

**SCHOOL DISTRICT**

**OF**

**BAY HEAD**



**BAY HEAD BOARD OF EDUCATION  
BAY HEAD, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**OF THE**

**BAY HEAD BOARD OF EDUCATION**

**BAY HEAD, NEW JERSEY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**PREPARED BY**

**BAY HEAD BOARD OF EDUCATION  
FINANCE DEPARTMENT**

**BAY HEAD SCHOOL DISTRICT**

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## **INTRODUCTORY SECTION**



# *Bay Head Board of Education*

145 Grove Street • Bay Head • New Jersey • 08742  
Phone: 732-892-4704 Fax: 732-892-4526 www.bayheadschool.org

Peter S. Morris, Ed.D.  
*Superintendent*

Laurie M. Considine  
*Board Secretary*

Patricia A. Christopher, CPA  
*Business Administrator*

November 15, 2018

Honorable President and Members  
Board of Education of the Borough of Bay Head  
145 Grove Street  
Bay Head, NJ 08735

Dear Board Members:

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal regulations, Part 200, "Audits of State and Local Governments" and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payment." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES: Bay Head School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Bay Head Board of Education and its single school constitute the District's reporting entity.

1. REPORTING ENTITY (Continued)

The District provides a full range of educational services appropriate to grade levels K through 8, and has a sending-receiving relationship with the Point Pleasant Board of Education for grades 9 through 12. Classes offered are regular, vocational, and special education for disabled youngsters. The District completed the 2018 fiscal year with an average daily enrollment of 127.9 students, a decrease of 3.1 students from June 2017. The following details the changes in the student enrollment over the last ten years:

Average Daily Enrollment, K-8

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2017-2018	127.9	- 2.4%
2016-2017	131.0	-10.7%
2015-2016	146.7	0.4%
2014-2015	146	6.6%
2013-2014	137	-0.7%
2012-2013	138	8.7%
2011-2012	127	8.5%
2010-2011	117	8.3%
2009-2010	108	12.5%
2008-2009	96	5.5%

2. ECONOMIC CONDITIONS AND OUTLOOK: Less than one mile square, Bay Head is a charming, residential seashore resort community. Enjoyed by many visitors in the summertime, Bay Head has a year-round population of under 1,000 residents. As part of a barrier island, Bay Head is landlocked between Point Pleasant Beach, Point Pleasant Borough, and Mantoloking, and is bordered by the Atlantic Ocean and Barnegat Bay on the east and west. Consequently, its opportunities for business and residential expansion are limited.

3. MAJOR INITIATIVES: Students continue to meet and/or exceed objectives set by the educational administration as reported to the New Jersey Department of Education. The Bay Head Elementary School continues to perform achievement scores reported for math, science, reading and writing on standardized tests. Programming during the 2016-2017 school year focused on a continuation of the Board of Education's emphasis on technology in the classrooms, hands-on science instruction and excellence in language arts.

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 is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

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

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

7. FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The local tax levy decreased year-to-year \$11,563 which was less than 1.5%.

The allocation of expenditures reflects the Board's and Superintendent's objective to provide the best education possible at the least cost, a factor in maintaining the Borough of Bay Head's enviable position as one of the state's lowest school taxpaying districts. During 2016 Bay Head taxpayers were assessed the lowest general school tax for an operating school district in Ocean County.

8. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey where the funds are secured in accordance with the Act. The Board's cash position is adequate, with a balance of \$1,014,255 in cash and temporary investments at June 30, 2018.

9. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, comprehensive/collision, flood, student and volunteer accident, hazard and theft insurance on property and contents, and fidelity bonds. The Board worked with the New Jersey School Boards Association Insurance Group to review insurance requirements in order to secure the most appropriate coverage at the least possible cost.

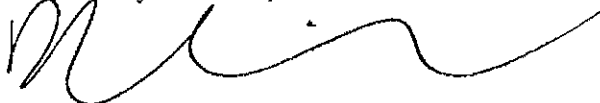
10. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Robert A. Hulsart & Company, CPAs, was selected by the Board to provide this service. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the Title 2 U.S. Code of Federal regulations, Part 200, "Audits of State and Local Governments" and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payment." The auditor's report on the general purpose financial statements and combined and individual fund statements and schedules is included in the financial section of this report. The auditor's reports specifically related 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 Bay Head Board of Education for their continued concern in providing fiscal accountability to the taxpayers and citizens of the Borough of Bay Head, thereby contributing their full support to the development and maintenance of the District's financial operation.

Respectfully submitted,



Dr. Peter S. Morris, Ed.D.  
Superintendent



Patricia A. Christopher, CPA  
School Business Administrator

## BAY HEAD BOARD OF EDUCATION

BAY HEAD, NEW JERSEY

## ROSTER OF OFFICIALS

JUNE 30, 2018

<u>Members of the Board of Education:</u>	<u>Term Expires:</u>
Joseph S. Cornell, President,	2019
Benjamin Hinds, Vice President	2021
Sandra Antognoli, Board Member	2019
Barry K. Pearce, Board Member	2020
Shannon Curtiss, Board Member	2020

## Other Officials:

Dr. Peter S. Morris, Superintendent

Patricia A. Christopher, CPA, School Business Administrator

Laurie M. Considine, Board Secretary

Patricia A. Wojcik, Treasurer

BAY HEAD BOARD OF EDUCATION  
CONSULTANTS AND ADVISORS

**Audit Firm:**

**Robert A. Hulsart and Company**  
Certified Public Accountants  
2807 Hurley Pond Road  
Wall, New Jersey 07719

**Attorney:**

**David M. Casadonte, Esq.**  
202 Main Street  
Toms River, NJ 08753

**Official Depository:**

**Manasquan Savings Bank**  
89 Bridget Avenue  
Bay Head, NJ 08742

**BAY HEAD BOARD OF EDUCATION  
ORGANIZATION CHART  
(UNIT CONTROL)**

**BOARD OF EDUCATION**

**SUPERINTENDENT**

School Business Administrator

Board Secretary

Facilities Manager

Custodial Staff

Attendance Officer

Treasurer

Principal

School Secretary

Teaching Staff:

K-8

School Nurse

Foreign Language

Physical Education

Resource

Basic Skills

Speech

Media Center

Music

Art

Student Resources

Aides

**FINANCIAL SECTION**



ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)  
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.  
ROBERT A. HULSART, JR., C.P.A., P.S.A.  
RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

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### INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Education  
Bay Head School District  
County of Ocean  
Bay Head, New Jersey

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Bay Head School District, in the County of Ocean, State of New Jersey, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### **Auditors Responsibility**

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

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

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

### *Opinions*

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

### *Other Matters*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

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

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018 on our consideration of the Bay Head's Board of Education 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bay Head Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

**ROBERT A. HULSART AND COMPANY**

---

**Robert A. Hulsart**  
**Licensed Public School Accountant**  
**No. 322**  
**Robert A. Hulsart and Company**  
**Wall Township, New Jersey**

November 15, 2018

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

**BAY HEAD PUBLIC SCHOOL DISTRICT**

**BOROUGH OF BAY HEAD**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The discussion and analysis of the Bay Head Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; it should be read in conjunction with the Comprehensive Annual Financial Report's (CAFR) Letter of Transmittal which is found in the Introductory Section, and the School Board's financial statements found in the Financial Section and the notes thereto.

**Financial Highlights**

Key Financial highlights for the 2017-2018 fiscal year are as follows:

- General revenues accounted for \$4,057,367 in revenue or 98% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$75,555 or 2% percent to total revenues of \$4,132,922.
- Total assets of governmental activities were \$7,810,221 primarily made up of Capital assets and Cash.
- The School District had \$4,123,593 in expenses; only \$75,555 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$4,057,367 were adequate to provide for these programs.
- The General Fund had \$3,846,493 in revenues and \$3,975,268 in expenditures. The General Fund's balance decreased by \$128,775 over 2016-2017.

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

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

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole school district, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Bay Head Public School District, the General Fund is the most significant fund, with the Special Revenue Fund also having significance.

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

The School Board's auditor has provided assurance in his Independent Auditor's Report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. A user of this report should read the Independent Auditor's Report carefully to ascertain the level of assurance being provided for each of the other parts of the Financial Section.

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

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

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2017-2018 fiscal year?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in activities. This change in net position is important because it tells the reader that, for the school district as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

- **Governmental activities** – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- **Business-Type Activities** – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Enterprise Fund is reported as a business activity.

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

#### **Fund Financial Statements**

The analysis of the School District's major (all) funds begins on Exhibit B-1. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

## Governmental Funds

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

## Enterprise Fund

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

## The School District as a Whole

Table 1 provides a summary of the School District's net position.

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

	<u>2018</u>	<u>2017</u>
<b><u>Assets</u></b>		
Current and Other Assets	\$ 1,481,828	1,674,774
Capital Assets, Net	<u>6,328,393</u>	<u>6,390,486</u>
Total Assets	<u>\$ 7,810,221</u>	<u>8,065,260</u>
<b><u>Deferred Outflow of Resources</u></b>		
Contribution to Pension Plan	<u>\$ 489,850</u>	<u>282,762</u>
<b><u>Deferred Inflow of Resources</u></b>		
Pension Deferrals	<u>\$ 292,868</u>	<u>135,284</u>
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 345,995	348,963
Long-Term Liabilities	<u>3,752,726</u>	<u>3,964,622</u>
Total Liabilities	<u>\$ 4,098,721</u>	<u>4,313,585</u>
<b><u>Net Position</u></b>		
Invested in Capital Assets, Net of Debt	\$ 3,548,393	2,979,486
Restricted	1,223,460	1,391,540
Unrestricted	<u>(863,371)</u>	<u>(471,873)</u>
Total Net Position	<u>\$ 3,908,482</u>	<u>3,899,153</u>

Table 2 shows the changes in net position.

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

	<u>2018</u>	<u>2017</u>
<b><u>Revenues</u></b>		
Program Revenues		
Charges for Services	\$ 305,485	309,817
Operating Grants and Contributions	75,555	75,164
General Revenues		
Property Taxes	3,236,402	3,247,965
Grants and Entitlements	467,782	844,734
Other	<u>47,698</u>	<u>46,434</u>
Total Revenues	<u>4,132,922</u>	<u>4,524,114</u>
<b><u>Program Expenses</u></b>		
Instruction	1,340,717	1,260,874
Support Services		
Tuition	733,578	542,360
Pupils and Instructional Staff	335,786	309,817
General Administration, School Administration, Business	1,174,364	1,057,789
Operations and Maintenance of Facilities	362,787	351,492
Pupil Transportation	103,284	111,786
Debt Service	<u>73,077</u>	<u>88,175</u>
Total Expenses	<u>4,123,593</u>	<u>3,722,293</u>
Increase/ (Decrease) in Net Position	<u>\$ 9,329</u>	<u>801,821</u>

### **Governmental Activities**

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 78% percent of revenues for governmental activities for the Bay Head Public School District for fiscal year 2018. The District's total revenues were \$4,132,922 fiscal year ended June 30, 2018 Federal, state, local grants and other local revenues accounted for another 22%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

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

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

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



### **Governmental Activities (Continued)**

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

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

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

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

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

Other includes unallocated depreciation and amortization.

### **The School Board' Funds**

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

As the School Board completed the fiscal year ended June 30, 2018, it reported a combined net position balance of \$3,908,482. The Reconciliation of the Statement of Revenue Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities presents the reader with a detailed explanation of the differences between the net change in fund balances and changes in net assets.

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

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

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

## Capital Assets

At June 30, 2018, the School Board had approximately \$7,433,763 million invested in a broad range of capital assets, including land, buildings, furniture, computers, instructional equipment and other equipment. Table II below shows the net book value of capital assets at the end of the 2018 fiscal year.

	<b>Governmental Activities</b>
Table II	
Capital Assets at June 30, 2018	
Buildings and Sites	\$ 5,037,050
Machinery and Equipment	1,034,794
Land	<u>256,549</u>
Total	<u>\$ 6,328,393</u>

## Debt Administration

At June 30, 2018, the School District had outstanding debt of \$4,057,726 consisting of serial bonds at \$2,780,000, capital leases at \$340,000 and a pension liability of \$937,726.

## Economic Factors and Next Year's Budget

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

The Borough of Bay Head is primarily a residential community. The majority of revenues needed to operate the District is derived from homeowners through property tax assessments and collections, which is voted by the residents annually.

At this time, the most important factor affecting the budget is the unsettled situation with State Aid. While State aid may be frozen, the District may experience growth in student population. The tax levy will be the area that will need to absorb any increase in budget obligations.

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

## Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Mrs. Patricia A. Christopher, Business Administrator of the Bay Head Board of Education, 145 Grove Street, Bay Head, N.J. 08742.

