmental Funds reflects activity within the following sub-groups:

#### **Governmental Funds**

##### General Fund (Fund 10)

Fund 11 Distributed and Undistributed Instructional Accounts - Asset Producing

Fund 12 Capital Outlay - Asset Producing

Fund 13 Special Schools - Non Asset Producing

Special Revenue (Fund 20)

Fund 20 Grants and Entitlements - Asset Producing

Capital Projects (Fund 30)

Fund 30 Capital Projects/Construction in progress - Asset Producing

Debt Service (Fund 40)

Fund 40 Debt Service payments for Bonds and Interest - Non Asset Producing

**Fiduciary Funds**

Agency Fund (Fund 90)

Fund 90 Agency accounts for funds held in a custodial capacity for employees of the district (payroll) -  
Non Asset Producing

Student Activity Fund (Fund 95)

Fund 95 Student Activity funds owned, operated and managed by and for students under the guidance/  
Direction of Adults - Non Asset Producing

**Fixed Assets**

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

<u>Governmental Activities</u>	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance June 30, 2017</u>
Nondepreciable Assets:				
Land	\$ 101,069.00	\$	\$	\$ 101,069.00
Depreciable Assets:				
Building and Building Improvements	5,281,367.49	29,293.00		5,310,660.49
Machinery and Equipment	922,128.00	17,514.08		939,642.08
	<u>6,304,564.49</u>	<u>46,807.08</u>	<u>-</u>	<u>6,351,371.57</u>
Less Accumulated Depreciation:				
Building and Building Improvements	(1,558,010.00)	(133,260.00)		(1,691,270.00)
Machinery and Equipment	(814,185.00)	(10,561.00)		(824,746.00)
	<u>(2,372,195.00)</u>	<u>(143,821.00)</u>	<u>-</u>	<u>(2,516,016.00)</u>
Governmental Activities - Net Capital Assets	<u>\$ 3,932,369.49</u>	<u>\$ (97,013.92)</u>	<u>\$ -</u>	<u>\$ 3,835,355.57</u>

## GENERAL LONG-TERM DEBT

During the fiscal ended June 30, 2017, the following changes occurred in liabilities reported in the General Long-Term Debt Account Group:

**Table B**

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year	Long-Term Portion
Compensated Absences	\$ 39,883.95	\$ 3,132.12	\$ -	\$ 43,016.07	\$ -	\$ 43,016.07

**Table C**  
**Change in Net Position**

	Governmental Activities
<u>Revenues</u>	
Local Tax	\$4,403,627.00
Federal and State Aid	129,674.00
Other	72,829.65
Total Revenues	<u>\$4,606,130.65</u>
<u>Expenditures</u>	
Instruction	\$2,753,764.19
Student Support Services	744,149.25
Administration	421,677.50
Operations and Maintenance	431,627.54
Pupil Transportation	120,260.13
Special Schools	14,994.26
Unallocated Depreciation	143,821.00
Total Expenditures	<u>\$4,630,293.87</u>
Increase/Decrease	<u>\$ (24,163.22)</u>

### Governmental Activities

Local tax levy comprises 95.60% of the District's source of revenue. A small number of students received into a paid regular education Pre-School program generates tuition revenue.

Instructional expenses comprise 59.47% of the operating budget. Instructional expenses include teacher's salaries, supplies, and textbooks.

Student Support Services, including health services, social work, child study team, and guidance support, as well as supervision of instruction and staff development, account for 16.07% of the 2016-17 expenditures.

Operations and Maintenance are expenses mandated by the State Department of Education to maintain all building systems. Costs for the maintenance and custodial departments comprise 9.32% of the 2016-17 expenditures.

Business services are expenditures associated with the business and financial aspect of the District. Expenditures include payroll, accounting, accounts payable, benefits processing, technology, and personnel departments.

Special Schools include summer school.

### **Business Activities**

A latch key program is no longer operated by the District. The District currently has an arrangement with outside vendors to provide this service directly to parents. The District does not operate a food service program.

### **Future Outlook**

The future fiscal outlook for the Essex Fells Board of Education is favorable. The School District is sufficiently funded to meet the educational and capital requirements. However, concern continues to be the budget cap restrictions recently imposed on school districts.

On a more global basis, the Essex Fells Borough is generally unable to increase the tax base. The Borough's tax base has remained relatively flat. The Borough is close to full build out, with very little space, if any, available for further development that might increase the ratable base. Because of this, in concert with fluctuations in state aid, the likelihood of continued tax increases for the average homeowner over the next five years is likely.

The Administration continues to be committed to addressing all of the educational needs of the Essex Fells students while delivering a responsible budget to the taxpayers.

Respectfully submitted,



Steven J. Lella  
School Business Administrator/Board Secretary

## **BASIC FINANCIAL STATEMENTS**



**A. DISTRICT-WIDE FINANCIAL STATEMENTS**

ESSEX FELLS SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

A-1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 653,727.51	\$	\$ 653,727.51
Investments	39,193.55		39,193.55
Receivables, Net	37,666.05		37,666.05
Restricted Assets:			
Capital Reserve Account - Cash	373,727.06		373,727.06
Total Current Assets	<u>1,104,314.17</u>		<u>1,104,314.17</u>
Noncurrent Assets:			
Capital Assets, Net	<u>3,835,355.57</u>		<u>3,835,355.57</u>
Total Assets	<u>4,939,669.74</u>		<u>4,939,669.74</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount Related to Pension	<u>287,127.00</u>		<u>287,127.00</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	500.00		500.00
Interfunds Payable	12,822.25		12,822.25
Deferred Inflows	12,500.00		12,500.00
Total Current Liabilities	<u>25,822.25</u>		<u>25,822.25</u>
Long-Term Liabilities:			
Due Beyond One Year (Note 6)	43,016.07		43,016.07
Net Pension Liability (Note 8)	874,993.00		874,993.00
Total Long-Term Liabilities	<u>918,009.07</u>		<u>918,009.07</u>
Total Liabilities	<u>943,831.32</u>		<u>943,831.32</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amount Related to Pension	<u>148,492.00</u>		<u>148,492.00</u>
<b>NET POSITION</b>			
Investment in Capital Assets, Net of Related Debt	3,835,355.57		3,835,355.57
Restricted for:			
Capital Projects	373,727.06		373,727.06
Other Purposes	435,451.86		435,451.86
Unrestricted	<u>(510,061.07)</u>		<u>(510,061.07)</u>
Total Net Position	<u>\$ 4,134,473.42</u>	<u>\$ -</u>	<u>\$ 4,134,473.42</u>

See accompanying notes to financial statements.

ESSEX FELLS SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

A-2

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change In Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>						
<b>Instruction:</b>						
Regular Instruction	\$ 2,246,337.66	\$	\$ 287,016.32	\$ (1,959,321.34)	\$	\$ (1,959,321.34)
Special Education Instruction	734,677.15		103,489.63	(631,187.53)		(631,187.53)
Other Instruction	188,937.90		26,614.56	(162,323.34)		(162,323.34)
School Sponsored Activities	1,084.80		152.81	(931.99)		(931.99)
<b>Support Services:</b>						
Student and Instruction Related Services	872,698.87		128,549.62	(744,149.25)		(744,149.25)
General Administration Services	195,712.21		20,913.93	(174,798.28)		(174,798.28)
School Administration Services	116,332.72		16,283.34	(100,049.38)		(100,049.38)
Central Services	168,391.01		21,561.17	(146,829.84)		(146,829.84)
Plant Operations and Maintenance	475,419.68		43,792.14	(431,627.54)		(431,627.54)
Pupil Transportation	120,260.13			(120,260.13)		(120,260.13)
Special Schools	17,042.41		2,048.15	(14,994.26)		(14,994.26)
Unallocated Depreciation	143,821.00			(143,821.00)		(143,821.00)
<b>Total Governmental Activities</b>	<b>\$ 5,280,715.54</b>	<b>\$ -</b>	<b>\$ 650,421.67</b>	<b>\$ (4,630,293.87)</b>	<b>\$ -</b>	<b>\$ (4,630,293.87)</b>
 <b>General Revenues:</b>						
<b>Taxes:</b>						
Property Taxes, Levied for General Purposes, Net				\$ 4,403,627.00	\$	\$ 4,403,627.00
Federal and State Aid Not Restricted				129,674.00		129,674.00
Tuition Received				63,000.00		63,000.00
Miscellaneous				9,829.65		9,829.65
<b>Total General Revenues</b>				<b>4,606,130.65</b>		<b>4,606,130.65</b>
Change in Net Position				(24,163.22)		(24,163.22)
Net Position Beginning				4,158,636.64		4,158,636.64
Net Position Ending				<b>\$ 4,134,473.42</b>	<b>\$ -</b>	<b>\$ 4,134,473.42</b>

**B. FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

ESSEX FELLS SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

B-1

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 653,727.51	\$	\$ 653,727.51
Investments	39,193.55		39,193.55
Receivable from Other Governments	37,666.05		37,666.05
Due from Other Funds	4,635.17		4,635.17
Restricted Cash and Cash Equivalents	<u>373,727.06</u>		<u>373,727.06</u>
<b>Total Assets</b>	<b><u>\$ 1,108,949.34</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,108,949.34</u></b>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 500.00	\$	\$ 500.00
Interfunds Payable	17,457.42		17,457.42
Deferred Inflows	<u>12,500.00</u>		<u>12,500.00</u>
<b>Total Liabilities</b>	<b><u>30,457.42</u></b>		<b><u>30,457.42</u></b>
Fund Balances:			
Restricted for:			
Excess Surplus - Current Year	200,000.00		200,000.00
Excess Surplus - Prior Year - Designated for Subsequent Year's Expenditures	200,000.00		200,000.00
Capital Reserve	<u>373,727.06</u>		<u>373,727.06</u>
Committed to:			
Other Purposes	35,451.86		35,451.86
Unassigned:			
General Fund	<u>269,313.00</u>		<u>269,313.00</u>
<b>Total Fund Balances</b>	<b><u>1,078,491.92</u></b>		<b><u>1,078,491.92</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,108,949.34</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,108,949.34</u></b>

Total Fund Balance above \$ 1,078,491.92

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

Deferred outflows related to pension contributions subsequent to the net position liability measurement date and other deferred items are not current financial resources and therefore are not reported as assets in the funds (See Note 8). 287,127.00

Deferred inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the funds (See Note 8). (148,492.00)

Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 8). (874,993.00)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of capital assets is \$6,351,371.57 and the accumulated depreciation is \$2,516,016.00 (See Note 5). 3,835,355.57

Long-term liabilities, including bonds, loans and leases payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 6). (43,016.07)

**Net Position of Governmental Activities (A-1)** **\$ 4,134,473.42**

ESSEX FELLS SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

B-2

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Local Sources:			
Local Tax Levy	\$ 4,403,627.00	\$	\$ 4,403,627.00
Tuition Charges	63,000.00		63,000.00
Interest Earned	517.37		517.37
Miscellaneous	9,312.28		9,312.28
Total Local Sources	<u>4,476,456.65</u>		<u>4,476,456.65</u>
State Sources	727,289.67		727,289.67
Federal Sources		50,306.00	50,306.00
Private Sources		2,500.00	2,500.00
Total Revenues	<u>5,203,746.32</u>	<u>52,806.00</u>	<u>5,256,552.32</u>
<u>Expenditures</u>			
Current:			
Regular Instruction	1,617,497.31		1,617,497.31
Special Education Instruction	507,935.86		507,935.86
Other Instruction	130,626.54		130,626.54
School Sponsored Activities	750.00		750.00
Support Services and Undistributed Costs:			
Student and Instruction Related Services	653,941.88	52,806.00	706,747.88
General Administrative Services	149,890.69		149,890.69
School Administrative Services	80,656.62		80,656.62
Central Services	121,151.42		121,151.42
Plant Operations and Maintenance	379,473.00		379,473.00
Pupil Transportation	120,260.13		120,260.13
Employee Benefits	1,268,175.97		1,268,175.97
Special Schools	12,555.00		12,555.00
Capital Outlay	46,807.08		46,807.08
Total Expenditures	<u>5,089,721.50</u>	<u>52,806.00</u>	<u>5,142,527.50</u>
Excess of Revenues Over Expenditures	<u>114,024.82</u>	<u>-</u>	<u>114,024.82</u>
Net Change in Fund Balances	114,024.82		114,024.82
Fund Balance July 1	<u>964,467.10</u>		<u>964,467.10</u>
Fund Balance June 30	<u>\$ 1,078,491.92</u>	<u>\$ -</u>	<u>\$ 1,078,491.92</u>

