

***NORTHERN HIGHLANDS REGIONAL  
HIGH SCHOOL DISTRICT***

***BOARD OF EDUCATION***

***COUNTY OF BERGEN  
ALLENDALE, NEW JERSEY***

***COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR  
ENDED JUNE 30, 2017***

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
COUNTY OF BERGEN, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2017**

**TABLE OF CONTENTS**

	<b><u>PAGE(S)</u></b>
<b>INTRODUCTORY SECTION</b>	1
Letter of Transmittal	2 - 7
Organizational Chart	8
Roster of Officials	9
Consultants and Advisors	10
<b>FINANCIAL SECTION</b>	11
<b>Independent Auditor's Report</b>	12 - 14
<b>Required Supplementary Information – Part I</b>	15
Management's Discussion and Analysis	16 - 23
<b>Basic Financial Statements</b>	24
A. District-wide Financial Statements	25
A- 1 <u>Statement of Net Position</u>	26
A- 2 <u>Statement of Activities</u>	27
B. Fund Financial Statements	28
Governmental Funds:	29
B- 1 <u>Balance Sheet</u>	30 - 31
B- 2 <u>Statement of Revenues, Expenses, and Change in         Fund Balances</u>	32 - 33
B- 3 <u>Reconciliation of the Statement of Revenues,         Expenditures, and Changes in Fund Balances         of Governmental Funds to the Statement of Activities</u>	34
Proprietary Funds:	35
B- 4 <u>Statement of Net Position</u>	36
B- 5 <u>Statement of Revenues, Expenses, and Changes in         Net Position</u>	37
B- 6 <u>Statement of Cash Flows</u>	38
Fiduciary Funds:	39
B- 7 <u>Statement of Fiduciary Net Position</u>	40
B- 8 <u>Statement of Changes in Fiduciary Net Position</u>	41

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
COUNTY OF BERGEN, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2017**

**TABLE OF CONTENTS**

	<b><u>PAGE(S)</u></b>
Notes to the Financial Statements	42 - 73
<b>Required Supplementary Information – Part II</b>	74
C. Budgetary Comparison Schedules	75
C- 1 <u>Budgetary Comparison Schedule - General Fund</u>	76 - 87
C- 1a <u>Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual</u>	N/A
C- 1b <u>American Recovery and Reinvestment Act – Budget and Actual</u>	N/A
C- 2 <u>Budgetary Comparison Schedule - Special Revenue Fund</u>	88
<b>Notes to the Required Supplementary Information – Part II</b>	89
C- 3 <u>Budgetary Comparison Schedule – Note to RSI</u>	90
<b>Required Supplementary Information – Part III</b>	91
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68) (Section numbering as per the NJ Department of Education 2014-2015 Audit Program)	92
L- 1 <u>Schedule of the District’s Proportionate Share of the Net Pension Liability – PERS</u>	93
L- 2 <u>Schedule of District Contributions – PERS</u>	94
L- 3 <u>Schedule of the District’s Proportionate Share of the Net Pension Liability – TPAF</u>	95
<b>Notes to Required Supplementary Information – Part III</b>	96
Notes to Required Supplementary Pension Information	97
<b>Other Supplementary Information</b>	98
D. School Level Schedules:	99
D- 1 <u>Combining Balance Sheet</u>	N/A
D- 2 <u>Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual</u>	N/A
D- 3 <u>Blended Resource Fund - Schedule of Blended Expenditures</u>	N/A
D- 4 <u>Schedule of DEOA Expenditures - Budget and Actual</u>	N/A

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
COUNTY OF BERGEN, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2017**

**TABLE OF CONTENTS**

	<b><u>PAGE(S)</u></b>
E. Special Revenue Fund:	100
E- 1 <u>Combining Schedule of Revenues and Expenditures</u> <u>Special Revenue Fund - Budgetary Basis</u>	101
E- 2 <u>Demonstrably Effective Program Aid Schedule of Expenditures</u> <u>- Budgetary Basis</u>	N/A
E- 3 <u>Early Childhood Program Aid Schedule of Expenditures</u> <u>- Budgetary Basis</u>	N/A
E- 4 <u>Distance Learning Network Aid Schedule of</u> <u>Expenditures - Budgetary Basis</u>	N/A
E- 5 <u>Instructional Supplement Aid Schedule of Expenditures</u> <u>- Budgetary Basis</u>	N/A
F. Capital Projects Fund:	102
F- 1 <u>Summary Statement of Project Expenditures</u>	103
F- 2 <u>Summary Schedule of Revenues, Expenditures, and Change</u> <u>in Fund Balance - Budgetary Basis</u>	104
F- 2a <u>Schedule of Project Revenues, Expenditures, Project Balance</u> <u>and Project Status - Budgetary Basis – Auditorium Upgrades</u>	105
F- 2b <u>Schedule of Project Revenues, Expenditures, Project Balance</u> <u>and Project Status - Budgetary Basis – Athletic Field Lighting</u> <u>and Auditorium Sound System</u>	106
F- 2c <u>Schedule of Project Revenues, Expenditures, Project Balance</u> <u>and Project Status - Budgetary Basis – Energy Savings Improvement</u>	107
G. Proprietary Funds:	108
Enterprise Fund:	109
G- 1 Combining Statement of Net Position	110
G- 2 Combining Statement of Revenues, Expenses and Changes in Net Positions	111
G- 3 Combining Statement of Cash Flows	112
Internal Service Fund:	113
G- 4 Combining Statement of Net Assets	N/A
G- 5 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	N/A
G- 6 Combining Statement of Cash Flows	N/A

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
COUNTY OF BERGEN, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2017**

**TABLE OF CONTENTS**

	<b><u>PAGE(S)</u></b>
H. Fiduciary Funds:	114
H- 1 Combining Statement of Fiduciary Net Position	115
H- 2 Combining Statement of Changes in Fiduciary Net Position	116
H- 3 Schedule of Receipts and Disbursements - Student Activity Agency Fund	117
H- 4 Schedule of Receipts and Disbursements - Payroll Agency Fund	118
H- 5 Schedule of Receipts and Disbursements - Net Payroll Fund	119
I. Long-Term Debt:	120
I- 1 Schedule of Serial Bonds	121
I- 2 Schedule of Obligations Under Capital Leases	122 - 123
I- 3 Budgetary Comparison Schedule - Debt Fund Service	124
<b>STATISTICAL SECTION (Unaudited)</b>	125
<b>Financial Trends</b>	126
J- 1 Net Position/Net Assets by Component	127
J- 2 Changes in Net Assets/Net Position	128 - 129
J- 3 Fund Balances, Governmental Funds	130
J- 4 Change in Fund Balances, Governmental Funds	131 - 132
J- 5 General Fund – Other Local Revenue by Source	133
<b>Revenue Capacity</b>	134
J- 6 Assessed Value and Actual Value of Taxable Property	135
J- 7 Direct and Overlapping Property Tax Rates	136 - 137
J- 8 Principal Property Taxpayers	138
J- 9 Property Tax Levies and Collections	139 - 140
<b>Debt Capacity</b>	141
J-10 Ratios of Outstanding Debt by Type	142
J-11 Ratios of Net General Bonded Debt Outstanding	143
J-12 Direct and Overlapping Governmental Activities Debt	144
J-13 Legal Debt Margin Information	145
<b>Demographic and Economic Information</b>	146
J-14 Demographic and Economic Statistics	147
J-15 Principal Employers	148

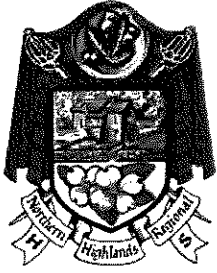
**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
COUNTY OF BERGEN, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2017**

**TABLE OF CONTENTS**

	<b><u>PAGE(S)</u></b>
<b>Operating Information</b>	149
J-16 Full-time Equivalent District Employees by Function/Program	150
J-17 Operating Statistics	151
J-18 School Building Information	152
J-19 Schedule of Required Maintenance	153
J-20 Insurance Schedule	154 - 155
<b>SINGLE AUDIT SECTION</b>	156
K- 1 Report 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	157 - 158
K- 2 Report on Compliance for Each Major State Program; Report On Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 04-04	159 - 160
K - 3 Schedule of Expenditures of Federal Awards, Schedule A	161
K - 4 Schedule of Expenditures of State Financial Assistance, Schedule B	162
K - 5 Notes to the Schedules of Awards and Financial Assistance	163 - 164
K- 6 Schedule of Findings and Questioned Costs	165 - 166
K - 7 Summary Schedule of Prior Audit Findings	167

# **INTRODUCTORY SECTION**



## *Northern Highlands Regional High School*

298 HILLSIDE AVENUE  
ALLENDALE, NEW JERSEY 07401  
PHONE (201) 327-8700 Fax (201) 327-3274  
www.northernhighlands.org

October 31, 2017

Honorable President and  
Members of the Board of Education  
Northern Highlands Regional High School District  
298 Hillside Avenue  
Allendale, New Jersey 07401

Dear Board Members:

The comprehensive annual financial report (the "CAFR") of the Northern Highlands Regional High School District for the fiscal year ended June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in the CAFR 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 CAFR 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, management's discussion and analysis and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The district is required to undergo an annual single audit in conformity with the provisions of the 1996 Single Audit Act, *Title 2 U.S. Code of Federal regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements* (Uniform Guidance) 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, is included in the single audit section of this report.



## 1. REPORTING ENTITY AND ITS SERVICES

Northern Highlands Regional High School District is an independent reporting entity within the criteria adopted by G.A.S.B. (Governmental Accounting Standards Board) established by Statement No. 14. All funds and account groups of the District are included in this report. The Northern Highlands Regional High School District Board of Education and all its schools constitute the District's reporting entity.

The district provides a full range of educational services appropriate to grade levels 9-12. These include regular, as well as special education (through age 21) for handicapped youngsters. The district completed the 2016-17 fiscal year with an average daily enrollment in-district of 1,359 students, which is an increase of 23 students from the preceding year. In addition to the students on roll at the high school in Allendale, the district is responsible for approximately 52 students that are sent out-of-district to Bergen Academies, Bergen County Vocational schools and special needs placements. The following schedule details the changes in the student enrollment of the district over a five-year period. These schedules do not reflect students sent out of district for special education or to Bergen Academies.

### Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-2017	1359	1.72
2015-2016	1336	-2.48%
2014-2015	1370	1.56%
2013-2014	1349	1.73%
2012-2013	1326	-0.80%

## 2. ECONOMIC CONDITION & OUTLOOK:

The Allendale and Upper Saddle River area continues to experience a period of slow development and expansion. The rate of business relocation to the area is status quo. Current new home development is not significant. Enrollment is level at this time and it is not anticipated that enrollment will change significantly over the near term as evidenced by the overall flatness in our enrollment during the past five years with an average enrollment of 1,348 students.

## 3. MAJOR INITIATIVES:

We continued to address facility needs, and the Auditorium was completely renovated including, but not limited to the removal and replacement of the ceiling, acoustical improvements, replace house and stage lighting with LED's and improvements made to the sound system and HVAC. In addition, we continued to renovate bathrooms, asbestos abatement projects applicable to classrooms and the Nurse's Office. The carpet in the Library/Media Center was removed and replaced as well as the floor tile in the Auditorium. Lastly, we made improvements to the macadam around the campus.

Students continued to score above the state and national average on all standardized tests. Northern Highlands Regional High School seniors averaged well above their counterparts on their Scholastic Aptitude Tests at both the national and state level. Of the 357 graduates in the class of 2017, 96.6% (345) are attending college (92.4% and 3.4% at four and two year colleges respectively) with 66% attending colleges rated by Barron's as most, highly or very competitive. The dropout rate is practically non-existent. NHRHS offers 44 Honors courses and 21 Advanced Placement courses to aid student growth and achievement. In May of 2017, 451 students sat for 812 AP exams in 28 subjects (some of which are not offered as an AP course at Northern Highlands). Eighty-one percent of the students sitting for the AP

Recognized For Excellence In Secondary Education

exams scored a 3 or above. In addition to these offerings, Northern Highlands also offers a number of courses in which students may earn college credit. Northern Highlands students can earn college credit through Advanced Placement testing or by enrolling in either Syracuse University Project Advance (SUPA) or one of our other dual enrollment programs affiliated with Fairleigh Dickinson University, Seton Hall University, Rutgers University, and Bergen Community College. Credits earned are accepted at universities around the nation based on their successful completion of these courses.

#### 4. INTERNAL ACCOUNTING CONTROLS:

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the district are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (G.A.A.P.). An 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.

The ability of an accounting and financial reporting system to provide timely accurate reporting is essential to any system of internal controls. Such systems are critical to affording management and the Board of Education flexibility in financial management of current operations and long-term financial planning. In the context of uncertain levels of state aid funding and continued economic stagnation at the state and local levels, it is imperative that controls over implementation of district operating budgets continually strive toward the maximum efficiency and effectiveness.

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 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 program, 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 a re-appropriation of fund balances in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2017.

#### 6. ACCOUNTING SYSTEM AND REPORTS:

A district's accounting records must reflect generally accepted principles, as promulgated by the Governmental Accounting Standards Board (G.A.S.B.). The accounting system of the district is organized on the basis of funds and account groups. These funds and account groups are explained in

“Notes to the Financial Statements,” Note 1.

An effective and efficient system of internal controls is essential to accurate, timely reporting of all relevant transactions on an accounting system and the resultant administrative and external reports generated from that system.

7. CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in “Notes to the Financial Statements,” Note 1. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey where the funds are secured in accordance with the Act.

Effective July 1, 2016, Valley National Bank became the main depository for district funds. This program meets the G.U.D.P.A. requirements at both financial institutions.

8. 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 responsibilities for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2017 and the amount and percentage of increase (decrease) in relation to the prior year.

Revenues	FY 2016-17 Amount	Percentage of Total	Total Dollar Increase (Decrease) From 2015-16	Percentage Increase (Decrease)
Taxes	\$22,507,348	68.52%	\$566,710	2.58%
Other Local Sources	189,162	0.58%	13,659	7.78%
Tuition	5,363,708	16.32%	351,784	7.02%
State Sources	4,496,682	13.69%	390,427	9.51%
Federal Sources	<u>292,715</u>	<u>0.89%</u>	<u>(17,447)</u>	-5.63%
Totals	<u>\$32,849,615</u>	<u>100.00%</u>	<u>\$1,305,133</u>	<u>4.14%</u>

The following schedule presents a summary of the general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2017 and the amount and percentage of increase (decrease) in relation to the prior year.

<u>Expenditures</u>	<u>FY 2016-17 Amount</u>	<u>Percentage of Total</u>	<u>Total Dollar Increase (Decrease) From 2015-16</u>	<u>Percentage Increase (Decrease)</u>
Current Expense	\$30,615,740	92.36%	\$799,076	2.68%
Capital Outlays	716,857	2.16%	195,038	37.38%
Special Revenues	292,715	0.88%	(17,447)	-5.63%
Debt Service	<u>1,522,354</u>	<u>4.60%</u>	<u>12,963</u>	0.86%
Totals	<u>\$33,147,666</u>	<u>100.00%</u>	<u>\$989,630</u>	<u>3.01%</u>

#### 9. DEBT ADMINISTRATION:

As of June 30, 2017 the district has three general obligation bond issues outstanding. The first was the 2003 issue which was approved for the science-wing addition. In March 2011, the district refunded the callable portion of this issue which amounted to \$8,805,000. The refunding produced a net present value savings to the district and community of approximately +3.2%. As of June 30, 2017 \$5,330,000 remained in principal to be paid. The final payment is scheduled for June 15, 2024.

The second outstanding bond issue is the 2009 issue, which was approved for the installation of new boilers and an emergency generator system. As of June 30, 2017 \$202,000 remained in principal to be paid. The final payment is scheduled for April 15, 2019.

The third outstanding bond issue is the 2013 school bonds, which were issued on December 10, 2013 in the amount of \$2,760,000. As of June 30, 2017, \$2,395,000 remained in principal to be paid. The final payment is scheduled for November 15, 2024. These bonds were issued to finance the costs of the roof replacement project, bear interest at rates ranging from 1% to 3%, and mature in annual installments through November 15, 2024. All the District's outstanding bonds have been rated AAA by Standard & Poors. This rating is a "stand alone" rating and does not rely on any credit enhancements from the State of New Jersey.

#### 10. RISK MANAGEMENT:

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

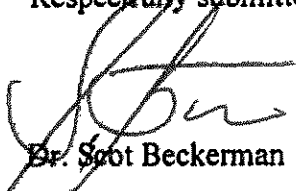
#### 11. OTHER INFORMATION:

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Houdilik & Morrison was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act and the related requirements of *Title 2 U.S. Code of Federal regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements (Uniform Guidance)* and New Jersey OMB's Circular 15-08. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of the report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

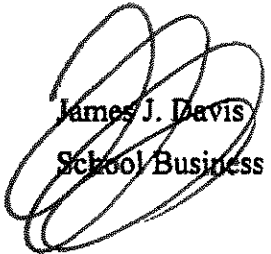
12. ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Northern Highlands Regional High School District Board of Education for its concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

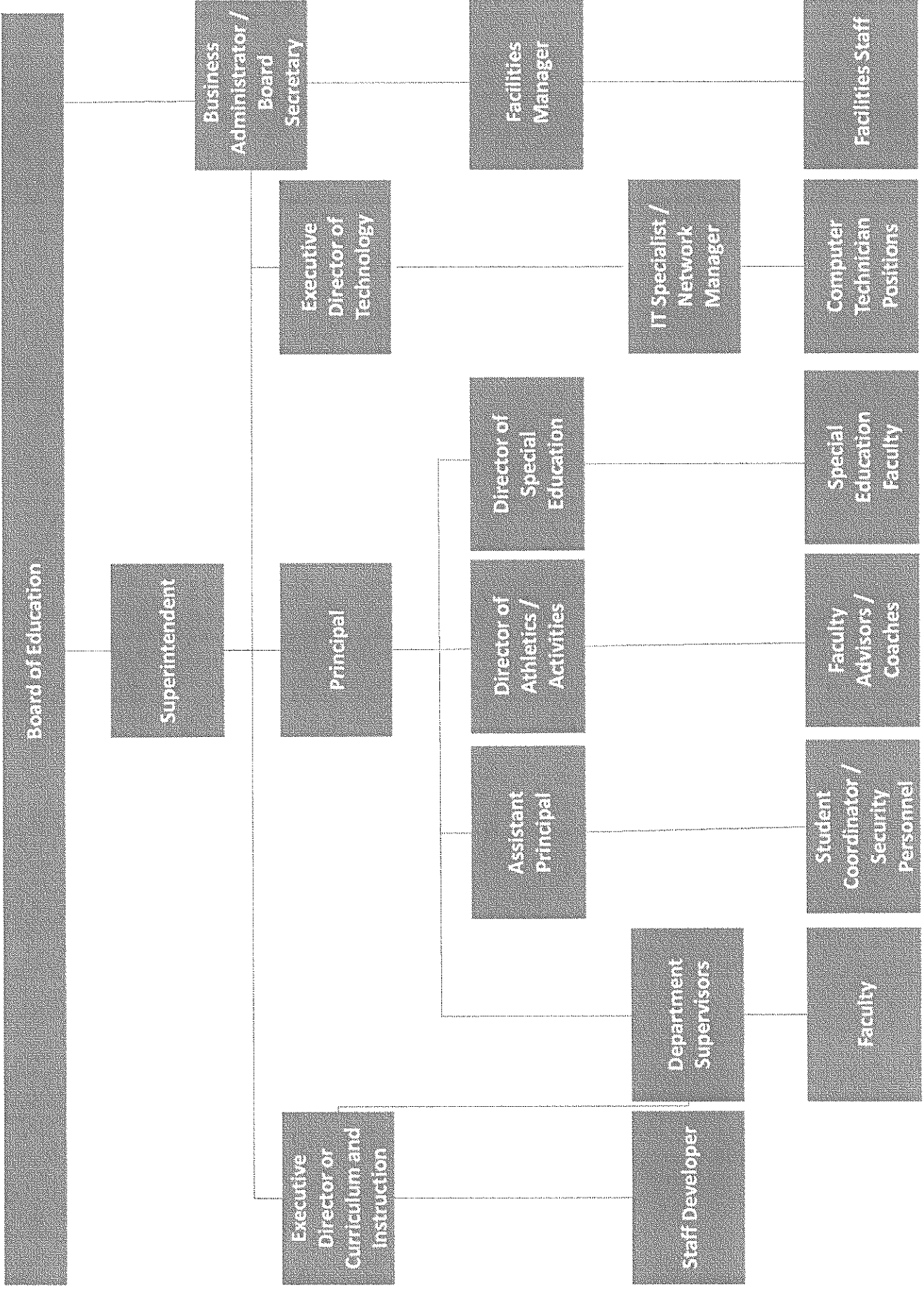
Respectfully submitted,



**Dr. Scott Beckerman**  
Superintendent of Schools



**James J. Davis**  
School Business Administrator/Board Secretary



Northern Highlands Regional High School District Organizational Chart / Board Approved 2/19/14/17

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT

BOARD OF EDUCATION

BERGEN COUNTY, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2017

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Mrs. Barbara Garand, President	2017
Mrs. Gail Trumbetti, Vice-President	2018
Mrs. Christine Ferrarie	2019
Mrs. Anne Goddard	2017
Mr. James Mulanaphy	2018
Mrs. Ann Pagano	2019
Ms. Ellen Marie Walsh	2019
Mrs. Jill Webb	2017
Mr. Robert Wei	2019
Dr. Sheila Yallowitz	2018

Mrs. Jennifer Connolly (Saddle River Liaison)

Other Officials

Dr. Scot Beckerman, Superintendent of Schools

Mr. James J. Davis, Board Secretary/School Business Administrator

Ms. M. Alissa Mayer, Treasurer of School Monies

James L. Plosia, Esq., Board Attorney

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
BOARD OF EDUCATION  
Consultants and Advisors**

**Attorney**

Plosia Cohen, LLC  
Chester Woods  
385 Route 24, Suite 3G  
Chester, NJ 07930

Strasser & Associates, P.C.  
7 East Ridgewood Avenue  
Paramus, NJ 07652

**Audit Firm**

Hodulik & Morrison, P.A.  
1102 Raritan Avenue  
P.O. Box 1450  
Highland Park, NJ 08904

**Risk Manager**

Thomas B. Fallon  
16 Rustic Road  
Upper Saddle River, NJ 07458

**Bond Counsel**

Wilentz, Goldman & Spitzer P.A.  
90 Woodbridge Center Drive  
Suite 900 Box 10  
Woodbridge, NJ 07095

**Official Depository**

Valley National Bank  
67 Franklin Turnpike  
Waldwick, NJ 07463



## **FINANCIAL SECTION**

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

**INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Education  
Northern Highlands Regional High School District  
County of Bergen, New Jersey

**REPORT ON FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Northern Highlands Regional High School District, in the County of Bergen, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

**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 Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that our 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 Northern Highlands Regional High School District, in the County of Bergen, State of New Jersey, as of June 30, 2017 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northern Highlands Regional High School District's basic financial statements as a whole. The accompanying other supplementary information, consisting of the combining and individual fund financial statements, and long-term debt schedules, as listed in the table of contents, the schedules of federal and state financial assistance, required by New Jersey OMB Circular 15-08, and the other information, including the introductory section and the statistical section are presented for purpose of additional analysis and are not a required part of the financial statements.

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

The introductory section and statistical section 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 Northern Highlands Regional High School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering the Northern Highlands Regional High School District's internal control over financial reporting and compliance.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Public School Accountants



Robert S. Morrison  
Public School Accountant  
PSA # 871

Highland Park, New Jersey  
October 31, 2017

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**PART I**

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Allendale, New Jersey**  
**Bergen County**

**MANAGEMENT DISCUSSION & ANALYSIS (MD&A)**  
**June 30, 2017**

The Northern Highlands Regional High School (the "District") discussion and analysis is designed to provide an overview of the District's financial activities for the year ended June 30, 2015, identify changes in the District's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

The focus of the Management Discussion and Analysis (MD&A) is on current year activities, resulting changes and currently known facts. The MD&A should be read in conjunction with the Transmittal Letter and the District's Financial Statements.

**Financial Highlights**

The District's Governmental Activities net position increased by \$277,879 as reflected in Table 2, Changes in Net Position. This increase is primarily attributable to the excess of debt retirement over depreciation. The district's business-type activity revenues exceeded related expenses by \$66,071. This amount was entirely comprised of net profits from food service operations. The breakdown of these amounts is reflected in Schedule A-2 of the District-wide Financial Statements. The District's Governmental Funds Fund reported an increase in Fund Balance of \$2,656,935, to \$7,653,690 at year-end. This increase is almost entirely attributable to increase in the unexpended proceeds of the District's Energy Savings Incentive Program (ESIP) lease/purchase financing. These additional funds on hand at June 30, 2017 are anticipated to be expended during the 2017-18 fiscal year. The revenues, expenses and changes in fund balances for the Governmental Funds are reflected in Exhibit B-2 of the Financial Statements.

**Understanding the Annual Report**

New Jersey state law and administrative code require that school districts follow Generally Accepted Accounting Principles (GAAP.) The format focuses on the district as a whole (government-wide financial statements) and refocuses the fund financial statements on major funds. Major funds are defined as those in which total assets and liabilities or revenues and expenditures/expenses are 10% or more of the total assets and liabilities or revenues and expenditures/expenses of all funds of that type (governmental, proprietary, etc.) and at least 5% of the assets and liabilities or revenues and expenditures/expenses for all governmental and enterprise funds combined.

**Government-Wide Financial Statements**

The government-wide financial statements (see financial statements A-1 and A-2) are designed to be corporate-like in that all government and business-type activities are consolidated into columns, which add to a total for the district. The focus of the Statement of Net Position is designed to be similar to a bottom line for the district and its governmental and business type activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations.

The Statement of Activities is focused on both the gross and net costs of various activities (including governmental and business-type), which are provided by the government's general tax and other revenues. This statement is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business type activities. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. As required by accounting principles generally accepted in the U.S and New Jersey state law and regulation, the district uses fund accounting to ensure and

demonstrate compliance with finance related legal requirements. All of the funds of the district can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and balances of spendable resources available at the end of the fiscal year. This is the manner in which the District's financial plan (budget) is typically developed. The flow and availability of current financial resources is a clear and appropriate focus of any analysis of a government. The financial statements include reconciliations of the differences between the fund balance of the governmental funds and the net position of the governmental activities in the government-wide financial statements (Exhibit B-1) and a reconciliation of the differences between the net changes in government fund balances and the change in net position in the government-wide financial statements (Exhibit B-3).

The proprietary funds consist of a major program (food services enterprise fund) and a non-major program (shared services enterprise fund). Proprietary funds are used to account for activities and programs that are financed primarily through user fees. The activity reported in the proprietary funds utilizes the same basis of accounting as that of the business-type activities reported in the government-wide financial statements. The "Total" column on the business-type fund financial statements is the same as the business-type column on the government-wide financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the programs of the district. The district's fiduciary funds include the student activities fund, the payroll agency fund, and the unemployment compensation trust fund.

### **The District as a Whole**

Table I reflects the condensed Statement of Net Position. In this statement the district is divided into two kinds of activities:

Governmental Activities-These activities consist of instruction and those services, which support instruction such as maintenance, transportation and administration.

Business-Type Activities- These activities consist of the district's cafeteria operations, childcare program, summer camp program and summer enrichment program. Each of the aforementioned programs and the cafeteria charge fees for the services provided that are intended to cover most or all of the cost of services provided.