## **BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS – A**

**BAY HEAD SCHOOL DISTRICT****STATEMENT OF NET POSITION****Exhibit A-1****JUNE 30, 2018**

	<b><u>Governmental Activities</u></b>	<b><u>Total</u></b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 44,015	44,015
Accounts Receivables, Net	467,574	467,574
Restricted Cash	970,239	970,239
Capital Assets Not Being Depreciated	256,549	256,549
Capital Assets Being Depreciated, Net	6,071,844	6,071,844
Total Assets	<u>7,810,221</u>	<u>7,810,221</u>
<b><u>Deferred Outflow of Resources</u></b>		
Contribution to Pension Plan	<u>489,850</u>	<u>489,850</u>
<b><u>Deferred Inflow of Resources</u></b>		
Pension Deferral	<u>292,868</u>	<u>292,868</u>
<b><u>Liabilities</u></b>		
Deferred Revenue	10,675	10,675
Accrued Interest	30,320	30,320
Long Term Debt:		
Due Within One Year	305,000	305,000
Long-Term	3,752,726	3,752,726
Total Liabilities	<u>4,098,721</u>	<u>4,098,721</u>
<b><u>Net Position</u></b>		
Invested in Capital Assets, Net of Related Debt	3,548,393	3,548,393
Restricted For:		
Other Purposes	1,223,460	1,223,460
Unrestricted	<u>(863,371)</u>	<u>(863,371)</u>
Total Net Position	<u>\$ 3,908,482</u>	<u>3,908,482</u>

The accompanying notes to financial statements are an integral part of this statement.

**BAY HEAD SCHOOL DISTRICT**

Exhibit A-2  
Sheet 1 of 2

**STATEMENT OF ACTIVITIES**

**JUNE 30, 2018**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
<b><u>Functions/Programs</u></b>					
Governmental Activities:					
Instruction:					
Regular	\$ 1,046,983			(1,046,983)	(1,046,983)
Special Education	177,055		52,561	(124,494)	(124,494)
Other Instruction	116,679			(116,679)	(116,679)
Support Services:					
Tuition	733,578			(733,578)	(733,578)
Student & Instruction Related Services	335,786	305,485	22,994	(7,307)	(7,307)
Other Administration Services	209,893			(209,893)	(209,893)
Plant Operations and Maintenance	362,787			(362,787)	(362,787)
Pupil Transportation	103,284			(103,284)	(103,284)
Unallocated Benefits	788,573			(788,573)	(788,573)
Capital Outlay	14,953			(14,953)	(14,953)
Depreciation	160,945			(160,945)	(160,945)
Interest on Debt	73,077			(73,077)	(73,077)
Total Government Activities	<u>4,123,593</u>	<u>305,485</u>	<u>75,555</u>	<u>(3,742,553)</u>	<u>(3,742,553)</u>
Total Primary Government	<u>4,123,593</u>	<u>305,485</u>	<u>75,555</u>	<u>(3,742,553)</u>	<u>(3,742,553)</u>

**BAY HEAD SCHOOL DISTRICT**

**Exhibit A-2**

**Sheet 2 of 2**

**STATEMENT OF ACTIVITIES**

**JUNE 30, 2018**

	<b><u>Program Revenues</u></b>		<b><u>Net (Expense) Revenue and Changes in Net Position</u></b>	
	<b><u>Charges for</u></b>	<b><u>Operating</u></b>	<b><u>Governmental</u></b>	
	<b><u>Services</u></b>	<b><u>Grants and</u></b>	<b><u>Activities</u></b>	<b><u>Total</u></b>
	<b><u>Expenses</u></b>	<b><u>Contributions</u></b>		
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purpose, Net			3,070,164	3,070,164
Property Taxes Levied for Debt Service			166,238	166,238
Federal and State Aid Not Restricted			467,782	467,782
Miscellaneous Revenue			47,698	47,698
Total General Revenues			<u>3,751,882</u>	<u>3,751,882</u>
Change in Net Position			9,329	9,329
Net Position - Beginning			<u>3,899,153</u>	<u>3,899,153</u>
Net Position - Ending			<u>\$ 3,908,482</u>	<u>3,908,482</u>

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

**FUND FINANCIAL STATEMENTS – B**



BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Cash and Cash Equivalents:					
Restricted	\$ 957,693	10,000	2,546		970,239
Unrestricted	44,015				44,015
Federal and State Receivables	19,930		442,320		462,250
Interfund Receivable	19,436			2,546	21,982
Receivables, Net	5,324				5,324
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 1,046,398</u>	<u>10,000</u>	<u>444,866</u>	<u>2,546</u>	<u>1,503,810</u>
<b><u>Liabilities and Fund Balance</u></b>					
<b>Liabilities:</b>					
Deferred Revenue	\$ 675	10,000			10,675
Interfund Payable			21,982		21,982
Total Liabilities	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	675	10,000	21,982	-	32,657
<b>Fund Balance:</b>					
<b>Restricted For:</b>					
Emergency Reserve	174,133				174,133
Maintenance Reserve	213,959				213,959
Designated For Subsequent Years Expenditure BOE	13,869				13,869
Capital Reserve	334,869				334,869
<b>Committed To:</b>					
Other Purposes	61,200				61,200
<b>Unassigned:</b>					
General Fund	247,693				247,693
Debt Service Fund				2,546	2,546
Capital Projects Fund			422,884		422,884
Total Fund Balance	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,045,723	-	422,884	2,546	1,471,153
Total Liabilities and Fund Balance	<u>\$ 1,046,398</u>	<u>10,000</u>	<u>444,866</u>	<u>2,546</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$7,433,763 and the accumulated depreciation is \$1,105,370.

6,328,393

Accrued Interest

(30,320)

Deferred outflow of resources - contributions to the pension plan

489,850

Deferred inflow of resources - acquisition of assets applicable to future reporting periods

(292,868)

Long Term Liabilities including bonds payable are payable in the current period and therefore are not reported as liabilities in the funds (see note 3)

(4,057,726)

Net Position of governmental activities

\$ 3,908,482

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

**BAY HEAD SCHOOL DISTRICT**

Exhibit B-2  
Sheet 1 of 2

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 3,070,164			166,238	3,236,402
Tuition	305,485				305,485
Interest Earned	4,149		2,546		6,695
Miscellaneous	41,003				41,003
Total Local Sources	<u>3,420,801</u>	-	<u>2,546</u>	<u>166,238</u>	<u>3,589,585</u>
State Sources	425,692			42,090	467,782
Federal Sources		75,555			75,555
Total Revenues	<u>3,846,493</u>	<u>75,555</u>	<u>2,546</u>	<u>208,328</u>	<u>4,132,922</u>
Expenditures:					
Current:					
Regular Instruction	1,046,983				1,046,983
Special Education Instruction	124,494	52,561			177,055
Other Instruction	116,679				116,679
Support Services and Undistributed Costs:					
Tuition	733,578				733,578
Student and Instruction Related Services	312,792	22,994			335,786
Other Administration Services	209,893				209,893
Plant Operations and Maintenance	362,787				362,787
Pupil Transportation	103,284				103,284
Unallocated Benefits	744,973				744,973
Capital Outlay	219,805				219,805
Debt Service:					
Bond Principal				185,000	185,000
Interest and Other Charges				74,619	74,619
Total Expenditures	<u>3,975,268</u>	<u>75,555</u>	-	<u>259,619</u>	<u>4,310,442</u>

**BAY HEAD SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2018**

	<b><u>General Fund</u></b>	<b><u>Special Revenue Fund</u></b>	<b><u>Capital Projects</u></b>	<b><u>Debt Service Fund</u></b>	<b><u>Total Governmental Funds</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(128,775)</u>	<u>-</u>	<u>2,546</u>	<u>(51,291)</u>	<u>(177,520)</u>
Other Financing Sources (Uses):					
Transfer from Capital Projects Fund to Debt Service Fund	<u>-</u>	<u>-</u>	<u>(2,546)</u>	<u>2,546</u>	<u>-</u>
Total Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(2,546)</u>	<u>2,546</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources (Uses)	<u>(128,775)</u>	<u>-</u>	<u>-</u>	<u>(48,745)</u>	<u>(177,520)</u>
Net Change in Fund Balances	<u>(128,775)</u>	<u>-</u>	<u>-</u>	<u>(48,745)</u>	<u>(177,520)</u>
Fund Balance - July 1	<u>1,174,498</u>	<u>-</u>	<u>422,884</u>	<u>51,291</u>	<u>1,648,673</u>
Fund Balance - June 30	<u>\$ 1,045,723</u>	<u>-</u>	<u>422,884</u>	<u>2,546</u>	<u>1,471,153</u>

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

BAY HEAD SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURESAND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Exhibit B-3

TO THE STATEMENT OF ACTIVITIESJUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (From B-2)		\$	(177,520)
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:			
Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.			
Capital Outlay	204,852		
Depreciation	<u>(160,945)</u>		
			43,907
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.			185,000
Some Liabilities are Not Due and Payable in the Current Period and Therefore are Not Reported in the Funds. That Liability Consists of Pension Liability Payable			(93,104)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position			207,088
Pension related deferrals			(157,584)
Accrued Interest			<u>1,542</u>
Change in Net Position of Governmental Activities		\$	<u><u>9,329</u></u>

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

**BAY HEAD SCHOOL DISTRICT****STATEMENT OF FIDUCIARY NET POSITION**

Exhibit B-7

**FIDUCIARY FUNDS****JUNE 30, 2017**

	<b><u>Unemployment Compensation Trust</u></b>	<b><u>Private Purpose Trust Scholarship Funds</u></b>
Assets:		
Cash and Cash Equivalents	\$ 31,370	67,039
Total Assets	<u>\$ 31,370</u>	<u>67,039</u>
Net Position:		
Reserved Unemployment Benefits	\$ 31,370	
Reserved Scholarships		67,039
Total Net Position	<u>\$ 31,370</u>	<u>67,039</u>

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

BAY HEAD SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Exhibit B-8

FIDUCIARY FUNDSJUNE 30, 2018

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust Scholarship Fund</u>
Additions:		
Securities Increase	\$ -	7,582
Interest Earned	407	1
Donations		450
Total Additions	<u>407</u>	<u>8,033</u>
Deductions:		
Scholarship Awarded	<u>-</u>	<u>1,050</u>
Total Deductions	<u>-</u>	<u>1,050</u>
Change in Net Position	407	6,983
Net Position - Beginning of Year	<u>30,963</u>	<u>60,056</u>
Net Position - End of the Year	<u>\$ 31,370</u>	<u>67,039</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**BOARD OF EDUCATION**  
**BAY HEAD SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1: Summary of Significant Accounting Policies**

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

**A. Reporting Entity:**

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

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the Board exercises operating control. The operations of the District include an elementary school located in the Borough of Bay Head. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore the District is not includable in any other reporting entity on the basis of such criteria.

**B. Government-Wide Financial Statements**

The School District's basic financial statements consist of government-wide statements, and fund financial statements which provide a more detailed level of financial information.

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



**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**B. Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the School District to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the School District segregates transaction related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Fiduciary funds are reported by fund type.

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

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. County tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. The Unemployment Trust Fund recognizes employer and employee contributions in the period in which contributions are due.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to apply current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term pension and compensated absences, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual includes Intergovernmental revenues, and the county tax levy. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for food sales and for services provided to other governmental entities. Principles operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting:**

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

**Governmental Fund Types**

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

Special Revenue Fund: The District accounts for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds.

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).

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.

**Fiduciary Fund Types**

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Unemployment Compensation Trust Fund: The trust fund is used to account for assets held under the terms of a formal trust agreement. The District reimburses the costs of unemployment benefits paid by the New Jersey Department of Labor.

Agency Funds (Payroll and Student Activities Fund): Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

**NOTE 1: Summary of Significant Accounting Policies (Continued)****E. Budgets/Budgetary Control:**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g). All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2018 were insignificant.

The Public School Education Act of 1975, limits the annual increase of any district's net current expense budget. The Commissioner of Education certifies the allowable amount for each district but may grant a higher level of increase if he determines that the sums so provided would be insufficient to meet the identified goals and needs of the district or that an anticipated enrollment increase requires additional funds.

The Commissioner must also review every proposed local school district budget for the next school year. He examines every item of appropriations for current expenses and budgeted capital outlay to determine their adequacy in relation to the identified needs and goals of the district. If, in his view, they are insufficient, the Commissioner must order remedial action. If necessary, he is authorized to order changes in the local district budget.

Once a budget is approved, it can be amended by transfers or additional appropriation of fund balances by approval of a majority of the members of the Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual transfers were not material in relation to the original appropriations. All uncommitted budget appropriations lapse at year-end.

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 special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

**NOTE 1: Summary of Significant Accounting Policies (Continued)****F. Encumbrances:**

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

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

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

**G. Short-Term Interfund Receivables/Payables:**

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

**H. Inventories and Prepaid Expenses**

Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase. The value of inventories remaining at the end of the fiscal year is not included on the balance sheet.

**I. Capital Assets and Depreciation**

The District's property, buildings and improvements, equipment, vehicles, furniture and fixtures with useful lives of five years or more are stated at historical or estimated historical cost and are reported in the government-wide financial statements. Proprietary Fund capital assets are reported in its respective fund.