ESSEX FELLS SCHOOL DISTRICT  
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

B-3

	<u>Ref.</u>	
Total Net Change in Fund Balances - Governmental Funds	B-2	\$ 114,024.82
<p>Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>		
Depreciation Expense		\$ (143,821.00)
Capital Outlays		<u>46,807.08</u>
		(97,013.92)
<p>Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest cost, administrative costs, investment returns, and experience/assumption. This is the amount by which net position liability and deferred inflows/outflows related to pension changed during the period.</p>		
		(38,042.00)
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacation) are measured by the amounts earned during the year. In the governmental fund, 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 reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>		
Compensated Absences		<u>(3,132.12)</u>
Change in Net Position of Governmental Activities	A-2	<u>\$ (24,163.22)</u>



**PROPRIETARY FUNDS**

**FIDUCIARY FUNDS**

ESSEX FELLS SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

B-7

<u>ASSETS</u>	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
Cash and Cash Equivalents	\$ 16,654.50	\$ 9,122.85
Interfunds Receivable:		
Due from General Fund	17,457.42	
Due from Unemployment Compensation Trust		<u>2,224.16</u>
 Total Assets	 <u>\$ 34,111.92</u>	 <u>\$ 11,347.01</u>
 <u>LIABILITIES</u>		
Payable to Student Groups	\$	\$ 3,408.48
Payroll Deductions and Withholdings		3,303.36
Interfunds Payable:		
Due to General Fund		4,635.17
Due to Payroll Agency Fund	<u>2,224.16</u>	
 Total Liabilities	 <u>2,224.16</u>	 <u>\$ 11,347.01</u>
 <u>NET POSITION</u>		
Held in Trust for Unemployment Claims and Other Purposes	 <u>\$ 31,887.76</u>	

ESSEX FELS SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

B-8

Unemployment  
Compensation  
Trust Fund

Additions

Deductions from Employees' Salaries  
Budget Appropriation  
Total Additions

\$ 4,811.77  
17,417.37  
22,229.14

Deductions

Claims  
Total Deductions

17,417.37  
17,417.37

Change in Net Position

4,811.77

Total Net Position - Beginning

27,075.99

Total Net Position - Ending

\$ 31,887.76

***NOTES TO THE FINANCIAL STATEMENTS***

**ESSEX FELLS SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Essex Fells School District (the "District") is a Type II District located in the County of Essex, State of New Jersey. As a Type II District, the District functions independently through a Board of Education (the "Board"). The Board is comprised of five members elected to three-year terms. The purpose of the District is to educate students in grades K-6. The Essex Fells School District had an approximate enrollment at June 30, 2017 of 223 students.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Essex Fells Local School District, this includes general operations and student related activities of the School District.

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Essex Fells Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below:

**A. Basis of Presentation**

The School District's basic financial statements consist of government-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.

**1. Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### A. Basis of Presentation (Continued)

#### 1. Government-Wide Financial Statements (Continued)

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

#### 2. Fund Financial Statements

During the 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.

Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

### B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

#### 1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Fund Accounting (Continued)

#### 1. Governmental Funds (Continued)

##### General Fund (Continued)

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.

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

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs. The District does not currently have any debt service.

Permanent Fund - The Permanent Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. Resources are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting entity's programs - that is, for the benefit of the school district. The District presently has no resources that are considered permanent funds.

#### 2. Proprietary Fund Type

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

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



## 2. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

### B. ***Fund Accounting (Continued)***

#### 2. ***Proprietary Fund Type (Continued)***

##### ***Enterprise Fund (Continued)***

All Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total position) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position. The District does not currently utilize any enterprise funds.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund statement of net position. The District has no capital fixed assets acquired or utilized by the Enterprise Fund.

***Internal Service Funds*** - These funds may be used to report any activity that provides goods or services to other funds, departments or agencies of the primary entity and its component units, or to other governments, on a cost-reimbursement basis. In addition, internal service funds are used only if the reporting school district is the predominant participant in the activity. The District does not currently utilize any internal service funds.

#### 3. ***Fiduciary Funds***

Fiduciary Fund reporting focuses on net position and changes in net position. They are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. There are four fiduciary fund types - pension (and other employee benefit) trust funds, investment trust funds, private-purpose trusts and agency funds. The overarching rule for these funds is that they should never be used to report resources that can be used for programs of the reporting district.

***Unemployment Insurance Trust*** - The SUI Fund is an employee benefit trust fund which accounts for resources held and administered while acting in a fiduciary capacity for individuals or other government agencies. Assets are held in trust for members of the defined contribution plan.

***Scholarship Fund*** - This is a private-purpose trust fund under which principal and income benefit individuals, private organizations or other governments. It is a default fund type for assets held in trust for others outside the reporting district. No Scholarship Fund is maintained by the District.

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

#### 4. ***Long-Term Debt***

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt, not in the governmental funds. This includes serial bonds outstanding that are expected to be financed from governmental funds, the outstanding principal balance on capital leases, lease-purchase agreements, compensated absences, claims and judgments, early retirement incentive programs and rebatable arbitrage.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus

#### 1. Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Position.

#### 2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fiduciary funds are reported using the economic resources measurement focus.

### D. Basis of Accounting

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

Ad Valorem (Property) Taxes are susceptible to accrual and 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 moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. Basis of Accounting (Continued)

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

### E. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. The budgets are submitted to the County Office for approval. Budgets which meet the tax levy cap requirements do not require voter approval. Budgets which exceed the tax levy cap require voter approval for the excess amount at the November election. 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. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of N.J.A.C. 6A:23A-2.3 (et seq.).

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

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

The overexpenditures related to on-behalf payments in the general fund are due to the inclusion of the nonbudgeted on-behalf payments made by the State of New Jersey as district expenditures. These amounts are offset by related revenues and as such do not represent budgetary overexpenditures.

The following presents a reconciliation of the General Fund Revenue and Special Revenue Fund Revenue from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Budgets/Budgetary Control (Continued)

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

	General <u>Fund</u>	Special Revenue <u>Fund</u>
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 5,203,990.32	\$ 52,806.00
Difference - Budget-to-GAAP:		
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	9,771.00	-
State aid payments recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(10,015.00)</u>	-
Total revenue as reported on the statement of revenue, expenditures, and changes in fund balances - governmental funds.	<u>\$ 5,203,746.32</u>	<u>\$ 52,806.00</u>
Uses/Outflow of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 5,089,721.50	\$ 52,806.00
Difference - Budget-to-GAAP:		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	_____	_____
Total expenditures as reported on the statement of revenue, expenditures, and changes in fund balances - governmental funds.	<u>\$ 5,089,721.50</u>	<u>\$ 52,806.00</u>

### F. 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 deferred inflows 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.

### G. Cash, Cash Equivalents and Investments

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### G. Cash, Cash Equivalents and Investments (Continued)

New Jersey school districts are limited 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 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.

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

### H. Tuition Receivable

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

### I. Tuition Payable

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

### J. Short-Term Interfund Receivables/Payables

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

### K. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	40 years
Furniture and Equipment	5 - 20 years
Vehicles	5 years

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

### M. Compensated Absences

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

The entire sick leave and vacation leave liabilities are reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

### N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, 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 governmental funds. However, the noncurrent portion of capital leases, compensated absences and loans payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

### O. Net Position

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### O. Net Position (Continued)

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

### P. Deferred Inflows

Deferred Inflows in the special revenue fund represents cash that has been received but not yet earned. Deferred Inflows in the General Fund represents prepaid fees collected for future programs.

### Q. Fund Equity

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

### R. Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") 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. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five (5) categories, as defined below:

- a. Nonspendable - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, noncurrent receivables and corpus of any permanent funds.
- b. Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.
- c. Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revised or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
- d. Assigned - amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Interest is expressed by either the Board of Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### R. Fund Balance (Continued)

- e. Unassigned – includes all spendable amounts not contained in the other classifications in the general fund. This classification represents 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 position unassigned fund balance amount. In the 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 both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

### S. Proprietary Funds Revenues and Expenses

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expense and depreciation on Capital Assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The District does not currently utilize any enterprise funds.

### T. Rebatable Arbitrage

Rebatable arbitrage results from investing the proceeds of borrowed funds either directly or indirectly into investments that are higher in yield than the bond yield incurred on the borrowed funds. In accordance with GASB 34, rebatable arbitrage is treated like a claim or judgment. All interest income is reported as revenue of the Capital Projects Fund. The liability, if any, is recorded in the "Statement of Net Position".

### U. Allocation of 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. Employee benefits, including the employer's share of social security, worker's compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the 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. No expenses were allocated as "Indirect Expenses".

### V. Extraordinary and Special Items

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### W. Accounting and Financial Reporting for Pensions

In fiscal year 2015, the District implemented GASB 68. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement was effective for periods beginning after June 15, 2014.

The District has also implemented GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

### X. Other Accounting Standards

The District is currently reviewing the following for applicability and potential impact on the financial statements:

- *GASB Statement No. 75. Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

Effective Date: The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 82. Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The District does not expect this Statement to impact its financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### X. Other Accounting Standards (Continued)

- *GASB Statement No. 83. Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 84. Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 85. Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 27, 2017. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 86. Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 27, 2017. The District does not expect this Statement to impact its financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### X. Other Accounting Standards (Continued)

- **GASB Statement No. 87. Leases.** The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

## 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The District classifies certificates of deposit that have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments. The District is in compliance with GASB Statement No. 3 as amended by GASB Statement No. 40.

### Deposits

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

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

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

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

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

Cash equivalents include money market funds, mutual funds, cash management funds and certificates of deposit with maturity dates of less than three months. Investments include certificates of deposit with maturity dates of more than three months. Cash equivalents and investments are stated at cost, which approximates market. Cash equivalents and investments were held by the Board in the Board's name.

Custodial Credit Risk - This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Board will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Board does not have a policy for custodial credit risk. Federal depository insurance and New Jersey's Governmental Unit Deposit Protection Act mitigate this risk.

### 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

#### Deposits (Continued)

Interest Rate Risk - This is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to change in market interest rates. The Board's investment policy does not include limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2017, the Board's cash, cash equivalents and investments consisted of:

	<u>2017</u>
Valley National Bank - Checking Accounts	\$ 1,053,231.92
N.J. Cash Management Fund	<u>39,193.55</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 1,092,425.47</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2017 was \$1,184,574.17. Of the bank balance, \$250,000.00 was covered by Federal Depository Insurance and \$934,574.17 was covered by the Governmental Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental unit's deposits in excess of the Federal deposit maximums.

Of the total amount, deposits of \$373,727.06 have been earmarked towards the Capital Reserve Account (See Note 5).

As of June 30, 2017, the Board had investments in the State of New Jersey Cash Management Fund. The carrying amount of the investment at June 30, 2017 was \$39,193.55.

#### Investments

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

As of June 30, 2017, the Board had funds invested and on deposit in checking and New Jersey Cash Management accounts. The amount on deposit of the Board's cash, cash equivalents and investments as of June 30, 2017 was \$1,223,767.72. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 40.

**4. INTERGOVERNMENTAL ACCOUNTS RECEIVABLE**

Intergovernmental Accounts Receivable at June 30, 2017 consisted of State sources. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements
General Fund:	
State Aid:	
Extraordinary Aid	\$ 29,328.00
TPAF FICA Reimbursement	<u>8,338.05</u>
	<u>\$ 37,666.05</u>

**5. CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the Essex Fells Board of Education during 1998 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6A:23A-14.1(g)*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning Balance, July 1, 2016		\$198,988.63
Increased by:		
Deposits	\$174,221.06	
Interest Earned	<u>517.37</u>	
		<u>174,738.43</u>
Ending Balance, June 30, 2017		<u>\$373,727.06</u>

**6. CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance June 30, 2017</u>
Nondepreciable Assets:				
Land	\$ 101,069.00	\$	\$	\$ 101,069.00
Depreciable Assets:				
Building and Building Improvements	5,281,367.49	29,293.00		5,310,660.49
Machinery and Equipment	922,128.00	17,514.08		939,642.08
	<u>6,304,564.49</u>	<u>46,807.08</u>	<u>-</u>	<u>6,351,371.57</u>
Less Accumulated Depreciation:				
Building and Building Improvements	(1,558,010.00)	(133,260.00)		(1,691,270.00)
Machinery and Equipment	(814,185.00)	(10,561.00)		(824,746.00)
	<u>(2,372,195.00)</u>	<u>(143,821.00)</u>	<u>-</u>	<u>(2,516,016.00)</u>
Governmental Activities - Net Capital Assets	<u>\$ 3,932,369.49</u>	<u>\$ (97,013.92)</u>	<u>\$ -</u>	<u>\$ 3,835,355.57</u>

**7. LONG-TERM LIABILITIES AND DEBT**

**Long-Term Liability Conversion - June 30, 2017**

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>	<u>Long-Term Portion</u>
Compensated Absences	<u>\$ 39,883.95</u>	<u>\$ 3,132.12</u>	<u>\$ -</u>	<u>\$ 43,016.07</u>	<u>\$ -</u>	<u>\$ 43,016.07</u>

**A. Serial Bonds Payable**

As of June 30, 2017, the Board had no serial bonds payable.