The condensed Statement of Net Position reflects assets, deferred outflows of resources, liabilities and deferred inflows of resources of the district on an accrual basis of accounting. This statement, which reflects the district's net financial position, is a yardstick of measuring the district's net worth. It means that if the district were forced to liquidate on June 30, 2017 and sell all its assets at book value, after paying all known bills and liabilities, including long-term bonds and lease obligations, the District would have a total of \$9,992,709 remaining.

**Table 1**  
**Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and Other Assets	8,369,605	6,010,005	197,440	100,586	8,567,045	6,110,591
Capital Assets	21,932,085	17,724,919	198,488	215,405	22,130,573	17,940,324
Total Assets	<u>30,301,690</u>	<u>23,734,924</u>	<u>395,928</u>	<u>315,991</u>	<u>30,697,618</u>	<u>24,050,915</u>
Deferred Outflows of Resources	2,677,475	1,201,890			2,677,475	1,201,890
Total Deferred Outflows	<u>2,677,475</u>	<u>1,201,890</u>			<u>2,677,475</u>	<u>1,201,890</u>
Noncurrent Liabilities	22,213,371	16,535,969			22,213,371	16,535,969
Other Liabilities	1,084,522	1,311,237	42,685	28,819	1,127,207	1,340,056
Total Liabilities	<u>23,297,893</u>	<u>17,847,206</u>	<u>42,685</u>	<u>28,819</u>	<u>23,340,578</u>	<u>18,676,025</u>
Deferred Inflows of Resources	41,806	154,249			41,806	154,209
Total Deferred Inflows	<u>41,806</u>	<u>154,249</u>			<u>41,806</u>	<u>154,209</u>
Net Position:						
Net Investment in Capital Assets	8,956,894	8,241,669	198,488	215,405	9,155,382	8,457,074
Restricted	7,104,851	4,225,527			7,104,851	4,225,527
Unrestricted	(6,422,279)	(5,531,838)	154,755	71,767	(6,267,524)	(5,460,071)
Total Net Assets	<u>9,639,466</u>	<u>6,935,358</u>	<u>353,243</u>	<u>287,172</u>	<u>9,992,709</u>	<u>7,222,530</u>



The results of this year's operations of the district's Governmental Activities and Business-type Activities are reported in the Statement of Activities (Exhibit A-2). Table 2, below, takes the information from that financial statement, rounds off the numbers, and rearranges them slightly so you can see the District's total revenues and expenses for the year.

**Table 2**  
**Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Revenues:</u>						
Charges for Services			1,104,389	1,031,850	1,104,389	1,031,850
Operating Grants and Contributions	4,789,397	4,722,238	-	2,001	4,789,397	4,724,239
<u>General Revenues:</u>						
Property Taxes	22,507,348	21,940,638			22,507,348	21,940,638
Tuition	5,363,708	5,011,924			5,363,708	5,011,924
Other General Revenues	192,871	178,561			192,871	178,561
Total Revenues	<u>32,853,324</u>	<u>31,853,361</u>	<u>1,104,389</u>	<u>1,033,851</u>	<u>33,957,713</u>	<u>32,887,212</u>
<u>Program Expenses Including</u>						
<u>Indirect Expenses:</u>						
<u>Instruction:</u>						
Regular	10,254,647	10,337,685			10,254,647	10,337,685
Special Education	1,148,455	1,131,262			1,148,455	1,131,262
Other Instruction	1,276,370	1,223,796			1,276,370	1,223,796
<u>Support Services:</u>						
Tuition	2,761,568	2,659,553			2,761,568	2,659,553
Student & Instruction Related Services	3,121,650	2,978,812			3,121,650	2,978,812
School Administrative Services	706,776	675,792			706,776	675,792
General and Business Admin. Services	1,170,843	1,210,130			1,170,843	1,210,130
Plant Operations and Maintenance	2,706,518	2,832,654			2,706,518	2,832,654
Pupil Transportation	1,057,504	969,528			1,057,504	969,528
Unallocated Benefits	7,265,608	6,366,912			7,265,608	6,366,912
Interest on Long-Term Debt	336,695	275,814			336,695	275,814
Unallocated Depreciation & Amortization	765,916	630,461			765,916	630,461
<u>Business-Type Activities:</u>						
Food Service			800,683	789,417	800,683	789,417
Shared Services			241,271	231,182	241,271	231,182
Region I Transportation						
Region I Administration						
Total Expenses	<u>32,572,550</u>	<u>31,292,399</u>	<u>1,041,955</u>	<u>1,020,599</u>	<u>33,614,505</u>	<u>32,312,998</u>
Transfers (From) or To	<u>(2,901)</u>		<u>3,637</u>		<u>736</u>	
Increase (Decrease) in Net Position	<u>277,873</u>	<u>560,962</u>	<u>66,071</u>	<u>13,252</u>	<u>343,944</u>	<u>574,214</u>

During FY 2017 the net position of the District's governmental activities increased by \$277,873. This increase is primarily attributable to the excess of debt retirement over depreciation.

During 2016-17, the district produced \$1.68 million in favorable budget variances from the under expenditure of appropriations. Additional favorable variances from excess revenues and other financing sources were reported in the amount of \$0.57 million. The favorable variances were offset by the use of budgeted fund balance in the amount of \$2.06 million, producing a net favorable budgetary total variance of \$197,000. Exhibit C-1 provides a breakdown of the budget line items included in the District's approved 2016-2017 budget and the variances in actual revenues and expenditures. Revenue realization for the 2016-2017 school year was positive for governmental activities when compared to the 2014-5-2016 school year. As shown in Table 3, the Tax needed to support the District's budget increased by 2.58% for the 2016-17 school year. The largest non-tax revenue of the District during the year continues to be tuition payments, which amounted to \$5.36 million or 0.78% more than the preceding year. A favorable variance of \$147,938 from tuition received from individuals represented the single largest favorable revenue budget variance from local sources. Additionally, the district realized \$199,076 more on a budgetary basis than anticipated for Extraordinary Aid.

During FY 2017 the net position of the district's business-type activities increased by \$66,071, reflecting a modest profit 5.9% on food service revenues for the year. Profits from the food service operations are reinvested in cafeteria equipment to improve and diversify menu offerings.

**Table 3**  
**Governmental Fund Type Revenues and Expenditures**

<u>Revenues by Source:</u>	<u>2016-2017</u>	<u>2015-2016</u>	<u>% Change</u>
Local Tax Levy	22,507,348	21,940,638	2.58%
Tuition Charges	5,363,708	5,011,924	0.78%
Other Local Sources	192,871	178,562	8.01%
Total Local Sources	28,063,927	27,131,124	3.44%
State Sources	4,496,682	4,439,897	1.28%
Federal Sources	292,715	310,162	-5.63%
Total Revenues	32,853,324	31,881,183	3.05%
 <u>Expenditures by Function</u>			
Current:			
Regular Instruction	10,262,990	10,309,970	-0.46%
Special Education Instruction	1,148,455	1,131,261	1.52%
Other Instruction	1,276,370	1,223,796	4.30%
Support Services and Undistributed Costs:			
Tuition	2,761,568	2,659,553	3.84%
Student & Instruction Related Services	3,036,837	2,899,927	4.72%
School Administrative Services	698,020	667,036	4.65%
Other Administrative Services	1,260,824	1,270,455	-0.76%
Plant Operations and Maintenance	2,690,105	2,808,037	-4.20%
Pupil Transportation	1,084,793	968,350	12.02%
Unallocated Benefits	6,688,493	6,188,440	8.08%
Debt Service:			
Principal	1,215,000	1,170,000	3.85%
Interest and Other Charges	307,354	339,391	-9.44%
Capital Outlay	2,688,641	2,179,443	23.36%
Total Expenditures	35,119,450	33,815,659	3.86%

The Cost of Governmental Funds Activities (see Table 3) this year was \$35.12 million or a 3.86% increase from the preceding year. The primary drivers for this increase were capital outlay costs, which increased by \$509,198 due to the commencement of the ESIP Project, and increased employee benefit costs (\$500,053).. The reported increase in unallocated employee benefits is entirely attributable to an increase in the contributions made by the State of New Jersey into the Teachers' Pension and Annuity Fund and the State Health Benefits Fund on-behalf of the District as required by the state constitution. That increase is also reflected in the year-to-year increase in state aid revenues. Increased costs were funded by increases in property tax and tuition revenues, as state aid for education remained essentially flat for the 2016-17 school year. As shown on the Statement of Activities (financial statement A-2) our taxpayers ultimately financed \$22.51 million of those activities through property taxes, which reflect only a 2.58% increase over the prior year. As shown above, \$4.96 million of the revenues, which support governmental activities, were received from the State of New Jersey. Of that amount \$3.46 million represents on-behalf contributions for the district's (employer) share of TPAF (Teachers Pension & Annuity Fund) pension, retiree health benefits and employer social security and medicare contributions as prescribed by state statute.

### **The District's Funds**

The District's Balance Sheet for Governmental Funds (statement B-1) reports a combined fund balance of \$7.63 million. This represents an increase of \$2.6 million from the previous year. The general fund portion of this balance includes a decrease of \$126,712 which consists primarily of the amount by which favorable budgetary variances (\$2.24 million) fell short of fund balances budgeted (\$2,056,044) in 2016-17. Timing differences in revenue recognition make up the remainder of the reported increase. The capital projects fund reported an increase in fund balance of \$2.53 million. This increase represents the unexpended portion of the proceeds of the \$4.031 ESIP Lease/Purchase financing that was consummated during the current year. In the FY 2017-2018 budget \$1,103,850 of fund balance has been included as an offset to local taxes. An additional \$984,747 is set-aside for FY 2018-19 as an offset to the local tax levy on a GAAP basis.

### **General Fund Budgetary Highlights**

The 2016-17 revenues of the General fund amounted to \$31.04 million or a 4.37% increase from the prior year. Increases were reported in every category of revenue except general state aid, which remained at the prior year level.

The 2016-2017 expenditures of the General fund amounted to \$31.33 million, an increase of \$1.0 million, or 3.3%, from the prior year. This increase included \$500,000 of increased employee benefit costs, which was the largest single cost increase. Costs for Plant Operations and maintenance decreased by \$117,931 from the 2015-16 fiscal year. Excluding In-Kind costs, which are not budgeted, the District underspent its available appropriation by \$1.68 million in 2016-2017.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The District engaged an inventory valuation firm to identify and value its fixed assets as of June 30, 2017 and for the current school year. Based upon the inventory, the net carrying value of fixed assets at the end of 2016 was restated, \$17,940,325 to \$20,151,154, as shown on Table 4, Capital Assets Net of Depreciation at June 30, 2017. During 2016-2017, the District capitalized the costs of site improvements, building improvements, equipment and architectural fees totaling \$2,662,821 in its governmental activities, and \$12,446 of cafeteria equipment acquisitions in its business-type activities. Depreciation expense for 2016-2017 totaled \$911,254, which included \$881,890 for governmental activities and \$29,364 for business-type activities. During the 2016-17 school year, the \$1,434,022 of capital related debt retired exceeded governmental activities depreciation expenses by \$552,132, further improving the net increase in the District's financial position at year-end.

**Capital Assets**

**Table 4**

**Capital Assets at Year-End  
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>	
	<u>2017</u>	<u>Restated 2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>Restated 2016</u>
Land	850,560	850,560			850,560	850,560
Land Improvements	831,915	831,915			831,915	831,915
Buildings & Improvements	27,284,695	26,596,279			27,284,695	26,596,279
Construction in Progress	1,538,544	-			1,538,544	-
Machinery & Equipment	<u>3,694,393</u>	<u>3,284,532</u>	<u>523,246</u>	<u>510,800</u>	<u>4,217,639</u>	<u>3,795,332</u>
Subtotal	34,200,107	31,563,286	523,246	510,800	34,723,353	32,074,086
Accumulated Depreciation	<u>(12,268,022)</u>	<u>(11,412,132)</u>	<u>(324,759)</u>	<u>(295,395)</u>	<u>(12,592,781)</u>	<u>(11,707,527)</u>
Totals	<u>21,932,085</u>	<u>20,151,154</u>	<u>198,487</u>	<u>215,405</u>	<u>22,130,572</u>	<u>20,366,559</u>

**Debt**

The district's outstanding debt is shown in Table 5, Outstanding Debt at June 30, 2017. The district's debt rating, received from Standard & Poor most recently in conjunction with its 2013 bond issuance remained AAA. This rating is the underlying rating of the District and does not rely upon any credit enhancement by the New Jersey School Bond Reserve fund. Bonds which are rated AAA are judged to be of the best quality. They carry the smallest degree of investment risk. Interest payments are protected by a large or an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

The district remains well within the state allowable limit of \$134 million for bonded debt issuances, which is limited to 3% of the average equalized value of taxable property within the district.

**Debt**

**Table 5**

**Outstanding Debt at Year-End**

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Serial Bonds Payable	7,927,000	9,142,000
Capital Lease Obligations	<u>5,048,191</u>	<u>341,250</u>
	<u>12,975,191</u>	<u>9,483,250</u>

In addition to the debt authorizations to finance capital projects, the District also reports the value of earned but unused compensated absences (\$711,142), and the unamortized balance of premiums received on bond sales (\$135,460) as Noncurrent Liabilities. At June 30, 2017 (the District's proportionate share of the PERS net pension liability was also reported at \$8,391,578 a net increase of \$2,153,893 from the amount reported at June 30, 2016. The increase in the net pension liability resulted from system-wide variances between actual and expected earnings on pension fund investments, and changes in actuarial assumptions, as well as changes in the District's proportionate share of the Fund's Net Pension Liability. These variances are not charged to pension expenses in the year they occur; instead, they are established as "Deferred Outflows and

Deferred Inflows of Funds” on the entity-wide financial statements and amortized into pension expenses over multi-year periods.

### **Economic Factors and Next Year’s Budgets and Rates**

The FY 17-18 operating budget was framed in static economic conditions that are considered “the new normal”. The Northern Highlands Regional High School Board of Education and district administration framed a budget, which reflected consideration of these factors as well as district educational and financial goals. This budget reflects a operating budget local levy increase of only 2.00%

In 2010 the district established a Maintenance Reserve account in addition to the previously established Capital Reserve account in order to address both maintenance and capital projects that the district has listed in its Long Range Facility Plan. These reserves will either completely eliminate or significantly reduce any potential local levy, which might otherwise be necessary for the long-term related capital or non-recurrent maintenance needs of the district. Since 2010, the district has supplemented both the Capital Reserve account and Maintenance Reserve, and has appropriated, \$2,922,861 for capital and maintenance projects, including \$294,500 during 2016-17, without the need to issue debt instruments or increase property taxes to provide funding. The Board also set aside additional funds in the amount of \$601,039.51 into its maintenance and capital reserves at June 30, 2017 for future projects. The district has \$ 1.778 million in reserves as of June 30, 2017. In consideration of the aforementioned reserves, the Northern Highlands Regional High School Board of Education remains financially prudent and proactive in terms of both the maintenance of our facility as well as providing for adequate funding to address these maintenance and capital needs.

### **CONTACTING THE SCHOOL DISTRICT’S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the school district’s finances and to show the school district’s accountability for the money it received. If you have any questions about this report or wish to request additional financial information, contact James Davis, Business Administrator/Board Secretary, at Northern Highlands Regional High School Board of Education, 298 Hillside Avenue, Allendale, New Jersey 07401.

**BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**SECTION – A**

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>	
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 5,383,899.78	\$ 188,037.23	\$ 5,571,937.01
Cash Equivalents-Trustee	3,020,767.98	-	3,020,767.98
Receivables, Net	9,033.00	31.77	9,064.77
Receivables from Other Funds	5,507.38	-	5,507.38
Inventory	-	9,371.00	9,371.00
Capital Assets, (Note 3):	<u>21,932,085.00</u>	<u>198,487.56</u>	<u>22,130,572.56</u>
Total Assets	<u>30,351,293.14</u>	<u>395,927.56</u>	<u>30,747,220.70</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Change in Pension Assumptions	1,738,287.00	-	1,738,287.00
Difference in Pension Experience	156,058.00	-	156,058.00
Difference in Pension Earnings	319,978.00	-	319,978.00
Change in Proportion/Proportionate Share	164,621.00	-	164,621.00
Pension Payment Subsequent to Measurement Date	287,566.00	-	287,566.00
Deferred Amount on Refinancing	<u>10,965.06</u>	<u>-</u>	<u>10,965.06</u>
Total Deferred Outflows of Resources	<u>2,677,475.06</u>	<u>-</u>	<u>2,677,475.06</u>
<u>LIABILITIES</u>			
Accounts Payable	1,052,593.72	14,239.16	1,066,832.88
Accrued Interest Payable	81,041.45	-	81,041.45
Interfund Payable	-	132.56	132.56
Unearned Revenue	490.00	28,312.75	28,802.75
Noncurrent Liabilities (Note 4):			-
Due Within One Year	1,030,367.74	-	1,030,367.74
Due Beyond One Year	12,791,425.03	-	12,791,425.03
Net Pension Liability	<u>8,391,578.00</u>	<u>-</u>	<u>8,391,578.00</u>
Total liabilities	<u>23,347,495.94</u>	<u>42,684.47</u>	<u>23,390,180.41</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Change in Pension Proportion	<u>41,806.00</u>	<u>-</u>	<u>41,806.00</u>
Total Deferred Inflows of Resources	<u>41,806.00</u>	<u>-</u>	<u>41,806.00</u>
<u>NET POSITION</u>			
Investment in capital assets, net of related debt	8,956,894.04	198,487.56	9,155,381.60
Restricted for:	-	-	-
Debt Service	20,418.63	-	20,418.63
Capital Projects	2,967,456.10	-	2,967,456.10
Other Purposes	4,116,976.65	-	4,116,976.65
Unrestricted (Deficit)	<u>(6,422,279.16)</u>	<u>154,755.53</u>	<u>(6,267,523.63)</u>
Total Net Position	<u>\$ 9,639,466.26</u>	<u>\$ 353,243.09</u>	<u>\$ 9,992,709.35</u>

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



NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		TOTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<b>Governmental Activities:</b>						
<b>Instruction:</b>						
Regular	\$10,254,646.58	-	-	(\$10,254,646.58)	-	(\$10,254,646.58)
Special Education	1,148,454.75	-	1,188,765.00	40,310.25	-	40,310.25
Other Instruction	1,276,369.87	-	-	(1,276,369.87)	-	(1,276,369.87)
<b>Support Services:</b>						
Tuition	2,761,567.88	-	-	(2,761,567.88)	-	(2,761,567.88)
Student & Instruction Related Services	3,121,650.05	-	22,758.00	(3,098,892.05)	-	(3,098,892.05)
School Administrative Services	706,775.87	-	-	(706,775.87)	-	(706,775.87)
General and Business Administrative Services	1,170,843.13	-	-	(1,170,843.13)	-	(1,170,843.13)
Plant Operations and Maintenance	2,706,518.68	-	-	(2,706,518.68)	-	(2,706,518.68)
Pupil Transportation	1,057,503.65	-	108,147.00	(949,356.65)	-	(949,356.65)
Unallocated Benefits	7,265,608.22	-	3,248,218.64	(4,017,389.58)	-	(4,017,389.58)
Interest on Long-Term Debt	336,695.05	-	114,385.00	(222,310.05)	-	(222,310.05)
Unallocated Depreciation and Amortization	765,916.00	-	-	(765,916.00)	-	(765,916.00)
<b>Total Governmental Activities</b>	<b>32,572,549.73</b>	<b>-</b>	<b>4,682,273.64</b>	<b>(27,890,276.09)</b>	<b>-</b>	<b>(27,890,276.09)</b>
<b>Business-Type Activities:</b>						
Food Service	800,682.72	863,118.00	-	-	62,435.28	62,435.28
Shared Services	241,271.65	241,271.16	-	-	(0.49)	(0.49)
<b>Total Business-Type Activities</b>	<b>1,041,954.37</b>	<b>1,104,389.16</b>	<b>-</b>	<b>-</b>	<b>62,434.79</b>	<b>62,434.79</b>
<b>Total Primary Government</b>	<b>\$33,614,504.10</b>	<b>\$1,104,389.16</b>	<b>\$4,682,273.64</b>	<b>(\$27,890,276.09)</b>	<b>\$62,434.79</b>	<b>(\$27,827,841.30)</b>
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property Taxes, Levied for General Purposes, Net				\$21,103,372.00	-	\$21,103,372.00
Taxes Levied for Debt Service				1,403,976.00	-	1,403,976.00
Federal and State Aid not Restricted				107,123.00	-	107,123.00
Tuition				5,363,708.24	-	5,363,708.24
Investment Earnings				29,954.52	-	29,954.52
Miscellaneous Income				162,916.51	-	162,916.51
<b>Total General Revenues</b>				<b>28,171,050.27</b>	<b>-</b>	<b>28,171,050.27</b>
Transfers				(2,901.40)	3,636.40	735.00
<b>Change in Net Position</b>				<b>277,872.78</b>	<b>66,071.19</b>	<b>343,943.97</b>
Net Position—Beginning				6,935,358.89	287,171.90	7,222,530.79
Prior Period Adjustment to Capital Assets (Note 14)				2,426,234.59		2,426,234.59
<b>Net Position—Ending</b>				<b>\$9,639,466.26</b>	<b>\$353,243.09</b>	<b>\$9,992,709.35</b>

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

**FUND FINANCIAL STATEMENTS**

**SECTION – B**

**GOVERNMENTAL FUNDS**

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash and Cash Equivalents (Deficit)	\$ 5,363,481.15	\$	\$	\$ 20,418.63	\$ 5,383,899.78
Cash-Trustees	49,603.23		2,971,164.75		3,020,767.98
Interfund Receivable	9,216.03				9,216.03
Receivables from Other Governments	9,033.00			-	9,033.00
Total Assets	<u>5,431,333.41</u>	<u>-</u>	<u>2,971,164.75</u>	<u>20,418.63</u>	<u>8,422,916.79</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	765,027.72				765,027.72
Interfund Payable			3,708.65		3,708.65
Unearned Revenue	490.00				490.00
Total Liabilities	<u>765,517.72</u>	<u>-</u>	<u>3,708.65</u>	<u>-</u>	<u>769,226.37</u>
Fund Balances:					
Restricted for:					
Excess Surplus - Current Year	984,746.95				984,746.95
Excess Surplus - Prior Year - Designated for					-
Subsequent Year Expenditures	1,103,850.34				1,103,850.34
Emergency Reserve	250,000.00				250,000.00
Maintenance Reserve	928,479.00				928,479.00
Capital Reserve	849,900.36				849,900.36
Capital Projects			2,967,456.10		2,967,456.10
Committed to:					
Year End Encumbrances	429,899.72				429,899.72
Assigned to:					
Debt Service				20,418.63	20,418.63
Unassigned:					
General Fund	118,939.32				118,939.32
Total Fund Balances	<u>4,665,815.69</u>	<u>-</u>	<u>2,967,456.10</u>	<u>20,418.63</u>	<u>7,653,690.42</u>
Total Liabilities and Fund Balances	<u>\$ 5,431,333.41</u>	<u>\$ -</u>	<u>\$ 2,971,164.75</u>	<u>\$ 20,418.63</u>	<u>\$ 8,422,916.79</u>

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

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

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

Total Fund Balances reported on Governmental Funds Balance Sheet (B-2) \$ 7,653,690.42

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The carrying value of the assets is \$34,200,107 and the accumulated depreciation is \$12,268,022. (Note 3) 21,932,085.00

Long-term liabilities, including bonds payable, Capital Lease Obligations, and the value of compensated absences earned but unused and the are not due and payable in the current period and therefore are not reported as liabilities in the funds. (Note 4) (13,686,332.96)

Short-term Liabilities, including accrued interest on long-term debt, are not due payable in the current period and therefore are not reported as liabilities in the funds. (81,041.45)

The premium received on the sale of bonds is recorded in the governmental funds as an addition to Fund Balance, but are carried on the statement of net position and amortized over the life of the bonds. The carrying value of bond premiums is \$668,861 and the accumulated amortization is \$533,401. (135,459.81)

The Net Pension Liability, and associated Deferred Inflows and Outflows of Resources of the District relating to its participation in the PERS system are not recognized in the funds using the current financial resources measurement focus, but are recognized in the statement of net position using the economic resources measurement focus. The decrease in net position is \$5,059,958. The carrying amounts of the individual components are as follows:

Deferred Outflows of Resources:	
Change in Pension Assumptions	1,738,287.00
Difference in Pension Experience	156,058.00
Difference in Pension Earnings	319,978.00
Change in Proportion/Proportionate Share	164,621.00
Pension Payment Subsequent to Measurement Date	287,566.00
Accounts Payable for Pension Expense	(287,566.00)
Net Pension Liability	(8,391,578.00)
Deferred Inflows of Resources:	
Change in Pension Proportion	(41,806.00)

The difference between the face amount of Refunded Bonds and the escrow deposit required to legally defease the Bonds is recorded as a decrease to fund balance in the governmental funds, but is carried on the statement of net position and amortized over the life of the Bonds. The Deferred Amount from Refunding is \$529,282 and accumulated amortization is \$518,317. 10,965.06

Net position of governmental activities \$ 9,639,466.26

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

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>					
Local Tax Levy	\$ 21,103,372.00	\$ -	\$ -	\$ 1,403,976.00	\$ 22,507,348.00
Tuition	5,363,708.24				5,363,708.24
Other Local Sources	189,162.38		3,708.65		192,871.03
State Sources	4,382,296.64			114,385.00	4,496,681.64
Federal Sources		292,715.00			292,715.00
Total Revenues	<u>31,038,539.26</u>	<u>292,715.00</u>	<u>3,708.65</u>	<u>1,518,361.00</u>	<u>32,853,323.91</u>
<u>EXPENDITURES</u>					
Current:					
Regular Instruction	10,262,989.84				10,262,989.84
Special Education Instruction	878,497.75	269,957.00			1,148,454.75
Other Instruction	1,276,369.87				1,276,369.87
Support Services and Undistributed Costs:					
Tuition	2,761,567.88				2,761,567.88
Student & Instruction Related Service:	3,014,079.05	22,758.00			3,036,837.05
School Administrative Services	698,019.87				698,019.87
Other Administrative Services	1,260,823.95				1,260,823.95
Plant Operations and Maintenance	2,690,105.46				2,690,105.46
Pupil Transportation	1,084,793.39				1,084,793.39
Unallocated Benefits	6,688,493.22				6,688,493.22
Debt Service:					
Principal				1,215,000.00	1,215,000.00
Interest				307,353.76	307,353.76
Capital Outlay	716,857.34		1,971,783.69		2,688,641.03
Total Expenditures	<u>31,332,597.62</u>	<u>292,715.00</u>	<u>1,971,783.69</u>	<u>1,522,353.76</u>	<u>35,119,450.07</u>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Excess (Deficiency) of Revenues over Expenditures	(294,058.36)	-	(1,968,075.04)	(3,992.76)	(2,266,126.16)
<u>OTHER FINANCING SOURCES (USES)</u>					
Capital leases (non-budgeted)	419,962.74		4,506,000.00		4,925,962.74
Transfers in	3,708.65				3,708.65
Transfers out	(2,901.40)		(3,708.65)		(6,610.05)
Total Other Financing Sources and Uses	420,769.99	-	4,502,291.35	-	4,923,061.34
Net Change in Fund Balances	126,711.63	-	2,534,216.31	(3,992.76)	2,656,935.18
Fund Balance—Beginning	4,539,104.06	-	433,239.79	24,411.39	4,996,755.24
Fund Balance—Ending	<u>\$ 4,665,815.69</u>	<u>\$ -</u>	<u>\$ 2,967,456.10</u>	<u>\$ 20,418.63</u>	<u>\$ 7,653,690.42</u>

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

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

Total net change in fund balances - governmental funds (from B-2) \$ 2,656,935.18

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

Interest on Long Term debt is accrued in the statement of activities. In the governmental funds, interest expenditures are recorded when due. The difference between interest accrued and interest paid is as follows:

Interest Paid	307,353.76	
Interest Accrued	<u>(365,407.22)</u>	(58,053.46)

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. The amount by which depreciation expense exceeded capital outlays is a deduction in the reconciliation. This is the amount by which depreciation exceeded capital outlays in the period.