The District contracted with an outside service company during the 2004 fiscal year to provide a report with a comprehensive detail of capital assets and depreciation. The report included capital assets purchased during the 2004-2005 fiscal year and prior with a historical cost of \$2,000 or more. Accumulated depreciation prior to fiscal year 2005, fiscal year 2005 depreciation expense, total accumulated depreciation and book values were also provided. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts. The District has updated the records since 2004-2005 and the service company provides the District with an updated report. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	20 – 50
Equipment and Vehicles	5 – 20
Furniture and Fixtures	5 – 20

**NOTE 1: Summary of Significant Accounting Policies (Continued)****I. Capital Assets and Depreciation (Continued)**

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental Activities:				
Capital Assets that are				
Not being Depreciated:				
Land	\$ 256,549	_____	_____	256,549
Total Capital Assets Not				
Being Depreciated	<u>256,549</u>	_____	_____	<u>256,549</u>
Depreciable Assets:				
Buildings and Sites	5,849,901	29,794		5,879,695
Equipment	<u>1,228,460</u>	<u>69,059</u>	_____	<u>1,297,519</u>
Totals at Historical Cost	<u>7,078,361</u>	<u>98,853</u>	_____	<u>7,177,214</u>
Less: Accumulated				
Depreciation:				
Buildings and Sites	(740,704)	(101,941)		(842,645)
Equipment	<u>(203,721)</u>	<u>(59,004)</u>	_____	<u>(262,725)</u>
Total Accumulated				
Depreciation	<u>(944,425)</u>	<u>(160,945)</u>	_____	<u>(1,105,370)</u>
Net Depreciable Assets	<u>6,133,936</u>	<u>(62,092)</u>	_____	<u>6,071,844</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 6,390,485</u>	<u>(62,092)</u>	=====	<u>6,328,393</u>

Depreciation expense was charged to governmental functions as follows:

Unallocated	<u>\$ 160,945</u>
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**J. Compensated Absences**

The Board has no policy for payment of accumulated sickness upon retirement.

**K. Deferred Revenue**

Deferred revenue in the special revenue funds represent cash which has been received but not yet earned. See Note 1(F) regarding the special revenue fund.

**L. Fund Equity**

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. The general fund reserve for restricted purposes includes net assets relating to maintenance reserve (See Note 10).

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**M. Net Position**

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

*Net Investment in Capital Assets* – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

*Restricted* – Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

*Unrestricted* – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

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

**Fund Balance**

The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

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

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

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

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

**NOTE 1: Summary of Significant Accounting Policies (Continued)****Fund Balance (Continued)**

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

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

**NOTE 2: Cash and Cash Equivalents and Investments**

Cash and cash equivalents for all funds, 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. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. 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.

Investments are stated at cost, which approximates market. The District classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

**Deposits**

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

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

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

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

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

**NOTE 2: Cash and Cash Equivalents and Investments (Continued)****Investments**

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or any United States Bank for cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

As of June 30, 2018 cash and cash equivalents and investments of the District consisted of the following:

	<b><u>Cash and Cash Equivalents</u></b>
Checking, Money Market Accounts	<u>\$ 1,116,122</u>

During the period ended June 30, 2018, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at June 30, 2018 was \$1,116,122 and the bank balance was \$1,210,810. Of the bank balance, \$566,401 was covered by federal depository insurance and \$613,039 as covered by a collateral pool maintained by the banks as required by New Jersey statutes and \$31,370 was uninsured.

**Credit Risk Categories**

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following three categories described below:

As of June 30, 2018, the District did not hold any long-term investments.

Insured:	
FDIC	\$ 566,401
GUDPA	613,039
Uninsured:	
NJ Cash Management	<u>31,370</u>
	<u>\$ 1,210,810</u>



**NOTE 3: General Long-Term Debt**

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Long-Term</u> <u>Portion</u>	<u>2018-2019</u> <u>Payment</u>
Capital Lease	\$ 446,000		(106,000)	340,000	230,000	110,000
Bonds Payable	2,965,000		(185,000)	2,780,000	2,585,000	195,000
Pension Liability	<u>844,622</u>	<u>93,104</u>	<u>_____</u>	<u>937,726</u>	<u>937,726</u>	<u>_____</u>
	<u>\$ 4,255,622</u>	<u>93,104</u>	<u>(291,000)</u>	<u>4,057,726</u>	<u>3,752,726</u>	<u>305,000</u>

**A. Bonds Payable**

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are of general obligation bonds, and the interest rates vary from 4.00% to 4.25%.

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 195,000	70,819	265,819
2020	200,000	66,869	266,869
2021	205,000	62,819	267,819
2022	210,000	58,669	268,669
2023	220,000	54,094	274,094
2024-2028	1,210,000	179,053	1,389,053
2029-2030	<u>540,000</u>	<u>17,712</u>	<u>557,712</u>
	<u>\$ 2,780,000</u>	<u>510,035</u>	<u>3,290,035</u>

**NOTE 4: Pension Plans**

**Description of Plans** – All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**NOTE 4: Pension Plans (Continued)**

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

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

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

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contribution. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**Significant Legislation** - During the year ended June 30, 1997, legislation was enacted Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997), changed the asset valuation method from market related value to full-market value. This legislation also contains a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits, accordingly, the pension costs for TPAF and PERS were reduced.

**NOTE 4: Pension Plans (Continued)**

**Funding Policy** – The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.78% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Legislation enacted during 1993 provides early retirement incentives for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1994 fiscal year. The early retirement incentives included: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an additional \$500 per month for two years for employees at least age 60 with 10 years but less than 20 years of service. The Board will assume the increased cost for the early retirement as it affects their districts.

During the year ended June 30, 2018, the State of New Jersey contributed \$247,942 to the TPAF for post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$87,777 during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditure in accordance with GASB 24.

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

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/18	\$ 247,942	100%	0
6/30/17	174,581	100%	0
6/30/16	160,631	100%	0

**Three-Year Trend Information for PERS**

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/18	\$ 38,381	100%	0
6/30/17	25,502	100%	0
6/30/16	30,557	100%	0

**NOTE 4: Pension Plans (Continued)****Pension Expense Deferred Outflows/Inflows – PERS****Plan Description**

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

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

The following represents the membership tiers for PERS:

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

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

**Basis of Presentation**

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**NOTE 4: Pension Plans (Continued)****Allocation Methodology and Reconciliation to Financial Statements**

GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2016 through June 30, 2017. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

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

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

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

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

**NOTE 4: Pension Plans (Continued)**

For the year ended June 30, 2018, the District recognized pension expense of \$38,381. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience	\$ 22,080	
Changes of Assumptions	188,920	188,227
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,385	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	234,084	104,641
District Contributions Subsequent to the Measurement Date	<u>38,381</u>	<u>          </u>
Total	<u>\$ 489,850</u>	<u>292,868</u>

\$489,850 reported as deferred outflows of resources related to pensions resulting from school district, charter school, or renaissance school project contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Additional Information**

Collective balances at December 31, 2017 and 2016 are as follows:

	<b><u>Dec. 31, 2017</u></b>	<b><u>Dec. 31, 2016</u></b>
Collective Deferred Outflows of Resources	\$ 489,850	282,762
Collective Deferred Inflows of Resources	292,868	135,284
Collective Net Pension Liability	937,726	844,622
District's Proportion	.00403%	.00285%

**Components of Net Pension Liability**

The components of the collective net pension liability of the participating employers as of June 30, 2017 were as follows:

	<b>2017</b>		
	<b><u>State</u></b>	<b><u>Local</u></b>	<b><u>Total</u></b>
Total Pension Liability	\$ 32,535,896,852	44,852,367,051	77,388,263,903
Plan Fiduciary Net Position	<u>6,890,274,055</u>	<u>21,573,965,463</u>	<u>28,464,239,518</u>
Net Pension Liability	<u>\$ 25,645,622,797</u>	<u>23,278,401,588</u>	<u>48,924,024,385</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	21.18%	48.10%	36.78%

**NOTE 4: Pension Plans (Continued)**

The components of the collective net pension liability of the participating employers as of June 30, 2016 were as follows:

	<u>2016</u>		
	<u>State</u>	<u>Local</u>	<u>Total</u>
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>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	19.02%	40.14%	31.20%

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

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

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

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

**NOTE 4: Pension Plans (Continued)****Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

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

**Discount Rate**

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.



**NOTE 4: Pension Plans (Continued)****Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

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

	<u>2017</u>		
	<u>At 1%</u>	<u>At Current</u>	<u>At 1%</u>
	<u>Decrease (4.00%)</u>	<u>Discount</u>	<u>Increase (6.00%)</u>
<u>Rate (5.00%)</u>			
State	\$ 29,818,581,732	25,645,622,797	22,179,578,513
Local	28,878,437,027	23,278,401,588	18,612,878,069
Total	<u>\$ 58,697,018,759</u>	<u>48,924,024,385</u>	<u>40,792,456,582</u>
	<u>2016</u>		
	<u>At 1%</u>	<u>At Current</u>	<u>At 1%</u>
	<u>Decrease (3.90%)</u>	<u>Discount</u>	<u>Increase (5.90%)</u>
	<u>Rate (4.90%)</u>		
State	\$ 34,422,851,197	29,390,685,705	25,246,574,457
Local	36,292,338,055	29,617,131,759	24,106,170,190
Total	<u>\$ 70,715,189,252</u>	<u>59,007,817,464</u>	<u>49,352,744,647</u>

**Teachers Pensions and Annuity Fund (TPAF)****Plan Description**

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contribution, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

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, member's beneficiaries are entitled to full interest credited to the members' accounts.

**NOTE 4: Pension Plans (Continued)**

The following represents the membership tiers for TPAF:

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

Service retirement benefits of  $1/55^{\text{th}}$  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  $1/60^{\text{th}}$  of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more 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.

**Basis of Presentation**

The Schedule of employers and nonemployer allocations and the schedule of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of TPAF and the State as an employer/nonemployer entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of TPAF or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of TPAF to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Allocation Methodology**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocation and applied to, presented in the schedule of pension amount by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2017. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

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

**NOTE 4: Pension Plans (Continued)****Special Funding Situation**

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

**Components of Net Pension Liability**

The components of the net pension liability of the State as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Total Pension Liability	\$ 90,726,371,000	101,746,770,000
Plan Fiduciary Net Position	<u>23,056,161,829</u>	<u>22,717,862,967</u>
Net Pension Liability	<u>\$ 67,670,209,171</u>	<u>79,028,907,033</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%

**State Proportionate Share of Net Pension Liability Attributable to District**

	<u>2017</u>	<u>2016</u>
District's Liability	<u>\$ 5,705,542</u>	<u>7,204,325</u>
District's Proportion	.00843%	.00912%

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

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

**NOTE 4: Pension Plans (Continued)**

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

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

**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

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

**Discount Rate**

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**NOTE 4: Pension Plans (Continued)****Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

	<u>At 1% Decrease</u>	<u>At Current Discount Rate</u>	<u>At 1% Increase</u>
2017 (3.25%, 4.25%, 5.25%)	\$ 80,394,331,171	67,670,209,171	57,188,022,171
2016 (2.22%, 3.22%, 4.22%)	94,378,176,033	79,028,907,033	66,494,248,033

**NOTE 5: Post-Retirement Benefits****General Information about the OPEB Plan****Plan description and benefits provided**

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

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

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

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

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

**TPAF participant retirees:**

As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf.

**PERS participant retirees:**

The State paid \$238.9 million toward Chapter 126 benefits for 209,913 eligible retired members in Fiscal Year 2017.

**NOTE 5: Post-Retirement Benefits (Continued)****Total OPEB Liability**

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education/board of trustees. Note that actual numbers will be published in the NJ State's CAFR.

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

Inflation rate 2.50%

	<u>TPAF</u>	<u>PERS</u>
Salary Increases: Through 2026	1.55% - 4.55% based on years of service	2.15% - 4.15% based on age
Thereafter	2.00% - 5.45% based on years of service	3.15% - 5.15% based on age

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

**Health Care Trend Assumptions**

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

**NOTE 5: Post-Retirement Benefits (Continued)*****Discount Rate***

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

	<b>Total OPEB Liability</b>
Balance at 6/30/2016 Measurement Date	\$ 57,831,784,184
Changes for the Year:	
Service Cost	2,391,878,884
Interest on Total OPEB Liability	1,699,441,736
Change of Assumptions	(7,086,599,129)
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	
Gross Benefit Payments	(1,242,412,566)
Contributions from the Member	<u>45,748,749</u>
Balance at 6/30/2017 Measurement Date	<u>\$ 53,639,841,858</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the State for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b><u>(2.58%)</u></b>	<b><u>(3.58%)</u></b>	<b><u>(4.58%)</u></b>
Total OPEB Liability (School Retirees)	\$ 63,674,362,200	53,639,841,858	45,680,364,453

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using healthcare cost trend rates that 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
	<b><u>1% Decrease</u></b>	<b><u>Rates</u></b>	<b><u>1% Increase</u></b>
Total OPEB Liability (School Retirees)	\$ 44,113,584,560	53,639,841,858	66,290,599,457

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

**NOTE 5: Post-Retirement Benefits (Continued)**

For the year ended June 30, 2018, the Board of Education recognized OPEB expense of \$433,602 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the Bay Head Board of Education proportionate share of school retirees OPEB is zero; there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Change in Proportion	\$ 99,843,255	99,843,255
Changes of Assumptions	_____	<u>6,343,769,032</u>
Total	<u>\$ 99,843,255</u>	<u>6,443,612,287</u>

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

Year Ended June 30:	
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)

**NOTE 6: Risk Management**

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

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



**NOTE 6: Risk Management (Continued)**

**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 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 previous year:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Reimbursed</u>	<u>Balance</u>
2017-2018	\$ 0	407	0	31,370
2016-2017	0	171	0	30,963
2015-2016	0	75	0	30,792

**NOTE 7: Tuition Adjustments**

Regulations specify that tuition adjustments for any given school year shall be remitted/ received in the two following years after the tuition rate is certified. These adjustments have not been reflected on the June 30, 2018 financial statements.