**B. Bonds Authorized but Not Issued**

As of June 30, 2017, the Board had no authorized but not issued bonds.

**C. Capital Leases Payable**

As of June 30, 2017, there were no capital leases obligating the District.

**8. OPERATING LEASES**

The District has commitments to lease copying equipment under operating leases which expire in December 2021. The operating lease payments made during the year ended June 30, 2017 were \$11,042.80. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,940.02	\$ 2,279.38	\$ 660.64
2019	2,940.00	2,427.60	512.40
2020	2,940.00	2,585.50	354.50
2021	2,940.00	2,753.67	186.33
2022	<u>1,470.00</u>	<u>1,443.29</u>	<u>26.71</u>
	<u>\$ 13,230.02</u>	<u>\$ 11,489.44</u>	<u>\$ 1,740.58</u>

**9. 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 Pensions and Benefits, P. O. Box 295, Trenton, New Jersey 08625.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund 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, all employer contributions are made by the State of New Jersey on-behalf of the District and the system's other related noncontributing 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.

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.

## 9. PENSION PLANS (Continued)

### 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:6 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 1/55 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). Pension benefits for members enrolled in PERS after May 21, 2010 would be based on 1/60<sup>th</sup> of the average annual compensation for the last five years of service or any five fiscal years of membership that provide the largest benefit to the member of the member's beneficiary. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). 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

P.L. 2011, c. 78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operates and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of TPAF and 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 ¼ to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS is increased from age 62 to 65 for Tier 5 members.
- Active member contribution rates will increase. TPAF and PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS 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.

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 New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

In accordance with the provisions of Chapter 78, P.L. 2011, employee pension contribution rates for TPAF and PERS is currently 7.20% of employees' annual compensation, as defined.



9. **PENSION PLANS (Continued)**

**Contribution Requirements (Continued)**

Employers are required to contribute at an actuarially determined rate in both PERS and TPAF. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the TPAF and PERS. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premium. Under current statute, the school is a noncontributing employer of the TPAF.

**Three-Year Trend Information for PERS**

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Net Cost to District</u>	<u>Percentage of APC Contributed</u>
June 30, 2017	\$ 26,246.00	\$ 26,246.00	100%
June 30, 2016	31,968.00	31,968.00	100%
June 30, 2015	32,233.00	32,233.00	100%

**Three-Year Trend Information for TPAF  
(Paid On-Behalf of the District)**

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Post-Retirement Medical Benefits</u>	<u>Long-Term Disability Insurance</u>
June 30, 2017	\$ 234,977.00	100%	\$ 195,790.00	\$ 931.00
June 30, 2016	160,216.00	100%	190,774.00	
June 30, 2015	117,160.00	100%	185,993.00	

During the fiscal year ended June 30, 2017, the State of New Jersey contributed \$234,977.00 to the TPAF for normal pension, \$195,790.00 for post-retirement medical benefits and \$931.00 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 \$165,917.67 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. This amount has been included in the basic financial statements and the individual fund statements and schedules as a revenue and expenditure in accordance with GASB 27.

**Teachers' Pension and Annuity Fund (TPAF)**

**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 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.

9. **PENSION PLANS (Continued)**

**Teachers' Pension and Annuity Fund (TPAF) (Continued)**

**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 \$15,742,010, as measured on June 30, 2016 and \$13,696,839 as measured on June 30, 2015.

For the year ended June 30, 2017, the district recognized pension expense of \$1,182,793 and revenue of \$1,182,793 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>June 30, 2015</u>	<u>June 30, 2016</u>
Collective Deferred Outflows of Resources	\$ 7,521,378,257	\$ 17,414,701,002
Collective Deferred Inflows of Resources	554,399,005	134,532,594
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	13,696,839	15,742,010
State's Portion of the Net Pension Liability that was Associated with the District as a Percentage of the Collective Net Pension Liability	0.0216707489%	0.020011105%

**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:	2.5%
Salary Increases:	Varies Based on Experience
Investment Rate of Return:	7.65%

## 9. PENSION PLANS (Continued)

### Teachers' Pension and Annuity Fund (TPAF) (Continued)

#### Actuarial Assumptions (Continued)

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%
U.S. Government Bonds	1.50	1.28
U.S. Credit Bonds	13.00	2.76
U.S. Mortgages	2.00	2.38
U.S. Inflation-Indexed Bonds	1.50	1.41
U.S. High Yield Bonds	2.00	4.70
U.S. Equity Market	26.00	5.14
Foreign-Developed Equity	13.25	5.91
Emerging Market Equities	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

#### Discount Rate

The discount rate used to measure the 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 will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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.

## 9. PENSION PLANS (Continued)

### Teachers' Pension and Annuity Fund (TPAF) (Continued)

#### 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 Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/pdf/financial/qasb68-tpaf17.pdf>.

#### 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 Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

### Public Employees' Retirement System (PERS)

#### 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 \$874,993.00 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 total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2015. 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 years ended June 30, 2016 and 2015. At June 30, 2016, the District's proportion was 0.0029543474%, which was a decrease of 0.0007640215% from its proportion measured as of June 30, 2015.

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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

For the year ended June 30, 2017, the District recognized pension expense of \$32,318.00. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 16,272	\$
Changes of Assumptions	181,252	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	33,364	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	29,993	148,492
District Contributions Subsequent to the Measurement Date	<u>26,246</u>	<u>          </u>
Total	<u>\$287,127</u>	<u>\$ 148,492</u>

The \$26,246.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2017 the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended 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>	<u>Amount</u>
2017	\$ 51,982.41
2018	51,982.41
2019	60,223.36
2020	50,596.43
2021	<u>16,103.69</u>
	<u>\$ 230,888.30</u>

9. **PENSION PLANS (Continued)**

Public Employees' Retirement System (PERS) (Continued)

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

*Additional Information:*

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

	<u>June 30, 2015</u>	<u>June 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 (Nonstate - Local Group)	22,447,996,119	29,617,131,759
District's Portion of Net Pension Liability	834,699	874,993
District's Proportion %	0.0037183689%	0.0029543474%

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%

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

## 9. PENSION PLANS (Continued)

### Public Employees' Retirement System (PERS) (Continued)

#### Long-Term 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 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%
U.S. 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 U.S. 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 U.S.	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. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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.

**9. PENSION PLANS (Continued)**

**Public Employees' Retirement System (PERS) (Continued)**

**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 one percentage point lower (2.98%) or one percentage point higher (4.98%) than the current rate:

	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 1,072,202	\$ 874,993	\$ 712,180

**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 Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

**10. DEFINED CONTRIBUTION RETIREMENT PROGRAM**

**Description of System**

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. This waiver is irrevocable.

As of May 21, 2010, the minimum base salary required for eligibility in the DCRP was increased to \$5,000.00.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee and employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment options provided by the employer.

The law required that three classes of employees enroll in the DCRP, detailed as follows:

- All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the Public Employees' Retirement System (PERS).
- A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.
- Employees enrolled in the PERS on or after July 1, 2007 who earn salary in excess of established "maximum compensation" limits.



## 10. DEFINED CONTRIBUTION RETIREMENT PROGRAM (Continued)

### Description of System (Continued)

- Employees otherwise eligible to enroll in the PERS on or after November 2, 2008 who do not earn the minimum salary for PERS Tier 3, but who earn salary of at least \$5,000.00.
- Employees otherwise eligible to enroll in the PERS after May 21, 2010, who do not work the minimum number of hours per week required for PERS Tier 4 or Tier 5 enrollment (32 hours per week) but who earn salary of at least \$5,000.00 annually.

Notwithstanding the foregoing requirement, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

### Contributions Required and Made

Contributions made by employees for DCRP are currently at 5.5% of their base wages. Member contributions are matched by a 3.0% employer contribution. Contributions to the plan for the past three years are as follows:

<u>Fiscal Year</u>	<u>School District</u>	<u>Employees</u>
2017	\$4,420.14	\$ 8,993.44
2016	3,998.90	9,874.04
2015	6,676.33	11,726.77

## 11. 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 benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c. 126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (ABP) 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 Fiscal Year 2016.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at:

<http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

## 12. 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 right 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 liability for vested compensated absences of the governmental fund types is recorded in the Statement of Net Position. The current portion of the compensated absences balance of the governmental funds is reported separately on the Statement of Net Position.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017, no liability existed for compensated absences in the Enterprise Fund.

## 13. DEFERRED COMPENSATION

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

The Variable Annuity Life Insurance Company  
AXA Equitable Life Insurance Company

## 14. RISK MANAGEMENT

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

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$ 17,417.37	\$	\$ 4,811.77	\$ 17,417.37	\$ 31,887.76
2015-2016	15,504.00		4,756.57	15,504.00	27,075.99
2014-2015	14,761.66		4,616.55	14,761.66	22,319.42

**15. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 2017:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 4,635.17	\$17,457.42
State Unemployment Insurance Trust	17,457.42	2,224.16
Agency Funds	<u>2,224.16</u>	<u>4,635.17</u>
	<u>\$24,316.75</u>	<u>\$24,316.75</u>

**16. FUND BALANCE APPROPRIATED**

**General Fund** - Of the \$1,078,491.92 General Fund fund balance reported in Statement "B-1" at June 30, 2017, \$35,451.86 is reserved for encumbrances; \$400,000.00 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7 (\$200,000.00 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2018); \$373,727.06 is for capital reserve and \$269,313.00 is unreserved and undesignated.

**Debt Service Fund** - The Debt Service Fund fund balance at June 30, 2017 is \$ - 0 -.

**17. CALCULATION OF EXCESS SURPLUS**

In accordance with N.J.S.A. 18:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund 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. Excess Surplus as of June 30, 2017 was \$200,000.00.

**18. CONTINGENT LIABILITIES**

**A. Litigation**

No litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a material adverse impact on the financial condition of the Board of Education.

General liability and other claims, currently pending against the School District, are handled by insurance carriers.

**B. Federal and State Awards**

The School District participates in several federal and state grant and aid programs which are governed by various rules and regulations of the grantor agencies, therefore, to the extent that the School District has not complied with the rules and regulations governing the grants or aid, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2017 may be impaired. In the opinion of the management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provisions have been recorded in the accompanying general purpose financial statements for such contingencies.

**19. SECONDARY MARKET DISCLOSURE**

Solely for purposes of complying with Rule 1602-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the requirements in accordance with Paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the municipality shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof various financial documents relating to the financial conditions of the Municipal Securities Rulemaking Board through the Electronic Municipal Access Data Port (the "MSRB").