Depreciation expense	(881,890.00)	
Capital Outlays	<u>2,662,821.00</u>	1,780,931.00

In the statement of activities, certain operating expenses such as compensated absences (the value of paid leave time earned but unused) are measured by the amounts earned during the year. In the governmental funds, expenditures are reported for the amounts of financial resources used. When the paid amount exceeds the earned amount, the difference is an addition in the reconciliation.

(95,919.00)

Repayment of bond and lease obligation (long-term debt) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

1,434,021.78

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.

Proceeds of long-term debt

(4,925,962.74)

The premium received on the sale of bonds is recorded in the governmental funds as an addition to fund balance in the year of issuance, but is carried on the statement of net position and amortized in the statement of activities over the life of the bonds.

Amortization of Bond Premiums

64,351.23

Pension expenditures in the governmental funds are recognized when paid or payable from expendable available financial resources. In the statement of activities, pension costs are recognized on a full accrual basis utilizing actuarial valuations. The amount by which actuarially calculated pension expense exceeds the expenditure reported in the funds is a deduction.

(577,115.00)

The difference between the face amount of Refunded Bonds and the escrow deposit required to legally defease the Bonds is recorded as a decrease to fund balance in the governmental funds in the year of issuance, but is carried on the statement of net position and amortized over the life of the Bonds. net assets and amortized over the life of the Bonds.

Amortization of Deferred Amount from Refunding

(1,316.21)

Change in net position of governmental activities

\$ 277,872.78

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



## **PROPRIETARY FUNDS**

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES		
	MAJOR FUND	NON-MAJOR FUND	TOTAL ENTERPRISE FUND
	FOOD SERVICE	SHARED SERVICES	
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 173,302.99	\$ 14,734.24	188,037.23
Accounts Receivable (Net)	31.77		31.77
Inventories	9,371.00		9,371.00
Total Current Assets	182,705.76	14,734.24	197,440.00
Noncurrent Assets:			
Furniture, Machinery & Equipment	523,246.22		523,246.22
Less Accumulated Depreciation	(324,758.66)		(324,758.66)
Total Noncurrent Assets	198,487.56	-	198,487.56
Total Assets	381,193.32	14,734.24	395,927.56
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	13,973.44	265.72	14,239.16
Interfund Loans Payable	132.56		132.56
Unearned Revenue	18,449.41	9,863.34	28,312.75
Total Current Liabilities	32,555.41	10,129.06	42,684.47
<u>NET POSITION</u>			
Invested in Capital Assets Net of Related Debt	198,487.56		198,487.56
Unrestricted (Deficit)	150,150.35	4,605.18	154,755.53
Total Net Position	\$ 348,637.91	\$ 4,605.18	353,243.09

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

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES		
	MAJOR FUND	NON-MAJOR FUND	TOTAL ENTERPRISE FUND
	FOOD SERVICE	SHARED SERVICES	
Operating Revenues:			
Charges for Services:			
Daily Sales - Non-reimbursable Programs	\$ 863,118.00	\$	\$ 863,118.00
Charges and Fees		241,271.16	241,271.16
Total Operating Revenues	<u>863,118.00</u>	<u>241,271.16</u>	<u>1,104,389.16</u>
Operating Expenses:			
Cost of Sales	405,268.78		405,268.78
Salaries	224,307.21	198,051.00	422,358.21
Employee Benefits	68,374.34	31,185.17	99,559.51
Insurance	21,542.22		21,542.22
Administrative Expenses	6,444.12		6,444.12
Purchased Services	5,519.09		5,519.09
Contracted Services	1,560.00		1,560.00
Repairs & Maintenance	8,052.44		8,052.44
Travel		1,844.33	1,844.33
Miscellaneous	2,062.73	5,131.06	7,193.79
General Supplies	6,497.66	5,060.09	11,557.75
Management Fee	21,690.00		21,690.00
Depreciation	29,364.13		29,364.13
Total Operating Expenses	<u>800,682.72</u>	<u>241,271.65</u>	<u>1,041,954.37</u>
Operating Income (Loss)	<u>62,435.28</u>	<u>(0.49)</u>	<u>62,434.79</u>
Operating Transfers In	<u>3,636.40</u>	<u>-</u>	<u>3,636.40</u>
Change in Net Position	66,071.68	(0.49)	66,071.19
Total Net Position—Beginning	<u>282,566.23</u>	<u>4,605.67</u>	<u>287,171.90</u>
Total Net Position—Ending	<u>\$ 348,637.91</u>	<u>\$ 4,605.18</u>	<u>\$ 353,243.09</u>

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

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>MAJOR</u>	<u>NON-MAJOR</u>	<u>TOTAL</u>
	<u>FUND</u>	<u>FUND</u>	
	<u>FOOD</u>	<u>SHARED</u>	<u>ENTERPRISE</u>
	<u>SERVICE</u>	<u>SERVICES</u>	<u>FUND</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from Customers	\$ 863,483.44	\$ 245,427.21	1,108,910.65
Payments to Employees	(5,160.00)	(198,051.00)	(203,211.00)
Payments for Employee Benefits		(31,185.17)	(31,185.17)
Payments to Food Service Mgmt. Co.	(742,345.75)		(742,345.75)
Payments for Services	(7,735.68)	(9,337.90)	(17,073.58)
Payments to Suppliers	(10,142.66)	(4,794.37)	(14,937.03)
		-	
Net Cash Provided by (Used for) Operating Activities	<u>98,099.35</u>	<u>2,058.77</u>	<u>100,158.12</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Interfund Loans	132.56		132.56
Operating Transfers In	3,636.40	-	3,636.40
		-	
Net Cash Provided by (Used for) Non-capital Financing Activities	<u>3,768.96</u>	<u>-</u>	<u>3,768.96</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Purchases of capital assets	(12,446.24)	-	(12,446.24)
		-	
Net cash provided by (used for) capital and related financing activities	<u>(12,446.24)</u>	<u>-</u>	<u>(12,446.24)</u>
		-	
Net Increase (Decrease) in Cash and Cash Equivalents	89,422.07	2,058.77	91,480.84
Balances—Beginning of Year	<u>83,880.92</u>	<u>12,675.47</u>	<u>96,556.39</u>
Balances—End of Year	<u>173,302.99</u>	<u>14,734.24</u>	<u>188,037.23</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	<u>62,435.28</u>	<u>(0.49)</u>	<u>62,434.79</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Depreciation and Net Amortization	29,364.13		29,364.13
(Increase) Decrease in Accounts Receivable	4.14		4.14
(Increase) Decrease in Inventory	(5,377.34)		(5,377.34)
Increase (Decrease) in Unearned Revenue	361.30	4,156.05	4,517.35
Increase (Decrease) in Accounts Payable	11,311.84	(2,096.79)	9,215.05
		-	
Total Adjustments	<u>35,664.07</u>	<u>2,059.26</u>	<u>37,723.33</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 98,099.35</u>	<u>\$ 2,058.77</u>	<u>\$ 100,158.12</u>

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

## **FIDUCIARY FUNDS**

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017

	<u>Agency Funds</u>	<u>Expendable Trust Funds Employee Benefit Trust Fund</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 536,382.80	\$ 84,721.33	\$ 621,104.13
Interfund Accounts Receivable	<u>3,671.55</u>	<u>                    </u>	<u>3,671.55</u>
Total Assets	<u>\$ 540,054.35</u>	<u>\$ 84,721.33</u>	<u>\$ 624,775.68</u>
<u>LIABILITIES</u>			
Liabilities:			
Interfund Accounts Payable	\$ 5,308.26	\$ 3,728.11	\$ 9,036.37
Payroll Deductions and Withholdings	127,580.89	<u>                    </u>	127,580.89
Due to Student Groups	<u>407,165.20</u>	<u>                    </u>	<u>407,165.20</u>
Total Liabilities	<u>\$ 540,054.35</u>	<u>3,728.11</u>	<u>543,782.46</u>
<u>NET POSITION</u>			
Reserved for:			
Unemployment Compensation Insurance	<u>                    </u>	<u>80,993.22</u>	<u>80,993.22</u>
Total Net Position	<u>\$</u>	<u>80,993.22</u>	<u>\$ 80,993.22</u>

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

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Expendable Trust Funds		Totals
	Employee Benefit Trust Fund		
<u>ADDITIONS:</u>			
Deductions from Employees' Salaries	\$ 21,005.20	\$	21,005.20
Board Contributions	-		-
Total Additions	21,005.20		21,005.20
<u>DEDUCTIONS:</u>			
Unemployment Benefits	18,209.01		18,209.01
Total Deductions	18,209.01		18,209.01
Change in Net Position	2,796.19		2,796.19
Net Position - Beginning	78,197.03		78,197.03
Net Position - Ending	\$ 80,993.22	\$	80,993.22

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

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
COUNTY OF BERGEN, NEW JERSEY**

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) of the Board of Education (Board) of the Northern Highlands Regional High School District (District) report information on all of the nonfiduciary activities of the primary government only. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The District is not financially accountable for any legally separate component units, and no component units have been included in the government-wide financial statements.

The more significant of the Board's accounting policies are described below.

**B. Reporting Entity:**

The Northern Highlands Regional High School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The District is a Regional Type II district located in the County of Bergen, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of ten members, including a member from the Borough of Ho-Ho-Kus, elected to staggered three-year terms. The Board of Education is responsible for the fiscal control of the District. A Superintendent is appointed by the Board and is responsible for the administrative control of the District. The purpose of the district is to educate students in grades 9-12 from the Borough of Allendale and the Borough of Upper Saddle River, the District's constituent members. The District also provides educational services to students in grades 9-12 from the Boroughs of Ho-Ho-Kus and Saddle River pursuant to separate sending/receiving agreements. The Northern Highlands Regional High School District had an average daily enrollment of 1,359 students in grades 9-12 for the 2016-2017 school year.

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. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.



## NOTES TO FINANCIAL STATEMENTS

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

#### C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

#### D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, with each displayed in a separate column. Any remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following 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.

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. State Aid in the form of Economic Development Authority Grants under EFCFA are also financial resources of this fund

**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.

## NOTES TO FINANCIAL STATEMENTS

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

#### D. Basis of Presentation - Fund Financial Statements (Cont'd.)

**Permanent Fund** – The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the District's programs.

The District reports the following proprietary funds:

**Food Service Fund** – The Food Service Enterprise Fund is used to account fore the activities of the cafeteria operations of the District. The Food Service Fund is considered a major fund of the District

The District also operates a Shared Services enterprise fund.

The District also reports the following fiduciary fund types:

**Agency Fund** – The Agency Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include payroll and student activities funds.

**Employee Benefit Trust (Unemployment Insurance)** – Employee Benefit Trust should be used to report resources that are required to be held in trust for members and beneficiaries of employee benefit plans.

**Private Purpose Scholarship Trust** – The Private Purpose Scholarship Trust should be used to report all trust arrangements under which principal and/or income benefit individuals, private organizations or other governments.

During the course of its normal operations, the District will have activity between funds (interfund activity) for various purposes. Any residual interfund balances at year-end are reported as interfund accounts receivable/payable. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included within governmental activities (the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, any interfund balances between business-type (enterprise) funds are eliminated so that only the net amount is included as internal balances in the business-type activities columns.

Further, interfund activity may occur during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. In the preparation of the government-wide financial statements, transfers between funds included as governmental activities are eliminated so that only net amounts of resources transferred from or to the governmental activities are reported. A similar treatment is afforded transfers of resources between enterprise funds for the preparation of business-type activity financial statements.

#### E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting refers to the timing of transactions or events for recognition in the financial statements.

## NOTES TO FINANCIAL STATEMENTS

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

#### E. Measurement Focus and Basis of Accounting (Cont'd.)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the fiscal period that the taxes are levied by the municipality(s) within which the District is domiciled. 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 recognizes the entire approved tax levy as revenue in the fiscal period for which they were levied. The District is entitled to receive moneys under an established payment schedule and any unpaid amount is considered to be an "accounts receivable". Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. State categorical aid and extraordinary aid revenues are recognized as District revenue during the fiscal period in which they are appropriated by the State of New Jersey.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes 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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual basis accounting. Exceptions to this general rule include debt service, for which interest and principal expenditures in the Debt Service Fund are recognized on their due dates, and expenditures relating to compensated absences, claims and judgments, which are recorded in the period when payment becomes due. General capital asset acquisitions are recorded as expenditures in the governmental funds and are not capitalized. The issuance of long-term debt for capital purposes and capital lease obligations incurred to acquire general capital assets are reported as "other financing sources".

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. Entitlements are recorded as revenue when all eligibility requirements, including timing of funding appropriations, are met, subject to the 60-day availability requirement for collection. Interest and tuition revenues are considered susceptible to accrual and have been recognized as revenues of the current fiscal period, subject to availability. Expenditure driven grant revenues are recorded as qualifying expenditures are incurred and all other eligibility requirements have been met, subject to availability requirements. All other revenue items are considered measurable and available only when cash is received by the District.

The District's proprietary funds, employee benefit trust fund and private purpose scholarship trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

#### F. Budgets/Budgetary Control:

Annual budgets are adopted for the general, special revenue and debt service funds using a regulatory basis of accounting which differs from generally accepted accounting principles in one material respect; Budgetary revenues for certain nonexchange state aid transactions are recognized for budgetary purposes in the fiscal period prior to the period in which the state recognizes expenditures/expenses.

## NOTES TO FINANCIAL STATEMENTS

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

#### F. Budgets/Budgetary Control: (Cont'd.)

The amounts of the adjustments needed to reconcile the budgetary basis to the GAAP based fund financial statements is set forth in the explanation of differences schedules which follow.

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval. Pursuant to changes in the Local District School Budget Law, statutorily conforming base budgets of Districts with annual school elections held in November (The District has chosen this option) are no longer required to be presented to the voters for approval on the third Tuesday in April. 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. New Jersey statutes place limits on the Board's ability to increase budgeted expenditures through the appropriation of previously undesignated fund balance and requires the District to obtain additional approvals when budgetary transfers, measured using the advertised budgetary account totals rather than line-item totals, exceed certain thresholds or are proposed for transfer from operating line-items to capital outlay line items. During the 2015-16 fiscal year, it became necessary to make structural improvements to a facility used for co-curricular purposes. The Board of Education sought and received the requisite approvals from oversight agencies for transfers made to cover these unplanned costs.

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 certain state aid payments for budgetary purposes only and 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.

Appropriations in the general and debt service funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances, for which the contracted performance is expected during the subsequent budget cycle, are legally restricted at year-end and are automatically re-appropriated and become part of the subsequent years' budget pursuant to state regulations.

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 statements.

The following presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the Budgetary Comparison Schedules – General and Special Revenue Funds to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

NOTES TO FINANCIAL STATEMENTS

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

**F. Budgets/Budgetary Control (Cont'd):**

Explanation of differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$31,108,842.26	\$292,715.00
Difference- budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and revenues (Net)	0.00	0.00
Certain State Aid payments are recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33).	(642,458.00)	0.00
State Aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	<u>572,155.00</u>	<u>0.00</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance – governmental funds.	<u>\$31,038,539.26</u>	<u>\$292,715.00</u>
Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" From the budgetary comparison schedule	\$31,332,597.62	\$292,715.00
Difference- budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and revenues (Net)	<u>0.00</u>	<u>0.00</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds.	<u>\$31,332,597.62</u>	<u>\$292,715.00</u>

## NOTES TO FINANCIAL STATEMENTS

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

#### 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, which are generally based on quoted market prices.

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

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

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. GUDPA was amended, effective July 1, 2010, by P.L. 2009, c. 326. The amendments provide a greater level of security protection for covered deposits by increasing collateralization requirements and revising the enforcement protocol to allow for timely response in the event that a member bank shows signs of stress.

Under the amended law, collateralization of GUDPA deposits up to 75% of New Jersey capital is based on a sliding scale that requires the minimum of 5% collateral for Well Capitalized institutions to a maximum of 120% collateral for Critically Undercapitalized institutions. All uninsured GUDPA deposits in excess of 75% of New Jersey capital require 100% collateral. 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 Revenue

Tuition revenues for the fiscal year 2016-2017 were based on contractual per pupil rates established by and between the sending and receiving districts. These rates are not subject to change except through amendatory contracts.

#### I. Inventories and Prepaid Expenses:

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

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond June 30, 2017 are recorded as prepaid items in both the government-wide and fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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

#### 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:

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$2,000.00 or more of initial, individual cost for capitalizing capital assets. The system for accumulation of fixed assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated costs.

Capital assets are recorded in the District-wide financial statements, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

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. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	5-20 Years

#### L. 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 in the government-wide financial statements as the employees earn the rights to the benefits. Compensated absences that related 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 School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences".

In the governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as a fund liability and expenditure in the fund that will pay for the compensated absence. The noncurrent portion for governmental funds is maintained separately and is a reconciling item between the fund and government-wide presentations.

## NOTES TO FINANCIAL STATEMENTS

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

#### L. Compensated Absences Cont'd.):

Based upon existing personnel policies and collective bargaining agreements, employees are granted varying amounts of annual sick, personal and vacation leave. Sick leave may be accumulated for use in subsequent years and the right to a termination payment begins to vest with the employee after 10 years of service. Termination payments for unused sick pay are capped at by bargaining unit, with maximum terminal payments ranging from \$8,500 to \$25,000. Accumulations of unused sick leave may be used only for illnesses in subsequent periods. The accumulation of unused vacation pay is limited by the provisions of existing personnel policies and collective bargaining agreements. Unused vacation pay is paid to employees upon separation from service at current daily pay rates. Changes in the value of compensated absences earned and unused is more fully detailed in Note 4.

#### M. Pensions

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 New Jersey Public Employees Retirement System (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.

#### N. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recorded as an outflow of resources (expenditure/expense) until that time. The District is reporting six items in this category; The Deferred Amount on Refunding, and Pension related items including the Change in Pension Assumptions, Difference in Pension Experience, Difference in Pension Earnings, Change in Proportion/Proportionate Share and the amounts of pension payments made by the District subsequent to the pension measurement date. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding bonds. The pension related deferred outflows represent future outflows of resources resulting from changes in actuarial assumptions used in the valuation of the pension liability, differences between actual and anticipated pension experience, the District's proportionate share of the shortfall of plan earnings as compared to assumed amounts, and the change in the District's proportionate share of the net pension obligation of the system. Deferred outflows for Subsequent Pension Payments reflects payments made by the District to the pension system subsequent to the date of the most recent measurement date, which was June 30, 2016.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element represents the acquisition of net position that applies to a future period(s) and will not be recorded as an inflow of resources (revenue) until that time. The District is reporting a pension related item in this category, the Change in Pension Proportion. This represents the favorable impact of a decline in the District's proportionate share of system wide net pension liability.



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

**O. Unearned Revenue/Advances from Grantors:**

Unearned revenue represents cash advances received relating to services (expenditures/expenses) that will be provided in a subsequent fiscal period. Similarly, for expenditure-driven grants, amounts advanced to the District in excess of the amounts expended and earned are recorded as advances from grantors.

**P. Net Position Flow Assumption (District-Wide and Proprietary Fund Financial Statements)**

Periodically, the District may fund outlays for a particular purpose from both restricted resources, such as bond referendum proceeds and/or grant proceeds, and unrestricted resources. To determine the amounts of net position- restricted and unrestricted that should be reported in the government-wide and proprietary fund financial statements, a flow assumption must be made to establish the order in which resources are considered to be applied. In the absence of specific grant compliance requirements to the contrary, the District policy is to utilize all amounts of available restricted net position prior to applying unrestricted net position to fund acquisition costs.

**Q. Fund Balance Flow Assumption (Governmental Fund Financial Statements)**

Periodically, the District may fund outlays for a particular purpose from both restricted resources and unrestricted resources (the total of the committed, assigned and unassigned fund balance). To determine the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made to establish the order in which resources are considered to be applied. In the absence of specific grant compliance requirements to the contrary, the District policy is to utilize all amounts of available restricted fund balance prior to applying any component of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance, with unassigned fund balance applied last.

**R. Fund Balance Policies:**

Fund balance of the governmental funds is reported in various categories based upon the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through actions to transfer amounts to legally restricted reserve accounts (capital, maintenance and emergency reserves), or actions to commit or assign fund balance.

The committed fund balance includes amounts that can only be used for the specific purposes determined by a formal action of the Board of Education. Commitments of fund balance remain in place until the committed fund balance is fully depleted or an amendatory action is taken by the Board of Education.

Assignments of fund balance are made by the Board of Education for specific purposes that do not the criteria to be classified as committed. The Board of education also assigns fund balance when it appropriates unrestricted/unassigned fund balance to bridge a gap between estimated revenue and appropriations in the subsequent year budget. Unlike commitments, assignments are generally temporary in nature, and additional actions of the Board are generally not required to remove an assignment, whereas an action of the Board is essential to the modification or elimination of an unexpended committed fund balance.

## NOTES TO FINANCIAL STATEMENTS

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

#### S. District-Wide Financial Statement Classifications

1. Program Revenues – Amounts reported as program revenues include a) charges to customers or applicants who purchase, use or benefit from goods services or privileges provided by a given function or segment and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.
2. General Revenues – all taxes, including those designated for specific purposes such as debt service, are reported as general revenues. All other resources, including internally dedicated resources, unrestricted entitlements, and investment income are reported as general revenues.
3. Capital Assets – In the statement of net position, capital assets are reported, net of accumulated depreciation as assets of the governmental activities and business-type activities.
4. Long-term Debt - In the statement of net position, long-term debt is reported as a component of long-term liabilities of the governmental activities and business-type activities.
5. Net Investment in Fixed Assets – In the statement of Net Position, the net undepreciated value of capital assets, less the value of outstanding debt issued to purchase acquire or build those capital assets, is reported as Net Investment in Fixed assets as a component of net position for the governmental activities and business-type activities.

#### T. Proprietary Fund Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and products in connection with the primary purpose or function for which the fund was established. The District's Food Service proprietary fund reports operating revenues from the sales of lunches and a la carte items, and operating expenses include the costs of sales (food, supplies and labor), administrative costs and depreciation on capital assets. Revenues earned through the District's participation in the National School Lunch Program (NSLP) would be classified as nonoperating revenues, notwithstanding the limitations on the pricing of Type A student lunches that is required for program participation. The district does not participate in the NSLP.

#### U. Reconciliation of District-Wide and Fund Financial Statements

I. Differences between governmental fund balance sheet and District-wide statement of net position:

Total Governmental Fund Balance (B-1)	\$7,653,690
Adjustments to District-Wide Net Position:	
Capital Assets (see Note 3)	21,932,085
Long-Term Liabilities (see Note 4)	(13,686,333)
Unamortized Bond premiums	(135,456)
Net Pension Liability	(8,391,578)
Other Items not recognized in Fund Financial Statements:	
Deferred Inflows of Financial Resources	(41,806)
Deferred Outflows of Financial Resources	2,677,475
Accrued Current Period Pension Liability	(287,566)
Accrued Interest on Long-Term Debt	(81,045)
Net Position of Governmental Activities (A-1)	<u>\$9,639,466</u>

**NOTES TO FINANCIAL STATEMENTS**

**U. Reconciliation of District-Wide and Fund Financial Statements (Cont'd)**

II. Differences between governmental fund statement of revenues, expenditures and changes in fund balances and District-wide statement of activities:

Total Net Change Governmental Fund Balance (B-2)	\$2,656,935
Adjustments to District-Wide Net Position:	
Depreciation on Capital Assets (see Note 3)	(881,890)
Capital Outlays	2,662,821
Repayment of Long-Term Liabilities (see Note 4)	1,434,022
Proceeds from Debt Issuances	(4,925,963)
Net Increase in Pension Expense	(577,115)
Increase in Value of Compensated Absences	(95,919)
Interest on Long-term Debt (Accrual Basis for District-Wide)	(58,053)
Amortization of Premiums Received on Bond Sales	64,351
Amortization of Deferred Amounts from Refunding	<u>(1,316)</u>
 Change in Net Position of Governmental Activities (A-2)	 <u>\$ 277,873</u>

**V. Estimates:**

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

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The Northern Highlands Regional High Board of Education had the following depository accounts. All deposits are carried at cost plus accrued interest. The government does not have a deposit policy.

Depository Account	Bank Balance
Insured - FDIC	\$ 250,000.00
Insured – NJGUDPA (N.J.S.A.17:94.1)	<u>6,745,946.15</u>
 Total Deposits	 <u>\$6,995,946.15</u>

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the board's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. Based upon NJGUDPA, as of June 30, 2017, \$0.00 of the Board's bank balance of \$6,995,946.15 was exposed to custodial risk. (See Note 1-G. relating to statutory mitigation of custodial risk in the event of a bank failure).

NOTES TO FINANCIAL STATEMENTS

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

**New Jersey Cash Management Fund** – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment’s existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the “Other-than-State” participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2017, the District had \$0.00 on deposit with the New Jersey Cash Management Fund.

**NOTE 3. CASH AND CASH EQUIVALENTS - TRUSTEE**

Pursuant to the terms of Lease Purchase Agreements, the proceeds from these financings were required to be deposited into accounts controlled by a designated Trustee. The Trustee’s responsibilities include the management of the funds held and the payment of project related costs upon the submission of appropriate documentation and the approval of the School District. At June 30, 2017, the Trustee held amounts, segregated by project, as follows:

Energy Savings Improvement Program (ESIP)	\$2,496,063.87
Athletic Lighting & Sound System	475,100.88
Phone System	<u>49,603.23</u>
Total Funds Held by Trustee	<u>\$3,020,767.98</u>

The Trustee had the unexpended ESIP Program funds invested in the Federated Government Obligations Fund, a publicly traded, government/treasury money market mutual fund. This fund is triple A rated by Standard & Poors, Moody’s and Fitch, and its investments consist primarily of short-term U.S. Treasury and government securities, including repurchase agreements collateralized by U.S. Treasury and government securities. The stated objective of the fund is to pursue current income consistent with stability of principal and liquidity.

The Trustee had the unexpended Athletic Lighting and Phone System project funds invested in internal money market funds.

The full balance of the funds held by the Trustee are exposed to the risk of loss due to changing market conditions, and no portion of the balance is insured by the FDIC or eligible for protection under GUDPA.