**NOTE 8: Economic Dependency**

The District receives approximately 10% of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the District’s programs and activities.

**NOTE 9: Contingent Liabilities**

It is the opinion of the school board officials that there is no litigation threatened or pending that would materially affect the financial position of the school district.

**NOTE 10: Fund Balance Appropriated**

**General Fund** – Of the \$1,052,624 General Fund fund balance at June 30, 2018, \$221,623 is reserved for maintenance reserve; \$59,133 is emergency reserve; \$196,869 is capital reserve; \$61,200 is reserve for encumbrances; \$259,930 is undesignated; \$13,869 is designated for subsequent year’s expenditures; \$90,000 is designated for subsequent year’s expenditures – emergency reserve; \$12,000 is designated for subsequent year’s expenditures – maintenance reserve; and \$138,000 is designated for subsequent year’s expenditures – capital reserve.

**NOTE 11: 2% Calculation of Excess Surplus**

2017-18 Total General Fund Expenditures Per the CAFR	\$ 3,975,268
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(335,719)</u>
Adjusted 2017-18 General Fund Expenditures	<u>\$ 3,639,549</u>
2% of Adjusted 2017-18 General Fund Expenditures	<u>\$ 72,791</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustments	<u>9,930</u>
Maximum Unassigned/Undesignated – Unreserved Fund Balance	<u>\$ 259,930</u>

**Section 2**

Total General Fund -- Fund Balance @ 6-30-18	\$ 1,052,624
Decreased by:	
Restricted Fund Balance:	
Other Reserves	(477,625)
Encumbrances	(61,200)
Assigned Fund Balance:	
Designated for Subsequent Years Expenditures – Capital Reserve	(138,000)
Designated for Subsequent Years Expenditures – Maintenance Reserve	(12,000)
Designated for Subsequent Years Expenditures – Emergency Reserve	(90,000)
Designated for Subsequent Years Expenditures	<u>(13,869)</u>

Total Unassigned Fund Balance	<u>\$ 259,930</u>
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Reserved Fund Balance – Excess Surplus	<u>\$ 0</u>
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**Section 3**

Reserved Fund Balance – Excess Surplus	<u>\$ 0</u>
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**Detail of Allowable Adjustment**

Extraordinary Aid	<u>\$ 9,930</u>
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**Detail of Other Restricted Fund Balance**

Maintenance Reserve	\$ 221,623
Capital Reserve	196,869
Emergency Reserve	<u>59,133</u>

Total Other Restricted Fund Balance	<u>\$ 477,625</u>
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**NOTE 12: Operating Leases**

The District had commitments to lease copiers under operating leases that expires in 2021. Operating lease payments began in the 2012-2013 budget year. Future minimum lease payments are as follows:

Year ending June 30,	
2019	\$ 8,259
2020	8,259
2021	<u>6,882</u>
	23,400
Less Interest	<u>1,710</u>
Principal	<u>\$ 21,690</u>

**NOTE 13: Lease Purchase**

On March 15, 2016, the Board of Education approved a contract with T.D. Equipment Finance, Inc. for a lease purchase agreement for the purchase of a boiler for the school for \$550,000 at an interest rate of 1.70%, for a period of five years dated March 7, 2016.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	\$ 110,000	4,845	114,845
2019-20	113,000	2,949	115,949
2020-21	<u>117,000</u>	<u>1,989</u>	<u>118,989</u>
	<u>\$ 340,000</u>	<u>9,783</u>	<u>349,783</u>

**NOTE 14: Interfund Receivables and Payables**

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

There were interfunds as of June 30, 2018 as follows:

	<u>From</u>	<u>To</u>
General Fund	\$	19,436
Debt Service Fund		2,546
Capital Projects Fund	<u>21,982</u>	<u>      </u>
	<u>\$ 21,982</u>	<u>21,982</u>

These interfund loans are due to the General Fund and Debt Service Fund awaiting State reimbursement in the Capital Projects Fund. Once received, the interfunds will be eliminated, which is expected to be within one year.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES – C**

BAY HEAD SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 3,070,164		3,070,164	3,070,164	-
Tuition From Individuals	320,000		320,000	305,485	(14,515)
Aftercare	10,000		10,000	11,532	1,532
Interest Earned	260		260	4,149	3,889
Miscellaneous	7,645		7,645	29,471	21,826
Total Local Sources	<u>3,408,069</u>	<u>-</u>	<u>3,408,069</u>	<u>3,420,801</u>	<u>12,732</u>
State Sources:					
Extraordinary Aid	10,000		10,000	19,930	9,930
Special Education Aid	59,770		59,770	59,770	-
Security Aid	3,453		3,453	3,453	-
PARCC Readiness Aid	980		980	980	-
Per Pupil Growth Aid	980		980	980	-
Transportation Aid	4,095		4,095	4,095	-
Professional Learning Community Aid	930		930	930	-
On-Behalf TPAF Pension Contributions (Non-Budgeted)			-	247,942	247,942
Reimbursed TPAF Social Security Contributions (Non-Budgeted)			-	87,777	87,777
Total State Sources	<u>80,208</u>	<u>-</u>	<u>80,208</u>	<u>425,857</u>	<u>345,649</u>
Total Revenues	<u>3,488,277</u>	<u>-</u>	<u>3,488,277</u>	<u>3,846,658</u>	<u>358,381</u>

**BAY HEAD SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Current Expenditures:					
Regular Programs - Instruction:					
Preschool/Kindergarten - Salaries of Teachers	88,747		88,747	88,747	-
Grades 1-5 - Salaries of Teachers	468,942	33,371	502,313	502,313	-
Grades 6-8 - Salaries of Teachers	300,630	(515)	300,115	300,115	-
Regular Program - Undistributed Instruction:					
Other Salaries For Instruction	44,674		44,674	44,674	-
Purchased Professional Educational Services	5,000	(343)	4,657	4,657	-
Purchased Technical Services	5,000	1,725	6,725	6,725	-
General Supplies	38,407	4,021	42,428	42,428	-
Textbooks	8,500	29,993	38,493	38,493	-
Other Objects	15,000	3,835	18,835	18,831	4
Total Regular Programs - Instruction	<u>974,900</u>	<u>72,087</u>	<u>1,046,987</u>	<u>1,046,983</u>	<u>4</u>
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	123,857		123,857	123,857	-
General Supplies	750	(339)	411	411	-
Textbooks	253	(27)	226	226	-
Total Resource Room/Resource Center	<u>124,860</u>	<u>(366)</u>	<u>124,494</u>	<u>124,494</u>	<u>-</u>
Total Special Education - Instruction	<u>124,860</u>	<u>(366)</u>	<u>124,494</u>	<u>124,494</u>	<u>-</u>

BAY HEAD SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	35,774	(1,808)	33,966	32,774	1,192
General Supplies	206	259	465	465	-
Total Basic Skills/Remedial - Instruction	<u>35,980</u>	<u>(1,549)</u>	<u>34,431</u>	<u>33,239</u>	<u>1,192</u>
School-Sponsored Co-Curricular Activities - Instruction:					
Salaries	<u>31,000</u>	<u>5,033</u>	<u>36,033</u>	<u>36,033</u>	<u>-</u>
School Sponsored Athletics - Instruction:					
Salaries	22,000		22,000	22,000	-
Purchased Services	9,000	55	9,055	9,055	-
Supplies and Materials	<u>3,500</u>	<u>(1,458)</u>	<u>2,042</u>	<u>2,042</u>	<u>-</u>
Total School Sponsored Athletics - Instruction	<u>34,500</u>	<u>(1,403)</u>	<u>33,097</u>	<u>33,097</u>	<u>-</u>
Before/After School Programs - Instruction:					
Salaries of Teachers	<u>12,960</u>		<u>12,960</u>	<u>12,960</u>	<u>-</u>
Community Services Programs - Instruction:					
Supplies and Materials	<u>1,500</u>	<u>(150)</u>	<u>1,350</u>	<u>1,350</u>	<u>-</u>
Total Community Services-Instruction	<u>1,500</u>	<u>(150)</u>	<u>1,350</u>	<u>1,350</u>	<u>-</u>
Total Instructional Programs	<u>1,215,700</u>	<u>73,652</u>	<u>1,289,352</u>	<u>1,288,156</u>	<u>1,196</u>
Undistributed Expenditures - Instruction:					
Tuition to Other LEA's Within the State - Regular	611,154		611,154	603,404	7,750
Tuition to Other LEA's Within the State - Special	63,894	52,146	116,040	116,040	-
Tuition to County Vocational School-Regular	5,000	(5,000)	-	-	-
Tuition to Private Schools for the Disabled Within State	<u>75,736</u>	<u>(46,602)</u>	<u>29,134</u>	<u>14,134</u>	<u>15,000</u>
Total Undistributed Expenditures - Instruction	<u>755,784</u>	<u>544</u>	<u>756,328</u>	<u>733,578</u>	<u>22,750</u>



**BAY HEAD SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Attendance and Social Work:					
Salaries	<u>21,400</u>	<u></u>	<u>21,400</u>	<u>21,400</u>	<u>-</u>
Undistributed Expenditures - Health Services:					
Salaries	<u>44,550</u>	<u></u>	<u>44,550</u>	<u>44,550</u>	<u>-</u>
Supplies and Materials	<u>2,750</u>	<u>(1,543)</u>	<u>1,207</u>	<u>1,207</u>	<u>-</u>
Total Undistributed Expenditures - Health Services	<u>47,300</u>	<u>(1,543)</u>	<u>45,757</u>	<u>45,757</u>	<u>-</u>
Undistributed Expenditures - Other Support Services - Students - Related Services:					
Purchased Professional Educational Services	<u>17,500</u>	<u>8,250</u>	<u>25,750</u>	<u>25,750</u>	<u>-</u>
Supplies and Materials	<u>100</u>	<u>(100)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Undistributed Expenditures - Other Support Services Students - Related Services	<u>17,600</u>	<u>8,150</u>	<u>25,750</u>	<u>25,750</u>	<u>-</u>
Undistributed Expenditures-Other Support Services-Extra: Salaries	<u>13,246</u>	<u></u>	<u>13,246</u>	<u>13,246</u>	<u>-</u>
Undistributed Expenditures - Other Support Services - Students - Special:					
Salaries of Secretarial and Clerical Assistants	<u>21,275</u>	<u></u>	<u>21,275</u>	<u>21,275</u>	<u>-</u>
Purchased Professional Educational Services	<u>1,307</u>	<u></u>	<u>1,307</u>	<u>1,307</u>	<u>-</u>
Other Purchased Professional Services	<u>3,000</u>	<u>(2,327)</u>	<u>673</u>	<u>673</u>	<u>-</u>
Supplies and Materials	<u>418</u>	<u></u>	<u>418</u>	<u>418</u>	<u>-</u>
Total Undistributed Expenditures - Other Support Services - Students - Special	<u>26,000</u>	<u>(2,327)</u>	<u>23,673</u>	<u>23,673</u>	<u>-</u>

**BAY HEAD SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**JUNE 30, 2018**

	<b><u>Original Budget</u></b>	<b><u>Budget Transfers</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Final to Actual</u></b>
Undistributed Expenditures - Other Support Services -					
Students - Child Study Teams					
Salaries-Secretarial and Clerical	14,485	908	15,393	15,393	-
Purchased Professional Educational Services	13,000	(455)	12,545	11,165	1,380
Total Undistributed Expenditures - Other Support					
Services - Students - Extra Services	<u>27,485</u>	<u>453</u>	<u>27,938</u>	<u>26,558</u>	<u>1,380</u>
 Undistributed Expenditures - Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	26,493		26,493	26,493	-
Other Salaries	9,552		9,552	9,552	-
Other Purchased Professional and Technical Services	9,700	149	9,849	9,849	-
Total Undistributed Expenditures - Improvement of Instructional	<u>45,745</u>	<u>149</u>	<u>45,894</u>	<u>45,894</u>	<u>-</u>
 Undistributed Expenditures - Educational Media Services/ School Library:					
Salaries of Technology Coordinator	30,984	1,433	32,417	32,417	-
Purchased Professional and Technical Services	10,000	1,641	11,641	11,641	-
Other Purchased Services	15,000	(1,781)	13,219	13,219	-
Supplies and Materials	15,000	(2,652)	12,348	12,348	-
Total Undistributed Expenditures - Educational Media					
Services/School Library	<u>70,984</u>	<u>(1,359)</u>	<u>69,625</u>	<u>69,625</u>	<u>-</u>
 Undistributed Expenditures - Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	18,246	4,000	22,246	22,246	-
Salaries of Secretarial and Clerical	4,115		4,115	4,115	-
Purchased Professional Educational Services	5,000	(2,231)	2,769	2,769	-
Other Purchased Services	12,808	(1,684)	11,124	11,124	-
Other Items	7,500	(6,865)	635	635	-
Total Undistributed Expenditures - Instr. Staff Training Services	<u>47,669</u>	<u>(6,780)</u>	<u>40,889</u>	<u>40,889</u>	<u>-</u>