**20. RECONCILIATION OF FUND BALANCE - GENERAL FUND**

The Surpluses are presented on a GAAP basis and a reconciliation from the budget basis to the GAAP basis is as follows:

	<u>Unreserved and Designated</u>
Balance on a Budget Basis on the General Fund Budgetary Basis Comparison	\$ 1,088,506.92
Less: Allocation of State Aid Payment of \$10,015.00 Not Recognized on a GAAP Basis	<u>(10,015.00)</u>
Balances on a GAAP Basis on the Governmental Fund Balance Sheet	<u>\$ 1,078,491.92</u>

**21. TAX ABATEMENTS**

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

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

**22. SUBSEQUENT EVENT**

The Essex Fells School District has evaluated subsequent events that occurred after the balance sheet date, but before October 31, 2017. No items were determined to require disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**C. BUDGETARY COMPARISON SCHEDULES**

ESSEX FELS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

C-1  
Sheet #1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Revenues</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 4,403,627.00	\$	\$ 4,403,627.00	\$ 4,403,627.00	\$
Tuition	50,000.00		50,000.00	63,000.00	13,000.00
Interest Earned on Capital Reserve Funds	100.00		100.00	517.37	417.37
Miscellaneous	<u>8,000.00</u>		<u>8,000.00</u>	<u>9,312.28</u>	<u>1,312.28</u>
<b>Total - Local Sources</b>	<u>4,461,727.00</u>		<u>4,461,727.00</u>	<u>4,476,456.65</u>	<u>14,729.65</u>
<b>State Sources:</b>					
Special Education Categorical Aid	89,272.00		89,272.00	89,272.00	
Security Aid	3,084.00		3,084.00	3,084.00	
Transportation Aid	1,019.00		1,019.00	1,019.00	
Extraordinary Aid				29,328.00	29,328.00
<b>Other State Aids:</b>					
Additional Adjustment Aid	1,915.00		1,915.00	1,915.00	
PARCC Readiness Aid	1,760.00		1,760.00	1,760.00	
Per Pupil Growth Aid	1,760.00		1,760.00	1,760.00	
Professional Learning Community Aid	1,780.00		1,780.00	1,780.00	
<b>Nonbudgeted:</b>					
On-Behalf TPAF Post-Retirement Medical Contributions				195,790.00	195,790.00
On-Behalf Teacher's Pension and Annuity Fund Contributions				234,977.00	234,977.00
On-Behalf TPAF Long-Term Disability Insurance Contributions				931.00	931.00
Reimbursed TPAF Social Security Contributions				<u>165,917.67</u>	<u>165,917.67</u>
<b>Total - State Sources</b>	<u>100,590.00</u>		<u>100,590.00</u>	<u>727,533.67</u>	<u>626,943.67</u>
<b>Total Revenues</b>	<u>\$ 4,562,317.00</u>	<u>\$ -</u>	<u>\$ 4,562,317.00</u>	<u>\$ 5,203,990.32</u>	<u>\$ 641,673.32</u>

ESSEX FELLS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

C-1  
Sheet #2

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Current Expense:					
Instruction - Regular Programs:					
Salaries of Teachers:					
Preschool	\$ 69,677.00	\$ 0.48	\$ 69,677.48	\$ 69,431.80	\$ 245.68
Kindergarten	169,026.00	0.32	169,026.32	164,601.90	4,424.42
Grades 1 - 5	995,017.00	2,826.21	997,843.21	961,708.96	36,134.25
Grades 6 - 8	213,041.00	(0.09)	213,040.91	211,757.80	1,283.11
Total Instruction - Regular Programs	<u>1,446,761.00</u>	<u>2,826.92</u>	<u>1,449,587.92</u>	<u>1,407,500.46</u>	<u>42,087.46</u>
Regular Programs - Home Instruction:					
Salaries of Teachers	500.00	700.00	1,200.00	1,200.00	
Total Regular Programs - Home Instruction	<u>500.00</u>	<u>700.00</u>	<u>1,200.00</u>	<u>1,200.00</u>	
Regular Programs - Undistributed Instruction:					
Purchased Professional/Educational Services	9,460.00		9,460.00	4,564.74	4,895.26
Purchased Technical Services	60,067.00	0.20	60,067.20	55,015.52	5,051.68
Other Purchased Services (400 - 500 Series)	31,432.00		31,432.00	25,434.98	5,997.02
General Supplies	106,807.00	1,565.41	108,372.41	105,195.00	3,177.41
Textbooks	22,785.00	(1,405.42)	21,379.58	18,586.61	2,792.97
Total Regular Programs - Undistributed Instruction	<u>230,551.00</u>	<u>160.19</u>	<u>230,711.19</u>	<u>208,796.85</u>	<u>21,914.34</u>
Total Regular Programs	<u>1,677,812.00</u>	<u>3,687.11</u>	<u>1,681,499.11</u>	<u>1,617,497.31</u>	<u>64,001.80</u>
Special Education:					
Resource Room/Resource Center:					
Salaries of Teachers	532,605.00	(10,999.80)	521,605.20	507,935.86	13,669.34
Total Resource Room/Resource Center	<u>532,605.00</u>	<u>(10,999.80)</u>	<u>521,605.20</u>	<u>507,935.86</u>	<u>13,669.34</u>
Total Special Education - Instruction	<u>532,605.00</u>	<u>(10,999.80)</u>	<u>521,605.20</u>	<u>507,935.86</u>	<u>13,669.34</u>



ESSEX FELLS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

C-1  
 Sheet #3

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Current Expense:					
Basic Skills:					
Salaries of Teachers	\$ 108,262.00	\$ 22,777.80	\$ 131,039.80	\$ 130,626.54	\$ 413.26
Total Basic Skills	<u>108,262.00</u>	<u>22,777.80</u>	<u>131,039.80</u>	<u>130,626.54</u>	<u>413.26</u>
School Sponsored Cocurricular Activities:					
Salaries	1,000.00		1,000.00	750.00	250.00
Total School Sponsored Cocurricular Activities	<u>1,000.00</u>		<u>1,000.00</u>	<u>750.00</u>	<u>250.00</u>
<b>Total - Instruction</b>	<u>2,319,679.00</u>	<u>15,465.11</u>	<u>2,335,144.11</u>	<u>2,256,809.71</u>	<u>78,334.40</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEA's Within the State - Special	66,070.00	(7,965.00)	58,105.00	54,917.00	3,188.00
Tuition to Private School for the Disabled - Within State	159,385.00	(15,219.20)	144,165.80	137,836.00	6,329.80
Total Instruction	<u>225,455.00</u>	<u>(23,184.20)</u>	<u>202,270.80</u>	<u>192,753.00</u>	<u>9,517.80</u>
Attendance and Social Work:					
Salaries	7,841.00	0.25	7,841.25	7,841.04	0.21
Other Purchased Services (400 - 500 Series)	6,154.00		6,154.00	6,154.00	
Total Attendance and Social Work	<u>13,995.00</u>	<u>0.25</u>	<u>13,995.25</u>	<u>13,995.04</u>	<u>0.21</u>
Health Services:					
Salaries	88,669.00		88,669.00	88,419.00	250.00
Purchased Professional and Technical Services	400.00		400.00		400.00
Other Purchased Services (400 - 500 Series)	100.00		100.00	95.00	5.00
Supplies and Materials	1,435.00		1,435.00	708.59	726.41
Total Health Services	<u>90,604.00</u>		<u>90,604.00</u>	<u>89,222.59</u>	<u>1,381.41</u>
Speech, Occupational Therapy, Physical Therapy, and Related Services:					
Salaries	47,119.00	1,533.53	48,652.53	48,652.53	
Purchased Professional/Educational Services	50,894.00	(1,533.33)	49,360.67	41,453.90	7,906.77

ESSEX FELLS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

C-1  
Sheet #4

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Current Expense:					
Undistributed Expenditures:					
Speech, Occupational Therapy, Physical Therapy, and Related Services:					
Supplies and Materials	\$ 910.00	\$	\$ 910.00	\$ 611.06	\$ 298.94
Total Speech, Occupational Therapy, Physical Therapy, and Related Services:	<u>98,923.00</u>	<u>0.20</u>	<u>98,923.20</u>	<u>90,717.49</u>	<u>8,205.71</u>
Other Support Services - Students - Extra Services:					
Salaries	23,184.00	46,368.00	69,552.00	66,791.12	2,760.88
Total Other Support Services - Students - Extra Services	<u>23,184.00</u>	<u>46,368.00</u>	<u>69,552.00</u>	<u>66,791.12</u>	<u>2,760.88</u>
Child Study Teams:					
Salaries of Other Professional Staff	127,337.00	7,699.93	135,036.93	132,872.00	2,164.93
Salaries of Secretarial and Clerical Assistants	17,180.00	0.40	17,180.40	17,180.40	
Other Purchased Professional and Technical Services	11,151.00	5,340.05	16,491.05	7,175.89	9,315.16
Other Purchased Services (400 - 500 Series)	200.00	44.21	244.21	44.22	199.99
Supplies and Materials	6,122.00	3,897.74	10,019.74	10,019.74	
Other Objects	1,380.00	118.00	1,498.00	1,498.00	
Total Child Study Teams	<u>163,370.00</u>	<u>17,100.33</u>	<u>180,470.33</u>	<u>168,790.25</u>	<u>11,680.08</u>
Improvement of Instructional Services:					
Salaries of Other Professional Staff	13,900.00	(3,663.09)	10,236.91	10,000.00	236.91
Salaries of Facilitators, Math and Literacy Coaches		275.00	275.00		275.00
Purchased Professional/Educational Services	10,500.00		10,500.00	7,320.00	3,180.00
Other Purchased Services (400 - 500 Series)	11,474.00	(11,474.00)			
Supplies and Materials	250.00		250.00	131.51	118.49
Total Improvement of Instructional Services	<u>36,124.00</u>	<u>(14,862.09)</u>	<u>21,261.91</u>	<u>17,451.51</u>	<u>3,810.40</u>
Educational Media Services/School Library:					
Supplies and Materials	1,360.00	149.58	1,509.58	1,488.74	20.84
Other Objects	1,790.00	(149.58)	1,640.42	1,639.50	0.92
Total Educational Media Services/School Library	<u>3,150.00</u>	<u>-</u>	<u>3,150.00</u>	<u>3,128.24</u>	<u>21.76</u>

ESSEX FELLS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

C-1  
 Sheet #5

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Current Expense:					
Undistributed Expenditures:					
Instructional Staff Training Services:					
Other Purchased Services (400 - 500 Series)	\$	\$ 17,362.09	\$ 17,362.09	\$ 11,092.64	\$ 6,269.45
Total Instructional Staff Training Services		<u>17,362.09</u>	<u>17,362.09</u>	<u>11,092.64</u>	<u>6,269.45</u>
Support Services General Administration:					
Salaries	102,647.00	0.62	102,647.62	102,647.36	0.26
Legal Services	25,000.00	4,999.82	29,999.82	14,110.51	15,889.31
Audit Fees	11,000.00		11,000.00	10,775.00	225.00
Architectural/Engineering Services		11,000.00	11,000.00	7,840.00	3,160.00
Other Purchased Professional Services	6,000.00	(6,000.00)			
Purchased Technical Services	2,445.00		2,445.00	2,445.00	
Communications/Telephone	2,890.00	1,000.00	3,890.00	1,652.34	2,237.66
Board of Education Other Purchased Services	3,000.00		3,000.00	618.60	2,381.40
Miscellaneous Purchased Services (400-500 Series)					
Other than 530 and 585)	2,500.00	921.00	3,421.00	2,818.46	602.54
General Supplies	1,005.00	609.34	1,614.34	1,506.53	107.81
Miscellaneous Expenditures	2,900.00	79.00	2,979.00	2,738.99	240.01
Board of Education Membership Dues and Fees	2,800.00		2,800.00	2,737.90	62.10
Total Support Services General Administration	<u>162,187.00</u>	<u>12,609.78</u>	<u>174,796.78</u>	<u>149,890.69</u>	<u>24,906.09</u>
Support Services School Administration:					
Salaries of Principals/Assistant Principals/Program Directors	71,875.00		71,875.00	71,864.08	10.92
Salaries of Secretarial and Clerical Assistants	8,353.00	170.43	8,523.43	8,055.94	467.49
Purchased Professional and Technical Services	2,000.00		2,000.00		2,000.00
Other Purchased Services (400 - 500 Series)	250.00		250.00	181.05	68.95
Supplies and Materials	1,500.00	390.66	1,890.66	555.55	1,335.11
Total Support Services School Administration	<u>83,978.00</u>	<u>561.09</u>	<u>84,539.09</u>	<u>80,656.62</u>	<u>3,882.47</u>
Central Services:					
Salaries	106,130.00	(172.65)	105,957.35	105,824.04	133.31
Purchased Professional Services	9,915.00	922.60	10,837.60	10,837.60	
Miscellaneous Purchased Services (400 - 500 Series)	1,500.00		1,500.00	1,481.93	18.07