NOTE 4. FIXED ASSETS

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 CAPITAL ASSETS NOTE DISCLOSURE  
DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS

The governmental fund balance sheet includes a reconciliation between fund balance- total governmental funds and net position-governmental activities as reported in the District-wide statement of net position. One item of that reconciliation explains that capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. An addition to the fund balance - total governmental funds is made to reflect the carrying value of the District's capital assets at year-end in the District-wide financial statements, which consisted of:

Total capital assets at cost	34,200,107.00
Less: accumulated depreciation	<u>(12,268,022.00)</u>
Government Activities Capital Assets, Net	<u>21,932,085.00</u>

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

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets That Are Not Being Depreciated:				
Land	\$ 850,560.00	\$ -	\$ -	\$ 850,560.00
Construction in Progress	<u>-</u>	<u>1,538,544.00</u>	<u>-</u>	<u>1,538,544.00</u>
Total Capital Assets Not Being Depreciated	<u>850,560.00</u>	<u>1,538,544.00</u>	<u>-</u>	<u>2,389,104.00</u>
Land Improvements	831,915.00			831,915.00
Building and Building Improvements	26,596,279.00	688,416.00		27,284,695.00
Machinery, Equipment, Furniture & Vehicles	<u>3,284,532.00</u>	<u>435,861.00</u>	<u>(26,000.00)</u>	<u>3,694,393.00</u>
Totals at Historical Cost	<u>30,712,726.00</u>	<u>1,124,277.00</u>	<u>(26,000.00)</u>	<u>31,811,003.00</u>
Less Accumulated Depreciation For:				
Land Improvements	(486,106.00)	(20,257.00)	-	(506,363.00)
Building and Building Improvements	(7,991,655.00)	(745,659.00)	-	(8,737,314.00)
Machinery, Equipment, Furniture & Vehicles	<u>(2,934,371.00)</u>	<u>(115,974.00)</u>	<u>26,000.00</u>	<u>(3,024,345.00)</u>
Total Accumulated Depreciation	<u>(11,412,132.00)</u>	<u>(881,890.00)</u>	<u>26,000.00</u>	<u>(12,268,022.00)</u>
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	<u>19,300,594.00</u>	<u>242,387.00</u>	<u>-</u>	<u>19,542,981.00</u>
Government Activities Capital Assets, Net	<u>\$ 20,151,154.00</u>	<u>\$ 1,780,931.00</u>	<u>\$ -</u>	<u>\$ 21,932,085.00</u>
Business-type Activities				
Equipment	510,799.98	12,446.24		523,246.22
Less Accumulated Depreciation for: Equipment	<u>(295,394.53)</u>	<u>(29,364.13)</u>		<u>(324,758.66)</u>
Business-type Activities Capital Assets, Net	<u>\$ 215,405.45</u>	<u>\$ (16,917.89)</u>	<u>\$ -</u>	<u>\$ 198,487.56</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 13,489.00
Student & Instr. Related services	45,182.00
School Administrative Services	8,756.00
Plant Operations & Maintenance	32,036.00
Pupil Transportation	16,511.00
Unallocated	<u>765,916.00</u>
Total depreciation expense	<u>\$ 881,890.00</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5: LONG-TERM LIABILITIES

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 LONG TERM DEBT DISCLOSURE  
DISCLOSURE OF INFORMATION ABOUT LONG TERM LIABILITIES

The governmental fund balance sheet includes a reconciliation between fund balance- total governmental funds and net position-governmental activities as reported in the District-wide statement of net position. One item of that reconciliation explains that Long-term liabilities, including bonds and judgments payable, are not due and payable in the current period and therefore are not reported liabilities in the governmental funds. A deduction to the fund balance - total governmental funds is made to reflect the carrying value of the District's long-term liabilities at year-end in the governmental activities of the District-wide financial statements.

Long-term debt liability activity for the year ended June 30, 2017 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$ 9,142,000.00	\$ _____	\$ 1,215,000.00	\$ 7,927,000.00	\$ 695,000.00
Total Bonds Payable	<u>9,142,000.00</u>	<u>_____</u>	<u>1,215,000.00</u>	<u>7,927,000.00</u>	<u>695,000.00</u>
Other Liabilities:					
Obligations Under Capital Lease	341,250.00	4,925,962.74	219,021.78	5,048,190.96	286,753.00
Compensated Absences Payable	<u>615,223.00</u>	<u>95,919.00</u>	<u>_____</u>	<u>711,142.00</u>	<u>_____</u>
Total Other Liabilities	<u>956,473.00</u>	<u>5,021,881.74</u>	<u>219,021.78</u>	<u>5,759,332.96</u>	<u>286,753.00</u>
Sobtotal Bonds and Other Liabilities	10,098,473.00	5,021,881.74	1,434,021.78	13,686,332.96	981,753.00
Bond Premiums/(Discount)	199,811.04	_____	64,351.23	135,459.81	48,614.74
Net Pension Liability (PERS)	<u>6,237,685.00</u>	<u>2,153,893.00</u>	<u>_____</u>	<u>8,391,578.00</u>	<u>_____</u>
 Total Liabilities	 <u>\$ 16,535,969.04</u>	 <u>\$ 7,175,774.74</u>	 <u>\$ 1,498,373.01</u>	 <u>\$ 22,213,370.77</u>	 <u>\$ 1,030,367.74</u>

\* The net increase in the liability for compensated absences was charged to governmental functions as follows:

Instruction	\$ 25,968.00
Student & Instr. Related services	39,631.00
General Administrative services	32,272.00
Pupil Transportation	<u>(1,952.00)</u>
Total compensated absences expense	<u>\$ 95,919.00</u>

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. GENERAL LONG-TERM DEBT (CONT'D.)**

**A. Bonds Payable** -- Bonds are authorized in accordance with State law by the voters of the District through referendums that authorize capital project appropriations and the financing of same. Should changing economic conditions permit, the District may seek the approval of the Local Finance Board, Department of Community Affairs (the "LFB"), to issue general improvement refunding bonds to redeem or defease previously issued bonds. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds.

Principal and interest due on bonds outstanding as at June 30, 2017 is as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	1,275,000.00	264,903.75	1,539,903.75
2019	1,327,000.00	222,128.75	1,549,128.75
2020	1,375,000.00	173,875.00	1,548,875.00
2021	1,420,000.00	131,500.00	1,551,500.00
2022	1,480,000.00	77,975.00	1,557,975.00
2023	340,000.00	24,912.50	364,912.50
2024	350,000.00	16,050.00	366,050.00
2025	<u>360,000.00</u>	<u>5,400.00</u>	<u>365,400.00</u>
	<u>\$ 7,927,000.00</u>	<u>\$916,745.00</u>	<u>\$ 8,843,745.00</u>

**B. Bonds Authorized But Not Issued** -- As of June 30, 2017, the District had \$995.00 of authorized but not issued bonds.

**C. Other Authorized Debt** -- During the 2014-15 fiscal year, the District entered into a Lease-Purchase Agreement in the amount of \$500,000 and used the proceeds to acquire and make improvements to specified real property.

During the 2016-17 fiscal year, the District entered into Lease-Purchase Agreements for a School Bus, Transportation and Maintenance Vehicles, Phone System, Athletic Lighting and Sound System and Energy Savings Improvement Program. A summary of the Lease Purchase Agreements in effect during the current fiscal year and year-end status is as follows

<u>Purpose</u>	<u>Date of</u> <u>Lease</u>	<u>Amount of</u> <u>Lease</u>	<u>Balance</u> <u>End Of</u> <u>Year</u>	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Payment</u>
Acquis. & Improv. of					
Real Property	8/20/2014	\$500,000	\$227,500	2.990%	8/20/2018
Acquis. of Sch. Bus	11/29/2016	107,388	84,691	2.803%	12/22/2020
Acquis. of Vehicles	6/30/2017	104,795	70,000	2.594%	6/30/2021
Phone System	2/17/2017	207,800	160,000	2.399%	2/17/2021
Lighting/Sound	5/12/2017	475,000	475,000	2.990%	7/15/2021
ESIP	12/22/2016	<u>4,031,000</u>	<u>4,031,000</u>	2.418%	7/22/2032
		<u>\$ 5,425,983</u>	<u>\$5,048,191</u>		

NOTES TO FINANCIAL STATEMENTS

**NOTE 5. GENERAL LONG-TERM DEBT (CONT'D.)**

Principal and interest due on capital lease obligations outstanding as at June 30, 2017 is as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	286,753	120,879	407,632
2019	602,916	110,656	713,572
2020	373,068	98,646	471,714
2021	392,061	89,757	481,818
2022	327,393	80,351	407,744
2023	254,000	72,516	326,516
2024	222,000	66,580	288,580
2025	234,000	61,248	295,248
2026	246,000	55,505	301,505
2027	259,000	49,460	308,460
2028	272,000	43,125	315,125
2029	286,000	36,476	322,476
2030	300,000	29,451	329,451
2031	315,000	22,076	337,076
2032	330,000	14,399	344,399
2033	<u>348,000</u>	<u>4,207</u>	<u>352,207</u>
	<u>\$5,048,191</u>	<u>\$955,332</u>	<u>\$6,003,523</u>

**D. Advance Refunding of 2003 School Bonds** – On March 24, 2011, the District issued \$9,580,000.00 Refunding School Bonds, Series 2011 (the “Bonds”) to advance refund \$9,617,000 of its callable 2003 School Bonds. Interest Rates on the Refunding Bonds ranged from 2.0% to 4.25%, while Yields, which reflect premiums or discounts, ranged from 0.6% to 3.23%. The Net Interest Cost (NIC) on the Bonds was 2.765%. The net proceeds of the sale of \$10,146,282.44, which includes premiums of \$688,680.70 and deducts \$102,578.26 of underwriting fees and other costs associated with the issuance of the Bonds, were used to purchase U.S. Government Securities, which were deposited to an irrevocable Trust with an escrow agent. The escrow provided for all future debt service payments through June 15, 2012, and the trustee called the outstanding refunded bonds for redemption on that date.

The advance refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$529,282.44. This difference was reported in the District-wide financial statements as a deferred outflow of resources and is being amortized and charged as a Governmental Activities expense through the school year ended June 30, 2022. The refunding transaction was structured to provide 97% of the total debt service savings during the fiscal years ending June 30, 2011 through 2014. Annual charges to amortize the Deferred Amount from Refunding are proportional to the annual cash flow savings in budgeted debt service that resulted from the refunding transaction, and reflect the “front-loaded” structure of the transaction.



**NOTE 6. PENSION PLANS**

**Description of Plans** – The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan’s designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the public Employees Retirement System (PERS) and the Teachers Pension and Annuity Fund (TPAF), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions.

However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions), or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

*Plan Membership and Contributing Employers*- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction’s pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	171,422
Inactive plan members entitled to but not yet receiving benefits	703
Active plan members	<u>261,171</u>
Total	<u>433,296</u>

Contributing Employers – 1,713

**NOTE 6. PENSION PLANS (CONT'D)**

*Significant Legislation*

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended June 30, 2017 the Board's total payroll for all employees was \$16,456,249. Total PERS covered payroll was \$2,105,101. Covered payroll refers to pensionable compensation paid by the Board to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016 and increased to 7.20% for State fiscal year 2017, commencing July 1, 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The School Board's cash basis contributions to the Plan for the years ended June 30, 2017 and 2016 were \$253,098 and \$238,896, respectively. School Board Contributions are due and payable in the fiscal period subsequent to the plan year for which the contributions requirements were calculated.

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

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 8, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

A service retirement benefit of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 with 25 or more years of service credit and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with his/her respective tier.

NOTES TO FINANCIAL STATEMENTS

**NOTE 6. PENSION PLANS (CONT'D)**

**A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONT'D.)**

Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – At June 30, 2017, the School Board reported a liability of \$8,391,578 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 used to calculate the net pension liability was determined by an actuarial valuation as that date. The Board’s proportion of the net pension liability was based on a projection of the Boards long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The June 30, 2016 actuarial valuation indicated that the Board’s proportion of the total Local Group NPL was 0.0283334%, which was an increase of 0.000546% from its proportion measure valued as of June 30, 2015.

For the year ended June 30, 2017, the Board recognized PERS pension expenses of \$830,213 in Governmental Activities. At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual Experience	\$156,058	\$
Changes in assumptions	1,738,287	
Net difference between projected and actual earnings on Plan investments	319,978	
Changes in proportion and differences between Board contributions and proportionate share of contributions	164,621	41,806
Board contributions subsequent to the measurement date	<u>287,566</u>	
<b>Total</b>	<b>\$2,666,510</b>	<b>\$41,806</b>

The \$287,566 of deferred outflows of resources resulting from the Boards contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2018	(\$608,533)
2019	(\$608,532)
2020	(\$608,532)
2021	(\$520,569)
2022	(\$142,625)
Thereafter	\$-0-

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6. PENSION PLANS (CONT'D)**

**A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONT'D.)**

*Actuarial Assumptions-* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.08%
Salary Increases (2012-2021)	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 Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy 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 experiences 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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6. PENSION PLANS (CONT'D)**

**A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONT'D.)**

*Discount Rate* – The discount rate used to measure the pension liabilities of PERS was 3.98%

*Sensitivity of Collective Net Pension Liability to Changes in the Discount Rate* – the following presents the collective net pension liability of PERS participating employers, as well as the Borough's attributed share of that liability, as of June 30, 2016, calculated using the discount rates as disclosed above as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	At 1% Decrease (2.98%)	At current discount rate (3.98%)	At 1% increase (4.98%)
State	\$34,422,851,197	\$29,390,685,705	\$25,246,574,457
Local	<u>36,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
PERS Plan Total	<u>\$70,715,189,252</u>	<u>\$59,007,817,464</u>	<u>\$49,352,744,647</u>
Northern Highlands	<u>\$9,828,353</u>	<u>\$8,391,578</u>	<u>\$7,208,358</u>

*Components of Net Pension Liability* – The components of the collective net pension liability for PERS, including the State of New Jersey, at June 30, 2016 is as follows:

	State	Local	Total
Total Pension Liability	\$36,295,189,928	\$49,474,698,146	\$85,769,888,074
Plan Fiduciary Net Position	<u>6,904,504,223</u>	<u>19,857,566,387</u>	<u>26,762,070,610</u>
Net Pension Liability	<u>\$29,390,685,705</u>	<u>\$29,617,131,759</u>	<u>\$59,007,817,464</u>

**B. TEACHERS PENSION AND ANNUITY FUND**

The Teachers Pension and Annuity Fund is a cost-sharing, multiple employer defined benefit pension plan with a special funding situation as defined in GASB Statement No. 68, by which the State of New Jersey (State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the TPAF Plan are as follows:

*Plan Membership and Contributing Employers*- Substantially all teachers or members of the professional staff of Local Education Agencies that are certified by the State Board of Examiners, and Employees of the Department of Education who have titles that are unclassified, professional and certified are enrolled in the TPAF. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	101,263
Inactive plan members entitled to but not yet receiving benefits	210
Active plan members	<u>155,882</u>
Total	<u>257,355</u>

Contributing Employers – 24.

NOTES TO FINANCIAL STATEMENTS

**NOTE 6. PENSION PLANS (CONT'D)**

**B. TEACHERS PENSION AND ANNUITY FUND (TPAF) (CONT'D.)**

In addition to the State, who is the sole payer of regular employer contributions to the fund, TPAF's contributing employers include boards of education who elected to participate in the Early Retirement Incentive Program (ERIP) and are legally responsible to continue to pay towards their incurred liability.

*Significant Legislation* – Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of TPAF.

*Covered Payroll* - For the year ended June 30, 2017 the Board's total payroll for all employees was \$16,456,249. Total TPAF covered payroll was \$12,838,034.78. Covered payroll refers to pensionable compensation paid by the Board to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016 and increased to 7.20% for State fiscal year 2017, commencing July 1, 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State of New Jersey contribution amount is based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State's pension contribution was less than the actuarially determined amount.

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

The following represents the membership tiers for TPAF:

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

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

NOTES TO FINANCIAL STATEMENTS

**NOTE 6. PENSION PLANS (CONT'D)**

**B. TEACHERS PENSION AND ANNUITY FUND (TPAF) (CONT'D.)**

Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The State of New Jersey is solely responsible for funding the normal pension obligations of the TPAF, including 100% of the obligations of LEAs within the State. Accordingly, the District does not report TPAF pension liabilities or deferred inflows and outflows of financial resources in its financial statements. Payments made by the State to the TPAF “on-behalf” of the LEAs are reported to the LEAs and reported as TPAF pension expenditures/expenses as made.

**Three-Year Trend Information for TPAF (Paid on-behalf of the District, excluding post-retirement medical benefits which are reported in Note 6)**

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Local Pension Obligation</u>
6/30/17	\$ 1,272,072.00	Unknown %	\$ 0
6/30/16	881,860.00	Unknown %	0
6/30/15	554,381.00	Unknown %	0

At June 30, 2016, the TPAF reported a net pension liability of \$78,666,367,052 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey’s the net pension liability for the Non-State Employer Member Group that is attributable to the District was \$90,962,890, or 0.187%. State non-employer contributions allocated to the District were \$920,886 and \$590,738 for 2016 and 2015.

*Actuarial Assumptions*- The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases (2012-2021)	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

Pre-retirement, post-retirement and disability mortality rates were based upon the experience of TPAF members reflecting mortality improvement on a generational basis based upon 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.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate 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.

NOTES TO FINANCIAL STATEMENTS

**NOTE 6. PENSION PLANS (CONT'D)**

**B. TEACHERS PENSION AND ANNUITY FUND (TPAF) (CONT'D.)**

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>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equities Market	26.00%	5.14%
Foreign-Developed Equities	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.

*Sensitivity of Net Pension Liability to Changes in the Discount Rate* – the following presents the net pension liability of TPAF as of June 30, 2015 calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease (2.22%)</u>	<u>At current discount rate (3.22%)</u>	<u>At 1% Increase (4.22%)</u>
TPAF	\$94,378,176,033	\$79,028,907,033	\$66,494,248,033



NOTES TO FINANCIAL STATEMENTS

**NOTE 6. PENSION PLANS (CONT'D)**

**B. TEACHERS PENSION AND ANNUITY FUND (TPAF) (CONT'D.)**

*Components of Net Pension Liability* – The components of the net pension liability for TPAF, including the State of New Jersey, at June 30, 2016 is as follows:

Total pension liability	\$ 101,746,770,000
Plan fiduciary net position	<u>22,717,862,967</u>
Net pension liability	<u>\$ 79,028,907,033</u>
Plan fiduciary net position as a percentage of the total pension liability	22.33%

**C: DEFINED CONTRIBUTION RETIREMENT PLAN**

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

*Plan Membership and Contributing Employers-* Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established “maximum compensation” limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2016, the membership in the DCRP, based on the information within the Division’s database, was 46,557.

*Contribution Requirement and Benefit Provisions -* State and local government employers contribute 3% of the employee’s base salary. Active members contribute 5.5% of base salary.

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant’s interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable. A participant’s interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

For the year ended June 30, 2017 the Board’s total payroll for all employees was \$16,456,249. Total DCRP covered payroll was \$160,790. Covered payroll refers to pensionable compensation paid by the Board to active employees covered by the Plan. Board and employee contributions to the DCRP for the year ended June 30, 2017 were \$4,824 and \$8,843, respectively.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. POST-RETIREMENT BENEFITS

The State of New Jersey sponsors and administers the post-employment health benefits program for school districts. Coverage is provided at no cost to members of the TPAF who retire after accumulating 25 years of credited service or on a disability retirement. The State is also responsible for the costs attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Pursuant to P.L. 2007, c.103, separate funds outside the pension plans were established for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees.

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 Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information for the SEHBP. This report may be accessed via the Division of Pensions and Benefits website, at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions), or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

The State of New Jersey sponsors and administers the post-employment health benefits program for school districts. P.L. 1987, c. 384 and P.L. 1990, c.6 require the TPAF and PERS, respectively, to fund the costs of post-retirement medical benefits for those state employees who retire after accumulating 25 years of credit service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-employment medical benefits through the TPAF and PERS, and instead, created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state and educational employees.

The School Employees Health Benefits Program (SEHBP) Act is codified in the New Jersey Statutes Annotated as 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 Division of Pensions issues a publicly available financial report that includes the financial statements and required supplementary information for the SEHBP. This report may be accessed via the Division of Pensions and Benefits website, at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions), or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

At June 30, 2016, there were approximately 110,512 retirees receiving State paid post retirement health 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 was changed from a pre-funding basis to a pay-as-you-go basis in Fiscal Year 1994.

The State is also responsible for the costs attributable to Chapter 126, P.L. 1992, which provides health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service at no cost to the member. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. POST-RETIREMENT BENEFITS(CONT'D.)**

The State's contributions to the Health Benefits Program Fund on-behalf of the District for TPAF retiree health benefits, for the last three years, is as follows:

**Three-Year Trend Information for TPAF Retiree Health Benefits (Paid on-behalf of the District)**

<u>Year Funding</u>	<u>Annual Post Retirement Medical Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/17	\$ 1,072,426	100 %	\$ 0
6/30/16	1,102,358	100	0
6/30/15	943,398	100	0

The amounts of State contributions to the Health Benefits Program Fund on-behalf of the District for PERS retiree health benefits has not been made available.

**NOTE 8. 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, along with other school districts, is a member of the Northeast Bergen County School Board Insurance group (NESBIG), a governmental joint insurance fund. NESBIG has adopted a formal risk management plan that involves a combination of District risk retention (through the use of per claim and aggregate per line deductibles), Fund retention of risk and the procurement of excess insurance and reinsurance through commercial reinsurers and the School Excess Liability Fund. A complete listing of the coverages provided by the Fund can be found in the statistical section of the Comprehensive Annual Financial Report. Audited financial information for the Fund relating to the level of claims reserves, estimated amounts of claims incurred but not reported and net assets were not available for inclusion in this report.

Surety bond coverage for the School Business Administrator and Treasurer of School Moneys is provided by commercial insurance companies.

**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 year and prior year:

<u>Fiscal Year</u>	<u>Board Contrib.</u>	<u>Employee Contrib.</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014-2015	\$ 4,344	\$ 19,495	\$ 42,221	\$ 80,668
2015-2016	8,431	16,913	27,816	78,197
2016-2017	-0-	21,105	18,209	80,993

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9. INTERFUND RECEIVABLES AND PAYABLES**

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 9,216.03	\$
Capital Projects Fund		3,708.65
Payroll Agency Fund	<hr/>	<hr/> 5,507.38
 Total	 \$ <u><u>9,216.03</u></u>	 \$ <u><u>9,216.03</u></u>

**NOTE 10. FUND BALANCE APPROPRIATED**

**General Fund** - Of the \$5,308,273.69 General Fund balance at June 30, 2017 (Budgetary Basis), \$429,899.72 is legally committed for amounts encumbered at June 30, 2017, for which the contracted goods or services had not been delivered or rendered. These amounts will carry forward to the budget of the 2017-2018 school year. \$1,103,850.34 is reserved for excess surplus that has been appropriated and included as an anticipated revenue in the 2017-18 budget; \$984,746.95 is reserved for excess surplus that must be appropriated as an item of revenue in the 2018-19 budget. Additional legal reserves of \$849,900.36, \$928,479.00 and \$250,000.00 have been established by the Board of Education for Capital, Maintenance, and Emergency Reserves, respectively. Unreserved General Fund Balance was \$761,397.32, which is unassigned. The total General Fund balance on a budgetary basis must be reduced by \$642,458.00 of state aid that was realized as revenue on the budgetary basis but is not permitted under with generally accepted accounting principles due to timing differences creating a lack of symmetry between the period of District revenue recognition and the fiscal period in which state appropriations for these revenues become operative.

**Capital Projects Fund** – At June 30, 2017, the Capital Projects Fund reported a fund balance of \$2,967,456.10. These amounts restricted to funding authorized capital project costs .

**Debt Service Fund** - Of the \$20,418.63 fund balance at June 30, 2016, the entire amount is designated for expenditures in the 2017-2018 District Budget.

**NOTE 11. CALCULATION OF EXCESS SURPLUS**

In accordance with *N.J.S.A. 18A:7F-7*, as amended by P.L. 2004, c.73 (S1701). The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 for future tax relief to the extent that unrestricted/unassigned fund balance exceeds 2% of the prior year net adjusted expenditures. The excess fund balance pledged to future tax relief at June 30, 2017, calculated on a budgetary basis pursuant to statute, is \$2,088,597.29, and is comprised of \$1,103,850.34 that was appropriated as part of the 2017-18 school budget, and \$984,746.95, which represents the minimum amount of fund balance that must be appropriated as part of the 2018-19 school budget.

## NOTES TO FINANCIAL STATEMENTS

### **NOTE 12. CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the School District of Northern Highlands Regional High School District Board of Education by inclusion of \$7,000.00 during fiscal year 2001 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) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the department, a district may deposit funds into the capital reserve at any time upon board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Pursuant to N.J.A.C. 6:23A-5.1 (d) 7, the balance in the account cannot at any time exceed the local support costs of uncompleted projects in its approved LRFP.

During the 2016-17 school year, the Board of Education approved transfers into the Capital Reserve Account in the amount of \$600,000. An additional \$1,039.51 of investment earnings were credited to this account.. At June 30, 2017, the balance in the Capital Reserve Account was \$849,900.36.

### **NOTE 13. OTHER RESERVE ACCOUNTS**

Pursuant to enabling legislation and rulemaking, the District is permitted to establish legally restricted Reserve Funds for Maintenance and Emergencies. The activity of these reserved accounts and their status at June 30, 2017 is as follows:

Emergency Reserve: A balance of \$250,000 existed at June 30, 2017 and June 30, 2016.

Maintenance Reserve: A balance of \$1,222,979 existed at June 30, 2016. Of this total, \$294,500 was appropriated by Board resolution during the school year to fund eligible projects. The year-end balance was \$928,479.

### **NOTE 14. DEFICIT FUND BALANCES**

The District did not have any deficit fund balances at June 30, 2017 that would have been reported in the fund statements (modified accrual basis). P.L. 2003 c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, ie., if one government recognizes an asset, the other government recognizes a liability. Since the District is not recording the last state aid payment on the GAAP financial statements until the year the State records the payable, it is possible that a positive fund balance could be reported on a mandated budgetary basis while a deficit is reported on a GAAP basis based upon nonrecognition of revenue on the GAAP basis for the final state aid payment.

Pursuant to *N.J.S.A.* 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 15. RESTATEMENT OF GOVERNMENTAL ACTIVITIES NET POSITION**

During the taking of a year-end physical inventory of governmental activities capital assets, additional assets were identified which had been excluded from the prior inventory and the District's financial records. Upon further review, it was determined that these assets had been acquired during prior periods and had an estimated cost of \$2,517,613 and accumulated depreciation at June 30, 2016 of \$91,378.

A prior period adjustment to restate the June 30, 2017 Governmental Activities Net Position was required to reflect the net book value of unrecorded capital assets was as follows:

Governmental Activities Net Position as Reported 6-30-16	\$6,935,359
Unrecorded Capital Assets:	
Estimated Cost	2,517,613
Less: Accumulated Depreciation	<u>(91,378)</u>
Net Increase in Governmental Activities Net Position	<u>2,426,235</u>
Governmental Activities Net Position 6-30-16 Restated	<u><u>\$9,361,594</u></u>

**NOTE 16. OPERATING LEASES**

On March 30, 2016, the District entered into a lease agreement to finance its One-to-One Program. The lease "principal" amount is based on the acquisition price of electronic tablets for distribution to every student. The term of the lease is 39.5 months. The interest component of the scheduled payments is based upon an interest rate of 1.26%. An initial lease payment of \$100,000 was budgeted and paid in the 2015-16 school budget.

The schedule of future rental payments and optional prepayment prices, which are available to the District only on scheduled lease payment dates, as of June 30, 2017 is as follows:

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Rental Payment</u>	<u>Prepayment Price</u>
7/15/17	295,403.47	11,466.58	306,870.05	620,241.77
7/15/18	299,403.47	7,692.80	306,870.05	312,089.21
7/15/19	<u>302,999.23</u>	<u>3,870.82</u>	<u>306,870.05</u>	<u>N/A</u>
Totals	<u>\$897,806.17</u>	<u>\$23,803.20</u>	<u>\$920,610.15</u>	

**NOTE 17. 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

## NOTES TO FINANCIAL STATEMENTS

### **NOTE 17. TAX ABATEMENTS (CONT'D.)**

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.

The Division of Local Government Services, in the Department of Community Affairs, State of New Jersey, requires each municipality to submit annually a "User Friendly Budget", which, among other disclosures, includes a listing of all properties which have been granted tax abatements, including assessed values and any In-Lieu-Of-Tax-Payments made to the municipality. The 2017 User Friendly Budgets for the District's member communities reported no tax abatements granted for calendar years 2016 or 2017.