**BAY HEAD SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**JUNE 30, 2018**

	<b><u>Original Budget</u></b>	<b><u>Budget Transfers</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Final to Actual</u></b>
Undistributed Expenditures - Support Services - General Administration:					
Salaries	2,000	6,000	8,000	8,000	-
Legal Services	6,000	1,300	7,300	6,080	1,220
Audit Fees	8,500	(1,800)	6,700	6,700	-
Other Purchased Professional Services	40,055	2,043	42,098	40,055	2,043
Communications/Telephone	3,400	(71)	3,329	3,329	-
Other Purchased Services (400-500 Series)	500	(72)	428	428	-
BOE Meeting/Training Supplies	6,000	(195)	5,805	5,805	-
Miscellaneous Expenditures	1,200	(200)	1,000	1,000	-
BOE Membership Dues and Fees	2,300	(124)	2,176	2,176	-
<b>Total Undistributed Expenditures - Support Services - General Administration</b>	<b>69,955</b>	<b>6,881</b>	<b>76,836</b>	<b>73,573</b>	<b>3,263</b>
Undistributed Expenditures - Support Services - School Administration:					
Salaries of Principals/Assistant Principals	47,966		47,966	47,966	-
Salaries of Secretarial and Clerical Assistants	4,738		4,738	4,738	-
<b>Total Undistributed Expenditures - Support Services - School Administration</b>	<b>52,704</b>	<b>-</b>	<b>52,704</b>	<b>52,704</b>	<b>-</b>
Undistributed Expenditures - Central Services:					
Salaries	16,444	1,501	17,945	17,945	-
Purchased Services (400-500 Series)	8,500	(1,318)	7,182	7,182	-
Interest on Lease Purchase Agreements	7,600	(366)	7,234	6,681	553
Miscellaneous	50,500	280	50,780	50,780	-
Other Objects	376	(300)	76	76	-
<b>Total Undistributed Expenditures - Central Services</b>	<b>83,420</b>	<b>(203)</b>	<b>83,217</b>	<b>82,664</b>	<b>553</b>

**BAY HEAD SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**JUNE 30, 2018**

	<b><u>Original Budget</u></b>	<b><u>Budget Transfers</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Final to Actual</u></b>
Undistributed Expenditures-Admin Info Technology Purchased Technical Services	<u>8,500</u>	<u>(7,548)</u>	<u>952</u>	<u>952</u>	<u>-</u>
Undistributed Expenditures - Required Maintenance for School Facilities:					
Salaries	59,531		59,531	59,531	-
Cleaning, Repair and Maintenance Services	35,000	(2,984)	32,016	32,016	-
General Supplies	12,500	(2,159)	10,341	10,341	-
Other Objects	<u>3,850</u>	<u>(1,270)</u>	<u>2,580</u>	<u>2,080</u>	<u>500</u>
Total Undistributed Expenditures - Required Maintenance - School Facilities	<u>110,881</u>	<u>(6,413)</u>	<u>104,468</u>	<u>103,968</u>	<u>500</u>
Undistributed Expenditures - Care & Upkeep of Grounds					
Salaries	9,942	2,000	11,942	11,942	-
Purchased Professional and Technical Services	6,500	(1,202)	5,298	5,298	-
Cleaning, Repair and Maintenance Services	12,250	(1,225)	11,025	11,025	-
General Supplies	<u>608</u>	<u>(69)</u>	<u>539</u>	<u>539</u>	<u>-</u>
Total Undistributed Expenditures - Care & Upkeep of Grounds	<u>29,300</u>	<u>(496)</u>	<u>28,804</u>	<u>28,804</u>	<u>-</u>
Undistributed Expenditures - Security:					
Salaries	35,080		35,080	35,080	-
Purchased Professional and Technical Services	3,800	7,148	10,948	9,298	1,650
General Supplies	<u>2,800</u>	<u>(382)</u>	<u>2,418</u>	<u>2,418</u>	<u>-</u>
Total Undistributed Expenditures - Security	<u>41,680</u>	<u>6,766</u>	<u>48,446</u>	<u>46,796</u>	<u>1,650</u>

**BAY HEAD SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Other Operations and Maintenance of Plant Services:					
Salaries	47,993	4,000	51,993	51,993	-
Salaries of Non-Instructional Aides	7,446		7,446	7,446	-
Purchased Professional and Technical Services	18,000	1,491	19,491	19,491	-
Other Purchased Professional Services	7,000	(724)	6,276	6,276	-
Insurance	52,700		52,700	52,700	-
Miscellaneous Purchased Services	9,000	(1,878)	7,122	7,122	-
Energy (Natural Gas)	16,000	2,621	18,621	18,621	-
Energy (Electric)	20,461	(891)	19,570	19,570	-
Other Objects	1,500	(1,466)	34	-	34
<b>Total Undistributed Expenditures - Other Operations and Maintenance of Plant Services</b>	<b>180,100</b>	<b>3,153</b>	<b>183,253</b>	<b>183,219</b>	<b>34</b>
 Total Undistributed Expenditures - Operations and Maintenance of School Facilities	 361,961	 3,010	 364,971	 362,787	 2,184
 Undistributed Expenditures - Student Transportation Services:					
Salaries of Non-Instructional Aides	28,442	1,798	30,240	30,240	-
Salaries for Pupil Transportation - (Between Home & School) Reg.	13,155		13,155	13,155	-
Contracted Services - Aid in Lieu	5,064	(5,064)	-	-	-
Contracted Services (Between Home & School) - Vendors	17,500	(1,440)	16,060	16,060	-
Contracted Services (Between Home & School) Jointures	12,000	(3,486)	8,514	8,514	-
Contracted Services (Special Education Students) Jointures	25,439	4,596	30,035	30,035	-
Contracted Services - (Special Education Students) - Vendors	4,500	780	5,280	5,280	-
<b>Total Undistributed Expenditures - Student Transportation Services</b>	<b>106,100</b>	<b>(2,816)</b>	<b>103,284</b>	<b>103,284</b>	<b>-</b>

**BAY HEAD SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Unallocated Benefits:					
Social Security Contributions	32,847	7,282	40,129	38,331	1,798
Other Retirement Contributions - PERS	26,000	12,381	38,381	38,381	-
Workers Compensation	17,800		17,800	17,800	-
Health Benefits	340,192	(42,587)	297,605	287,605	10,000
Tuition Reimbursement		1,720	1,720	1,720	-
Other Employee Benefits	7,493	20,588	28,081	25,417	2,664
Total Unallocated Benefits	<u>424,332</u>	<u>(616)</u>	<u>423,716</u>	<u>409,254</u>	<u>14,462</u>
On-Behalf TPAF Pension Contributions - (Non-Budgeted)				247,942	(247,942)
Reimbursed TPAF Social Security Contributions - (Non-Budgeted)				87,777	(87,777)
Total On-Behalf Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,719</u>	<u>(335,719)</u>
Total Undistributed Expenditures	<u>2,180,185</u>	<u>(4,005)</u>	<u>2,176,180</u>	<u>2,467,307</u>	<u>(291,127)</u>
Capital Outlay:					
Equipment-Instruction		10,486	10,486	10,486	-
Equipment -Grades 1-5	9,000		9,000	4,400	4,600
Equipment-Custodial	5,000		5,000	5,000	-
Custodial Services	2,500	(234)	2,266		2,266
Increase in Reserves					-
Undistributed Expenditures	52,700		52,700	40,415	12,285
Lease Purchase	106,000		106,000	106,000	-
Facilities Acquisition and Construction Services:					
Other Objects	6,939		6,939	4,010	2,929
Construction Services		48,287	48,287	48,287	-
Debt Service Assessment	1,207		1,207	1,207	
Total Facilities Acquisition and Construction Services	<u>183,346</u>	<u>58,539</u>	<u>241,885</u>	<u>219,805</u>	<u>22,080</u>
Total Capital Outlay	<u>183,346</u>	<u>58,539</u>	<u>241,885</u>	<u>219,805</u>	<u>22,080</u>
Total General Fund Expenditures	<u>3,579,231</u>	<u>128,186</u>	<u>3,707,417</u>	<u>3,975,268</u>	<u>(267,851)</u>

**BAY HEAD SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**JUNE 30, 2018**

	<b><u>Original Budget</u></b>	<b><u>Budget Transfers</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Final to Actual</u></b>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(90,954)</u>	<u>(128,186)</u>	<u>(219,140)</u>	<u>(128,610)</u>	<u>90,530</u>
Fund Balance July 1	<u>1,181,234</u>		<u>1,181,234</u>	<u>1,181,234</u>	
Fund Balance June 30	<u>\$ 1,090,280</u>	<u>(128,186)</u>	<u>962,094</u>	<u>1,052,624</u>	<u>90,530</u>
Recapitulation:					
Restricted Fund Balance:					
Designated for Subsequent Years Expenditures- by the Board of Education				\$ 13,869	
Designated for Subsequent Years Expenditures - Emergency Reserve				90,000	
Designated for Subsequent Years Expenditures - Maintenance Reserve				12,000	
Designated for Subsequent Years Expenditures - Capital Reserve				138,000	
Maintenance Reserve				221,623	
Capital Reserve				196,869	
Emergency Reserve				59,133	
Assigned Fund Balances					
Reserved For Encumbrances				61,200	
Unassigned Fund Balance				<u>259,930</u>	
				1,052,624	
Reconciliation to Governmental Funds Statements (GAAP):					
Final State Aid Payments not Recognized on GAAP Basis				<u>(6,901)</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 1,045,723</u>	

BAY HEAD SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Federal Sources	\$ 75,555		75,555	75,555	-
Total Revenues	<u>\$ 75,555</u>	<u>-</u>	<u>75,555</u>	<u>75,555</u>	<u>-</u>
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 23,500		23,500	23,500	
Purchased Professional Educational Services	29,061		29,061	29,061	
Total Instruction	<u>52,561</u>	<u>-</u>	<u>52,561</u>	<u>52,561</u>	<u>-</u>
Support Services:					
Employee Benefits	6,580		6,580	6,580	
Other Purchased Services	14,914		14,914	14,914	
General Supplies	1,500		1,500	1,500	
Total Support Services	<u>22,994</u>	<u>-</u>	<u>22,994</u>	<u>22,994</u>	<u>-</u>
Total Expenditures	<u>\$ 75,555</u>	<u>-</u>	<u>75,555</u>	<u>75,555</u>	<u>-</u>



**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGET-TO-GAAP-RECONCILIATION**

**NOTE TO RSI**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b><u>General Fund</u></b>	<b><u>Special Revenue Fund</u></b>
<b><u>Sources/Inflows of Resources</u></b>		
Actual Amounts (budgetary) "revenues" from the budgetary comparison schedule	\$ 3,846,658	75,555
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Delayed Payment	6,736	
The last state aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33).	<u>(6,901)</u>	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.	<u><u>\$ 3,846,493</u></u>	<u><u>75,555</u></u>
<b><u>Uses/Outflows of Resources</u></b>		
Actual Amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 3,975,268	75,555
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u><u>\$ 3,975,268</u></u>	<u><u>75,555</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION – PART III**

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

**BAY HEAD SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE**

**NET PENSION LIABILITY - PERS**

**Exhibit L-1**

**LAST FIVE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	100.000%	100.000%	100.000%	100.000%	100.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 937,726	844,622	797,857	696,573	646,680
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 937,726</u>	<u>844,622</u>	<u>797,857</u>	<u>696,573</u>	<u>646,680</u>
District's Covered-Employee Payroll	\$ 284,068	253,593	243,181	244,243	245,255
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	30.29%	30.02%	30.48%	35.06%	37.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	36.78%	31.20%	38.21%	42.74%	40.71%

**BAY HEAD SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS - PERS**

**Exhibit L-2**

**LAST FIVE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 25,502	25,502	30,671	25,495	25,053
Contributions in Relation to the Contractually Required Contribution	<u>25,502</u>	<u>25,502</u>	<u>30,671</u>	<u>25,495</u>	<u>25,053</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's Covered-Employee Payroll	\$ 284,068	253,593	243,181	244,243	245,255
Contributions as a Percentage of Covered-Employee Payroll	8.98%	10.06%	12.61%	10.44%	10.22%

**BAY HEAD SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE**

**NET PENSION LIABILITY - TPAF**

**Exhibit L-3**

**LAST FIVE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.000%	0.000%	0.000%	0.000%	0.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	-	-	-	-
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>5,705,542</u>	<u>7,204,325</u>	<u>5,696,417</u>	<u>5,109,031</u>	<u>4,546,359</u>
Total	<u>\$ 5,705,542</u>	<u>7,204,325</u>	<u>5,696,417</u>	<u>5,109,031</u>	<u>4,546,359</u>
District's Covered-Employee Payroll	\$ 1,048,826	988,044	889,148	929,694	945,089
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	18.38%	13.71%	15.61%	18.20%	20.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%	33.64%	33.76%