ESSEX FELS SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

C-1  
Sheet #6

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Current Expense:					
Undistributed Expenditures:					
Central Services:					
Supplies and Materials	\$ 1,250.00	\$ 661.61	\$ 1,911.61	\$ 1,893.85	\$ 17.76
Miscellaneous Expenditures	1,100.00	88.39	1,188.39	1,114.00	74.39
Total Central Services	<u>119,895.00</u>	<u>1,499.95</u>	<u>121,394.95</u>	<u>121,151.42</u>	<u>243.53</u>
Required Maintenance for School Facilities:					
Salaries	87,494.00	8,415.44	95,909.44	95,751.53	157.91
Cleaning, Repair and Maintenance Services	77,813.00	(8,336.78)	69,476.22	38,885.25	30,590.97
General Supplies	10,000.00		10,000.00	7,558.26	2,441.74
Total Required Maintenance for School Facilities	<u>175,307.00</u>	<u>78.66</u>	<u>175,385.66</u>	<u>142,195.04</u>	<u>33,190.62</u>
Custodial Services:					
Salaries	119,595.00	(0.06)	119,594.94	119,184.00	410.94
Purchased Professional and Technical Services	1,500.00		1,500.00		1,500.00
Cleaning, Repair and Maintenance Services	46,792.00	(7,941.19)	38,850.81	27,437.11	11,413.70
Other Purchased Property Services	1,000.00		1,000.00		1,000.00
Insurance	27,040.00		27,040.00	21,271.22	5,768.78
Miscellaneous Purchased Services	500.00	(126.81)	373.19	249.00	124.19
General Supplies	12,000.00	126.81	12,126.81	12,126.81	
Energy (Natural Gas)	45,000.00	(6,970.00)	38,030.00	21,524.06	16,505.94
Energy (Electricity)	45,000.00		45,000.00	33,408.44	11,591.56
Other Objects	750.00		750.00	440.00	310.00
Total Custodial Services	<u>299,177.00</u>	<u>(14,911.25)</u>	<u>284,265.75</u>	<u>235,640.64</u>	<u>48,625.11</u>
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	5,000.00		5,000.00	1,330.00	3,670.00
General Supplies	500.00		500.00	307.32	192.68
Total Care and Upkeep of Grounds	<u>5,500.00</u>		<u>5,500.00</u>	<u>1,637.32</u>	<u>3,862.68</u>
Student Transportation Services:					
Contracted Services - Aid in Lieu Payment for Nonpublic Students	22,100.00		22,100.00	19,448.00	2,652.00

ESSEX FELS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

C-1  
Sheet #7

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Current Expense:					
Undistributed Expenditures:					
Student Transportation Services:					
Contract Services (Other than Between Home and School) - Vendors	\$ 750.00	\$	\$ 750.00	\$ 366.67	\$ 383.33
Contracted Services (Special Education Students) - ESC's and CTSA	75,000.00	25,445.46	100,445.46	100,445.46	
Total Student Transportation Services	<u>97,850.00</u>	<u>25,445.46</u>	<u>123,295.46</u>	<u>120,260.13</u>	<u>3,035.33</u>
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	58,000.00		58,000.00	55,718.41	2,281.59
Other Retirement Contributions	63,500.00		63,500.00	30,666.14	32,833.86
Unemployment Compensation	20,000.00		20,000.00	17,748.88	2,251.12
Workers' Compensation	37,248.00		37,248.00	22,319.74	14,928.26
Health Benefits	610,000.00	(9,345.46)	600,654.54	518,857.13	81,797.41
Tuition Reimbursement	27,000.00		27,000.00	20,000.00	7,000.00
Other Employee Benefits	1,750.00	3,900.00	5,650.00	5,250.00	400.00
Total Unallocated Benefits - Employee Benefits	<u>817,498.00</u>	<u>(5,445.46)</u>	<u>812,052.54</u>	<u>670,560.30</u>	<u>141,492.24</u>
Nonbudgeted:					
On-Behalf TPAF Post-Retirement Medical Contributions				195,790.00	(195,790.00)
On-Behalf Teacher's Pension and Annuity Fund Contributions				234,977.00	(234,977.00)
On-Behalf TPAF Long-Term Disability Insurance Contributions				931.00	(931.00)
Reimbursed TPAF Social Security Contributions				165,917.67	(165,917.67)
Total Nonbudgeted				<u>597,615.67</u>	<u>(597,615.67)</u>
Total Undistributed Expenditures	<u>2,416,197.00</u>	<u>62,622.81</u>	<u>2,478,819.81</u>	<u>2,773,549.71</u>	<u>(294,729.90)</u>
Total Expenditures - Current Expense	<u>4,735,876.00</u>	<u>78,087.92</u>	<u>4,813,963.92</u>	<u>5,030,359.42</u>	<u>(216,395.50)</u>
Capital Outlay:					
Equipment:					
Undistributed Expenditures:					
Required Maintenance for School Facilities		24,704.08	24,704.08	24,454.08	250.00
Total Equipment		<u>24,704.08</u>	<u>24,704.08</u>	<u>24,454.08</u>	<u>250.00</u>

ESSEX FELLS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

C-1  
Sheet #8

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Capital Outlay:					
Facilities Acquisition and Construction Services:					
Construction Services	\$ 503.00	\$ 21,850.00	\$ 21,850.00	\$ 21,850.00	\$
Assessment for Debt Service on SDA Funding	503.00		503.00	503.00	
Total Facilities Acquisition and Construction Services	<u>503.00</u>	<u>21,850.00</u>	<u>22,353.00</u>	<u>22,353.00</u>	
Total Capital Outlay	<u>503.00</u>	<u>46,554.08</u>	<u>47,057.08</u>	<u>46,807.08</u>	<u>250.00</u>
Special Schools:					
Summer School - Instructional:					
Salaries of Teachers	9,405.00		9,405.00	8,612.50	792.50
Other Salaries for Instruction	2,000.00		2,000.00	1,440.00	560.00
Purchased Professional and Technical Services	9,040.00		9,040.00	2,502.50	6,537.50
Other Purchased Services (400 - 500 Series)	6,000.00		6,000.00	6,000.00	6,000.00
Total Summer School - Instructional	<u>26,445.00</u>		<u>26,445.00</u>	<u>12,555.00</u>	<u>13,890.00</u>
Total Special Schools	<u>26,445.00</u>		<u>26,445.00</u>	<u>12,555.00</u>	<u>13,890.00</u>
Total Expenditures	<u>4,762,824.00</u>	<u>124,642.00</u>	<u>4,887,466.00</u>	<u>5,089,721.50</u>	<u>(202,255.50)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(200,507.00)</u>	<u>(124,642.00)</u>	<u>(325,149.00)</u>	<u>114,268.82</u>	<u>439,417.82</u>
Other Financing Sources (Uses):					
Operating Transfer Out:					
Interest Deposit to Capital Reserve	(100.00)		(100.00)		100.00
Total Other Financing Sources (Uses):	<u>(100.00)</u>		<u>(100.00)</u>		<u>100.00</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>(200,607.00)</u>	<u>(124,642.00)</u>	<u>(325,249.00)</u>	<u>114,268.82</u>	<u>439,517.82</u>
Fund Balances, July 1	<u>974,238.10</u>		<u>974,238.10</u>	<u>974,238.10</u>	
Fund Balances, June 30	<u>\$ 773,631.10</u>	<u>\$ (124,642.00)</u>	<u>\$ 648,989.10</u>	<u>\$ 1,088,506.92</u>	<u>\$ 439,517.82</u>

ESSEX FELLS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

C-1  
Sheet #9

Recapitulation:

  Restricted Fund Balance:

    Capital Reserve

\$ 373,727.06

    Excess Surplus - Designated for Subsequent Years' Expenditures

200,000.00

    Excess Surplus - Current Year

200,000.00

  Committed Fund Balance:

    Year End Encumbrances

35,451.86

  Unassigned Fund Balance

279,328.00

Total

1,088,506.92

Reconciliation to Governmental Funds Statements (GAAP):

  Last State Aid Payment Not Recognized on GAAP Basis

(10,015.00)

Fund Balance Per Governmental Funds (GAAP)

\$ 1,078,491.92

ESSEX FELLS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

C-2

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b><u>REVENUES</u></b>					
Federal Sources	\$ 59,899.00	\$ (9,593.00)	\$ 50,306.00	\$ 50,306.00	\$
Local Sources	<u>2,500.00</u>	<u>                    </u>	<u>2,500.00</u>	<u>2,500.00</u>	<u>                    </u>
Total Revenues	<u>\$ 62,399.00</u>	<u>\$ (9,593.00)</u>	<u>\$ 52,806.00</u>	<u>\$ 52,806.00</u>	<u>\$ -</u>
<b><u>EXPENDITURES</u></b>					
Instruction:					
Purchased Professional and Technical Services	<u>\$ 42,436.00</u>	<u>\$(42,436.00)</u>	\$	\$	\$
Total Instruction	<u>42,436.00</u>	<u>(42,436.00)</u>			
Support Services:					
Purchased Professional and Technical Services		47,913.00	47,913.00	47,913.00	
Other Purchased Services	<u>19,963.00</u>	<u>(15,070.00)</u>	<u>4,893.00</u>	<u>4,893.00</u>	
Total Support Services	<u>19,963.00</u>	<u>32,843.00</u>	<u>52,806.00</u>	<u>52,806.00</u>	<u>                    </u>
Total Expenditures	<u>\$ 62,399.00</u>	<u>\$ (9,593.00)</u>	<u>\$ 52,806.00</u>	<u>\$ 52,806.00</u>	<u>\$ -</u>



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

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

C-3

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/Inflows of Resources:</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	C-1 \$ 5,203,990.32	C-2 \$ 52,806.00
<b>Difference - Budget-to-GAAP:</b>		
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	9,771.00	
State aid payments recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(10,015.00)</u>	
Total revenue as reported on the statement of revenue, expenditures, and changes in fund balances - governmental funds	B-2 <u>\$ 5,203,746.32</u>	B-2 <u>\$ 52,806.00</u>
<b>Uses/Outflow of Resources:</b>		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	C-1 \$ 5,089,721.50	C-2 \$ 52,806.00
<b>Difference - Budget-to-GAAP:</b>		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	<u>                    </u>	<u>                    </u>
Total expenditures as reported on the statement of revenue, expenditures, and changes in fund balances - governmental funds	B-2 <u>\$ 5,089,721.50</u>	B-2 <u>\$ 52,806.00</u>

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

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

**Note: GASB 68 requires that ten years of statistical data be presented. The following unaudited information is presented utilizing information available. Data for the latest years available has been presented. Each year hereafter, an additional year's data will be included until ten years of data is presented.**

ESSEX FELLS SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FOUR FISCAL YEARS  
 (Unaudited)

L-1

	Fiscal Year Ending June 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.0030%	0.0037%	0.0039%	0.0036%
District's proportionate share of the net pension liability (asset)	\$ 874,993	\$ 834,699	\$ 732,048	\$ 691,119
State's proportionate share of the net pension liability (asset) associated with the District	<u>29,617,131,759</u>	<u>22,447,996,119</u>	<u>18,722,735,003</u>	<u>19,111,986,911</u>
Total	<u>\$ 29,618,006,752</u>	<u>\$ 22,448,830,818</u>	<u>\$ 18,723,467,051</u>	<u>\$ 19,112,678,030</u>
District's covered-employee payroll	\$ 266,581	\$ 215,620	\$ 262,939	*
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	328.23%	387.12%	278.41%	*
Plan fiduciary net position as a percentage of the total pension liability	40.14%	47.93%	52.08%	48.72%

\* Data was not provided by School District.

ESSEX FELS SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FIVE FISCAL YEARS  
 (Unaudited)

L-2

	Fiscal Year Ending June 30,				
	2017	2016	2015	2014	2013
Contractually required contribution	\$ 26,246	\$ 31,968	\$ 32,233	\$ 25,230	\$ 26,649
Contributions in relation to the contractually required contribution	<u>(26,246)</u>	<u>(31,968)</u>	<u>(32,233)</u>	<u>(25,230)</u>	<u>(26,649)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 321,626	\$ 266,581	\$ 215,620	\$ 262,939	*
Contributions as a percentage of covered-employee payroll	8.16%	11.99%	14.95%	9.60%	*

\* Data was not provided by School District.

ESSEX FELLS SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
 TEACHERS' PENSION AND ANNUITY FUND  
 LAST FOUR FISCAL YEARS  
 (Unaudited)

L-3

	Fiscal Year Ending June 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.0200%	0.0217%	0.0199%	0.0216%
District's proportionate share of the net pension liability (asset)	\$ 15,742,010	\$ 13,696,839	\$ 10,655,663	\$ 10,929,693
State's proportionate share of the net pension liability (asset) associated with the District	<u>78,666,367,052</u>	<u>63,204,270,305</u>	<u>53,446,745,367</u>	<u>50,539,213,484</u>
Total	<u>\$ 78,682,109,062</u>	<u>\$ 63,217,967,144</u>	<u>\$ 53,457,401,030</u>	<u>\$ 50,550,143,177</u>
District's covered-employee payroll	\$ 2,155,910	\$ 2,144,244	\$ 2,095,183	*
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	730.18%	638.77%	508.58%	*
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%

\* Data was not provided by School District.

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



**ESSEX FELS SCHOOL DISTRICT  
COUNTY OF ESSEX**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III  
FOR THE YEAR ENDED JUNE 30, 2017**

**Changes of Benefit Terms and Changes of Assumptions**

Refer to Note 9 on the Notes to Financial Statements for benefits and assumptions.