### **NOTE 18. PENDING LITIGATION AND CONTINGENT LIABILITIES**

PENDING LITIGATION - At June 30, 2017, there was no litigation pending for which an unfavorable outcome with a material adverse impact on the net position of the District was anticipated.

### **NOTE 19. SUBSEQUENT EVENTS**

No events have occurred subsequent to the close of the fiscal year that require disclosure herein.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**PART II**



**BUDGETARY COMPARISON SCHEDULES**

**SECTION – C**

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 21,103,372.00	\$	\$ 21,103,372.00	\$ 21,103,372.00	\$ -
Tuition-Individuals	303,525.00		303,525.00	451,463.00	147,938.00
Tuition-LEAs	4,779,105.00		4,779,105.00	4,912,245.24	133,140.24
Interest Earned on Capital Reserve Funds			-	\$ 1,039.51	1,039.51
Unrestricted Miscellaneous Revenue	111,230.00		111,230.00	188,122.87	76,892.87
<b>Total - Local Sources</b>	<u>26,297,232.00</u>	<u>-</u>	<u>26,297,232.00</u>	<u>26,656,242.62</u>	<u>359,010.62</u>
<b>State Sources:</b>					
Extraordinary Aid	400,000.00		400,000.00	599,076.00	199,076.00
Categorical Special Ed. Aid	386,701.00		386,701.00	386,701.00	-
Categorical Security Aid	77,671.00		77,671.00	77,671.00	-
Categorical Transportation Aid	100,760.00		100,760.00	100,760.00	-
Other State Aid - NP Transportation			-	9,033.00	9,033.00
Other State Aid - PARCC Readiness Aid	10,480.00		10,480.00	10,480.00	-
Other State Aid - Per Pupil Growth Aid	10,480.00		10,480.00	10,480.00	-
Other State Aid - Professional Learning Community Aid	10,180.00		10,180.00	10,180.00	-
On-behalf TPAF Pension Contrib. (non-budgeted)			-	1,242,072.00	1,242,072.00
On-behalf TPAF OPEB Contrib. (non-budgeted)			-	1,072,426.00	1,072,426.00
On-behalf TPAF NCGI Contrib. (non-budgeted)			-	47,825.00	47,825.00
On-behalf TPAF Employer FICA Contrib. (non-budgeted)			-	885,895.64	885,895.64
<b>Total - State Sources</b>	<u>996,272.00</u>	<u>-</u>	<u>996,272.00</u>	<u>4,452,599.64</u>	<u>3,456,327.64</u>
<b>Total Revenues</b>	<u>27,293,504.00</u>	<u>-</u>	<u>27,293,504.00</u>	<u>31,108,842.26</u>	<u>3,815,338.26</u>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Grades 9-12	\$ 9,483,214.00	\$ (79,747.00)	\$ 9,403,467.00	\$ 9,165,998.67	\$ 237,468.33
Regular Programs - Home Instr.:					
Salaries of Teachers	35,000.00	38,700.00	73,700.00	44,415.00	29,285.00
Regular Programs - Undistrib. Instr.:					
Purchased Prof./Educational Services	54,957.00	(23,385.00)	31,572.00	29,542.32	2,029.68
Purchased Technical Services	22,500.00	(127.13)	22,372.87	16,668.00	5,704.87
Other Purchased Services	381,020.00	76,535.47	457,555.47	455,988.28	1,567.19
General Supplies	497,536.00	98,639.05	596,175.05	500,961.35	95,213.70
Textbooks	54,300.00	(18,789.50)	35,510.50	35,479.00	31.50
Other Objects	16,415.00	441.50	16,856.50	13,937.22	2,919.28
Total Regular Programs	<u>10,544,942.00</u>	<u>92,267.39</u>	<u>10,637,209.39</u>	<u>10,262,989.84</u>	<u>374,219.55</u>
Resource Room/Resource Center:					
Salaries of Teachers	<u>882,389.00</u>	<u>(2,194.00)</u>	<u>880,195.00</u>	<u>878,497.75</u>	<u>1,697.25</u>
Total Resource Room/Resource Center	<u>882,389.00</u>	<u>(2,194.00)</u>	<u>880,195.00</u>	<u>878,497.75</u>	<u>1,697.25</u>
Total Special Education	<u>882,389.00</u>	<u>(2,194.00)</u>	<u>880,195.00</u>	<u>878,497.75</u>	<u>1,697.25</u>
Basic Skills/Remedial:					
Salaries of Teachers	<u>35,145.00</u>	<u>22,500.00</u>	<u>57,645.00</u>	<u>57,187.00</u>	<u>458.00</u>
Total Basic Skills/Remedial	<u>35,145.00</u>	<u>22,500.00</u>	<u>57,645.00</u>	<u>57,187.00</u>	<u>458.00</u>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
School - Sponsored Co/Extracurricular Activities:					
Salaries	\$ 389,424.00	\$ -	\$ 389,424.00	\$ 366,089.75	\$ 23,334.25
Purchased Services	26,500.00	1,185.00	27,685.00	24,257.20	3,427.80
Supplies and Materials	33,780.00	(3,751.13)	30,028.87	25,943.93	4,084.94
Other Objects	22,125.00	3,001.00	25,126.00	17,466.10	7,659.90
Total School - Sponsored Cocurricular Activities	<u>471,829.00</u>	<u>434.87</u>	<u>472,263.87</u>	<u>433,756.98</u>	<u>38,506.89</u>
School - Sponsored Athletics - Instruction:					
Salaries	617,946.00	(4,000.00)	613,946.00	613,676.00	270.00
Purchased Services	44,500.00	200.00	44,700.00	39,136.04	5,563.96
Supplies and Materials	64,000.00	7,150.00	71,150.00	69,719.93	1,430.07
Other Objects	24,000.00	(275.00)	23,725.00	22,893.92	831.08
Transfer to Cover Deficit (Agency Funds)	40,000.00	-	40,000.00	40,000.00	-
Total School - Sponsored Athletics	<u>790,446.00</u>	<u>3,075.00</u>	<u>793,521.00</u>	<u>785,425.89</u>	<u>8,095.11</u>
Total Instruction	<u>12,724,751.00</u>	<u>116,083.26</u>	<u>12,840,834.26</u>	<u>12,417,857.46</u>	<u>422,976.80</u>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	\$ 319,917.00	\$ 63,118.93	\$ 383,035.93	\$ 383,035.93	\$ -
Tuition to County Vocational School Dist. - Regular	196,020.00	(28,683.00)	167,337.00	167,337.00	-
Tuition to County Vocational School Dist. - Special	62,220.00	(20,543.00)	41,677.00	41,676.01	0.99
Tuition to CSSD & Regional Day Schools	218,040.00	(48,093.00)	169,947.00	169,946.01	0.99
Tuition to Private Schools for the Disabled - Within State	1,368,377.00	(241,330.93)	1,127,046.07	967,766.68	159,279.39
Tuition to Private Schools for the Disabled, Outside the State	1,031,628.00	1,417.00	1,033,045.00	1,031,806.25	1,238.75
Total Undistrib. Expend. - Instruc.	<u>3,196,202.00</u>	<u>(274,114.00)</u>	<u>2,922,088.00</u>	<u>2,761,567.88</u>	<u>160,520.12</u>
Attendance and Social Work Services:					
Salaries	72,610.00	4,140.00	76,750.00	76,749.96	0.04
Total Attendance and Social Work Serv.	<u>72,610.00</u>	<u>4,140.00</u>	<u>76,750.00</u>	<u>76,749.96</u>	<u>0.04</u>
Health Services:					
Salaries	87,560.00	-	87,560.00	87,185.00	375.00
Purchased Profess. and Tech. Serv.	11,000.00	1,000.00	12,000.00	12,000.00	-
Other Purchased Services	2,000.00	(69.00)	1,931.00	512.50	1,418.50
Supplies and Materials	5,000.00	305.00	5,305.00	5,270.47	34.53
Other Objects	175.00	319.00	494.00	493.30	0.70
Total Health Services	<u>105,735.00</u>	<u>1,555.00</u>	<u>107,290.00</u>	<u>105,461.27</u>	<u>1,828.73</u>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Undistributed Expenditures (Cont'd.):					
Speech, OT, PT & Related Services					
Salaries	\$ 87,480.00	\$	\$ 87,480.00	\$ 87,480.00	\$ -
Purchased Profess./Educa. Services	<u>114,000.00</u>	<u>15,000.00</u>	<u>129,000.00</u>	<u>89,590.70</u>	<u>39,409.30</u>
Total Speech, OT, PT & Related Services	<u>201,480.00</u>	<u>15,000.00</u>	<u>216,480.00</u>	<u>177,070.70</u>	<u>39,409.30</u>
Other Support Services-Student - Extra Serices					
Salaries	122,056.00	(19,902.21)	102,153.79	101,653.79	500.00
Purchased Profess./Educa. Services	285,000.00	69,860.00	354,860.00	305,500.02	49,359.98
Supplies and Materials	<u>13,000.00</u>	<u>(10,227.79)</u>	<u>2,772.21</u>	<u>2,704.89</u>	<u>67.32</u>
Total Other Support Services- Student - Extra Services	<u>420,056.00</u>	<u>39,730.00</u>	<u>459,786.00</u>	<u>409,858.70</u>	<u>49,927.30</u>
Guidance:					
Salaries of Other Professional Staff	745,483.00	(5,220.00)	740,263.00	722,260.00	18,003.00
Other Purchased Prof. & Tech. Services	785.00	445.00	1,230.00	695.00	535.00
Other Purchased Services	1,250.00		1,250.00	905.00	345.00
Supplies and Materials	4,659.00		4,659.00	4,083.90	575.10
Other Objects	<u>2,439.00</u>		<u>2,439.00</u>	<u>2,082.13</u>	<u>356.87</u>
Total - Guidance	<u>754,616.00</u>	<u>(4,775.00)</u>	<u>749,841.00</u>	<u>730,026.03</u>	<u>19,814.97</u>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Undistributed Expenditures (Cont'd.):					
Child Study Teams:					
Salaries of Other Profess. Staff	\$ 568,864.00	37,427.50	\$ 606,291.50	\$ 606,287.46	\$ 4.04
Salaries of Secret. & Clerical Assts.	192,339.00		192,339.00	192,338.88	0.12
Purchased Profess./Educa. Services	200.00		200.00	-	200.00
Supplies and Materials	5,250.00		5,250.00	4,348.58	901.42
Other Objects	2,911.00		2,911.00	2,379.50	531.50
	<u>769,564.00</u>	<u>37,427.50</u>	<u>806,991.50</u>	<u>805,354.42</u>	<u>1,637.08</u>
Total - Child Study Teams					
Improv. of Instruction Services:					
Salaries of Professional Staff	66,177.00	(160.08)	66,016.92	66,016.92	\$ -
General Supplies	1,000.00		1,000.00	800.00	200.00
Other Objects	375.00	(61.00)	314.00	314.00	-
	<u>67,552.00</u>	<u>(221.08)</u>	<u>67,330.92</u>	<u>67,130.92</u>	<u>200.00</u>
Total Improv. of Instruction Services					
Educational Media Serv./School Library:					
Salaries	542,883.00	37,000.00	579,883.00	505,843.18	74,039.82
Purch. Profess. and Tech. Serv.	73,075.00	(4,248.00)	68,827.00	68,827.00	-
Supplies and Materials	45,249.00	269.05	45,518.05	42,781.21	2,736.84
Other Objects	330.00	250.00	580.00	573.00	7.00
	<u>661,537.00</u>	<u>33,271.05</u>	<u>694,808.05</u>	<u>618,024.39</u>	<u>76,783.66</u>
Total Educa. Media Serv./School Library					
Instructional Staff Training Services:					
Purch. Profess. Educ. Serv.	37,000.00	(3,413.00)	33,587.00	10,942.97	22,644.03
Other Purchased Services	13,500.00	2,097.00	15,597.00	10,759.69	4,837.31
Supplies and Materials	2,700.00	2,700.00	2,700.00	2,700.00	-
	<u>50,500.00</u>	<u>1,384.00</u>	<u>51,884.00</u>	<u>24,402.66</u>	<u>27,481.34</u>
Total Instr. Staff Training Serv.					

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

EXPENDITURES (CONT'D.):	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Current Expense (Cont'd.):					
Undistributed Expenditures (Cont'd.):					
Support Serv. General Administration:					
Salaries	\$ 234,278.00	\$ 30.32	\$ 234,308.32	\$ 234,307.42	\$ 0.90
Legal Services	75,000.00	96,212.50	171,212.50	171,191.66	20.84
Audit Fees	20,750.00	(520.00)	20,230.00	20,230.00	-
Other Purch. Professional Services	50,000.00	15,215.82	65,215.82	50,463.32	14,752.50
Communications/Telephone	98,000.00	(11,918.00)	86,082.00	82,285.01	3,796.99
BOE Other Purchased Services	4,000.00	(204.00)	3,796.00	3,794.34	1.66
Misc. Purchased Services	20,625.00	883.00	21,508.00	19,262.32	2,245.68
General Supplies	3,500.00	(1,418.00)	2,082.00	1,771.79	310.21
Misc. Expenditures	6,500.00	(4,265.00)	2,235.00	2,175.00	60.00
BOE Membership Dues and Fees	18,000.00	(3,924.32)	14,075.68	13,768.16	307.52
<b>Total Support Serv. General Administration</b>	<b>530,653.00</b>	<b>90,092.32</b>	<b>620,745.32</b>	<b>599,249.02</b>	<b>21,496.30</b>
Support Serv. School Administration:					
Salaries of Principals/Asst. Principals	313,599.00	8,922.68	322,521.68	322,520.88	0.80
Salaries of Other Professional Staff	180,753.00	-	180,753.00	180,753.00	-
Salaries of Secty. and Clerical Assts.	185,001.00	(1,711.50)	183,289.50	183,289.38	0.12
Purch. Professional & Technical Serv.	250.00	(13.00)	237.00	237.00	-
Other Purchased Services	3,500.00	154.24	3,654.24	3,639.69	14.55
Supplies and Materials	250.00	3,705.92	3,955.92	3,955.92	-
Other Objects	3,600.00	24.00	3,624.00	3,624.00	-
<b>Total Support Serv. School Admin.</b>	<b>686,953.00</b>	<b>11,082.34</b>	<b>698,035.34</b>	<b>698,019.87</b>	<b>15.47</b>



NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Central Services:					
Salaries	\$ 448,427.00	\$ (30.00)	\$ 448,397.00	\$ 447,706.77	\$ 690.23
Purch. Professional Services	8,000.00	80,585.00	88,585.00	79,052.14	9,532.86
Purch. Technical Services	7,000.00	(325.00)	6,675.00	6,675.00	-
Misc. Purchased Services	800.00	-	800.00	275.00	525.00
Sale/Lease-back Payments	122,253.00	(0.18)	122,252.82	122,252.82	-
Supplies and Materials	4,500.00	2,171.74	6,671.74	4,272.01	2,399.73
Miscellaneous Expenditures	1,350.00	-	1,350.00	1,341.19	8.81
<b>Total Central Services</b>	<b>592,330.00</b>	<b>82,401.56</b>	<b>674,731.56</b>	<b>661,574.93</b>	<b>13,156.63</b>
Required Maint. For School Facilities:					
Salaries	329,662.00	(8,500.00)	321,162.00	317,437.23	3,724.77
Cleaning, Repair & Maint. Services	270,000.00	693,883.67	963,883.67	633,014.21	330,869.46
General Supplies	55,000.00	3,099.00	58,099.00	57,832.34	266.66
<b>Total Required Maint. For School Facilities</b>	<b>654,662.00</b>	<b>688,482.67</b>	<b>1,343,144.67</b>	<b>1,008,283.78</b>	<b>334,860.89</b>
Custodial Services:					
Salaries	710,102.00	(52,025.00)	658,077.00	656,741.42	1,335.58
Purch. Professional & Technical Serv.	2,400.00	17,192.00	19,592.00	16,203.63	3,388.37
Cleaning, Repair & Maint. Services	90,000.00	2,242.50	92,242.50	79,089.60	13,152.90
Other Purchased Property Services	95,000.00	12,555.78	107,555.78	92,011.99	15,543.79
Insurance	149,000.00	(2,968.00)	146,032.00	146,032.00	-
General Supplies	75,500.00	(19,249.50)	56,250.50	49,815.95	6,434.55
Energy (Natural Gas)	195,000.00	(9,222.78)	185,777.22	142,991.68	42,785.54
Energy (Electricity)	350,000.00	(7,000.00)	343,000.00	328,559.60	14,440.40
Other Objects	6,000.00	1,540.00	7,540.00	5,487.17	2,052.83
<b>Total Custodial services</b>	<b>1,673,002.00</b>	<b>(56,935.00)</b>	<b>1,616,067.00</b>	<b>1,516,933.04</b>	<b>99,133.96</b>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Undistributed Expenditures (Cont'd.):					
Care & Upkeep of Grounds:					
Salaries	\$ 45,779.00	\$ -	\$ 45,779.00	\$ 44,023.12	\$ 1,755.88
Cleaning, Repair & Maint. Services	105,000.00	23,569.27	128,569.27	96,172.50	32,396.77
General Supplies	30,000.00	-	30,000.00	21,904.02	8,095.98
Total Care & Upkeep of Grounds	<u>180,779.00</u>	<u>23,569.27</u>	<u>204,348.27</u>	<u>162,099.64</u>	<u>42,248.63</u>
Security:					
Purch. Professional & Technical Serv.	2,500.00		2,500.00	1,540.00	960.00
Other Objects	1,500.00		1,500.00	1,249.00	251.00
Total Security	<u>4,000.00</u>	<u>-</u>	<u>4,000.00</u>	<u>2,789.00</u>	<u>1,211.00</u>
Total Operation & Maint. Of Plant Services	<u>2,512,443.00</u>	<u>655,116.94</u>	<u>3,167,559.94</u>	<u>2,690,105.46</u>	<u>477,454.48</u>
Student Transportation Services:					
Salaries for Pupil Transportation (Other Than Between Home & School)	\$ 167,738.00	\$ 21,525.00	\$ 189,263.00	\$ 184,201.89	\$ 5,061.11
Purch. Professional & Technical Serv.					
Cleaning, Repair & Maint. Services	38,000.00	(123.71)	37,876.29	37,457.30	418.99
Lease Purchase Payments-School Buses		41,848.82	41,848.82	41,848.74	0.08
Contracted Services - Aid in Lieu of Payments - Non-Pub Sch.	30,940.00	1,723.71	32,663.71	32,663.71	-
Contracted Services (Other Than Between Home & School) - Vendors	46,000.00	1,750.00	47,750.00	41,772.36	5,977.64
Contracted Services (Regular Students) - ESCs & CTAs	402,000.00	(14,000.00)	388,000.00	385,818.96	2,181.04
Contracted Services (Special Ed. Students) - ESCs & CTAs	402,100.00	(45,348.82)	356,751.18	348,030.70	8,720.48

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES (CONT'D.):					
Undistributed Expenditures (Cont'd.):					
Student Transportation Services (Cont'd.):					
General supplies	500.00	(500.00)	-		-
Transportation supplies	10,000.00	(1,000.00)	9,000.00	8,336.68	663.32
Other Objects	4,600.00	160.00	4,760.00	4,663.05	96.95
Total Student Transportation Services	<u>1,101,878.00</u>	<u>6,035.00</u>	<u>1,107,913.00</u>	<u>1,084,793.39</u>	<u>23,119.61</u>
Unallocated Employee Benefits:					
Social Security Contributions	\$ 327,500.00	\$ (19,740.00)	\$ 307,760.00	\$ 279,692.51	\$ 28,067.49
Other Retirement Contributions-PERS	292,500.00	(30,863.63)	261,636.37	261,636.37	-
Unemployment Compensation	50,000.00	-	50,000.00	481.50	49,518.50
Workmen's Compensation	100,500.00	-	100,500.00	100,115.00	385.00
Health Benefits	2,915,659.00	(1,260.74)	2,914,398.26	2,690,543.32	223,854.94
Tuition Reimbursements	51,000.00	4,740.00	55,740.00	55,739.86	0.14
Other Employee Benefits	56,650.00	(3,698.00)	52,952.00	52,066.02	885.98
Total Unallocated Employee Benefits:	<u>3,793,809.00</u>	<u>(50,822.37)</u>	<u>3,742,986.63</u>	<u>3,440,274.58</u>	<u>302,712.05</u>
On-behalf TPAF Pension					
Contrib. (non-budgeted)				1,242,072.00	(1,242,072.00)
On-behalf TPAF OPEB					
Contrib. (non-budgeted)				1,072,426.00	(1,072,426.00)
On-behalf TPAF NCGI					
Contrib. (non-budgeted)				47,825.00	(47,825.00)
On-behalf TPAF Employer					
FICA Contrib. (non-budgeted)				885,895.64	(885,895.64)
Total On-behalf Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,248,218.64</u>	<u>(3,248,218.64)</u>
Total Personal Services - Employee Benefits	<u>3,793,809.00</u>	<u>(50,822.37)</u>	<u>3,742,986.63</u>	<u>6,688,493.22</u>	<u>(2,897,681.59)</u>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Total Undistributed Expenditures	\$ 15,517,918.00	\$ 647,303.26	\$ 16,165,221.26	\$ 18,197,882.82	\$ (2,032,661.56)
Total Expenditures - Current Expense	<u>28,242,669.00</u>	<u>763,386.52</u>	<u>29,006,055.52</u>	<u>30,615,740.28</u>	<u>(1,609,684.76)</u>
CAPITAL OUTLAY:					
Equipment:					
Regular Programs - Instruction:					
Grades 9-12		51,440.00	51,440.00	8,842.00	42,598.00
Undistributed Expenditures:					
Care & Upkeep of Grounds		262,232.60	262,232.60	262,232.60	-
Care and Upkeep of Grounds		104,794.60	104,794.60	104,794.60	-
Central Services		207,800.26	207,800.26	207,800.26	-
Student Transportation		107,367.88	107,367.88	107,367.88	-
Total Equipment	<u>-</u>	<u>626,267.46</u>	<u>733,635.34</u>	<u>691,037.34</u>	<u>42,598.00</u>
Facilities Acquis. & Constr. Services:					
Assessment for Debt Service-SDA Funding	<u>25,820.00</u>		<u>25,820.00</u>	<u>25,820.00</u>	<u>-</u>
Total Facil. Acquis. & Constr. Services	<u>25,820.00</u>	<u>-</u>	<u>25,820.00</u>	<u>25,820.00</u>	<u>-</u>
Total Capital Outlay	<u>25,820.00</u>	<u>626,267.46</u>	<u>759,455.34</u>	<u>716,857.34</u>	<u>42,598.00</u>
Total Expenditures	\$ <u>28,268,489.00</u>	\$ <u>1,389,653.98</u>	\$ <u>29,765,510.86</u>	\$ <u>31,332,597.62</u>	\$ <u>(1,567,086.76)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(974,985.00)</u>	<u>(1,389,653.98)</u>	<u>(2,472,006.86)</u>	<u>(223,755.36)</u>	<u>2,248,251.50</u>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Financing Sources (Uses)					
Proceeds from Lease Purchase Agreement		419,962.74	419,962.74	419,962.74	-
Operating Transfers In/(out)					
Transfer to Cover Deficit-Enterprise Fund	(1,500.00)	(2,500.00)	(4,000.00)	(2,901.40)	1,098.60
Transfer From Cap. Proj. Fund			-	3,708.65	3,708.65
	<u>(1,500.00)</u>	<u>417,462.74</u>	<u>415,962.74</u>	<u>420,769.99</u>	<u>4,807.25</u>
Total Other Financing Sources (Uses)					
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)					
Expenditures and Other Financing Uses	(976,485.00)	(972,191.24)	(2,056,044.12)	197,014.63	2,253,058.75
Fund Balances, July 1	<u>5,111,259.06</u>		<u>5,111,259.06</u>	<u>5,111,259.06</u>	
Fund Balances, June 30	<u>\$ 4,134,774.06</u>	<u>\$ (972,191.24)</u>	<u>\$ 3,055,214.94</u>	<u>\$ 5,308,273.69</u>	<u>\$ 2,253,058.75</u>
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Reserved Excess Surplus-Designated for Subsequent Year Expenditures				\$ 1,103,850.34	
Reserve for Excess Surplus				984,746.95	
Emergency Reserve				250,000.00	
Maintenance Reserve				928,479.00	
Capital Reserve				849,900.36	
Committed Fund Balance:					
Year-End Encumbrances				429,899.72	
Unassigned Fund Balance				<u>761,397.32</u>	
				5,308,273.69	
Reconciliation to Governmental Funds Statements (GAAP):					
Remaining State Aid Payments not recognized as Revenue on GAAP basis				<u>(642,458.00)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 4,665,815.69</u>	

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
REVENUES:					
Federal Sources					
Title I	\$ 51,000.00	\$ 7,247.00	\$ 58,247.00	\$ 58,247.00	\$ -
Title II, Part A	12,000.00	817.00	12,817.00	12,817.00	-
IDEA Part B	<u>202,000.00</u>	<u>19,651.00</u>	<u>221,651.00</u>	<u>221,651.00</u>	<u>-</u>
Total Federal Revenues	<u>265,000.00</u>	<u>27,715.00</u>	<u>292,715.00</u>	<u>292,715.00</u>	<u>-</u>
Total Revenues	<u>265,000.00</u>	<u>27,715.00</u>	<u>292,715.00</u>	<u>292,715.00</u>	<u>-</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	12,000.00	670.00	12,670.00	12,670.00	-
Other Purchased Services (400-500 series)	202,000.00	19,651.00	221,651.00	221,651.00	-
General Supplies	<u>51,000.00</u>	<u>(15,364.00)</u>	<u>35,636.00</u>	<u>35,636.00</u>	<u>-</u>
Total Instruction	<u>265,000.00</u>	<u>4,957.00</u>	<u>269,957.00</u>	<u>269,957.00</u>	<u>-</u>
Support Services					
Salaries of Other Professional Staff	-	17,497.00	17,497.00	17,497.00	-
Personal Services - Employee Benefits	<u>-</u>	<u>5,261.00</u>	<u>5,261.00</u>	<u>5,261.00</u>	<u>-</u>
Total Support Services	<u>-</u>	<u>22,758.00</u>	<u>22,758.00</u>	<u>22,758.00</u>	<u>-</u>
Total Expenditures	<u>265,000.00</u>	<u>27,715.00</u>	<u>292,715.00</u>	<u>292,715.00</u>	<u>-</u>
Total Outflows	<u>265,000.00</u>	<u>27,715.00</u>	<u>292,715.00</u>	<u>292,715.00</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 NOTE TO RSI  
FOR THE YEAR ENDED JUNE 30, 2017

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

		General Fund		Special Revenue Fund
Sources/inflows of resources:				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1) \$	31,108,842.26	(C-2) \$	292,715.00
Difference - budget to GAAP:				
State aid payment recognized for budgetary purposes, not recognized for GAAP statements (Net)		<u>(70,303.00)</u>		<u>                    </u>
 Total revenues as reported on the statement of revenues, expenditures and change in fund balances - governmental funds	 (B-2) \$	 <u>31,038,539.26</u>	 (B-2) \$	 <u>292,715.00</u>
 Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1)	31,638,480.78	(C-2)	292,715.00
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	 (B-2) \$	 <u>31,638,480.78</u>	 (B-2) \$	 <u>292,715.00</u>



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**PART III**

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

**SECTION – L**

**(Section numbering as per N.J. Department of Education  
2014-2015 Audit Program)**

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years\*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	2016
District's Proportion of the Net Pension Liability	0.00027593	0.00027183	0.00027787	0.00028334
District's Proportionate Share of the Net Pension Liability	\$5,273,555	\$5,089,475	\$6,237,685	\$8,391,578
District's Covered-Employee Payroll	\$1,933,533	\$1,972,993	\$1,989,773	\$2,105,101
District's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	272.74%	257.96%	313.49%	398.63%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	48.72%	42.59%	38.21%	31.20%

\* Amounts presented for each fiscal year were determined as of June 30.