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING  
FOR OPEB (GASB 75) - M**



**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**

**LAST TWO FISCAL YEARS**

Exhibit M-1

	<u>2017</u>	<u>2016</u>
<b><u>State of New Jersey's Total OPEB Liability</u></b>		
Service Cost	\$ 2,391,878,884	1,723,999,319
Interest	1,699,441,736	1,823,643,792
Benefit Payments	(1,242,412,566)	(1,223,298,019)
Member Contributions	45,748,749	46,273,747
Change of Assumptions	<u>(7,086,599,129)</u>	<u>8,611,513,521</u>
Net Change in Total OPEB Liability	(4,191,942,326)	10,982,132,360
Total OPEB Liability - Beginning	<u>57,831,784,184</u>	<u>46,849,651,824</u>
Total OPEB Liability - Ending	<u>\$ 53,639,841,858</u>	<u>57,831,784,184</u>
<b><u>State's OPEB Liability Attributable to the District</u></b>		
Service Cost	\$ 313,094	*
Interest	206,652	*
Benefit Payments	(151,500)	*
Member Contributions	5,579	*
Change of Assumptions	<u>(843,288)</u>	<u>*</u>
Net Change in Total OPEB Liability	(469,463)	*
Total Attributable OPEB Liability - Beginning	<u>7,010,302</u>	<u>*</u>
Total Attributable OPEB Liability - Ending	<u>\$ 6,540,839</u>	<u>7,010,302</u>
District's Proportionate Share of Total OPEB Liability	Zero	Zero
District's Covered Payroll	\$ 1,332,894	1,241,637
District's Proportionate Share of OPEB Liability as a Percentage of its Covered-Employee Payroll	0.00%	0.00%
District's Contribution	None	None
State Covered Employee Payroll (6/30/16 Census Data)	\$ 13,493,400,208	13,493,400,208
Total State OPEB Liability as a Percentage of its Covered-Employee Payroll	397.53%	428.59%

\* - Information not available

Source: GASB 75 report on State of New Jersey Health Benefits Program; District Records.

Note: This schedule is required by GASB 75 to show information for a 10 year period. However, information is only currently available for two years. Additional years will be presented as they become available.

**OTHER SUPPLEMENTARY INFORMATION**

**SCHOOL LEVEL SCHEDULES – D**

**N/A**

**SPECIAL REVENUE FUND – E**

BAY HEAD SCHOOL DISTRICT

Exhibit E-1

SPECIAL REVENUE FUND

SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

JUNE 30, 2018

	<u>IDEA Preschool</u>	<u>IDEA Part B Basic</u>	<u>Title I</u>	<u>Title IIA</u>	<u>Title IV</u>	<u>Total June 30, 2018</u>
Revenues:						
Federal Sources	\$ 637	28,424	32,406	4,088	10,000	75,555
Total Revenues	<u>\$ 637</u>	<u>28,424</u>	<u>32,406</u>	<u>4,088</u>	<u>10,000</u>	<u>75,555</u>
Expenditures:						
Instruction:						
Salaries	\$ -	-	20,000		3,500	23,500
Purchased Professional Educational Services	637	28,424				29,061
Total Instruction	<u>637</u>	<u>28,424</u>	<u>20,000</u>	<u>-</u>	<u>3,500</u>	<u>52,561</u>
Support Services:						
Employee Benefits			5,600		980	6,580
Other Purchased Services			6,806	4,088	4,020	14,914
General Supplies					1,500	1,500
Total Support Services	<u>-</u>	<u>-</u>	<u>12,406</u>	<u>4,088</u>	<u>6,500</u>	<u>22,994</u>
Total Expenditures	<u>\$ 637</u>	<u>28,424</u>	<u>32,406</u>	<u>4,088</u>	<u>10,000</u>	<u>75,555</u>

**CAPITAL PROJECTS FUND – F**

BAY HEAD SCHOOL DISTRICTCAPITAL PROJECTS FUND

Exhibit F-1

SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGESIN FUND BALANCE - BUDGETARY BASISFOR THE YEAR ENDED JUNE 30, 2018Revenues

Interest Earned	\$ 2,546
Total Revenues	<u>2,546</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,546
Other Financing Sources and/Or (Uses):	
Transfer to Debt Service - Interest Earned	<u>(2,546)</u>
Total Other Financing Sources and/or (Uses)	<u>(2,546)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources/and or (Uses)	-
Fund Balance - Beginning	<u>422,884</u>
Fund Balance - Ending	<u>\$ 422,884</u>

**BAY HEAD SCHOOL DISTRICT**

Exhibit F-1a

**CAPITAL PROJECTS FUND****SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT****BALANCE, AND PROJECT STATUS - BUDGETARY BASIS****HAVC AND ELECTRICAL UPGRADE - ELEMENTARY SCHOOL****FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b><u>Revenues and Other Financing Sources</u></b>				
Transfer from General - Insurance				
Recoveries	\$ 145,200		145,200	145,200
ROD Grants	96,800		96,800	96,800
Total Revenues	<u>242,000</u>	<u>-</u>	<u>242,000</u>	<u>242,000</u>
<b><u>Expenditures and Other Financing Uses</u></b>				
Other Purchased Professional and Technical Services	10,977		10,977	10,977
Construction Services	161,571		161,571	231,023
Total Expenditures	<u>172,548</u>	<u>-</u>	<u>172,548</u>	<u>242,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 69,452</u>	<u>-</u>	<u>69,452</u>	<u>-</u>

**Additional Project Information**

Project Number	0210-020-14-1003-004
Grant Date	2/27/2014
Original Authorized Cost	\$ 242,000
Additional Authorized Cost	
Revised Authorized Cost	242,000
Percentage Completion	100%
Original Target Completion Date	6/30/2015
Revised Target Completion Date	8/30/2016



BAY HEAD SCHOOL DISTRICT

Exhibit F-1b

CAPITAL PROJECTS FUNDSCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECTBALANCE, AND PROJECT STATUS - BUDGETARY BASISGYM AND CLASSROOM CONSTRUCTION - ELEMENTARY SCHOOLFROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b><u>Revenues and Other Financing Sources</u></b>				
Transfer from General - Insurance				
Recoveries	\$ 247,930		247,930	247,930
Sale of Bonds	3,300,000		3,300,000	3,300,000
Foundation	470,430		470,430	470,430
Capital Reserve	272,950		272,950	272,950
Total Revenues	<u>4,291,310</u>	<u>-</u>	<u>4,291,310</u>	<u>4,291,310</u>
<b><u>Expenditures and Other Financing Uses</u></b>				
Other Purchased Professional and Technical Services	244,122		244,122	233,166
Construction Services	3,517,579		3,517,579	3,801,628
Other Objects	256,515		256,515	256,516
Total Expenditures	<u>4,018,216</u>	<u>-</u>	<u>4,018,216</u>	<u>4,291,310</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 273,094</u>	<u>-</u>	<u>273,094</u>	<u>-</u>

**Additional Project Information**

Project Number	0210-020-14-2000 & 3000
Grant Date	N/A
Original Authorized Cost	\$ 4,291,310
Additional Authorized Cost	
Revised Authorized Cost	4,192,310
Percentage Completion	90%
Original Target Completion Date	8/30/2016
Revised Target Completion Date	8/30/2016

**BAY HEAD SCHOOL DISTRICT**

Exhibit F-1c

**CAPITAL PROJECTS FUND****SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT****BALANCE, AND PROJECT STATUS - BUDGETARY BASIS****BOILER REPLACEMENT - ELEMENTARY SCHOOL****FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b><u>Revenues and Other Financing Sources</u></b>				
Local Share	\$ 550,000		550,000	550,000
SDA Grant	345,520		345,520	345,520
Total Revenues	<u>895,520</u>	<u>-</u>	<u>895,520</u>	<u>895,520</u>
<b><u>Expenditures and Other Financing Uses</u></b>				
Other Purchased Professional and Technical Services	97,431		97,431	100,000
Construction Services	717,751		717,751	795,520
Total Expenditures	<u>815,182</u>	<u>-</u>	<u>815,182</u>	<u>895,520</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 80,338</u>	<u>-</u>	<u>80,338</u>	<u>-</u>

**Additional Project Information**

Project Number	0210-020-14-1005
Grant Date	10/20/2016
Original Authorized Cost	\$ 895,520
Additional Authorized Cost	
Revised Authorized Cost	895,520
Percentage Completion	100%
Original Target Completion Date	5/31/2017
Revised Target Completion Date	5/31/2017

**PROPRIETARY FUNDS – G**

N/A

**FIDUCIARY FUND – H**

**BAY HEAD SCHOOL DISTRICT**

**TRUST AND AGENCY FUND**

Exhibit H-1

**STATEMENT OF FIDUCIARY NET POSITION**

**JUNE 30, 2018**

	<b><u>Unemployment Compensation</u></b>	<b><u>Private Purpose Trust Scholarship Fund</u></b>	<b><u>Salary Account</u></b>	<b><u>Student Activities</u></b>	<b><u>Balance June 30, 2018</u></b>
Assets:					
Cash and Cash Equivalents	\$ 31,370	67,039	365	2,057	100,831
Total Assets	<u>\$ 31,370</u>	<u>67,039</u>	<u>365</u>	<u>2,057</u>	<u>100,831</u>
Liabilities:					
Payroll Deductions and Withholdings Due to Student Groups			\$ 365	2,057	365 2,057
Total Liabilities			<u>\$ 365</u>	<u>2,057</u>	<u>2,422</u>
Net Position					
Reserve for Unemployment Benefits	\$ 31,370				31,370
Reserve for Scholarships		67,039			67,039
Total Net Position	<u>\$ 31,370</u>	<u>67,039</u>			<u>98,409</u>

**BAY HEAD SCHOOL DISTRICT****TRUST AND AGENCY FUNDS**

Exhibit H-2

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****JUNE 30, 2018**

	<b>Private Purpose Trust Scholarship Funds</b>	<b>Unemployment Compensation Trust</b>	<b>Balance June 30, 2018</b>
Additions:			
Securities Increase	\$ 7,582		7,582
Interest Earned	1	407	408
Donations	450		450
Total Additions	<u>8,033</u>	<u>407</u>	<u>8,440</u>
Deductions:			
Scholarships Awarded	1,050		1,050
Total Deductions	<u>1,050</u>	<u>-</u>	<u>1,050</u>
Changes in Net Position	6,983	407	7,390
Net Position Beginning of Year	<u>60,056</u>	<u>30,963</u>	<u>91,019</u>
Net Position End of Year	<u>\$ 67,039</u>	<u>31,370</u>	<u>98,409</u>

**BAY HEAD SCHOOL DISTRICT****TRUST AND AGENCY FUND**

Exhibit H-3

**STUDENT ACTIVITY FUND****SCHEDULE OF RECEIPTS AND DISBURSEMENTS****JUNE 30, 2018**

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2018</b>
Student Council	\$ 1,470	5,677	5,538	1,609
Athletic Fund	401			401
School Fund	225	572	750	47
	<u>2,096</u>	<u>6,249</u>	<u>6,288</u>	<u>2,057</u>
Total Student Activities	<u>\$ 2,096</u>	<u>6,249</u>	<u>6,288</u>	<u>2,057</u>

**LONG-TERM DEBT – I**



**BAY HEAD SCHOOL DISTRICT**

**LONG-TERM DEBT**

**Exhibit I-1**

**SCHEDULE OF SERIAL BONDS**

**JUNE 30, 2018**

<b><u>Issue</u></b>	<b><u>Date of Issue</u></b>	<b><u>Amount of Issue</u></b>	<b><u>Maturities</u></b>		<b><u>Interest Rate</u></b>	<b><u>Balance July 1, 2017</u></b>	<b><u>Retired</u></b>	<b><u>Balance June 30, 2018</u></b>
			<b><u>Date</u></b>	<b><u>Amount</u></b>				
Gym and Elementary School Classrooms	8/1/2015	\$ 3,300,000	8/1/18	\$ 195,000	2.000%	\$ 2,965,000	185,000	2,780,000
			8/1/19	200,000				
			8/1/20	205,000				
			8/1/21	210,000	2.250%			
			8/1/22	220,000				
			8/1/23	225,000	2.400%			
			8/1/24	235,000	2.625%			
			8/1/25	240,000	3.000%			
			8/1/26	250,000	3.250%			
			8/1/27	260,000				
			8/1/28	265,000				
			8/1/29	275,000				

BAY HEAD SCHOOL DISTRICTLONG-TERM LIABILITIES

Exhibit I-2

OBLIGATIONS UNDER CAPITAL LEASESJUNE 30, 2018

<u>Series</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2017</u>	<u>Paid</u>	<u>Amount Outstanding June 30, 2018</u>
Boiler	1.70%	\$ 550,000	\$ 446,000	106,000	340,000