**OTHER SUPPLEMENTARY INFORMATION**

**D. SCHOOL-BASED BUDGET SCHEDULES (IF APPLICABLE)**

**E. SPECIAL REVENUE FUND**

ESSEX FELLS SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

E-1

	I.D.E.A. Part B Basic <u>2016-2017</u>	I.D.E.A. Part B Preschool <u>2016-2017</u>	Title II, Part A <u>2016-2017</u>	Safety Grant	Totals FY 2017
<u>REVENUES</u>					
Federal Sources	\$ 44,206.00	\$ 3,707.00	\$ 2,393.00	\$	\$ 50,306.00
Local Sources				<u>2,500.00</u>	<u>2,500.00</u>
Total Revenues	<u>\$ 44,206.00</u>	<u>\$ 3,707.00</u>	<u>\$ 2,393.00</u>	<u>\$ 2,500.00</u>	<u>\$ 52,806.00</u>
<u>EXPENDITURES</u>					
Support Services:					
Purchased Professional and Technical Services	\$ 44,206.00	\$ 3,707.00	\$	\$	\$ 47,913.00
Other Purchased Services			<u>2,393.00</u>	<u>2,500.00</u>	<u>4,893.00</u>
Total Support Services	<u>44,206.00</u>	<u>3,707.00</u>	<u>2,393.00</u>	<u>2,500.00</u>	<u>52,806.00</u>
Total Expenditures	<u>\$ 44,206.00</u>	<u>\$ 3,707.00</u>	<u>\$ 2,393.00</u>	<u>\$ 2,500.00</u>	<u>\$ 52,806.00</u>

**F. CAPITAL PROJECTS FUND**

**G. PROPRIETARY FUNDS**

**ENTERPRISE FUND**



**INTERNAL SERVICE FUND**

## H. FIDUCIARY FUNDS

ESSEX FELLS SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2017

H-1

<u>ASSETS</u>	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
Cash and Cash Equivalents	\$ 16,654.50	\$ 9,122.85
Interfunds Receivable:		
Due from General Fund	17,457.42	
Due from Unemployment Compensation Trust		2,224.16
	\$ 34,111.92	\$ 11,347.01
<b>Total Assets</b>	<b>\$ 34,111.92</b>	<b>\$ 11,347.01</b>
<u>LIABILITIES</u>		
Payable to Student Groups	\$	\$ 3,408.48
Payroll Deductions and Withholdings		3,303.36
Interfunds Payable:		
Due to General Fund		4,635.17
Due to Payroll Agency Fund	2,224.16	
	2,224.16	\$ 11,347.01
<b>Total Liabilities</b>	<b>2,224.16</b>	<b>\$ 11,347.01</b>
<u>NET POSITION</u>		
Held in Trust for Unemployment Claims and Other Purposes	\$ 31,887.76	

ESSEX FELLS SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

H-2

Unemployment  
 Compensation  
 Trust Fund

Additions

Deductions from Employees' Salaries  
 Budget Appropriation  
 Total Additions

\$ 4,811.77  
 17,417.37  
22,229.14

Deductions

Claims  
 Total Deductions

17,417.37  
17,417.37

Change in Net Position

4,811.77

Total Net Position - Beginning

27,075.99

Total Net Position - Ending

\$ 31,887.76

ESSEX FELLS SCHOOL DISTRICT  
 STUDENT ACTIVITY AGENCY FUND  
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

H-3

	<u>Balance June 30, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
Elementary School: Essex Fells School	<u>\$ 5,527.24</u>	<u>\$ 16,351.18</u>	<u>\$ 18,469.94</u>	<u>\$ 3,408.48</u>
Total	<u><u>\$ 5,527.24</u></u>	<u><u>\$ 16,351.18</u></u>	<u><u>\$ 18,469.94</u></u>	<u><u>\$ 3,408.48</u></u>

ESSEX FELLS SCHOOL DISTRICT  
 PAYROLL AGENCY FUND  
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

H-4

<u>ASSETS</u>	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Cash and Cash Equivalents	\$ 8,436.03	\$ 3,261,415.92	\$ 3,264,137.58	\$ 5,714.37
Interfunds Receivable	<u>1,627.76</u>	<u>596.40</u>	<u>                    </u>	<u>2,224.16</u>
Total Assets	<u>\$ 10,063.79</u>	<u>\$ 3,262,012.32</u>	<u>\$ 3,264,137.58</u>	<u>\$ 7,938.53</u>
 <u>LIABILITIES</u>				
Payroll Deductions and Withholdings	\$ 6,106.43	\$ 3,261,334.51	\$ 3,264,137.58	\$ 3,303.36
Interfunds Payable	<u>3,957.36</u>	<u>677.81</u>	<u>                    </u>	<u>4,635.17</u>
Total Liabilities	<u>\$ 10,063.79</u>	<u>\$ 3,262,012.32</u>	<u>\$ 3,264,137.58</u>	<u>\$ 7,938.53</u>

**I. LONG-TERM DEBT**

**STATISTICAL SECTION (UNAUDITED)**



## INTRODUCTION TO THE STATISTICAL SECTION

## FINANCIAL TRENDS

**ESSEX FELLS SCHOOL DISTRICT**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(Accrual Basis of Accounting)**  
*Unaudited*

J-1

	Fiscal Year Ending June 30,									
	<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>
<b>Government Activities:</b>										
Invested in Capital Assets - Net of										
Related Debt	\$ 2,840,500	\$ 3,001,731	\$ 3,183,250	\$ 3,370,503	\$ 3,538,526	\$ 3,663,743	\$ 3,957,074	\$ 3,930,593	\$ 3,932,370	\$ 3,835,356
Restricted	52,778	70,302	348,437	577,149	792,291	931,677	796,630	640,272	638,346	809,179
Unrestricted	<u>243,176</u>	<u>254,478</u>	<u>230,787</u>	<u>266,170</u>	<u>251,393</u>	<u>270,680</u>	<u>274,697</u>	<u>(418,832)</u>	<u>(412,079)</u>	<u>(510,061)</u>
<b>Total Governmental Activities Net Position</b>	<b><u>\$ 3,136,454</u></b>	<b><u>\$ 3,326,511</u></b>	<b><u>\$ 3,762,474</u></b>	<b><u>\$ 4,213,822</u></b>	<b><u>\$ 4,582,210</u></b>	<b><u>\$ 4,866,099</u></b>	<b><u>\$ 5,028,401</u></b>	<b><u>\$ 4,152,033</u></b>	<b><u>\$ 4,158,637</u></b>	<b><u>\$ 4,134,473</u></b>
<b>District-Wide:</b>										
Invested in Capital Assets - Net of										
Related Debt	\$ 2,840,500	\$ 3,001,731	\$ 3,183,250	\$ 3,370,503	\$ 3,538,526	\$ 3,663,743	\$ 3,957,074	\$ 3,930,593	\$ 3,932,370	\$ 3,835,356
Restricted	52,778	70,302	348,437	577,149	792,291	931,677	796,630	640,272	638,346	809,179
Unrestricted	<u>243,176</u>	<u>254,478</u>	<u>230,787</u>	<u>266,170</u>	<u>251,393</u>	<u>270,680</u>	<u>274,697</u>	<u>(418,832)</u>	<u>(412,079)</u>	<u>(510,061)</u>
<b>Total District-Wide Net Position</b>	<b><u>\$ 3,136,454</u></b>	<b><u>\$ 3,326,511</u></b>	<b><u>\$ 3,762,474</u></b>	<b><u>\$ 4,213,822</u></b>	<b><u>\$ 4,582,210</u></b>	<b><u>\$ 4,866,099</u></b>	<b><u>\$ 5,028,401</u></b>	<b><u>\$ 4,152,033</u></b>	<b><u>\$ 4,158,637</u></b>	<b><u>\$ 4,134,473</u></b>

Source: CAFR Schedule A-1

**ESSEX FELLS SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(Accrual Basis of Accounting)**  
*Unaudited*

J-2  
**Sheet #1**

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
<b>Governmental Activities:</b>										
Instruction:										
Regular	\$ 1,800,344	\$ 1,619,232	\$ 2,064,619	\$ 1,845,775	\$ 1,963,425	\$ 2,042,537	\$ 2,000,441	\$ 2,175,382	\$ 2,254,466	\$ 2,246,338
Special Education	615,215	606,077	358,632	621,766	604,757	744,290	735,280	772,820	730,022	734,677
Other Instruction	10,638	55,392	65,975	62,998	62,632	64,569	94,358	81,042	78,763	188,938
School Sponsored Activities					9,486	2,431	908	944	1,058	1,085
Support Services:										
Student and Instruction Related Services	756,482	807,157	675,920	657,845	671,729	775,049	842,162	824,147	845,674	872,699
General Administration	188,787	194,793	188,265	187,781	188,353	180,282	180,784	224,150	230,079	195,712
School Administrative Services	342,480	344,145	290,220	263,831	147,471	111,779	115,666	117,148	113,806	116,333
Central Services					93,366	153,704	162,018	156,808	156,146	168,391
Plant Operations and Maintenance	413,375	420,604	376,779	419,393	428,613	441,083	419,435	475,683	438,008	475,420
Pupil Transportation		508		258	15,322	14,591	45,293	100,710	111,696	120,260
Special Schools	17,838	19,734	28,798	31,261	24,877	26,134	39,026	42,315	33,946	17,042
Interest on Long-Term Debt	63,236	53,336	42,941	32,175	24,008	10,395				
Unallocated Depreciation					118,579	122,719	127,173	135,984	140,065	143,821
	<u>4,008,396</u>	<u>4,120,979</u>	<u>4,092,148</u>	<u>4,123,082</u>	<u>4,352,618</u>	<u>4,689,564</u>	<u>4,782,544</u>	<u>5,107,133</u>	<u>5,133,730</u>	<u>5,280,716</u>
<b>Business-Type Activities:</b>										
Latchkey Program	10,265									
<b>Total District Expenses</b>	<u>\$ 4,018,662</u>	<u>\$ 4,120,979</u>	<u>\$ 4,092,148</u>	<u>\$ 4,123,082</u>	<u>\$ 4,352,618</u>	<u>\$ 4,689,564</u>	<u>\$ 4,782,544</u>	<u>\$ 5,107,133</u>	<u>\$ 5,133,730</u>	<u>\$ 5,280,716</u>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Operating Grants and Contributions	\$ 443,765	\$ 337,707	\$ 284,191	\$ 295,299	\$ 411,950	\$ 531,499	\$ 442,900	\$ 511,232	\$ 578,004	\$ 650,422
<b>Total District Program Revenues</b>	<u>\$ 443,765</u>	<u>\$ 337,707</u>	<u>\$ 284,191</u>	<u>\$ 295,299</u>	<u>\$ 411,950</u>	<u>\$ 531,499</u>	<u>\$ 442,900</u>	<u>\$ 511,232</u>	<u>\$ 578,004</u>	<u>\$ 650,422</u>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (3,564,631)	\$ (3,783,272)	\$ (3,807,957)	\$ (3,827,782)	\$ (3,940,668)	\$ (4,158,065)	\$ (4,339,644)	\$ (4,595,901)	\$ (4,555,726)	\$ (4,630,294)
Business-Type Activities	(10,265)									
<b>Total District-Wide Net Expense</b>	<u>\$ (3,574,897)</u>	<u>\$ (3,783,272)</u>	<u>\$ (3,807,957)</u>	<u>\$ (3,827,782)</u>	<u>\$ (3,940,668)</u>	<u>\$ (4,158,065)</u>	<u>\$ (4,339,644)</u>	<u>\$ (4,595,901)</u>	<u>\$ (4,555,726)</u>	<u>\$ (4,630,294)</u>

**ESSEX FELLS SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(Accrual Basis of Accounting)**  
*Unaudited*

J-2  
**Sheet #2**

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>General Revenue and Other Changes in Net Position</u>										
Governmental Activities:										
General Purpose Property Taxes	\$ 3,392,143	\$ 3,527,829	\$ 3,702,830	\$ 3,846,609	\$ 3,923,541	\$ 4,002,012	\$ 4,082,052	\$ 4,163,693	\$ 4,317,282	\$ 4,403,627
Taxes Levied for Debt Service	258,062	258,409	258,261	257,620	246,730	233,840	215,197			
Unrestricted Grants and Contributions	150,206	153,578	195,723	131,156	113,437	153,008	152,511	161,466	184,168	129,674
Tuition Received										63,000
Loss on Capital Asset Retirement	(29,012)									
Miscellaneous	57,529	33,514	87,106	43,746	25,348	53,094	52,185	58,246	60,879	9,830
<b>Total District-Wide</b>	<b><u>\$ 3,828,928</u></b>	<b><u>\$ 3,973,330</u></b>	<b><u>\$ 4,243,820</u></b>	<b><u>\$ 4,279,131</u></b>	<b><u>\$ 4,309,056</u></b>	<b><u>\$ 4,441,954</u></b>	<b><u>\$ 4,501,945</u></b>	<b><u>\$ 4,383,405</u></b>	<b><u>\$ 4,562,329</u></b>	<b><u>\$ 4,606,131</u></b>
<u>Change in Net Position</u>										
Governmental Activities	\$ 264,297	\$ 190,057	\$ 435,963	\$ 451,348	\$ 368,388	\$ 283,889	\$ 162,301	\$ (212,496)	\$ 6,604	\$ (24,163)
Business-Type Activities	(10,265)									
<b>Total District</b>	<b><u>\$ 254,032</u></b>	<b><u>\$ 190,057</u></b>	<b><u>\$ 435,963</u></b>	<b><u>\$ 451,348</u></b>	<b><u>\$ 368,388</u></b>	<b><u>\$ 283,889</u></b>	<b><u>\$ 162,301</u></b>	<b><u>\$ (212,496)</u></b>	<b><u>\$ 6,604</u></b>	<b><u>\$ (24,163)</u></b>