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>
Contractually Required Contribution	\$ 207,907	\$ 224,096	\$ 238,896	\$ 287,566
Contribution in Relation to Contractually Required Contribution	<u>\$ (207,907)</u>	<u>\$ (224,096)</u>	<u>\$ (238,896)</u>	<u>\$ (287,566)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's Proportionate Share of the Payroll	\$ 1,903,910	\$ 1,880,000	\$ 1,989,773	\$ 2,105,101
Contributions as a percentage of Covered Employee Payroll	10.92%	11.92%	12.01%	13.66%

\* Amounts presented for each fiscal year were determined as of June 30.

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S SHARE OF THE NET PENSION LIABILITY  
TEACHERS PENSION AND ANNUITY FUND ( Non-State Employer Group)

	<u>Last 10 Fiscal Years*</u>			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>
Proportion of the Non-State Employer Group Net Pension Liability attributable to the District	0.00110692	0.001087819	0.001299872	0.001869112
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group	\$55,942,720	\$58,140,363	\$69,473,929	\$90,962,890
District's Covered-Employee Payroll	\$10,332,929	\$11,201,093	\$12,838,035	\$12,688,907
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group as a percentage of the District's Covered-Employee Payroll	541.40%	519.06%	541.16%	716.87%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (See Note Below)	33.76%	33.64%	28.71%	22.33%

\* Amounts presented for each fiscal year were determined as of June 30.

Note: Percentages shown are Plan-wide, and include NPL and PFNP data that include employees of the State of New Jersey.

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

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**COUNTY OF BERGEN, NEW JERSEY**

**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION**  
**JUNE 30, 2017**

**NOTE 1. CHANGES IN BENEFITS AND ASSUMPTIONS**

The following information is as abstracted from the State of New Jersey, Division of Pension and Benefits, Financial Statements and Supplementary Schedules report as of June 30, 2016, dated March 14, 2017. This information pertains to the RSI schedules of changes in net pension liability contained in that report.

**PERS**

Changes in benefit terms: None

Changes in assumptions:

For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 – June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually, For 2014, the discount rate was 5.39%.

**TPAF**

Changes in benefit terms: None

Changes in assumptions:

For 2016, the discount rate change to 3.22%, the long-term expected rate of return changed to 7.65%. Further, the demographic assumptions were revised to reflect those recommended on the basis of the July 1, 2012-June 30, 2015 experience study. For 2015, the discount rate changed to 4.13%. For 2014, the discount rate was 4.68%.

## **OTHER SUPPLEMENTARY INFORMATION**



**SCHOOL LEVEL SCHEDULES**

**SECTION – D**

**SPECIAL REVENUE FUND**

**SECTION – E**

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

	I.D.E.A. PART B BASIC <u>2016-17</u>	TITLE II PART A <u>2016-17</u>	TITLE I <u>2016-17</u>	TOTALS <u>2016-17</u>
<u>REVENUES</u>				
Federal Sources	\$ 221,651.00	\$ 12,817.00	\$ 58,247.00	\$ 292,715.00
Total Revenues	<u>221,651.00</u>	<u>12,817.00</u>	<u>58,247.00</u>	<u>292,715.00</u>
<u>EXPENDITURES</u>				
Instruction:				
Salaries of Teachers			12,670.00	12,670.00
Other Purch. Services (400-500 series)	221,651.00			221,651.00
General Supplies			<u>35,636.00</u>	<u>35,636.00</u>
Total Instruction	<u>221,651.00</u>		<u>48,306.00</u>	<u>269,957.00</u>
Support Services:				
Salaries of Other Prof. Staff		10,172.00	7,325.00	17,497.00
Personal Services - Empl. Benefits		<u>2,645.00</u>	<u>2,616.00</u>	<u>5,261.00</u>
Total Support Services		<u>12,817.00</u>	<u>9,941.00</u>	<u>22,758.00</u>
Total Expenditures	<u>\$ 221,651.00</u>	<u>\$ 12,817.00</u>	<u>\$ 58,247.00</u>	<u>\$ 292,715.00</u>

**CAPITAL PROJECTS FUND**

**SECTION – F**

NORTHERN HIGHLANDS REGIONAL SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
YEAR ENDED JUNE 30, 2017

Exhibit - F-1

<u>ISSUE/PROJECT TITLE</u>	<u>APPROVAL DATE</u>	<u>REVISED APPROPRIATION</u>	<u>EXPENDITURES</u>		<u>UNEXPENDED BALANCE</u>
			<u>PRIOR YEAR</u>	<u>CURRENT YEAR</u>	
Auditorium Upgrades		\$ 433,239.79	\$ -	\$ 433,239.79	\$ -
Energy Savings Improvement Program	12/22/16	4,031,000.00		1,538,543.90	2,492,456.10
Athletic Lighting/Auditorium Sound System	5/12/17	475,000.00	-	-	475,000.00
		<u>\$ 4,939,239.79</u>	<u>\$ -</u>	<u>\$ 1,971,783.69</u>	<u>\$ 2,967,456.10</u>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGE IN FUND BALANCE - BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

Revenues:	
Proceeds-Capital Lease-Purchase Agreements	\$ 4,506,000.00
Interest Income	<u>3,708.65</u>
Total Revenues	<u>4,509,708.65</u>
Expenditures:	
Purchased Professional and Technical Services	98,935.90
Non-Instructional Equipment	1,438,583.00
Construction Services	433,239.79
Miscellaneous	<u>1,025.00</u>
Total Expenditures	<u>1,971,783.69</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>2,537,924.96</u>
Other Financing Sources/(Uses):	
Transfers Out	<u>(3,708.65)</u>
Total Other Financing Sources/(Uses)	<u>(3,708.65)</u>
Net Change in Fund Balance	2,534,216.31
Fund balance - beginning	<u>433,239.79</u>
Fund balance - ending	<u><u>\$ 2,967,456.10</u></u>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS  
 AUDITORIUM UPGRADES  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Transfer from Capital Reserve	\$ 183,239.79	\$	\$ 183,239.79	\$ 183,239.79
Transfer from Capital Outlay	250,000.00		250,000.00	250,000.00
Total Revenues & Other Financing Sources	<u>433,239.79</u>	<u>-</u>	<u>433,239.79</u>	<u>433,239.79</u>
 Expenditures and Other Financing Uses				
Construction Services		433,239.79	433,239.79	433,239.79
Total expenditures	<u>-</u>	<u>433,239.79</u>	<u>433,239.79</u>	<u>433,239.79</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>\$ 433,239.79</u>	<u>\$ (433,239.79)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional project information:

Project Number	N/A	
Grant Date	N/A	
Bond Authorization Date	N/A	
Bonds Authorized	N/A	
Bonds Issued	N/A	
Original Authorized Cost	\$433,240	
Additional Authorized Cost	\$0	
Revised Authorized Cost	\$433,240	
 Percentage Increase over Original		
Authorized Cost	N/A	
Percentage completion	0%	
Original target completion date	N/A	

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS  
 ATHLETIC FIELD LIGHTING & AUDITORIUM SOUND SYSTEM  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Proceeds-Lease/Purchase Agreement	\$ -	\$ 475,000.00	\$ 475,000.00	\$ 475,000.00
Total Revenues & Other Financing Sources	<u>-</u>	<u>475,000.00</u>	<u>475,000.00</u>	<u>475,000.00</u>
Expenditures and Other Financing Uses				
Equipment purchases			-	475,000.00
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>475,000.00</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 475,000.00</u>	<u>\$ 475,000.00</u>	<u>\$ -</u>

Additional project information:

Project Number	N/A	
Grant Date	N/A	
Bond Authorization Date	N/A	
Bonds Authorized	N/A	
Bonds Issued	N/A	
Original Authorized Cost	\$475,000	
Additional Authorized Cost	\$0	
Revised Authorized Cost	\$475,000	
Percentage Increase over Original		
Authorized Cost	N/A	
Percentage completion	0%	
Original target completion date	2017-18	



NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS  
 ENERGY SAVINGS IMPROVEMENT PROGRAM (ESIP)  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Proceeds-Lease/Purchase Agreement	\$ -	\$ 4,031,000.00	\$ 4,031,000.00	\$ 4,031,000.00
Total Revenues & Other Financing Sources	<u>-</u>	<u>4,031,000.00</u>	<u>4,031,000.00</u>	<u>4,031,000.00</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services		98,935.90	98,935.90	264,268.00
Construction Services			-	151,302.00
Equipment purchases		1,438,583.00	1,438,583.00	3,596,457.00
Miscellaneous		1,025.00	1,025.00	18,973.00
Total expenditures	<u>-</u>	<u>1,538,543.90</u>	<u>1,538,543.90</u>	<u>4,031,000.00</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 2,492,456.10</u>	<u>\$ 2,492,456.10</u>	<u>\$ -</u>

Additional project information:

Project Number	N/A	
Grant Date	N/A	
Bond Authorization Date	N/A	
Bonds Authorized	N/A	
Bonds Issued	N/A	
Original Authorized Cost	\$4,031,000	
Additional Authorized Cost	\$0	
Revised Authorized Cost	\$4,031,000	

Percentage Increase over Original		
Authorized Cost	N/A	
Percentage completion	38%	
Original target completion date	2017-18	

**PROPRIETARY FUNDS**

**SECTION – G**

**ENTERPRISE FUND**

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES		
	MAJOR FUND	NON-MAJOR FUND	TOTAL ENTERPRISE FUND
	FOOD SERVICE	SHARED SERVICES	
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 173,302.99	\$ 14,734.24	188,037.23
Accounts Receivable (Net)	31.77		31.77
Inventories	9,371.00		9,371.00
Total Current Assets	182,705.76	14,734.24	197,440.00
Noncurrent Assets:			
Furniture, Machinery & Equipment	523,246.22		523,246.22
Less Accumulated Depreciation	(324,758.66)		(324,758.66)
Total Noncurrent Assets	198,487.56	-	198,487.56
Total Assets	381,193.32	14,734.24	395,927.56
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	13,973.44	265.72	14,239.16
Interfund Loans Payable	132.56		132.56
Unearned Revenue	18,449.41	9,863.34	28,312.75
Total Current Liabilities	32,555.41	10,129.06	42,684.47
<u>NET POSITION</u>			
Invested in Capital Assets Net of Related Debt	198,487.56		198,487.56
Unrestricted (Deficit)	150,150.35	4,605.18	154,755.53
Total Net Position	\$ 348,637.91	\$ 4,605.18	353,243.09

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>MAJOR</u>	<u>NON-MAJOR</u>	<u>TOTAL</u>
	<u>FUND</u>	<u>FUND</u>	
	<u>FOOD</u>	<u>SHARED</u>	<u>ENTERPRISE</u>
	<u>SERVICE</u>	<u>SERVICES</u>	<u>FUND</u>
Operating Revenues:			
Charges for Services:			
Daily Sales - Non-reimbursable Programs	\$ 863,118.00	\$	\$ 863,118.00
Charges and Fees		241,271.16	241,271.16
Total Operating Revenues	<u>863,118.00</u>	<u>241,271.16</u>	<u>1,104,389.16</u>
Operating Expenses:			
Cost of Sales	405,268.78		405,268.78
Salaries	224,307.21	198,051.00	422,358.21
Employee Benefits	68,374.34	31,185.17	99,559.51
Insurance	21,542.22		21,542.22
Administrative Expenses	6,444.12		6,444.12
Purchased Services	5,519.09		5,519.09
Contracted Services	1,560.00		1,560.00
Repairs & Maintenance	8,052.44		8,052.44
Travel		1,844.33	1,844.33
Miscellaneous	2,062.73	5,131.06	7,193.79
General Supplies	6,497.66	5,060.09	11,557.75
Management Fee	21,690.00		21,690.00
Depreciation	29,364.13		29,364.13
Total Operating Expenses	<u>800,682.72</u>	<u>241,271.65</u>	<u>1,041,954.37</u>
Operating Income (Loss)	<u>62,435.28</u>	<u>(0.49)</u>	<u>62,434.79</u>
Other Financing Sources (Uses):			
Operating Transfers In	<u>3,636.40</u>	<u>-</u>	<u>3,636.40</u>
Change in Net Position	66,071.68	(0.49)	66,071.19
Total Net Position—Beginning	<u>282,566.23</u>	<u>4,605.67</u>	<u>287,171.90</u>
Total Net Position—Ending	<u>\$ 348,637.91</u>	<u>\$ 4,605.18</u>	<u>\$ 353,243.09</u>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>MAJOR</u>	<u>NON-MAJOR</u>	<u>TOTAL</u>
	<u>FUND</u>	<u>FUND</u>	
	<u>FOOD</u>	<u>SHARED</u>	<u>ENTERPRISE</u>
	<u>SERVICE</u>	<u>SERVICES</u>	<u>FUND</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from Customers	\$ 863,483.44	\$ 245,427.21	1,108,910.65
Payments to Employees	(5,160.00)	(198,051.00)	(203,211.00)
Payments for Employee Benefits		(31,185.17)	(31,185.17)
Payments to Food Service Mgmt. Co.	(742,345.75)		(742,345.75)
Payments for Services	(7,735.68)	(9,337.90)	(17,073.58)
Payments to Suppliers	(10,142.66)	(4,794.37)	(14,937.03)
Net Cash Provided by (Used for) Operating Activities	<u>98,099.35</u>	<u>2,058.77</u>	<u>100,158.12</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Interfund Loans	132.56		132.56
Operating Transfers In	3,636.40	-	3,636.40
Net Cash Provided by (Used for) Non-capital Financing Activities	<u>3,768.96</u>	<u>-</u>	<u>3,768.96</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Purchases of capital assets	(12,446.24)	-	(12,446.24)
Net cash provided by (used for) capital and related financing activities	<u>(12,446.24)</u>	<u>-</u>	<u>(12,446.24)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	89,422.07	2,058.77	91,480.84
Balances—Beginning of Year	83,880.92	12,675.47	96,556.39
Balances—End of Year	<u>173,302.99</u>	<u>14,734.24</u>	<u>188,037.23</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	62,435.28	(0.49)	62,434.79
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Depreciation and Net Amortization	29,364.13		29,364.13
(Increase) Decrease in Accounts Receivable	4.14		4.14
(Increase) Decrease in Inventory	(5,377.34)		(5,377.34)
Increase (Decrease) in Unearned Revenue	361.30	4,156.05	4,517.35
Increase (Decrease) in Accounts Payable	11,311.84	(2,096.79)	9,215.05
Total Adjustments	<u>35,664.07</u>	<u>2,059.26</u>	<u>37,723.33</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 98,099.35</u>	<u>\$ 2,058.77</u>	<u>\$ 100,158.12</u>

**INTERNAL SERVICE FUND**

**FIDUCIARY FUNDS**

**SECTION - H**



NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017

	<u>Agency Funds</u>			<u>Expendable Trust Funds</u>	
	<u>Student Activity</u>	<u>Payroll Agency</u>	<u>Net Payroll</u>	<u>Unemployment Compensation Insurance Trust Fund</u>	<u>TOTALS</u>
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 407,491.19	\$ 128,668.51	223.10	\$ 84,721.33	\$ 621,104.13
Interfund Accounts Receivable		<u>3,671.55</u>			<u>3,671.55</u>
Total Assets	\$ <u>407,491.19</u>	\$ <u>132,340.06</u>	\$ <u>223.10</u>	\$ <u>84,721.33</u>	\$ <u>624,775.68</u>
<b><u>LIABILITIES</u></b>					
Liabilities:					
Interfund Accounts Payable	\$ 325.99	\$ 4,759.17	\$ 223.10	\$ 3,728.11	\$ 9,036.37
Payroll Deductions and Withholdings		127,580.89			127,580.89
Due to Student Groups	<u>407,165.20</u>				<u>407,165.20</u>
Total Liabilities	\$ <u>407,491.19</u>	\$ <u>132,340.06</u>	<u>223.10</u>	<u>3,728.11</u>	<u>543,782.46</u>
<b><u>NET POSITION</u></b>					
Reserved for:					
Unemployment Compensation Insurance				<u>80,993.22</u>	<u>80,993.22</u>
Total Net Position				\$ <u>80,993.22</u>	\$ <u>80,993.22</u>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Expendable Trust Fund</u>		<u>Totals</u>
	<u>Unemployment Compensation Insurance Trust Fund</u>		
<u>ADDITIONS:</u>			
Deductions from Employees' Salaries	\$ 21,005.20	\$	21,005.20
Board Contributions	<u>-</u>		<u>-</u>
Total Additions	<u>21,005.20</u>		<u>21,005.20</u>
<u>DEDUCTIONS:</u>			
Unemployment Benefits	<u>18,209.01</u>		<u>18,209.01</u>
Total Deductions	<u>18,209.01</u>		<u>18,209.01</u>
Change in Net Position	<u>2,796.19</u>		<u>2,796.19</u>
Net Position - Beginning	<u>78,197.03</u>		<u>78,197.03</u>
Net Position - Ending	<u>\$ 80,993.22</u>	\$	<u><u>80,993.22</u></u>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
 STUDENT ACTIVITY AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2017

<u>High School Funds:</u>	<u>BALANCE JUNE 30, 2016</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2017</u>
<b>Assets:</b>				
Cash-Activity Fund	\$ 316,998.89	\$ 889,122.21	\$ 839,118.14	\$ 367,002.96
Cash-Athletic Fund	44,868.38	141,366.76	157,355.14	28,880.00
Cash-Cultural Arts Fund	<u>11,600.88</u>	<u>45.33</u>	<u>37.98</u>	<u>11,608.23</u>
 Total Assets	 <u>\$ 373,468.15</u>	 <u>\$ 1,030,534.30</u>	 <u>\$ 996,511.26</u>	 <u>\$ 407,491.19</u>
 <b>Liabilities:</b>				
Interfund Loans	\$	\$ 1,843.43	\$ 1,517.44	\$ 325.99
Due to Student Groups	<u>373,468.15</u>	<u>1,028,690.87</u>	<u>994,993.82</u>	<u>407,165.20</u>
	 <u>\$ 373,468.15</u>	 <u>\$ 1,030,534.30</u>	 <u>\$ 996,511.26</u>	 <u>\$ 407,491.19</u>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
 PAYROLL AGENCY FUND  
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u> JUNE 30, 2016	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> JUNE 30, 2017
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 119,515.30	\$ 8,045,586.62	\$ 8,036,433.41	\$ 128,668.51
Total Assets	<u>\$ 119,515.30</u>	<u>\$ 8,045,586.62</u>	<u>\$ 8,036,433.41</u>	<u>\$ 128,668.51</u>
<u>LIABILITIES</u>				
Interfund Accounts Payable	\$ 4,400.00	\$ 10,401.74	\$ 10,042.57	\$ 4,759.17
Interfund Account Receivable	(3,463.56)	15,133.81	15,341.80	(3,671.55)
Payroll Deductions and Withholdings	<u>118,578.86</u>	<u>8,020,051.07</u>	<u>8,011,049.04</u>	<u>127,580.89</u>
Total Liabilities	<u>\$ 119,515.30</u>	<u>\$ 8,045,586.62</u>	<u>\$ 8,036,433.41</u>	<u>\$ 128,668.51</u>

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
 NET PAYROLL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	BALANCE JUNE 30, 2016	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2017
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
 <u>ASSETS</u>				
Cash and Cash Equivalents	\$ <u>          -</u>	\$ <u>9,559,989.30</u>	\$ <u>9,559,756.20</u>	\$ <u>          233.10</u>
Total Assets	\$ <u>          -</u>	\$ <u>9,559,989.30</u>	\$ <u>9,559,756.20</u>	\$ <u>          233.10</u>
 <u>LIABILITIES</u>				
Accrued Salaries and Benefits	\$	\$ <u>9,558,752.69</u>	\$ <u>9,558,752.69</u>	\$ <u>          -</u>
Interfund Accounts Payable	<u>          </u>	<u>          1,236.61</u>	<u>          1,003.51</u>	<u>          233.10</u>
Total Liabilities	\$ <u>          -</u>	\$ <u>9,559,989.30</u>	\$ <u>9,559,756.20</u>	\$ <u>          233.10</u>

**LONG-TERM DEBT**

**SECTION - I**

NORTHERN HIGHLANDS REGIONAL SCHOOL DISTRICT  
 LONG-TERM DEBT  
 SCHEDULE OF SERIAL BONDS  
JUNE 30, 2017

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITIES		INTEREST RATE	BALANCE	RETIRED	BALANCE
			DATE	AMOUNT		JUNE 30, 2016		JUNE 30, 2017
School Bonds of 2009	4/15/2009	\$ 1,397,000	4/15/18	\$ 95,000	3.500%	\$	\$	\$
			2019	107,000	3.625%	292,000.00	90,000.00	202,000.00
Refunding School Bonds, Series 2011	3/24/2011	9,580,000	6/15/18	400,000	3.500%			
			2019	580,000	4.000%			
			2020	1,020,000	4.000%			
			2021	565,000	3.000%			
			2022	500,000	4.000%			
			2023	1,110,000	4.250%			
			2024	1,155,000	4.000%	6,270,000.00	940,000.00	5,330,000.00
School Bonds, Series 2013	12/10/2013	2,760,000	11/15/17	200,000	1.000%			
			2018	200,000	1.250%			
			2019	310,000	1.500%			
			2020	310,000	2.000%			
			2021	325,000	2.000%			
			2022	340,000	2.125%			
			2023	350,000	3.000%			
			2024	360,000	3.000%	<u>2,580,000.00</u>	<u>185,000.00</u>	<u>2,395,000.00</u>
						<u>9,142,000.00</u>	<u>1,215,000.00</u>	<u>7,927,000.00</u>

NORTHERN HIGHLANDS REGIONAL SCHOOL DISTRICT  
 LONG-TERM DEBT  
 SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
JUNE 30, 2017

PURPOSE	DATE OF LEASE	AMOUNT OF LEASE	ANNUAL MATURITIES		INTEREST RATE	BALANCE JUNE 30, 2016	OBLIGATED	RETIRED	BALANCE JUNE 30, 2017
			DATE	AMOUNT					
Acquisition & Improvement of Real Property	8/20/2014	\$ 500,000	8/20/17 2018	\$ 113,750 113,750	2.990% 2.990%	\$ 341,250.00	\$	\$ 113,750.00	\$ 227,500.00
Acquisition of School Bus	11/29/2016	107,388	12/22/17 2018 2019 2020	20,303 20,872 21,457 22,059	2.803% 2.803% 2.803% 2.803%		107,367.88	22,676.92	84,690.96
Acquisition of Vehicles	6/30/2017	104,795	6/30/18 2019 2020 2021	16,834 17,270 17,718 18,178	2.594% 2.594% 2.594% 2.594%		104,794.60	34,794.60	70,000.00
Phone System	2/17/2017	207,800	2/17/18 2019 2020 2021	38,589 39,515 40,463 41,433	2.399% 2.399% 2.399% 2.399%		207,800.26	47,800.26	160,000.00
Athletic Lighting & Sound System	5/12/2017	475,000	7/15/17 2018 2019 2020 2021	97,277 91,509 93,430 95,391 97,393	2.990% 2.990% 2.990% 2.990% 2.990%		475,000.00		475,000.00

- 122 -



NORTHERN HIGHLANDS REGIONAL SCHOOL DISTRICT  
 LONG-TERM DEBT  
 SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
JUNE 30, 2017

<u>PURPOSE</u>	<u>DATE OF LEASE</u>	<u>AMOUNT OF LEASE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE</u>	<u>OBLIGATED</u>	<u>RETIRED</u>	<u>BALANCE</u>
			<u>DATE</u>	<u>AMOUNT</u>		<u>JUNE 30, 2016</u>			<u>JUNE 30, 2017</u>
Energy Savings Improvement Program (ESIP)	12/22/2016	4,031,000	7/22/18	210,000	2.418%				
			1/22/19	110,000	2.418%				
			7/22/19	100,000	2.418%				
			1/22/20	100,000	2.418%				
			7/22/20	105,000	2.418%				
			1/22/21	110,000	2.418%				
			7/22/21	115,000	2.418%				
			1/22/22	115,000	2.418%				
			7/22/22	134,000	2.418%				
			1/22/23	120,000	2.418%				
			7/22/23	117,000	2.418%				
			1/22/24	105,000	2.418%				
			7/22/24	114,000	2.418%				
			1/22/25	120,000	2.418%				
			7/22/25	121,000	2.418%				
			1/22/26	125,000	2.418%				
			7/22/26	129,000	2.418%				
			1/22/27	130,000	2.418%				
			7/22/27	135,000	2.418%				
			1/22/28	137,000	2.418%				
			7/22/28	141,000	2.418%				
			1/22/29	145,000	2.418%				
			7/22/29	150,000	2.418%				
			1/22/30	150,000	2.418%				
			7/22/30	160,000	2.418%				
			1/22/31	155,000	2.418%				
			7/22/31	165,000	2.418%				
			1/22/32	165,000	2.418%				
7/22/32	348,000	2.418%							
							<u>4,031,000.00</u>		<u>4,031,000.00</u>
						<u>\$ 341,250.00</u>	<u>\$ 4,925,962.74</u>	<u>\$ 219,021.78</u>	<u>\$ 5,048,190.96</u>

NORTHERN HIGHLANDS REGIONAL SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 LONG-TERM DEBT  
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,403,976.00	\$ -	\$ 1,403,976.00	\$ 1,403,976.00	\$ -
Total Local Sources:	1,403,976.00	-	1,403,976.00	1,403,976.00	-
State Aid - Debt Service	114,385.00	-	114,385.00	114,385.00	-
Total - State Sources	114,385.00	-	114,385.00	114,385.00	-
Total Revenues	1,518,361.00	-	1,518,361.00	1,518,361.00	-
EXPENDITURES:					
Regular Debt Service:					
Redemption of Bond Principal	1,215,000.00		1,215,000.00	1,215,000.00	-
Bond Interest	307,354.00		307,354.00	307,353.76	0.24
Total expenditures	1,522,354.00	-	1,522,354.00	1,522,353.76	0.24
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (3,993.00)	\$ -	\$ (3,993.00)	(\$3,992.76)	\$ 0.24
Net Change in Fund Balance	(3,993.00)	-	(3,993.00)	(3,992.76)	0.24
Fund Balance - Beginning	24,411.39		24,411.39	24,411.39	-
Fund Balance - Ending	<u>\$ 20,418.39</u>	<u>\$ -</u>	<u>\$ 20,418.39</u>	<u>\$ 20,418.63</u>	<u>\$ 0.24</u>

**STATISTICAL SECTION**

**SECTION – J**

## Financial Trends

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Net Position/Net Assets by Component,**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*  
*(Unaudited)*