**BAY HEAD SCHOOL DISTRICT**

Exhibit I-3

**LONG-TERM DEBT**

**BUDGETARY COMPARISON SCHEDULE**

**DEBT SERVICE FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b><u>Original Budget</u></b>	<b><u>Budget Transfers</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive/(Negative) Final to Actual</u></b>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 166,238		166,238	166,238	
State Sources:					
Debt Service Aid Type II	42,090		42,090	42,090	
Total Revenues	<u>208,328</u>	<u>-</u>	<u>208,328</u>	<u>208,328</u>	<u>-</u>
Expenditures:					
Regular Debt Service:					
Interest	74,619		74,619	74,619	-
Redemption of Principal	185,000		185,000	185,000	-
Total Expenditures	<u>259,619</u>	<u>-</u>	<u>259,619</u>	<u>259,619</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(51,291)	-	(51,291)	(51,291)	-
Other Financing Sources/(Uses):					
Transfer from Capital Projects				2,546	2,546
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,546</u>	<u>2,546</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources/(Uses)	(51,291)	-	(51,291)	(48,745)	2,546
Fund Balance July 1	<u>51,291</u>		<u>51,291</u>	<u>51,291</u>	
Fund Balance June 30	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>2,546</u>	<u>2,546</u>

**STATISTICAL SECTION**

**(Unaudited)**

Bay Head Board of Education  
 Net Position by Component  
 Last Four Fiscal Years  
*(accrual basis of accounting)*  
*Unaudited*

J-1

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	(1,133,614)	2,186,313	2,979,486	3,548,393
Restricted = Capital Purposes				
Restricted = Other	3,584,247	1,907,215	1,391,540	1,223,460
Unrestricted	<u>(333,304)</u>	<u>(996,197)</u>	<u>(471,873)</u>	<u>(863,371)</u>
<b>Total governmental activities net assets</b>	<u><u>2,117,329</u></u>	<u><u>3,097,331</u></u>	<u><u>3,899,153</u></u>	<u><u>3,908,482</u></u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted	-	-	-	-
Unrestricted	-	-	-	-
<b>Total business-type activities net assets</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>District-wide</b>				
Invested in capital assets, net of related debt	(1,133,614)	2,186,313	2,979,486	3,548,393
Restricted	3,584,247	1,907,215	1,391,540	1,223,460
Unrestricted	<u>(333,304)</u>	<u>(996,197)</u>	<u>(471,873)</u>	<u>(863,371)</u>
<b>Total district net assets</b>	<u><u>2,117,329</u></u>	<u><u>3,097,331</u></u>	<u><u>3,899,153</u></u>	<u><u>3,908,482</u></u>

Bay Head Board of Education  
 Changes in Net Position  
 Last Four Fiscal Years  
 (accrual basis of accounting)

J-2

	2015	2016	2017	2018
<b>Expenses</b>				
<b>Governmental Activities</b>				
<b>Instruction</b>				
Regular	904,303	968,206	961,712	1,122,538
Special Education	125,988	175,573	187,757	124,494
Other instruction	123,186	138,800	111,405	41,124
<b>Support Services</b>				
Tuition	517,485	461,013	542,360	733,578
Student & instruction related services	302,863	283,500	309,817	312,792
School Administrative services	86,650	135,920	55,824	73,573
General Administration	125,744	79,113	160,391	136,320
Plant operations and maintenance	311,376	348,311	351,492	362,787
Pupil transportation	106,657	106,547	111,786	103,284
Other support services				
Depreciation	57,830	147,847	144,400	160,945
Capital Outlay	1,388,083	549,681		219,805
Interest on long-term debt	36,848	55,298	88,175	74,619
Unallocated benefits	673,477	685,522	697,174	744,973
<b>Total governmental activities expenses</b>	<u>4,760,490</u>	<u>4,135,331</u>	<u>3,722,293</u>	<u>4,210,832</u>
<b>Business-type activities</b>				
Food service	-	-	-	-
Child care	-	-	-	-
<b>Total business-type activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total district expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Program revenues</b>				
<b>Governmental activities</b>				
<b>Charges for services</b>				
Instruction	283,382	302,444	309,817	305,485
Pupil transportation	-	-	-	-
Central and other support services	-	-		
Operating grants and contributions		69,115	75,164	
Capital grants and contributions	283,382	371,559	384,981	305,485
<b>Total governmental activities program revenues</b>	<u>283,382</u>	<u>371,559</u>	<u>384,981</u>	<u>305,485</u>
<b>Business-type activities</b>				
<b>Charges for services</b>				
Food service	-	-	-	-
Child care	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
<b>Total business-type activities program revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total district program revenues</b>	<u>283,382</u>	<u>371,559</u>	<u>384,981</u>	<u>305,485</u>

**Net (expense) Revenue**

Governmental activities	\$ 4,477,108	\$ 3,763,772	\$ 3,337,312	\$ 3,905,347
Business-type activities	\$ -	\$ -	\$ -	\$ -
Total district-wide net expense	<u>\$ 4,477,108</u>	<u>\$ 3,763,772</u>	<u>\$ 3,337,312</u>	<u>\$ 3,905,347</u>

**General Revenues and Other Changes in Net Assets**

## Governmental activities

Property taxes levied for general purpose, net	2,893,085	2,950,946	3,009,965	3,070,164
Taxes levied for debt service	238,028	236,821	238,000	166,238
Unrestricted grants and contributions	393,189	948,308	844,734	543,502
Payments in lieu of taxes				
Tuition Received				
Investment Earnings	-	-		6,695
Miscellaneous income	39,388	609,769	46,434	41,003
Transfers	-	(2,070)		
Insurance Recoveries				
Total governmental activities	<u>3,563,690</u>	<u>4,743,774</u>	<u>4,139,133</u>	<u>3,827,602</u>

## Business-type activities

Investment earnings	-	-	-	-
Transfers	-	-	-	-
Fixed Asset Adjustments	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district-wide revenue	<u>3,563,690</u>	<u>4,743,774</u>	<u>4,139,133</u>	<u>3,827,602</u>

**Change in Net Assets**

	(913,418)	980,002	801,821	(77,745)
Ending Total district	2,117,329	3,097,332	3,899,153	3,821,408

Bay Head Board of Education  
Fund Balances, Government Funds  
Last Five Fiscal Years  
(modified accrual basis of accounting)

J-3

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Fund Balance</b>						
Maintenance reserve	6,309	6,309	81,309	156,309	213,959	221,623
Reserved for Subsequent Years' Expenditures	172,349	32,842	1,690	6,996	12,996	253,869
Capital Reserve	165,426	506,399	284,869	334,869	334,869	196,869
Emergency reserve	24,133	24,133	99,133	174,133	174,133	59,133
Excess Surplus			23,075	77,934	54,859	
Capital Projects Fund		491,400	3,093,441	379,665	422,884	422,884
Committed to other purposes			47,448	78,196	126,549	
Lease Purchase-Boiler				477,383		
Debt service fund				221,730	51,291	-
Unreserved, reported in:						
General Fund	<u>261,638</u>	<u>245,269</u>	<u>251,109</u>	<u>256,379</u>	<u>257,133</u>	<u>259,930</u>
Total all other governmental funds	<u><u>629,855</u></u>	<u><u>1,306,352</u></u>	<u><u>3,882,074</u></u>	<u><u>2,163,594</u></u>	<u><u>1,648,673</u></u>	<u><u>1,414,308</u></u>



BAY HEAD SCHOOL DISTRICT  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 UNAUDITED

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Tax levy	2,567,548	2,898,971	2,926,684	2,983,040	2,991,235	3,063,414	3,131,113	3,187,767	3,247,965	3,236,402
Tuition From Individuals	108,959	159,356	214,544	320,415	268,272	264,154	283,382	302,444	309,817	305,485
Miscellaneous	8,803	23,783	36,802	29,201	71,395	59,787	39,388	80,199	46,434	47,698
Contribution								529,570		
State Sources	282,598	283,943	225,245	320,554	373,279	438,175	355,808	948,308	844,734	467,782
Federal Sources	24,493	49,726	25,729	27,833	9,977	31,025	37,381	69,115	75,164	75,555
Total Revenue	2,992,401	3,415,779	3,429,004	3,681,043	3,714,158	3,856,555	3,847,072	5,117,403	4,524,114	4,132,922
<b>General Fund Expenditures</b>										
Instruction:										
Regular	811,531	845,812	827,212	903,038	934,962	939,988	904,303	968,206	961,712	1,046,983
Special	50,830	53,000	60,035	62,400	92,867	156,831	125,988	175,573	187,757	177,055
Other	75,991	89,894	85,559	80,197	97,088	102,159	123,186	138,800	111,405	116,679
School-Sponsored/Other Instructional	-	-	-	18,850						
Support Services and Undistributed Costs:										
Tuition	726,769	684,922	621,846	589,249	634,657	501,227	517,486	461,013	542,360	733,578
Student & Instruction Related Services	288,980	302,165	337,533	372,870	363,633	359,736	302,863	283,500	309,817	335,786
General Administration	56,045	32,043	36,559	36,953	35,052	58,036	86,650	135,920	55,824	73,573
School & General Administration	67,325	89,978	91,939	90,892	103,580	99,197	125,744	79,113	160,391	136,320
Operations and Maintenance	254,197	293,024	304,966	310,301	401,901	333,206	311,376	348,311	351,492	362,787
Student Transportation	55,089	77,028	96,188	107,243	121,505	162,481	106,657	106,547	111,786	103,284
Unallocated Employee Benefits	502,978	531,039	506,213	506,213	666,230	616,242	673,477	659,222	676,993	744,973
Capital Outlay	-	23,505	-	20,726	25,850	1,807	1,388,083	2,903,816	1,006,819	219,805
Debt Service:										
Principal	165,000	175,000	190,000	200,000	225,000	250,000	275,000	508,598	472,000	185,000
Interest and other charges	86,235	79,635	72,635	65,035	57,035	47,473	36,848	65,194	90,679	74,619
Total General Fund Expenditures	3,140,970	3,277,045	3,230,685	3,363,967	3,759,360	3,628,383	4,977,660	6,833,813	5,039,035	4,310,442
Excess (Deficiency) of revenues over (under) expenditures	(148,569)	138,734	198,319	317,076	(45,202)	228,172	(1,130,588)	(1,716,410)	(514,921)	(177,520)
Other Financing sources (uses)										
Transfers in	(490)									
Transfers Out	12,059							(2,070)		
Sandy related sources (uses) net					(70,706)	432,746				
Total Other Financing Sources (uses)	11,569	-	-	-	(70,706)	432,746	-	(2,070)	-	-
Net change in fund balance	(137,000)	138,734	172,590	206,638	(115,908)	660,918	(1,130,588)	(1,718,480)	(514,921)	(177,520)

Source: District Records

## BAY HEAD SCHOOL DISTRICT

## GENERAL FUND OTHER LOCAL REVENUE BY SOURCE

## LAST TEN FISCAL YEARS

## UNAUDITED

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Interest	-	-	5,662	5,235						
Tuition	108,959	159,356	214,544	320,415	268,272	264,164	283,382	302,444	309,817	305,485
Contributions	-	-	-	-						
Refund Prior Year's Expenditures	-	-	-	-						
Miscellaneous	8,803	23,783	27,447	23,966	71,395	59,787	39,388	80,199	46,434	45,152
	<u>117,762</u>	<u>183,139</u>	<u>247,653</u>	<u>349,616</u>	<u>339,667</u>	<u>323,941</u>	<u>322,770</u>	<u>382,643</u>	<u>356,251</u>	<u>350,637</u>

Source: District records

Exhibit J-6

## BAY HEAD SCHOOL DISTRICT

## LAST TEN FISCAL YEARS

## UNAUDITED

<u>Year</u>		<u>Net Taxable Value (CI 6)</u>	<u>Net Valuation for Apportionment (11)</u>	<u>County Equal Ratio R.S.:54:3-17-19</u>
2009	*R	1,617,167,722	1,695,068,383	95.48%
2010		1,603,584,033	1,568,091,781	102.85%
2011		1,592,071,981	1,619,339,080	98.39%
2012		1,593,565,285	1,579,312,359	100.90%
2013		1,549,312,732	1,521,569,925	101.82%
2014		1,587,863,332	1,553,241,240	102.23%
2015		1,586,865,100	1,597,112,490	101.65%
2016		1,572,878,600	1,549,939,495	98.54%
2017		1,588,756,100	1,523,528,055	95.89%
2018		1,600,762,700	1,611,574,738	100.68%

Source: Abstract of Ratables

County Board of Taxation

\*R Reassessment

Exhibit J-7

## BAY HEAD SCHOOL DISTRICT

DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS

## UNAUDITED

Fiscal Year Ended June 30,	Bay Head School District	Borough of Bay Head	Ocean County	Total
2009*	0.179	0.163	0.325	0.667
2010	0.183	0.172	0.316	0.671
2011	0.187	0.172	0.346	0.705
2012	0.187	0.184	0.358	0.729
2013	0.197	0.200	0.385	0.782
2014	0.197	0.200	0.399	0.796
2015	0.203	0.208	0.422	0.833
2016	0.206	0.207	0.423	0.836
2017	0.204	0.212	0.432	0.848
2018	0.210	0.217	0.408	0.835