Source: CAFR Schedule A-2

ESSEX FELLS SCHOOL DISTRICT  
 FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (Modified Accrual Basis of Accounting)  
 Unaudited

J-3

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	\$ 79,386.69	\$ 91,837.78	\$348,436.94	\$590,514.10	\$ 792,291.00	\$ 931,677.09	\$ 796,630.00	\$640,272.05	\$638,346.10	\$ 809,178.92
Unreserved	<u>243,176.00</u>	<u>254,478.00</u>	<u>249,597.00</u>	<u>266,170.00</u>	<u>280,168.00</u>	<u>301,347.00</u>	<u>298,336.00</u>	<u>289,649.00</u>	<u>326,121.00</u>	<u>269,313.00</u>
Total General Fund	<u>\$322,562.69</u>	<u>\$346,315.78</u>	<u>\$598,033.94</u>	<u>\$856,684.10</u>	<u>\$1,072,459.00</u>	<u>\$1,233,024.09</u>	<u>\$1,094,966.00</u>	<u>\$929,921.05</u>	<u>\$964,467.10</u>	<u>\$1,078,491.92</u>
All Other Governmental Funds:										
Reserved	\$ 1.00	\$ 0.59	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved, Reported in:										
Debt Service Fund	0.59									
Capital Projects Fund	<u>2,594.40</u>	<u>2,594.40</u>								
Total All Other Governmental Funds	<u>\$ 2,595.99</u>	<u>\$ 2,594.99</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Fund Balances	<u>\$325,158.68</u>	<u>\$348,910.77</u>	<u>\$598,033.94</u>	<u>\$856,684.10</u>	<u>\$1,072,459.00</u>	<u>\$1,233,024.09</u>	<u>\$1,094,966.00</u>	<u>\$929,921.05</u>	<u>\$964,467.10</u>	<u>\$1,078,491.92</u>

Source: CAFR Schedule B-1

**ESSEX FELLS SCHOOL DISTRICT**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(Modified Accrual Basis of Accounting)**  
*Unaudited*

J-4

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Tax Levy	\$ 3,650,205	\$ 3,786,238	\$ 3,961,091	\$ 4,104,229	\$ 4,170,271	\$ 4,235,852	\$ 4,297,250	\$ 4,163,693	\$ 4,317,282	\$ 4,403,627
Tuition										63,000
Miscellaneous	57,529	33,514	87,106	43,746	25,348	53,094	52,185	58,246	60,879	9,830
State Sources	529,855	433,483	426,925	326,304	457,728	610,965	529,491	617,003	689,202	727,290
Federal Sources	64,116	57,803	52,989	100,151	66,009	50,047	46,909	50,695	70,470	50,306
Private Sources					1,650	23,495	19,011	5,000	2,500	2,500
Total Revenue	<u>4,301,706</u>	<u>4,311,037</u>	<u>4,528,112</u>	<u>4,574,430</u>	<u>4,721,006</u>	<u>4,973,453</u>	<u>4,944,846</u>	<u>4,894,637</u>	<u>5,140,333</u>	<u>5,256,552</u>
<b>Expenditures</b>										
<b>Instruction:</b>										
Regular	1,120,343	1,218,672	1,538,354	1,344,943	1,442,041	1,486,188	1,492,179	1,568,359	1,671,326	1,617,497
Special Education	430,038	455,391	264,840	447,060	423,195	518,107	526,278	532,212	517,282	507,936
Other Instruction	7,574	41,660	48,693	45,516	43,808	44,947	67,537	55,810	55,810	130,627
School Sponsored Activities					6,635	1,693	650	650	750	750
<b>Support Services and Undistributed Costs:</b>										
Student and Instruction Related Services	567,711	630,717	533,613	493,245	503,700	591,890	695,227	662,478	701,145	706,748
General Administrative Services	262,738	275,259	146,254	138,840	145,571	137,825	140,724	178,284	188,111	149,891
School Administrative Services	130,010	129,405	216,731	192,844	103,685	78,301	83,935	81,081	80,886	80,657
Central Services					77,423	111,004	133,937	111,844	114,244	121,151
Plant Operation and Maintenance	332,015	345,731	308,257	333,846	363,283	367,435	351,314	383,697	352,531	379,473
Pupil Transportation		418		205	15,322	14,591	45,293	100,710	111,696	120,260
Employee Benefits	1,045,252	915,402	936,924	1,036,777	1,058,594	1,176,184	1,089,775	1,244,891	1,144,904	1,268,176
Special Schools	14,327	16,221	23,561	24,884	24,877	20,947	30,354	30,163	25,260	12,555
<b>Debt Service:</b>										
Principal	190,000	200,000	210,000	220,000	220,000	220,000	210,000			
Interest	68,063	58,410	48,263	37,620	26,730	15,840	5,197			
Capital Outlay			3,500		50,367	27,936	210,504	109,503	141,842	46,807
Total Expenditures	<u>4,168,070</u>	<u>4,287,285</u>	<u>4,278,989</u>	<u>4,315,780</u>	<u>4,505,231</u>	<u>4,812,888</u>	<u>5,082,904</u>	<u>5,059,682</u>	<u>5,105,787</u>	<u>5,142,527</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>133,635</u>	<u>23,752</u>	<u>249,123</u>	<u>258,650</u>	<u>215,775</u>	<u>160,565</u>	<u>(138,058)</u>	<u>(185,045)</u>	<u>34,546</u>	<u>114,025</u>
<b>Other Financing Sources (Uses)</b>										
Transfers In			2,595			2,000				
Transfers Out			(2,595)			(2,000)				
Total Other Financing Sources (Uses)			<u>-</u>			<u>-</u>				
Net Change in Fund Balances	<u>\$ 133,635</u>	<u>\$ 23,752</u>	<u>\$ 249,123</u>	<u>\$ 258,650</u>	<u>\$ 215,775</u>	<u>\$ 160,565</u>	<u>\$ (138,058)</u>	<u>\$ (165,045)</u>	<u>\$ 34,546</u>	<u>\$ 114,025</u>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>										
	6.19%	6.03%	6.04%	5.97%	5.54%	4.93%	4.42%	0.00%	0.00%	0.00%

Source: School District Financial Reports

1001 Note: Noncapital expenditures are total expenditures less capital outlay

**ESSEX FELLS SCHOOL DISTRICT**  
**GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE**  
**LAST TEN FISCAL YEARS**  
**(Modified Accrual Basis of Accounting)**  
*Unaudited*

J-5

	For Fiscal Year Ended June 30,									
	<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>
Extended School Year -										
Special	\$	\$ 50,500.00	\$ 48,500.00	\$ 43,000.00	\$ 41,000.00	\$ 8,000.00	\$ 26,250.00	\$ 28,045.60	\$ 18,250.00	\$ 34,233.00
Interest Earned	2,852.52	2,384.95	2,103.54	1,288.79	766.08	701.32	1,123.24	1,935.54	3,224.26	12,618.51
Rental of Facilities							4,940.53	225.00	2,500.00	10,583.33
Miscellaneous	2,759.68	369.44	345.78	1,383.36	913.46	2,806.32	2,330.54			94.49
Tiny Treasurers								9,539.37		
E-Rate Reimbursement	335.64	1,954.19	1,837.27	1,964.93	917.07	1,283.85				
Insurance Reimbursements					3,353.30					
Refund and Rebates	559.44	2,699.39	3,303.62							
Flexible Spending Forfeiture	2,500.00	1,888.05	1,231.26							
Prior Year Appropriation										
Refund	305.00	1,041.69	609.60	4,374.45	5,963.76	12,221.90	5,733.83	52,175.27		
<b>Total</b>	<b><u>\$ 9,312.28</u></b>	<b><u>\$ 60,837.71</u></b>	<b><u>\$ 57,931.07</u></b>	<b><u>\$ 52,011.53</u></b>	<b><u>\$ 52,913.67</u></b>	<b><u>\$ 25,013.39</u></b>	<b><u>\$ 40,378.14</u></b>	<b><u>\$ 82,381.41</u></b>	<b><u>\$ 33,513.63</u></b>	<b><u>\$ 57,529.33</u></b>

Source: District Records



## REVENUE CAPACITY

**ESSEX FELLS SCHOOL DISTRICT**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN YEARS**  
*Unaudited*

J-6

<u>Fiscal Year Ended June 30,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total Assessed Value</u>	<u>Tax-Exempt Property</u>	<u>Public Utilities</u>	<u>Net Valuation Taxable</u>	<u>Estimated Actual (County Equalized Value)</u>	<u>Total Direct School Tax Rate</u>
2008	\$ 9,147,000	\$ 788,387,000	\$ 22,047,400	\$ 819,581,400	\$	\$ 247,614	\$ 819,829,014	\$ 915,224,261	\$0.830
2009	7,145,600	785,894,700	22,047,400	815,087,700		247,614	815,335,314	*	0.830
2010	6,463,200	735,974,800	25,143,800	767,581,800		336,248	767,918,048	829,476,548	0.830
2011	6,463,200	736,744,400	25,143,800	768,351,400		342,902	768,694,302	806,128,748	0.905
2012	6,463,200	736,201,200	25,143,800	767,808,200		293,033	768,101,233	757,461,483	0.944
2013	6,463,200	734,459,400	20,279,700	761,202,300		288,400	761,490,700	745,211,103	0.989
2014	6,463,200	728,166,000	19,793,000	754,422,200		221,600	754,643,800	732,622,134	1.007
2015	7,175,100	725,189,000	19,793,000	752,157,100		221,600	752,378,700	753,878,797	1.024
2016	6,455,100	725,508,700	19,793,000	751,756,800		202,000	751,958,800	763,902,855	1.010
2017	6,455,100	731,480,500	19,793,000	757,728,600		203,486	757,932,086	768,555,249	0.967

Source: Table of Aggregates from the Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation.

\*Data was not provided by School District.

**ESSEX FELLS SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS  
(Rate per \$100 of Assessed Value)  
Unaudited**

J-7

Fiscal Year Ended June 30,	Board of Education Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate (1)	Essex Fells Borough	Essex County	
2008	\$ 0.77	\$ 0.06	\$ 0.83	\$ 0.35	\$ 0.44	\$ 1.62
2009	0.77	0.06	0.83	0.33	0.43	1.59
2010	0.77	0.06	0.83	0.39	0.44	1.66
2011	0.845	0.060	0.905	0.412	0.458	1.775
2012	0.914	0.030	0.944	0.428	0.461	1.833
2013	0.932	0.057	0.989	0.443	0.480	1.912
2014	0.979	0.028	1.007	0.465	0.505	1.977
2015	1.024	-	1.024	0.480	0.521	2.025
2016	1.010	-	1.010	0.493	0.528	2.031
2017	0.967	-	0.967	0.459	0.480	1.906

Source: Municipal Tax Collector

N.J.S.A. 10A:7F-5d limits the amount that the District can submit for a general fund tax levy. The levy when added to other components of the District's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

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

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

(1) Includes Regional School District Taxes.