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 8,956,894	\$ 8,241,669	\$ 5,526,137	\$ 3,134,243	\$ 4,926,221	\$ 4,451,324	\$ 11,197,370	\$ 10,035,666	\$ 7,819,564	\$ 8,157,513
Restricted	7,104,851	4,225,527	6,704,426	7,309,947	5,134,626	4,888,161	4,115,506	2,997,450	4,990,975	3,912,913
Unrestricted	<u>(6,422,279)</u>	<u>(5,531,838)</u>	<u>(5,856,167)</u>	<u>(5,054,280)</u>	<u>(20,374)</u>	<u>(191,440)</u>	<u>(60,940)</u>	431,467	75,075	132,492
<b>Total governmental activities net position/net assets</b>	<u>\$ 9,639,466</u>	<u>\$ 6,935,359</u>	<u>\$ 6,374,396</u>	<u>\$ 5,389,910</u>	<u>\$ 10,040,473</u>	<u>\$ 9,148,045</u>	<u>\$ 15,251,936</u>	<u>\$ 13,464,583</u>	<u>\$ 12,885,614</u>	<u>\$ 12,202,919</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 198,488	\$ 215,405	\$ 186,767	\$ 174,398	\$ 69,499	\$ 67,778	\$ 87,306	\$ 100,892	\$ 108,896	\$ 67,683
Unrestricted	<u>154,756</u>	<u>71,767</u>	<u>87,153</u>	<u>76,045</u>	<u>174,308</u>	<u>161,496</u>	<u>404,509</u>	<u>322,726</u>	<u>59,208</u>	<u>106,391</u>
<b>Total business-type activities net position/net assets</b>	<u>\$ 353,243</u>	<u>\$ 287,172</u>	<u>\$ 273,920</u>	<u>\$ 250,442</u>	<u>\$ 243,808</u>	<u>\$ 229,274</u>	<u>\$ 491,815</u>	<u>\$ 423,619</u>	<u>\$ 168,104</u>	<u>\$ 174,074</u>
<b>District-wide</b>										
Invested in capital assets, net of related debt	\$ 9,155,382	\$ 8,457,075	\$ 5,712,904	\$ 3,308,641	\$ 4,995,720	\$ 4,519,102	\$ 11,284,675	\$ 10,136,559	\$ 7,928,460	\$ 8,225,196
Restricted	7,104,851	4,225,527	6,704,426	7,309,947	5,134,626	4,888,161	4,115,506	2,997,450	4,990,975	3,912,913
Unrestricted	<u>(6,267,524)</u>	<u>(5,460,071)</u>	<u>(5,769,014)</u>	<u>(4,978,235)</u>	<u>153,934</u>	<u>(29,944)</u>	<u>343,570</u>	<u>754,193</u>	<u>134,283</u>	<u>238,883</u>
<b>Total district net position/net assets</b>	<u>\$ 9,992,709</u>	<u>\$ 7,222,531</u>	<u>\$ 6,648,316</u>	<u>\$ 5,640,353</u>	<u>\$ 10,284,280</u>	<u>\$ 9,377,318</u>	<u>\$ 15,743,751</u>	<u>\$ 13,888,202</u>	<u>\$ 13,053,718</u>	<u>\$ 12,376,993</u>

Note: Reflects Implementation of GASB 68 for 2014 and subsequent years

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Changes in Net Position/Net Assets**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*  
*(Unaudited)*

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses</b>										
Governmental activities										
Instruction										
Regular	\$ 10,254,647	\$ 10,337,685	\$ 9,601,302	\$ 9,390,888	\$ 8,942,244	\$ 9,028,083	\$ 8,442,694	\$ 8,909,518	\$ 11,391,705	\$ 11,459,042
Special Education	1,148,455	1,131,261	1,057,063	991,092	984,493	892,973	1,112,774	932,840	1,122,448	1,047,842
Other Instruction	1,276,370	1,223,796	1,175,972	1,160,116	1,044,036	1,065,652	1,038,084	1,059,915	1,423,640	1,449,490
Support Services:										
Tuition	2,761,568	2,659,553	2,489,421	2,414,524	2,002,365	1,943,141	1,382,113	999,285	1,055,507	721,218
Student & Instruction Related Services	3,121,650	2,978,812	2,757,690	2,716,086	2,636,254	2,371,102	1,890,928	1,906,909	2,386,770	2,268,564
School Administrative Services	706,776	675,792	667,095	672,485	679,883	638,860	1,010,983	974,212	1,331,807	1,291,174
General Administration	1,170,843	1,210,130	1,049,124	1,019,032	1,086,427	987,917	904,256	837,103	1,086,714	1,143,676
Plant Operations and Maintenance	2,706,519	2,832,653	2,797,195	2,394,229	2,409,114	2,171,079	2,107,380	2,699,922	3,161,556	2,975,870
Pupil Transportation	1,057,504	969,528	888,741	1,045,294	1,010,238	1,021,777	925,730	1,153,218	1,167,890	939,881
Unallocated Benefits	7,265,608	6,366,911	5,633,725	5,426,342	5,615,486	5,246,476	4,764,368	4,769,262		
Interest on long-term debt	336,695	275,814	375,500	379,202	421,982	345,189	412,891	510,634	488,610	525,166
Unallocated Depreciation and Amortization	765,916	630,461	426,067	496,054	368,675	443,145	411,625			
Total governmental activities expenses	<u>32,572,550</u>	<u>31,292,398</u>	<u>28,918,893</u>	<u>28,105,343</u>	<u>27,201,198</u>	<u>26,155,394</u>	<u>24,403,827</u>	<u>24,752,819</u>	<u>24,616,647</u>	<u>23,821,923</u>
Business-type activities:										
Food service	800,683	789,417	770,499	737,950	702,450	663,163	645,106	690,666	749,497	668,120
Shared Services	241,272	231,182	209,778	187,209	122,979	113,014	147,196	129,661	129,667	128,225
Region I Transportation						51,067	8,641,697	9,025,856		
Region I Administration	-	-	-	-	-	1,024	563,526	395,441		
Region I Summer School	-	-	-	-	-	-	152,447	190,870		
Region I C.A.P.S. Program	-	-	-	-	-	-	257,437	240,964		
Region I Non-Public IDEA Coordinator	-	-	-	-	-	-	387,684	349,827		
Total business-type activities expense	<u>1,041,954</u>	<u>1,020,599</u>	<u>980,277</u>	<u>925,159</u>	<u>825,430</u>	<u>828,268</u>	<u>10,795,093</u>	<u>11,023,285</u>	<u>879,164</u>	<u>796,345</u>
Total district expenses	<u>\$ 33,614,504</u>	<u>\$ 32,312,997</u>	<u>\$ 29,899,170</u>	<u>\$ 29,030,502</u>	<u>\$ 28,026,628</u>	<u>\$ 26,983,663</u>	<u>\$ 35,198,920</u>	<u>\$ 35,776,103</u>	<u>\$ 25,495,811</u>	<u>\$ 24,618,268</u>

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Changes in Net Position/Net Assets**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*  
*(Unaudited)*

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Program Revenues</b>										
Governmental activities:										
Operating grants and contributions	4,682,274	3,840,384	2,985,945	3,246,406	3,382,051	2,834,020	2,382,206	2,317,709	3,094,195	3,579,854
Capital grants and contributions	-	333,758	174,455	-	-	-	-	-	-	-
<b>Total governmental activities program revenues</b>	<u>4,682,274</u>	<u>4,174,142</u>	<u>3,160,400</u>	<u>3,246,406</u>	<u>3,382,051</u>	<u>2,834,020</u>	<u>2,382,206</u>	<u>2,317,709</u>	<u>3,094,195</u>	<u>3,579,854</u>
Business-type activities:										
Charges for services										
Food service	863,118	800,667	792,236	744,585	716,984	693,879	651,283	710,337	743,183	659,971
Shared Services	241,271	231,182	209,778	187,209	122,979	113,014	151,801	129,661	129,667	128,225
Region I Transportation	-	-	-	-	-	-	8,687,087	8,863,173	-	-
Region I Administration	-	-	-	-	-	1,825	575,349	544,411	-	-
Region I Summer School	-	-	-	-	-	-	152,448	190,870	-	-
Region I C.A.P.S. Program	-	-	-	-	-	-	257,637	240,964	-	-
Region I Non-Public IDEA Coordinator	-	-	-	-	-	-	387,684	349,827	-	-
<b>Total business type activities program revenues</b>	<u>1,104,389</u>	<u>1,031,849</u>	<u>1,002,013</u>	<u>931,794</u>	<u>839,964</u>	<u>808,718</u>	<u>10,863,289</u>	<u>11,029,243</u>	<u>872,850</u>	<u>788,196</u>
<b>Total district program revenues</b>	<u>\$ 5,786,663</u>	<u>\$ 5,205,991</u>	<u>\$ 4,162,413</u>	<u>\$ 4,178,200</u>	<u>\$ 4,222,015</u>	<u>\$ 3,642,737</u>	<u>\$ 13,245,495</u>	<u>\$ 13,346,952</u>	<u>\$ 3,967,045</u>	<u>\$ 4,368,050</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (27,890,276)	\$ (27,118,256)	\$ (25,758,493)	\$ (24,858,937)	\$ (23,819,147)	\$ (23,321,375)	\$ (22,021,621)	\$ (22,435,110)	\$ (21,522,452)	\$ (20,242,070)
Business-type activities	62,435	11,250	21,736	6,635	14,534	(19,550)	68,196	5,958	(6,314)	(8,149)
<b>Total district-wide net expense</b>	<u>\$ (27,827,841)</u>	<u>\$ (27,107,006)</u>	<u>\$ (25,736,757)</u>	<u>\$ (24,852,302)</u>	<u>\$ (23,804,613)</u>	<u>\$ (23,340,925)</u>	<u>\$ (21,953,425)</u>	<u>\$ (22,429,151)</u>	<u>\$ (21,528,767)</u>	<u>\$ (20,250,219)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 21,103,372	\$ 20,547,424	\$ 20,144,534	\$ 19,749,543	\$ 19,362,297	\$ 18,982,644	\$ 18,610,435	\$ 17,735,995	\$ 17,553,841	\$ 16,942,165
Taxes levied for debt service	1,403,976	1,393,214	1,286,637	1,116,124	1,062,464	1,089,309	1,251,744	1,512,617	956,905	910,000
Federal and State Aid not Restricted	107,123	550,097	539,683	10,311	10,311	78,234	-	-	6,618	228,807
Tuition	5,363,708	5,011,924	4,926,237	4,358,957	4,200,789	3,962,154	3,729,413	3,532,996	3,328,176	3,254,642
Investment Earnings	29,955	-	-	-	-	-	-	-	-	118,628
Miscellaneous income	162,917	178,562	71,725	104,722	86,025	97,819	217,381	232,471	343,317	159,059
Transfers	(2,901)	(2,001)	(1,740)	-	-	-	-	-	-	-
<b>Total governmental activities</b>	<u>28,168,149</u>	<u>27,679,219</u>	<u>26,967,076</u>	<u>25,339,656</u>	<u>24,711,575</u>	<u>24,210,160</u>	<u>23,808,974</u>	<u>23,014,078</u>	<u>22,205,148</u>	<u>21,613,301</u>
Business-type activities:										
Investment Earnings	-	-	1	-	-	-	-	-	7,371	2,486
Transfers	3,636	2,001	1,741	-	-	-	-	-	-	-
<b>Total business-type activities</b>	<u>3,636</u>	<u>2,001</u>	<u>1,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,371</u>	<u>2,486</u>
<b>Total district-wide</b>	<u>\$ 28,171,785</u>	<u>\$ 27,681,221</u>	<u>\$ 26,968,817</u>	<u>\$ 25,339,656</u>	<u>\$ 24,711,575</u>	<u>\$ 24,210,160</u>	<u>\$ 23,808,974</u>	<u>\$ 23,014,078</u>	<u>\$ 22,212,519</u>	<u>\$ 21,615,787</u>
<b>Special Item:</b>										
Residual Equity Transfer to New Lead Agency						\$ (242,991)				
<b>Change in Net Position/Net Assets</b>										
Governmental activities	\$ 277,873	\$ 560,963	\$ 1,208,582	\$ 480,719	\$ 892,428	\$ 888,785	\$ 1,787,353	\$ 578,969	\$ 682,696	\$ 1,371,232
Business-type activities	66,071	13,252	23,478	6,635	14,534	(262,541)	68,196	5,958	1,057	(5,663)
<b>Total district</b>	<u>\$ 343,944</u>	<u>\$ 574,215</u>	<u>\$ 1,232,060</u>	<u>\$ 487,354</u>	<u>\$ 906,962</u>	<u>\$ 626,244</u>	<u>\$ 1,855,549</u>	<u>\$ 584,927</u>	<u>\$ 683,753</u>	<u>\$ 1,365,568</u>

**Fund Balances, Governmental Funds,  
Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
*(Unaudited)*

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Reserved/Restricted/Committed	\$ 4,116,977	\$ 4,317,502	\$ 4,902,279	\$ 5,464,552	\$ 5,590,531	\$ 4,843,401	\$ 4,129,436	\$ 2,938,709	\$ 3,236,604	\$ 3,299,328
Unreserved/Assigned/Unassigned	548,839	221,602	228,808	252,934	271,636	433,271	403,891	360,690	409,060	425,033
Total general fund	<u>\$ 4,665,816</u>	<u>\$ 4,539,104</u>	<u>\$ 5,131,086</u>	<u>\$ 5,717,485</u>	<u>\$ 5,862,167</u>	<u>\$ 5,276,672</u>	<u>\$ 4,533,326</u>	<u>\$ 3,299,399</u>	<u>\$ 3,645,664</u>	<u>\$ 3,724,361</u>
All Other Governmental Funds										
Reserved										
Unreserved, reported in:										
Special revenue fund	-	-	-	-	-	-	-	-	-	-
Capital projects fund	2,967,456	433,240	1,794,522	2,522,808	-	44,758	44,758	138,741	1,770,577	636,696
Debt service fund	20,419	24,411	7,626	3,633	2	2	77,345	15,235	1	1
Total all other governmental funds	<u>\$ 2,987,875</u>	<u>\$ 457,651</u>	<u>\$ 1,802,148</u>	<u>\$ 2,526,441</u>	<u>\$ 2</u>	<u>\$ 44,760</u>	<u>\$ 122,103</u>	<u>\$ 153,977</u>	<u>\$ 1,770,578</u>	<u>\$ 636,697</u>
Total governmental fund balances	<u>\$ 7,653,690</u>	<u>\$ 4,996,755</u>	<u>\$ 6,933,234</u>	<u>\$ 8,243,926</u>	<u>\$ 5,862,169</u>	<u>\$ 5,321,432</u>	<u>\$ 4,655,430</u>	<u>\$ 3,453,375</u>	<u>\$ 5,416,242</u>	<u>\$ 4,361,058</u>



**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Changes in Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
*(Unaudited)*

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues</b>										
Tax levy	\$22,507,348	\$21,940,638	\$21,431,171	\$20,865,667	\$20,424,761	\$20,071,953	\$19,862,179	\$19,248,612	\$18,999,356	\$18,383,814
Tuition Charges	5,363,708	5,011,924	4,926,237	4,358,957	4,200,789	3,962,154	3,729,413	3,532,996	3,328,176	3,254,642
Interest earnings	29,955	-	-	-	-	-	-	-	16,291	118,628
Miscellaneous	162,917	178,562	71,725	104,722	86,025	97,819	217,523	234,020	365,237	159,059
State sources	4,496,682	4,439,897	3,621,658	3,060,467	3,210,203	2,690,614	1,979,683	2,123,778	2,418,373	3,094,251
Federal sources	292,715	310,162	236,418	196,250	197,668	221,640	402,523	192,382	186,830	182,761
<b>Total revenue</b>	<b>32,853,324</b>	<b>31,881,182</b>	<b>30,287,208</b>	<b>28,586,062</b>	<b>28,119,446</b>	<b>27,044,180</b>	<b>26,191,321</b>	<b>25,331,788</b>	<b>25,314,263</b>	<b>25,193,155</b>
<b>Expenditures</b>										
Instruction:										
Regular Instruction	10,262,990	10,309,970	9,586,257	9,382,622	8,891,741	8,970,496	8,389,482	8,733,904	8,868,651	8,226,795
Special Education Instruction	1,148,455	1,131,261	1,057,063	991,092	984,493	892,973	1,112,774	932,840	897,085	778,420
Other Instruction	1,276,370	1,223,796	1,175,972	1,160,116	1,044,036	1,065,652	1,038,084	1,059,915	1,137,804	1,069,417
Undistributed:										
Tuition	2,761,568	2,659,553	2,489,421	2,414,524	2,002,365	1,943,141	1,382,113	999,285	1,055,507	721,218
Student & Instruction Related Services	3,036,837	2,899,927	2,745,174	2,678,759	2,611,152	2,352,021	1,871,845	1,860,111	1,854,688	1,632,308
School Administrative Services	698,020	667,036	658,339	645,418	632,687	610,775	982,898	970,705	1,000,014	986,715
Other Administrative Services	1,260,824	1,270,455	1,141,287	1,027,941	1,025,372	987,917	904,256	837,103	888,672	981,619
Plant Operations and Maintenance	2,690,105	2,808,037	2,779,491	2,380,725	2,399,739	2,144,322	2,074,125	2,587,875	2,679,509	2,649,211
Pupil Transportation	1,084,793	968,350	907,415	1,045,294	1,010,238	968,948	872,901	926,913	877,588	886,013
Unallocated Benefits	6,688,493	6,188,440	5,740,590	5,426,342	5,642,262	5,197,648	4,774,958	4,622,806	4,236,835	5,043,149
Capital Outlay	2,688,641	2,179,442	2,471,557	664,551	193,619	49,981	114,864	1,865,816	699,286	665,040
Debt Service:										
Interest	307,354	339,391	383,596	330,848	351,004	379,304	448,402	502,383	495,515	531,649
Principal	1,215,000	1,170,000	960,000	815,000	790,000	815,000	1,125,000	1,395,000	950,000	910,000
<b>Total Expenditures</b>	<b>35,119,450</b>	<b>33,815,660</b>	<b>32,096,161</b>	<b>28,963,230</b>	<b>27,578,709</b>	<b>26,378,178</b>	<b>25,091,703</b>	<b>27,294,655</b>	<b>25,641,156</b>	<b>25,081,553</b>
Excess (Deficiency) of revenues over (under) expenditures	(2,266,126)	(1,934,477)	(1,808,952)	(377,168)	540,737	666,002	1,099,618	(1,962,867)	(326,893)	111,601

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Changes in Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
*(Unaudited)*

Fiscal Year Ending June 30,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Other Financing sources (uses)</b>										
Bond & Lease/Purchase Proceeds	4,925,963	-	500,000	2,760,000					1,397,000	
NJEDA Grant Proceeds									(14,920)	
Proceeds from refunding							10,248,861			
Payment to Escrow Agent							(10,146,282)			
Transfers in	3,709	40,475	961,577	318,631	49,825	3	142	400,620	17,176	32,759
Transfers out	(6,610)	(42,476)	(963,317)	(319,706)	(44,758)	(3)	(142)	(400,620)	(17,176)	(32,759)
Total other financing sources (uses)	4,923,061	(2,001)	498,260	2,758,925	5,067	-	102,578	-	1,382,080	-
Net change in fund balances	2,656,935	(1,936,479)	(1,310,692)	2,381,757	545,804	666,002	1,202,196	\$ (1,962,867)	\$ 1,055,187	\$ 111,601
Debt service as a percentage of noncapital expenditures	4.69%	4.77%	4.54%	4.05%	4.17%	4.54%	6.30%	7.46%	5.80%	5.90%

Source: District records

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**GENERAL FUND OTHER LOCAL REVENUE BY SOURCE**  
**LAST TEN FISCAL YEARS**  
*(modified accrual basis of accounting)*  
*(Unaudited)*

FISCAL YEAR ENDED JUNE 30,	TUITION	INTEREST ON INVESTMENTS	RENTALS	REFUND	DONATION	MISCELLANEOUS	TOTAL
2008	3,254,642.36	85,868.30	79,935.00			79,123.94	3,499,569.60
2009	3,328,176.04	7,569.28	65,710.00		184,391.66	108,135.42	3,693,982.40
2010	3,532,995.71		71,030.00			160,820.56	3,764,846.27
2011	3,729,413.46		87,485.00	86,006.64		25,797.79	3,928,702.89
2012	3,962,153.77		55,815.00	29,463.35		12,541.02	4,059,973.14
2013	4,200,789.16		47,767.50	30,151.29	800.00	7,306.25	4,286,814.20
2014	4,358,956.78		31,702.00	61,061.81		11,957.97	4,463,678.56
2015	4,926,236.98	358.43	36,880.00	26,883.64		3,608.31	4,993,967.36
2016	5,011,923.92	16,984.10	99,870.00	52,097.21		9,610.54	5,190,485.77
2017	5,363,708.24	26,245.87	95,099.00	19,762.06	26,000.00	22,055.45	5,552,870.62

Source: District records.

## Revenue Capacity

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Assessed Value and Actual Value of Taxable Property,**  
**Last Ten Fiscal Years**  
(Unaudited)

Exhibit J-6

**ALLENDALE BOROUGH**

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate <sup>b</sup>
2008	21,320,700	1,123,463,200	1,608,100	87,978,700	61,598,800	-	1,295,969,500	2,778,770	1,298,748,270	1,848,980,808	0.657
2009	23,113,900	1,128,523,700	1,608,100	66,594,200	83,003,300	-	1,302,843,200	2,778,770	1,305,621,970	1,895,839,282	0.630
2010	22,862,000	1,136,586,200	1,608,100	66,594,200	83,003,300	-	1,310,653,800	2,304,924	1,312,958,724	1,831,322,056	0.625
2011	21,708,300	1,138,141,600	968,100	67,787,000	83,736,300	-	1,312,341,300	2,944,924	1,315,286,224	1,747,089,290	0.633
2012	26,672,000	1,333,766,900	961,400	82,518,900	90,783,000	-	1,534,702,200	4,104,423	1,538,806,623	1,632,325,403	0.539
2013	24,941,500	1,335,080,100	961,400	82,518,900	90,783,000	-	1,534,284,900	100,000	1,534,384,900	1,663,902,939	0.550
2014	19,866,500	1,345,055,500	961,400	82,518,900	90,783,000	-	1,539,185,300	93,090	1,539,278,390	1,653,530,946	0.561
2015	8,901,700	1,459,382,600	989,700	93,741,200	100,784,000	-	1,663,799,200	100,000	1,663,899,200	1,680,027,463	0.516
2016	9,175,000	1,465,156,100	989,700	93,741,200	99,262,000	-	1,668,324,000	100,000	1,668,424,000	1,699,006,925	0.532
2017	10,303,600	1,474,938,700	975,000	93,411,200	99,262,000	-	1,678,890,500	100,000	1,678,990,500	1,755,071,494	0.532

Source: Municipal Tax Assessor

**UPPER SADDLE RIVER BOROUGH**

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate <sup>b</sup>
2008	18,827,700	1,935,156,800	-	195,207,300	6,217,700	18,551,000	2,173,960,500	1,599,169	2,175,559,669	3,155,404,809	0.495
2009	16,559,700	1,959,049,800	-	194,907,300	6,217,700	18,551,000	2,195,285,500	1,801,944	2,197,087,444	3,208,779,034	0.497
2010	16,017,500	1,969,127,300	-	180,407,600	6,217,700	18,551,000	2,190,321,100	1,890,346	2,192,211,446	3,081,471,003	0.505
2011	16,079,800	1,975,814,000	-	174,353,200	6,217,700	18,551,000	2,191,015,700	1,972,027	2,192,987,727	2,954,810,904	0.536
2012	15,715,400	1,982,729,000	-	171,623,500	6,217,700	18,551,000	2,194,836,600	1,998,282	2,196,834,882	2,920,759,989	0.540
2013	16,726,500	1,986,761,100	-	171,223,500	6,217,700	18,551,000	2,199,479,800	100,000	2,199,579,800	2,821,292,714	0.557
2014	15,437,400	1,996,173,700	-	171,223,500	6,217,700	18,551,000	2,207,603,300	100,000	2,207,703,300	2,794,042,727	0.567
2015	15,472,600	2,002,788,500	-	171,123,500	6,217,700	18,551,000	2,214,153,300	100,000	2,214,253,300	2,752,334,742	0.590
2016	16,007,400	2,013,563,300	-	170,132,500	6,217,700	18,551,000	2,224,471,900	100,000	2,224,571,900	2,762,070,897	0.600
2017	24,891,200	2,030,685,200	-	127,765,000	6,217,700	18,551,000	2,208,110,100	100,000	2,208,210,100	2,776,753,610	0.624

Source: Municipal Tax Assessor

**Note:**

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

**a** Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

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

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
*(rate per \$100 of assessed value)*  
*(Unaudited)*

Exhibit J-7  
Page 1 of 2

	<u>Allendale Borough</u>							Total Direct and Overlapping Tax Rate
	Regional School District Direct Rate			Overlapping Rates				
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct School Tax Rate	Municipality <sup>c</sup>	Local School District	County <sup>c</sup>		
Ended December 31,								
2008	0.610	0.047	0.657	0.656	0.968	0.265	2.546	
2009	0.586	0.044	0.630	0.672	1.036	0.280	2.618	
2010	0.556	0.069	0.625	0.691	1.052	0.274	2.642	
2011	0.576	0.057	0.633	0.691	1.071	0.277	2.672	
2012	0.489	0.050	0.539	0.593	0.946	0.233	2.311	
2013	0.521	0.029	0.550	0.592	0.969	0.246	2.357	
2014	0.531	0.030	0.561	0.592	0.978	0.252	2.383	
2015	0.486	0.030	0.516	0.556	0.925	0.248	2.245	
2016	0.498	0.034	0.532	0.560	0.948	0.251	2.291	
2017	0.499	0.033	0.532	0.572	0.921	0.263	2.288	

Source: Municipal Tax Collector

Upper Saddle River Borough

Fiscal Year Ended December 31,	Regional School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	Obligation Debt Service <sup>b</sup>	School Tax Rate	Municipality <sup>c</sup>	School District	County <sup>c</sup>	
	2008	0.448	0.047	0.495	0.344	0.858	
2009	0.453	0.044	0.497	0.351	0.882	0.281	2.011
2010	0.436	0.069	0.505	0.362	0.914	0.276	2.057
2011	0.479	0.057	0.536	0.370	0.931	0.280	2.117
2012	0.490	0.050	0.540	0.367	0.938	0.293	2.138
2013	0.528	0.029	0.557	0.364	0.948	0.296	2.165
2014	0.538	0.029	0.567	0.375	0.960	0.296	2.198
2015	0.562	0.028	0.590	0.374	0.975	0.299	2.238
2016	0.562	0.038	0.600	0.375	0.996	0.307	2.277
2017	0.585	0.039	0.624	0.386	1.017	0.315	2.342

Source: Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.

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

c Municipality - Includes Open Space and Library Tax, County- Includes Open Space Taxes.