**ESSEX FELLS SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
*Unaudited***

J-8

<u>Taxpayer</u>	<u>2017</u>			<u>2008</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
Essex Fells Country Club	\$ 16,075,800	1	2.09%	\$ 18,456,100	1	2.02%
Taxpayer #2	4,925,100	2	0.64%			
Taxpayer #3	4,077,300	3	0.53%			
Taxpayer #4	3,914,800	4	0.51%			
Taxpayer #5	3,750,500	5	0.49%			
Taxpayer #6	3,547,500	6	0.46%			
Taxpayer #7	3,492,000	7	0.45%			
Taxpayer #8	3,474,400	8	0.45%			
Taxpayer #9	3,191,600	9	0.42%			
Taxpayer #10	3,191,000	10	0.42%			
Taxpayer #11				5,763,000	2	0.63%
Taxpayer #12				4,282,100	3	0.47%
Taxpayer #13				4,277,600	4	0.47%
Taxpayer #14				4,093,700	5	0.45%
Taxpayer #15				4,018,400	6	0.44%
Taxpayer #16				3,764,800	7	0.41%
Taxpayer #17				3,673,900	8	0.40%
Taxpayer #18				3,650,000	9	0.40%
Taxpayer #19				3,639,000	10	0.40%
	<u>\$ 49,640,000</u>		<u>6.46%</u>	<u>\$ 55,618,600</u>		<u>6.08%</u>

Source: Municipal Tax Assessor

**ESSEX FELLS SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN YEARS  
SCHOOL DISTRICT COLLECTION ONLY  
*Unaudited***

J-9

<u>Year Ended June 30,</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy <sup>a</sup></u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2008	\$ 3,650,205	\$ 3,650,205	100.00%	\$
2009	3,786,238	3,786,238	100.00%	
2010	3,961,091	3,961,091	100.00%	
2011	4,104,229	4,104,229	100.00%	
2012	4,170,271	4,169,970	99.99%	301
2013	4,235,852	4,235,852	100.00%	
2014	4,297,250	4,297,250	100.00%	
2015	4,163,693	4,163,693	100.00%	
2016	4,317,282	4,317,282	100.00%	
2017	4,403,627	4,403,627	100.00%	

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

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

## DEBT CAPACITY

**ESSEX FELLS SCHOOL DISTRICT  
RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
*Unaudited***

J-10

Fiscal Year Ended June 30,	Governmental Activities			Business- Type Capital Leases	Total District	Percentage of Personal Income (a)	Per Capita (a)
	Serial Bonds	Capital Leases	Bond Anticipation Notes (BANS)				
2008	\$ 1,280,000	\$	\$	\$	\$ 1,280,000	1.15%	\$ 611.27
2009	1,080,000				1,080,000	0.99%	505.85
2010	870,000				870,000	0.79%	411.35
2011	650,000				650,000	0.55%	301.76
2012	430,000				430,000	0.36%	197.16
2013	210,000				210,000	0.17%	95.15
2014	-				-	-	-
2015	-				-	-	-
2016	-				-	-	-
2017	-				-	-	-

Source: School District Financial Records

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

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

**ESSEX FELLS SCHOOL DISTRICT**  
**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
*Unaudited*

**J-11**

<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 (a)</u>	<u>Per Capita (b)</u>
2008	\$ 1,280,000	\$ -	\$ 1,280,000	0.16%	\$ 611
2009	1,080,000		1,080,000	0.13%	506
2010	870,000		870,000	0.11%	411
2011	650,000		650,000	0.08%	302
2012	430,000		430,000	0.06%	197
2013	210,000		210,000	0.03%	95
2014	-		-	-	-
2015	-		-	-	-
2016	-		-	-	-
2017	-		-	-	-

Source: School District Financial Reports

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

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

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



**ESSEX FELLS SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2017  
Unaudited**

J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Essex Fells	\$ 3,004,501	100.00%	\$ 3,004,501
Essex County General Obligation Debt	489,730,689	0.91%	<u>4,467,658</u>
Sub-Total Overlapping Debt			7,472,159
Essex Fells School District Direct Debt			<u>                    </u>
Total Direct and Overlapping Debt			<u>\$ 7,472,159</u>

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

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

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

ESSEX FELS SCHOOL DISTRICT  
 LEGAL DEBT MARGIN INFORMATION  
 LAST TEN FISCAL YEARS  
 (DOLLARS IN THOUSANDS)  
*Unaudited*

J-13

Legal Debt Margin Calculation for Fiscal Year 2016		
		Equalized Valuation Basis
	2016	\$ 764,309,623
	2015	764,309,623
	2014	755,631,210
	(a)	\$ 2,284,250,456
Average Equalized Valuation of Taxable Property	[A/3]	\$ 761,416,819
Debt Limit (2.5% of Average Equalization Value)	[B]	\$ 19,035,420
Net Bonded School Debt	[C]	
Legal Debt Margin	[B-C]	\$ 19,035,420

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$21,615,785	\$22,143,284	\$21,737,563	\$20,863,951	\$19,958,726	\$19,275,765	\$18,727,131	\$18,671,713	\$18,821,780	\$ 19,035,420
Total Net Debt Applicable to Limit	1,470,000	1,280,000	1,080,000	650,000	430,000	210,000				
Legal Debt Margin	\$20,145,785	\$20,863,284	\$20,657,563	\$20,213,951	\$19,528,726	\$19,065,765	\$18,727,131	\$18,671,713	\$18,821,780	\$ 19,035,420
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	6.80%	5.78%	4.97%	3.12%	2.15%	1.09%	0.00%	0.00%	0.00%	0.00%

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

(a) Limit set by N.J.S.A. 18A:24-19 for a K through 12 District; other % limits would be applicable for other districts.

## DEMOGRAPHIC AND ECONOMIC INFORMATION

**ESSEX FELLS SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
*Unaudited***

**J-14**

<u>Year</u>	<u>Population (a)</u>		<u>Personal Income (b)</u>	<u>Essex County Per Capita Personal Income (c)</u>	<u>Unemployment Rate (d)</u>
2008	2,094	R	\$ 111,266,784	\$ 53,136 R	2.70%
2009	2,135		109,499,880	51,288 R	5.50%
2010	2,115	R	110,665,260	52,324 R	5.60%
2011	2,154	R	118,500,156	55,014 R	5.30%
2012	2,181	R	120,836,124	55,404 R	5.50%
2013	2,207	R	122,912,244	55,692 R	2.40%
2014	2,184	R	127,368,696	58,319 R	4.40%
2015	2,159		129,604,770	60,030	3.80%
2016	2,125		*	*	2.90%
2017	*		*	*	*

\*Data was not provided by School District.

R - Data Revised

Source:

a = Population information provided by the N.J. Department of Labor and Workforce Development.

b = Personal Income has been estimated based upon the municipal population and per capita personal income presented.

c = Per capita personal income by municipality estimated based upon the 2000 Census published by the U.S. Bureau of Economic Analysis.

d = Unemployment Data provided by the N.J. Department of Labor and Workforce Development.

**ESSEX FELLS SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
*Unaudited***

J-15

<u>Employer</u>	<u>2017</u>		<u>2008</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>
Essex Fells Country Club	65	*	75	*
Essex Fells Board of Education	45	*	66	*
Borough of Essex Fells	31	*	31	*

\*Data was not provided by School District.

Districts may obtain principal employer information from various sources such as their local Chamber of Commerce, local Economic Development Agency, or other creditable source for their municipality.

## OPERATING INFORMATION

**ESSEX FELLS SCHOOL DISTRICT**  
**FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
*Unaudited*

**J-16**

<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	22.0	35.4	32.5	30.6	25.0	27.0	28.0	27.7	28.0	29.0
Support Services:										
Student and Instruction Related Services	5.2	6.2	9.3	10.0	10.0	11.0	10.0	7.6	6.6	6.6
General Administration	1.7	0.7	0.7	2.5	2.5	2.5	2.5	2.5	2.5	2.5
School Administration Services	0.5	0.7	0.7	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Central Services	1.6	1.5	0.9	1.0	1.0	1.0	1.0	2.0	2.0	2.0
Plant Operations and Maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total	<u>34.0</u>	<u>47.5</u>	<u>47.1</u>	<u>48.6</u>	<u>43.0</u>	<u>46.0</u>	<u>46.0</u>	<u>44.3</u>	<u>43.6</u>	<u>44.6</u>

Source: District Personnel Office

**ESSEX FELLS SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
*Unaudited***

**J-17**

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff Elementary (b)</u>	<u>Pupil/Teacher Ratio</u>	<u>Average Daily Enrollment (ADE) (c)</u>	<u>Average Daily Attendance (ADA) (c)</u>	<u>Percentage Change in (ADE)</u>	<u>Student Attendance Percentage</u>
2008	250	\$ 3,794,917	\$ 15,180	15.34%	22.0	11.4	251.1	233.0	-10.45%	92.79%
2009	248	4,028,875	16,245	7.02%	26.5	9.4	250.2	232.3	-0.36%	92.85%
2010	232	4,017,226	17,316	6.59%	26.5	8.8	243.7	227.0	-2.60%	93.15%
2011	242	3,954,641	16,341	-5.63%	30.6	7.9	241.1	229.9	-1.07%	95.35%
2012	204	4,208,134	20,628	26.23%	27.2	7.5	203.4	193.9	-15.64%	95.33%
2013	210	4,549,113	21,662	5.01%	28.6	7.4	210.3	199.3	3.39%	94.77%
2014	209	4,657,203	22,283	2.87%	31.2	6.7	207.3	197.1	-1.43%	95.08%
2015	210	4,950,179	23,572	5.78%	31.3	6.7	208.9	199.3	0.77%	95.40%
2016	209	4,963,945	23,751	0.76%	31.0	6.9	207.2	198.0	-0.81%	95.56%
2017	223	5,095,720	22,851	-3.79%	31.0	7.3	223.4	211.4	7.82%	94.63%

Source: School District Financial Records

Note: Enrollment based on annual October District count.

(a) Operating expenditures equal total expenditures less debt service and capital outlay.

(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).



**ESSEX FELLS SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS  
*Unaudited***

**J-18**

<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>
Primary:										
Square Feet	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600
Capacity Students	180	180	180	180	180	180	180	180	250	310
Enrollment	242	242	242	242	242	242	242	242	141	151
Upper Building:										
Square Feet	26,400	26,400	26,400	26,400	26,400	26,400	26,400	26,400	26,400	26,400
Capacity Students	205	205	205	205	205	205	205	205	128	179
Enrollment	26	26	26	26	26	26	26	26	68	72
Other:										
Garage	530	530	530	530	530	530	530	530	530	530

Source: School District Facilities Office

**ESSEX FELLS SCHOOL DISTRICT**  
**GENERAL FUND**  
**SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES BY SCHOOL FACILITIES**  
**LAST TEN FISCAL YEARS**  
*Unaudited*

J-19

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

School Facilities*	School #	Fiscal Years Ending June 30,									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Building A	N/A	<u>\$ 142,195.04</u>	<u>\$ 118,250.52</u>	<u>\$ 136,024.08</u>	<u>\$ 95,119.31</u>	<u>\$ 124,753.10</u>	<u>\$ 91,353.00</u>	<u>\$ 85,651.81</u>	<u>\$ 64,741.38</u>	<u>\$ 69,419.48</u>	<u>\$ 69,015.93</u>

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

Source: School District Records.

**ESSEX FELLS SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2017  
Unaudited**

J-20

<u>Policy Type</u>	<u>Coverage</u>	<u>Deductible</u>
<u>New Jersey Schools Insurance Group</u>		
Property Section:		
Blanket Real and Personal Property per Occurrence	\$ 450,000,000	\$ 1,000
Extra Expense per Occurrence	25,000,000	
Equipment Breakdown	100,000,000	
Boiler and Machinery Limit	100,000,000	
Boiler and Machinery Extra Expense Limit	10,000,000	
General and Auto Liability Coverage:		
Primary Limit of Liability per Occurrence - No Aggregate	21,000,000	
Workers' Compensation:		
Employers' Liability per Occurrence/Aggregate	2,000,000	
<u>Travelers Casualty and Surety Company of America</u>		
Surety Bonds:		
Board Secretary/Business Administrator	25,000	
Treasurer	152,000	

Source: School District Records

**SINGLE AUDIT SECTION**

550 BROAD STREET, 11TH FLOOR  
NEWARK, N.J. 07102-9969  
PHONE (973) 624-6100  
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 303  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable President and Members  
of the Board of Education  
Essex Fells School District  
County of Essex  
Essex Fells, New Jersey 07021

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 audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Fells School District in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Essex Fells School District's basic financial statements, and have issued our report thereon dated October 31, 2017.

**Internal Control Over Financial Reporting**

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

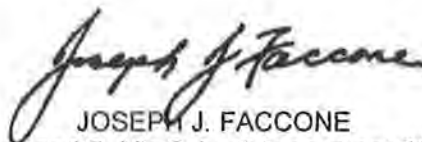
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Essex Fells School 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



JOSEPH J. FACCONI  
Licensed Public School Accountant #194



SAMUEL KLEIN AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey  
October 31, 2017