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Principal Property Taxpayers,**  
**Current Year**  
**Unaudited**

**Allendale Borough**

Allendale Nursing Home	2017		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Allendale Plaza	\$ 22,108,000.00	1	1.33%
Allendale Nursing Home	21,195,400.00	2	1.27%
LPR Allendale	15,448,000.00	3	0.93%
Pearl Court Investors	9,948,000.00	4	0.60%
Allendale Associates	9,056,000.00	5	0.54%
Black Millwork Co., Inc.	9,000,000.00	6	0.54%
Allendale Corporate Center LLC	6,590,000.00	7	0.40%
Pearl Court Investors	5,987,000.00	8	0.36%
Allendale Corporate Center LLC	5,890,000.00	9	0.35%
Allendale Corporate Center LLC	4,952,000.00	10	0.30%
Total	<b>\$ 110,174,400</b>		<b>6.60%</b>

**Source:** Municipal Tax Assessor

**Upper Saddle River Borough**

	2017		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Mountainview Realty, LLC	\$ 16,000,000	1	0.72%
Mack-Cali Realty, LP	10,855,300	2	0.49%
Upper Saddle River Developers, LLC	10,600,600	3	0.48%
Whitney Associates	8,353,800	4	0.38%
USR Developers, LLC Pinnacle	7,950,400	5	0.36%
Pentek Mgmt. Corp.	7,500,000	6	0.34%
Porven Real Estate, Inc.	6,421,500	7	0.29%
Upper Saddle River Project LLC	6,071,000	8	0.27%
Birdie Investments, LLC	5,580,300	9	0.25%
2 Park Way Assoc., LLC	4,200,000	10	0.19%
Total	<b>\$ 83,532,900</b>		<b>3.76%</b>

**Source:** Municipal Tax Assessor



**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Total Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**Unaudited**

**Exhibit J-9**  
**(Page 1 of 2)**

**Allendale Borough**

**Collected within the Fiscal Year of the Levy<sup>a</sup>**

<u>Fiscal Year Ended</u> <u>December 31,</u>	<u>Taxes Levied for</u> <u>the Fiscal Year</u>	<u>Amount</u>	<u>Percentage of</u> <u>Levy</u>
2007	31,908,602.00	31,394,966.00	98.39%
2008	33,188,123.00	32,996,853.00	99.42%
2009	34,351,398.26	34,099,258.85	99.27%
2010	34,791,107.08	34,504,736.36	99.18%
2011	35,182,263.33	34,750,583.24	98.77%
2012	35,633,196.66	35,353,493.31	99.22%
2013	36,239,030.94	35,943,882.80	99.19%
2014	36,892,184.56	36,284,406.19	98.35%
2015	37,430,131.87	37,207,739.38	99.41%
2016	38,334,695.10	37,889,389.56	98.84%

**Source: Municipal Tax Collector**

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Total Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**Unaudited**

**Exhibit J-9**  
**(Page 2 of 2)**

**Upper Saddle River Borough**

<u>Fiscal Year Ended</u> <u>December 31,</u>	<u>Taxes Levied for</u> <u>the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy<sup>a</sup></u>	
		<u>Amount</u>	<u>Percentage of</u> <u>Levy</u>
2007	41,371,944.00	40,837,342.00	98.71%
2008	42,973,720.00	42,340,098.00	98.53%
2009	44,327,413.00	43,718,772.00	98.63%
2010	45,328,406.00	44,487,600.00	98.15%
2011	46,633,131.00	46,054,881.00	98.76%
2012	47,023,335.00	46,496,673.64	98.88%
2013	47,671,740.00	47,191,930.36	98.99%
2014	48,813,099.52	48,344,781.00	99.04%
2015	49,714,569.52	49,314,598.98	99.20%
2016	50,724,005.00	50,341,661.00	99.25%

**Source: Municipal Tax Collector**

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

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years (unaudited)**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2008	13,042,000	-	-	-	-	13,042,000	1.27%	\$870	
2009	13,489,000	-	-	-	-	13,489,000	1.32%	\$894	
2010	12,094,000	-	-	-	-	12,094,000	1.25%	\$821	
2011	10,932,000	-	-	-	-	10,932,000	1.10%	\$738	
2012	10,117,000	-	-	-	-	10,117,000	0.94%	\$677	
2013	9,327,000	-	-	-	-	9,327,000	0.87%	\$624	
2014	11,272,000	-	-	-	-	11,272,000	1.02%	\$750	
2015	10,312,000	-	455,000	-	-	10,767,000	0.94%	\$711	
2016	9,142,000	-	341,250	-	-	9,483,250	0.83%	\$625	
2017	7,927,000	-	5,048,191	-	-	12,975,191	N/A	\$855	

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

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year, if available.  
Per Capita calculation for 2017 utilizes 2016 population data

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**Unaudited**

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
2008	13,042,000		13,042,000	0.38%	\$ 870
2009	13,489,000		13,489,000	0.26%	\$ 894
2010	12,094,000		12,094,000	0.25%	\$ 821
2011	10,932,000		10,932,000	0.23%	\$ 738
2012	10,117,000		10,117,000	0.22%	\$ 677
2013	9,327,000		9,327,000	0.21%	\$ 624
2014	11,272,000		11,272,000	0.30%	\$ 750
2015	10,312,000		10,312,000	0.27%	\$ 681
2016	9,142,000		9,142,000	0.23%	\$ 601
2017	7,927,000		7,927,000	0.20%	\$ 522

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

**a** See Exhibit NJ J-6 for property tax data.

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

2017 Per Capita calculations utilize 2016 Population data

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL**  
**Direct and Overlapping Governmental Activities Debt**  
**As of December 31, 2016**  
**Unaudited**

**Exhibit J-12**

	<u>Allendale Borough</u>	<u>Upper Saddle River Borough</u>
<b>Overlapping Debt of School District:</b>		
Municipal Net Debt(100%)	11,157,695	12,951,321
Local School (100%)	3,322,000	4,429,031
County of Bergen Share (Statutory Net Debt))	12,396,048	14,072,208
Utility Authority (Share %)	N/A	N/A
Subtotal, overlapping debt	26,875,743	31,452,560
<b>Northern Highlands Regional District Direct Debt</b>	<u>3,574,517</u>	<u>5,382,483</u>
<b>Total direct and overlapping debt</b>	<u><u>30,450,260</u></u>	<u><u>36,835,043</u></u>

**Sources:** Assessed value data used to estimate applicable percentages provided by the Bergen 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 situated within the District. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

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

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
*(Unaudited)*

Exhibit J-13

Legal Debt Margin at December 31, 2016:

Average Equalized Valuation Basis:

<u>State Equalized Values of Taxable Property</u>			
	<u>Allendale Borough</u>	<u>Upper Saddle River Borough</u>	<u>Equalized Valuation Basis</u>
2014	\$ 1,685,670,025	\$ 2,744,068,738	\$ 4,429,738,763
2015	1,694,296,538	2,749,134,964	4,443,431,502
2016	<u>1,740,921,213</u>	<u>2,792,107,318</u>	<u>4,533,028,531</u>
	<u>5,120,887,776</u>	<u>8,285,311,020</u>	<u>13,406,198,796</u>
Average Equalized Valuation of Taxable Property			<u>\$ 4,468,732,932</u>
Debt Limit (3% of \$4,468,732,932 )			134,061,988
Total Net School Debt Applicable to Limit:			<u>8,957,000</u>
Legal Debt Margin			<u>125,104,988</u>

	<u>Fiscal Year</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>	<u>2007</u>
Debt Limit-Dec. 31, Prior Year	\$ 134,061,988	\$ 132,995,173	\$ 133,357,781	\$ 135,322,219	\$ 142,057,033	\$ 146,289,551	\$ 146,289,551	\$ 148,653,250	\$ 146,974,225	\$ 146,974,225
Total Net School Debt Applicable to Limit	<u>8,957,000</u>	<u>10,132,000</u>	<u>11,272,000</u>	<u>12,087,000</u>	<u>10,117,000</u>	<u>10,932,000</u>	<u>10,932,000</u>	<u>12,094,000</u>	<u>13,489,000</u>	<u>13,042,000</u>
Legal Debt Margin	<u>\$ 125,104,988</u>	<u>\$ 122,863,173</u>	<u>\$ 122,085,781</u>	<u>\$ 123,235,219</u>	<u>\$ 131,940,033</u>	<u>\$ 135,357,551</u>	<u>\$ 135,357,551</u>	<u>\$ 136,559,250</u>	<u>\$ 133,485,225</u>	<u>\$ 133,932,225</u>
Net Debt as % of Debt Limit	6.68%	7.62%	8.45%	8.93%	7.12%	7.47%	7.47%	8.14%	9.18%	8.87%

Note: Amounts reported above as "Debt" or "Net Debt" include NHRHSD Debt but exclude local district school debt of the constituent communities, which by statute are reductions to the legal debt limit.

Sources: State Equalized Valuations were obtained from the New Jersey Dept. of Treasury, Division of Taxation

## Demographic and Economic Information



**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**  
**Unaudited**

Exhibit J-14

**Allendale Borough**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2007	6,550	441,548,250	67,722	3.40%
2008	6,578	456,246,611	68,124	3.10%
2009	6,609	469,934,010	65,097	5.60%
2010	6,519	430,729,887	66,073	5.80%
2011	6,597	455,331,537	69,021	5.70%
2012	6,650	478,327,850	71,929	5.80%
2013	6,726	480,155,688	71,388	5.80%
2014	6,767	496,860,208	73,424	5.00%
2015	6,804	516,076,596	75,849	4.60%
2016	6,853	N/A	N/A	3.90%

**Upper Saddle River Borough**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2007	8,379	567,442,638	67,722	3.90%
2008	8,413	573,127,212	68,124	5.00%
2009	8,480	552,022,560	65,097	9.00%
2010	8,178	540,344,994	66,073	9.20%
2011	8,237	568,525,977	69,021	9.00%
2012	8,273	595,068,617	71,929	9.20%
2013	8,302	592,663,176	71,388	6.00%
2014	8,282	608,097,568	73,424	4.10%
2015	8,314	630,608,586	75,849	3.30%
2016	8,326	N/A	N/A	3.20%

**Source:**

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

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

<sup>c</sup> Per capita personal income for Bergen County was computed using Census Bureau midyear population estimates.

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

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
Principal Employers,  
Current Year and Ten Years Ago**

<u>Employer</u>	<u>2017</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank [Optional]</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Rank [Optional]</u>	<u>Percentage of Total Municipal Employment</u>
	-		0.00%	-		0.00%

**Information Unavailable**

Source: \_\_\_\_\_

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

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
Full-time Equivalent District Employees by Function/Program,  
Last Ten Fiscal Years**

<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										
Teachers	N/A	N/A	112.0	108.0	109.0	110.0	110.0	118.9	118.4	118.7
Classroom Aides										
Vocational										
Other instruction										
Nonpublic school programs										
Adult/continuing education programs										
Support Services:										
Tuition										
Student & Instruction Related Services			37.0	36.0	35.0	35.0	35.5	32.8	33.8	33.8
General Administration			2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
School Administrative Services			6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Business Administrative Services			5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Administrative Information Technology										
Plant operations and maintenance			19.0	17.0	17.5	18.0	18.0	18.0	18.0	18.0
Pupil transportation			2.0	2.0	2.0	2.0	2.0	2.5	2.5	2.5
Total			<u>183.0</u>	<u>176.0</u>	<u>176.5</u>	<u>178.0</u>	<u>178.5</u>	<u>185.2</u>	<u>185.7</u>	<u>186.0</u>

- 150 -

Source: District Personnel Records

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**Operating Statistics,**  
**Last Ten Fiscal Years**

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff <sup>b</sup>	Senior High School				
2008	1,273	22,974,864	18,047.81	N/A	N/A	N/A	1,280.5	N/A	1.23%	N/A
2009	1,318	23,496,354	17,827.28	-1.22%	173	N/A	1,319.0	N/A	3.01%	N/A
2010	1,313	23,531,456	17,921.90	0.53%	109	1:12.0	1,310.2	1,243.7	-0.67%	94.92%
2011	1,313	22,982,969	17,504.16	-2.33%	112	1:11.7	1,303.6	1,244.9	-0.50%	95.50%
2012	1,350	25,133,893	18,617.70	6.36%	109	1:12.4	1,337.3	1,279.1	2.59%	95.65%
2013	1,328	26,244,086	19,762.11	6.15%	110	1:12.1	1,325.7	1,257.5	-0.87%	94.86%
2014	1,345	27,265,191	20,271.52	2.58%	110	1:12.2	1,348.4	1,285.4	1.71%	95.33%
2015	1,367	28,392,241	20,769.74	2.46%	119	1:11.5	1,369.7	1,305.1	1.58%	95.28%
2016	1,336	30,126,826	22,550.02	11.24%	118	1:11.3	1,337.0	1,275.3	-0.85%	95.39%
2017	1,363	30,908,455	22,676.78	9.18%	118	1:11.5	1,358.6	1,288.6	-0.81%	94.85%

- 151 -

**Sources:** District 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).

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**School Building Information**  
**Last Ten Fiscal Years**

<u>District Building</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>High School</u>										
Northern Highlands regional High School (1965)										
Square Feet	267,300	287,118	287,118	287,118	287,118	287,118	287,118	287,118	287,118	287,118
Capacity (students)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Enrollment	1,286	1,318	1,313	1,316	1,346	1,324	1,345	1,372	1,336	1,363
Number of Schools at June 30, 2017										
Elementary = 0										
Middle School = 0										
Senior High School = 1										

**Source:** District Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of alterations and additions. Enrollment is based on the annual October district count.

**NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT**  
**GENERAL FUND**  
**SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES**  
**LAST TEN FISCAL YEARS**  
*(Unaudited)*

UNDISTRIBUTED EXPENDITURES - REQUIRED  
 MAINTENANCE FOR SCHOOL FACILITIES

<u>School Facilities*</u>	<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>
High School	\$1,008,283.78	\$991,431.34	\$1,018,467.21	\$598,512.00	\$561,505.00	\$548,653.00	\$581,002.00	\$565,209.56	\$649,539.93	\$733,922.35
Other Facilities										
<b>Grand Total</b>	<b><u>\$1,008,283.78</u></b>	<b><u>\$991,431.34</u></b>	<b><u>\$1,018,467.21</u></b>	<b><u>\$598,512.00</u></b>	<b><u>\$561,505.00</u></b>	<b><u>\$548,653.00</u></b>	<b><u>\$581,002.00</u></b>	<b><u>\$565,209.56</u></b>	<b><u>\$649,539.93</u></b>	<b><u>\$733,922.35</u></b>

\*School facilities as defined under EFCFA.  
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6:24-1.3)

Source: District Records

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2017

UNAUDITED

The District is a member of the Northeast Bergen School Board Insurance Group (NESBIG) and maintains commercial insurance coverages for the various risks to which it is exposed.

The District, through NESBIG, has obtained the following coverage for the 2016/17 fiscal year:

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy – NESBIG		
Policy –Great American Insurance Company:		
Property – Blanket Coverage for Buildings and Business Personal Property	\$62,418,326	\$5,000
Flood Coverage (per occurrence & aggregate):		
Outside Hazard Areas	5,000,000	50,000
Totally or Partially in Hazard Area	2,000,000	500,000
Earthquake Coverage (per occurrence & aggregate):	5,000,000	50,000
Extra Expense	5,000,000	
Contractor's Equipment	5,000/250,000	1,000
Scheduled School Property	100,000	1,000
Electronic Information Systems Coverage	5,000,000	1,000
Cameras & AV Equipment	250,000	1,000
Musical & Theatrical Equipment	250,000	1,000
Valuable Papers	4,925,000	1,000
Listed Fine Art	423,196	5,000
Commercial General Liability		
Per Occurrence	1,000,000	
Aggregate	2,000,000	
Cyber Liability		
Per Occurrence	2,000,000	
Aggregate	6,000,000	
Employee Benefits Liability		
Per Occurrence	1,000,000	1,000
Aggregate	2,000,000	
Business Automobile Coverage-Great American Ins. Co.		
Liability & Uninsured Motorist (CSL)	1,000,000	
Medical Expenses – Eligible Passengers	250,000	
Excess Liability Coverage – American Alternatives ins. Co.		
Per Occurrence & Aggregate	10,000,000	10,000
Commercial Crime Coverage – Selective Insurance Co. of America		
Employee Theft		
Per Employee	100,000	5,000
Per Loss	400,000	100,000
Forgery/Transfer Fraud	50,000	1,000



NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2017  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Commercial Environmental Impairment Liability – American Safety Casualty Insurance company		
Each Incident Limit	1,000,000	15,000
Aggregate per Named Insured	3,000,000	
Aggregate Limit (NESBIG)	20,000,000	
Commercial Umbrella Policy – American Alternative Insurance Company		
Per Occurrence and Aggregate	9,000,000	10,000
NJ CAP Coverage – Fireman’s Fund Indemnity Corp.		
Per Occurrence & Aggregate	50,000,000	
Workers’ Compensation – Safety National Ins. Co.		
Workers Compensation	Statutory	
Employer Liability – Accident	1,000,000	
Employer Liability – Disease (Per occurrence and policy limit)	1,000,000	
Excess Workers’ Compensation – Safety National Ins. Co.		
Per Occurrence & Aggregate	1,000,000	
NESBIG Self-Insured Retention		350,000
Pollution Liability – American Insurance Co.		
Per Occurrence & Aggregate	4,000,000	15,000
Educators E&O and EPL Coverage-Darwin National Assurance Co.		
Per Occurrence & Aggregate	1,000,000	
Supplemental Payments	500,000	
Student/Athletic Accident – Master Policy Gerber Life Insurance Co.		
Limit of Liability per Conveyance Accident	500,000	
Specific Losses	Per Schedule	
Position Surety Bonds – Western Surety Co.		
Business Administrator	250,000	
Treasurer	250,000	

Source: School Business Administrator

**SINGLE AUDIT SECTION**

**SECTION – K**

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)

K-1

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

**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**

**INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Education  
Northern Highlands Regional High School District  
County of Bergen, New Jersey

We have audited, 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 Division of Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Northern Highlands Regional High School District, in the County of Bergen, 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 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 Board of Education of the Northern Highlands Regional High 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 Board of Education of the Northern Highlands Regional High School District's control. Accordingly, we do not express an opinion on the effectiveness of the Board of Education of the Northern Highlands Regional High 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 Board of Education of the Northern Highlands Regional High 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 Division of Finance, Department of Education, State of New Jersey.

We noted other matters involving compliance and internal control over financial reporting that we have reported to the Board of Education of the Northern Highlands Regional High School District in a separate *Auditors' Management Report on Administrative Findings* dated October 31, 2017.

### **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.



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Public School Accountants



Robert S. Morrison  
Public School Accountant  
PSA # 871

Highland Park, New Jersey  
August 26, 2016

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)

K-2

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT  
ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL  
ASSISTANCE REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

Honorable President and Members  
of the Board of Education  
Northern Highlands Regional High School District  
County of Bergen, New Jersey

**Report on Compliance for Each Major Program**

We have audited the compliance of the Northern Highlands Regional High School District, in the County of Bergen, State of New Jersey, with the types of compliance requirements described in the New Jersey Compliance Manual "State Grant Compliance Supplement" that could have a direct and material effect on each of Northern Highlands Regional High School District's major state programs for the year ended June 30, 2017. The Northern Highlands Regional High School District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

### **Opinion on each Major State Program**

In our opinion, the Northern Highlands Regional High School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

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

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

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

### **Purpose of this Report**

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

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Public School Accountants

*Robert S. Morrison*

Robert S. Morrison  
Public School Accountant  
PSA # 871

Highland Park, New Jersey  
October 31, 2017

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL C.F.D.A NO.</u>	<u>FAIN NO.</u>	<u>GRANT PERIOD</u>	<u>AWARD AMOUNT</u>	<u>DEF.REVENUE/ (ACCTS. REC.) AT JUNE 30, 2016</u>	<u>CASH RECEIVED</u>	<u>BUDGETARY EXPENDITURES</u>	<u>DEF.REVENUE/ (ACCTS. REC.) AT JUNE 30, 2017</u>	<u>MEMO CUMULATIVE TOTAL EXPENDITURES</u>
U.S. Department of Education									
Passed-through State Department of Education:									
Special Revenue Fund:									
I.D.E.A. Part B	84.027	H027A160100	7/1/16-6/30/17	221,651.00		221,651.00	(221,651.00)	-	(221,651.00)
N.C.L.B. Title II, Part A	84.367A	S367A160029	7/1/16-6/30/17	12,817.00		12,817.00	(12,817.00)	-	(12,817.00)
N.C.L.B. Title I, Part A	84.010A	S010A160030	7/1/16-6/30/17	58,247.00		58,247.00	(58,247.00)	-	(58,247.00)
Total U.S. Department of Education					-	292,715.00	(292,715.00)		(292,715.00)
Total Federal Financial Assistance					\$ -	\$ 292,715.00	\$ (292,715.00)	\$ -	\$ (292,715.00)

Auditor Note: A Single Audit of Federal Awards was not required for the fiscal year ended June 30, 2017 based upon the reported level of expenditures.  
 See Accompanying Notes to Schedules of Financial Assistance

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Schedule - B

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NO	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2016		CASH RECEIVED	BUDGETARY EXPENDITURES	BALANCE AT JUNE 30, 2017		MEMO CUMULATIVE TOTAL	
				GAAP (ACCOUNTS RECEIVABLE)	MEMO BUDGETARY RECEIVABLE			GAAP (ACCOUNTS RECEIVABLE)	BUDGETARY RECEIVABLE	EXPENDITURES	EXPENDITURES
State Department of Education:											
General Fund:											
State Aid (Public Cluster):											
Special Education Categorical Aid	17-495-034-5120-089	386,701	7/1/16-6/30/17	-	-	358,566.00	(386,701.00)	-	-	(28,135.00)	(386,701.00)
Special Education Categorical Aid	16-495-034-5120-089	394,722	7/1/15-6/30/16	-	(24,934.00)	24,934.00	-	-	-	-	(394,722.00)
Security Aid	17-495-034-5120-084	77,671	7/1/16-6/30/17	-	-	72,020.00	(77,671.00)	-	-	(5,651.00)	(77,671.00)
Security Aid	16-495-034-5120-084	77,630	7/1/15-6/30/16	-	(4,904.00)	4,904.00	-	-	-	-	(77,630.00)
Transportation Aid	17-495-034-5120-014	100,760	7/1/16-6/30/17	-	-	93,429.00	(100,760.00)	-	-	(7,331.00)	(100,760.00)
Transportation Aid	16-495-034-5120-014	90,004	7/1/15-6/30/16	-	(5,685.00)	5,685.00	-	-	-	-	(90,004.00)
Nonpublic School Transportation	16-495-034-5120-014	9,223	7/1/15-6/30/16	(9,223.00)	-	9,223.00	-	-	-	-	(9,223.00)
Nonpublic School Transportation	17-495-034-5120-014	9,033	7/1/16-6/30/17	-	-	-	(9,033.00)	(9,033.00)	-	-	(9,033.00)
PARCC Readiness Aid	17-495-034-5120-098	10,480	7/1/16-6/30/17	-	-	9,718.00	(10,480.00)	-	-	(762.00)	(10,480.00)
PARCC Readiness Aid	16-495-034-5120-098	10,480	7/1/15-6/30/16	-	(662.00)	662.00	-	-	-	-	(10,480.00)
Per Pupil Growth Aid	17-495-034-5120-097	10,480	7/1/16-6/30/17	-	-	9,718.00	(10,480.00)	-	-	(762.00)	(10,480.00)
Per Pupil Growth Aid	16-495-034-5120-097	10,480	7/1/15-6/30/16	-	(662.00)	662.00	-	-	-	-	(10,480.00)
Professional Learning Community Aid	17-495-034-5120-101	10,180	7/1/16-6/30/17	-	-	9,439.00	(10,180.00)	-	-	(741.00)	(10,180.00)
Extraordinary Aid	17-495-034-5120-044	599,076	7/1/16-6/30/17	-	-	-	(599,076.00)	-	-	(599,076.00)	(599,076.00)
Extraordinary Aid	16-495-034-5120-044	535,308	7/1/15-6/30/16	-	(535,308.00)	535,308.00	-	-	-	-	(535,308.00)
T.P.A.F. Social Security Aid	17-495-034-5095-003	849,017	7/1/15-6/30/16	-	-	885,895.64	(885,895.64)	-	-	-	(849,017.00)
T.P.A.F. Pension Contributions	17-495-034-5095-002	881,860	7/1/15-6/30/16	-	-	1,242,072.00	(1,242,072.00)	-	-	-	(1,242,072.00)
T.P.A.F. Post Retirement Medical	17-495-034-5095-001	1,102,358	7/1/15-6/30/16	-	-	1,072,426.00	(1,072,426.00)	-	-	-	(1,072,426.00)
T.P.A.F. Non-Contributory Insurance	17-495-034-5095-004	43,929	7/1/15-6/30/16	-	-	47,825.00	(47,825.00)	-	-	-	(47,825.00)
Debt Service Fund:											
Debt Service Aid	17-495-034-5120-075	114,385	7/1/15-6/30/16	-	-	114,385.00	(114,385.00)	-	-	-	(114,385.00)
Total State Financial Assistance				(9,223.00)	(572,155.00)	4,496,871.64	(4,566,984.64)	(9,033.00)	(642,458.00)	(5,657,953.00)	
Less:											
T.P.A.F. Pension Contributions							(1,242,072.00)				
T.P.A.F. Post Retirement Medical							(1,072,426.00)				
T.P.A.F. Non-Contributory Insurance							(47,825.00)				
State Expenditures Subject to Single Audit							(2,204,661.64)				

Note: See Accompanying Notes to Schedules of Financial Assistance.



NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE  
JUNE 30, 2017

NOTE 1. GENERAL

The accompanying schedules of expenditures of awards and financial assistance include federal and state award activity of the Board of Education of the Northern Highlands Regional High School District. The Board of Education is defined in Note 1(A) to the Board's general-purpose financial statements (GASB 34 Model – basic financial statements). All state awards received directly from state agencies, as well as state assistance passed through other government agencies are included on the schedule of expenditures of state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state financial assistance are presented on the budgetary basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of NJOMB Circular 15-08, which requires compliance with the requirements of Title 2, US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) for state financial assistance programs. Therefore, some amounts presented in this schedule may differ from amounts present in, or used in the preparation of, the basic financial statements. The District does not charge any indirect costs to any state financial assistance program.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to P.L. 2003, c.97 (A3521), and Extraordinary Aid. For GAAP purposes, the payments of the last state aid payment and the Extraordinary Aid payment are not recognized until the subsequent budget year due to the state deferral and recording of expenditures for these payments in the subsequent state fiscal year budget. The special revenue fund accompanying schedules agree with amounts reported in the Board's general-purpose financial statements. The general-purpose financial statements present the special revenue fund on both a GAAP basis and a budgetary basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

See Note 1 to the general purpose financial statements for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Award and financial assistance revenues are reported in the Board's general-purpose financial statements on a GAAP basis as presented on the following page:

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE  
JUNE 30, 2017

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 0.00	\$4,382,296.64	\$ 4,382,296.64
Capital Projects Fund	0.00	0.00	0.00
Debt Service Fund	0.00	114,385.00	114,385.00
Special Revenue Fund	<u>292,715.00</u>	<u>0.00</u>	<u>292,715.00</u>
Total Assistance	\$ <u>292,715.00</u>	<u>\$4,496,681.64</u>	<u>\$ 4,789,396.64</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Post-Retirement Medical, Pension and Non-Contributory Insurance Premium Contributions represent the amount paid by the state on behalf of the District for the year ended June 30, 2017. These amounts are published by the State Division of Pensions annually, and the NJDOE has advised that these In-Kind programs are not to be subject to the state single audit mandate, and no audit procedures are required to be applied to these amounts. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017, and are subject to the state single audit mandate. Federal Food Distribution Program revenues and expenditures represent the values of USDA commodities accepted and utilized, respectively.

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

K-6

Section 1 - Summary of Auditor's Results

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal Control over financial reporting:

1) Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

2) Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  No

Noncompliance material to basic financial statements noted? \_\_\_\_\_ Yes  X  No

**Federal Awards-NOT APPLICABLE, FEDERAL SINGLE AUDIT NOT REQUIRED**

Internal Control over major programs:

1) Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_ No

2) Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes \_\_\_\_\_ No

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

Any audit findings disclosed that are required to be reported in accordance with section.510(a) of Circular A-133? \_\_\_\_\_ Yes \_\_\_\_\_ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster

Dollar threshold used to distinguish between Type A and B programs: \_\_\_\_\_

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes \_\_\_\_\_ No

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

K-6

Section 1 - Summary of Auditor's Results (cont'd)

**State Awards**

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

Auditee qualified as low-risk auditee?   X   Yes            No

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

Internal Control over major programs:

1) Material weakness(es) identified?            Yes   X   No

2) Significant deficiencies identified that are not considered to be material weaknesses?            Yes   X   No

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?            Yes   X   No

Identification of major programs:

GMIS Number(s)	Name of State Program
16-495-034-5094-003	TPAF Social Security Aid

Section II - Financial Statement Findings

NONE

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

NONE

NORTHERN HIGHLANDS REGIONAL HIGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Not Applicable- No prior year findings or questioned costs.