Source: Ocean County Board of Taxation

\* Revaluation

Bay Head Board of Education  
 Ten Highest Taxpayers  
 2017

Exhibit J-8

2017		
<u>Taxpayer</u>	Assessed Valuation <u>2014</u>	As a Percentage of District's Net <u>Assessed Valuation</u>
Bay Head Yacht Club	13,500,000	0.850%
Higgins, James & Jacquelyn	8,350,000	0.526%
Hartington J Trust	8,000,000	0.504%
Denihan, Barbara T.	7,738,700	0.487%
RDCC LLC	7,675,400	0.483%
Smith Willima & Mary Ann	7,300,000	0.459%
Farris, David & Jill	7,183,900	0.452%
Hindelong Investment LP	7,149,300	0.450%
McLendon, Heath & Judith	7,100,000	0.447%
Cruz, Sharon	7,098,000	0.447%
Total 10 highest	<u>\$ 81,095,300</u>	5.104%
Total Net Assessment	<u>\$ 1,588,756,100</u>	

Source: Municipal Finance Officer

Exhibit J-9

## BAY HEAD SCHOOL DISTRICT

## PROPERTY TAX LEVIES AND COLLECTIONS

## LAST TEN FISCAL YEARS

## UNAUDITED

<u>Fiscal Year Ended June 30,</u>	<u>School Levy</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Current Tax Collections</u>	<u>Percentage of Levy</u>
2008	2,502,548	10,439,063	10,363,696	99.28%
2009	2,898,971	10,772,419	10,683,384	98.83%
2010	2,926,684	10,744,599	10,508,534	97.37%
2011	2,983,040	11,258,755	11,134,830	98.90%
2012	2,991,235	11,611,255	11,326,207	97.23%
2013	3,053,414	12,199,640	12,019,112	98.52%
2014	3,131,113	12,585,417	12,405,275	98.57%
2015	3,431,946	13,120,024	12,957,080	98.75%
2016	3,187,767	13,083,597	129,878,311	98.43%
2017	3,247,965		data unavailable	
2018	3,236,402		data unavailable	

Source: Municipal Finance Officer  
Abstract of Ratables

BAY HEAD SCHOOL DISTRICT

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS\*  
UNAUDITED

Fiscal Year Endec <u>June 30</u>	<u>Governmental Activities</u>			<u>Business - Type Activities</u>		<u>Per Capita</u>
	General Obligation <u>Bonds</u>	Certificates of <u>Participation</u>	Capital <u>Leases</u>	Bonded Debt Anticipation Notes <u>(BANs)</u>	Percentage of Personal Income	
2009	\$1,907,000	NONE	\$47,419	NONE	NO DATA TO REPORT	
2010	\$1,732,000	NONE	\$31,613	NONE	NO DATA TO REPORT	
2011	1,542,000.00	NONE	\$47,995	NONE	NO DATA TO REPORT	
2012	1,342,000.00	NONE	\$31,997	NONE	NO DATA TO REPORT	
2013	\$1,117,000	NONE	\$15,999	NONE	NO DATA TO REPORT	
2014	\$867,000	NONE	\$15,999	NONE	NO DATA TO REPORT	
2015	\$ 3,892,000	NONE	\$31,475	NONE	NO DATA TO REPORT	
2016	\$ 3,437,800	NONE	\$ 560,779	NONE	NO DATA TO REPORT	
2017	\$ 2,965,000	NONE	\$ 446,000	NONE	NO DATA TO REPORT	
2018	\$ 2,780,000	NONE	\$ 340,000	NONE	NO DATA TO REPORT	

Exhibit J-11

## BAY HEAD SCHOOL DISTRICT

## RATIO OF NET GENERAL BONDED DEBT OUTSTANDING

## LAST TEN FISCAL YEARS

## UNAUDITED

Fiscal Year Ended <u>June 30</u>	General Obligation <u>Bonds</u>	<u>Deductions</u>	Net General Bonded Debt <u>Outstanding</u>	Percentage of Actual Taxable Value # of <u>Property</u>
2009	\$ 1,907,000		\$ 1,907,000	0.120%
2010	\$ 1,732,000		\$ 1,732,000	0.109%
2011	\$ 1,542,000		\$ 1,542,000	0.100%
2012	\$ 1,342,000		\$ 1,342,000	0.085%
2013	\$ 1,117,000		\$ 1,117,000	0.070%
2014	\$ 867,000		\$ 867,000	0.055%
2015	\$ 3,892,000		\$ 3,892,000	0.247%
2016	\$ 3,437,800		\$ 3,437,800	0.219%
2017	\$ 2,965,000		\$ 2,965,000	0.187%
2018	\$ 2,780,000		\$ 2,780,000	0.174%



## Exhibit J-12

BAY HEAD SCHOOL DISTRICT  
Computation of Direct and Overlapping Bonded Debt  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

Net Direct Debt of School District as of June 30, 2018	\$ 2,780,000
Net Overlapping Debt of School District: Borough of Bay Head	<u>3,668,135</u>
Total Direct and Overlapping Bonded Debt as of June 30, 2018	<u><u>\$ 6,448,135</u></u>

Source: Municipal Finance Officer

COMPUTATION OF LEGAL DEBT MARGIN INFORMATION

UNAUDITED

Legal Debt Margin For Fiscal Year 2016

Equalized valuation basis

2018	\$ 1,611,574,738
2017	1,523,528,055
2016	1,572,878,600
	<u>\$ 4,707,981,393</u>

Average equalized valuation of taxable property \$ 1,569,327,131

Debt limit (3% of average equalization value) 47,079,814

Total Net Debt Applicable to Limit 2,780,000

Legal debt margin \$ 44,299,814

Fiscal Year

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debit Limit	46,040,956	49,328,989	49,709,404	48,934,802	47,852,639	47,618,707	47,170,881	46,964,494	46,719,237	47,232,323	46,719,237	47,079,814
Total net debt applicable to limit	1,050,126	1,348,695	1,734,138	1,734,138	2,286,653	1,117,000	867,000	3,892,000	3,437,800	3,437,800	2,965,000	2,780,000
Legal debt margin	<u>44,930,830</u>	<u>47,980,293</u>	<u>47,975,266</u>	<u>47,200,664</u>	<u>45,565,986</u>	<u>46,501,707</u>	<u>46,303,881</u>	<u>43,072,494</u>	<u>43,281,437</u>	<u>43,794,523</u>	<u>43,754,237</u>	<u>44,299,814</u>
Total net debt applicable to the limit as a percentage of debt limit	2.28%	2.73%	3.49%	3.54%	4.78%	2.35%	1.87%	2.35%	2.35%	2.35%	2.35%	2.35%

Bay Head Board of Education  
 Demographic and Economic Statistics  
 Last Ten Fiscal Years

J-14

<u>Year</u>	<u>Population</u>	<u>Household</u>	<u>Unemployment Rate</u>	<u>Annual Births</u>
2005	1,259	\$ 87,200	4.5%	3
2006	1260	-	4.8%	4
2007	1265	-	-	4
2008	1238			4
2009	1273			6
2010	968	\$77,790		0
2011				2
2012	983		10.70%	3
2013	992		8.90%	1
2014-2018	data unavailable			

Source: Municipal Finance Officer, County of Ocean, U.S. Bureau of the Census,  
 Population Division, U.S. Department of Labor, Statistics Division

Exhibit J-15

BAY HEAD SCHOOL DISTRICT  
Principal Employers

Current Year and Ten Years Ago  
UNAUDITED

Data Unavailable

Bay Head Board of Education  
 Full-Time Equivalent District Employees by Function/Program  
 Last Ten Fiscal Years

J-16

<u>Function/Program</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>2018</u>
<b>Instruction</b>										
Regular	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Special Education	1.3	1.3	1.3	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Other Special Education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other Instruction	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Nonpublic school programs	-	-	-	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-	-
<b>Support Services</b>										
Student & instruction related services	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
General administration	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
School administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other administrative services	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Central Services	1	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Administrative Information Technology	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Plant operations & maintenance	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Other support services	1	0.8	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Special Schools	-	-	-	-	-	-	-	-	-	-
Food Service	-	-	-	-	-	-	-	-	-	-
Child Care	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>20.6</b>	<b>21.6</b>	<b>22.1</b>	<b>22.3</b>	<b>22.3</b>	<b>22.3</b>	<b>22.3</b>	<b>22.3</b>	<b>22.3</b>	<b>22.3</b>

Source: District Personnel Records

Bay Head Borough Board of Education  
 Operating Statistics  
 Last Ten Fiscal Years

J-17  
 GASB F-6  
 NJ J-12, 14

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures <sup>a</sup></u>	<u>Cost Per Pupil ( c)</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil/Teacher Ratio</u>	<u>Average Daily Enrollment (ADE) b</u>	<u>Average Daily Attendance (ADA) b</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2008	91	2,686,547	29,522	5.99%	12.1	1:75	91.0	85.3	-0.66%	93.74%
2009	96	3,016,470	31,442	6.50%	12.2	1:7.9	96.4	92.0	5.93%	95.44%
2010	108	3,022,410	27985	-10.99%	12.2	1:8.6	111.1	105.9	15.25%	95.32%
2011	117	2,968,050	25368	-9.35%	12.7	1:9.2	116.0	110.4	4.41%	95.17%
2012	127	3,190,204	25,112	-1.01%	13.0	1:9.8	137.2	131.8	18.28%	96.06%
2013	138	3,467,348	25,126	0.05%	13.0	1:7	138.4	132.7	0.87%	95.88%
2014	137	3,299,285	24,082	-4.15%	13.0	1:7	137.1	131.6	-0.94%	95.99%
2015	146	3,277,729	22,450	-6.78%	13.0	1:7	146.4	139.8	6.78%	95.49%
2016	147	3,484,775	23,754	5.81%	13.0	1:7	146.7	140.3	0.20%	95.65%
2017	131	3,621,508	27,645	16.38%	13.0	1:7	131.0	124.4	-10.70%	94.95%
2018	128	3,975,268	31,081	12.43%	13.0	1:7	127.9	121.8	-2.370%	95.20%

Sources: District records, School Register Summary

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**BAY HEAD ELEMENTARY SCHOOL**

**BUILDING INFORMATION**

**LAST TEN FISCAL YEARS ENDING JUNE 30**

**UNAUDITED**

<b>District Building</b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
<u>Elementary School and Offices</u>										
Bay Head School Square Feet	19,834	19,834	19,834	19,834	19,834	19,834	19,834	29,655	29,655	29,655
Bay Head School Library Square Feet	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348
FES Capacity (students)	151	151	151	151	151	151	151	168	168	168
Enrollment	96	108	117	127	138	137	146	147	131	128

Exhibit J-19

BAY HEAD SCHOOL DISTRICT  
GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED

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

	Library	Bay Head Elementary	Other Facilities	Total School Facilities
2009	3,948	28,954	N/A	32,902
2010	3,461	25,384	N/A	28,845
2011	3,636	26,669	N/A	30,305
2012	3,430	25,154	N/A	28,584
2013	4,039	36,351	N/A	40,390
2014	637	5,673	N/A	6,310
2015	637	5,673	N/A	6,310
2016	637	8,481	N/A	9,274
2017	637	8,481	N/A	9,274
2018	637	8,481	N/A	9,274

\* School facilities as defined under EFCFA.

(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)



## BAY HEAD SCHOOL DISTRICT

EXHIBIT J-20

## Insurance Schedule

June 30, 2018 - Unaudited

	<u>Coverage</u>		<u>Deductible</u>
<b>I. Commerical Package</b>			
A. Property			
Blanket Building and Contents	\$9,305,778		\$1,000
Valueable Papers and Records	\$10,000,000		\$1,000
Extra Expense	\$50,000,000		\$1,000
Increased cost of Construction/Building Ordinance	\$25,000,000		\$1,000
Crime/Employe Dishonesty	\$250,000		\$1,000
B. Comprehensive General Liability			
General Liability	\$31,000,000		N/A
C. School Leaders Wrongful Acts Coverage A			
	\$31,000,000	\$	5,000
D. Inland Contents			
Electronic Data Processing	\$173,000		\$1,000
E. Auto Liability			
	\$31,000,000		N/A
<b>II. Workers' Compensation</b>			
Professional payroll	\$1,434,161		
Non-Professional payroll	\$87,500		
<b>III. Employers Liability Coverage B</b>			
Bodily Injury Each Accident	\$2,000,000		
Bodily Injury Each Employee	\$2,000,000		
Policy Limit Bodily Injury by Disease	\$2,000,000		
<b>IV. Equipment Breakdown Coverage, Part II</b>			
Comprehensive coverage (Boiler & Machinery)	\$100,000,000		\$1,000
<b>V. Public Officials Bonds (Selective Insurance Co.)</b>			
Patricia A. Wojcik, Limit of Coverage	\$146,000		0
Patricia A. Christopher, Limit of Coverage	\$140,000		0
Laurie M. Considine, Limit of Coverage	\$140,000		\$1,000
<b>VI. Catastrophe Access Liability</b>			
	\$50,000,000		\$31,000,000
VII. Pollution Legal Liability			
	\$ 1,000,000	\$	10,000

Source: District records

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)  
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.  
ROBERT A. HULSART, JR., C.P.A., P.S.A.  
RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

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

K-1

Honorable President and Members  
of the Board of Education  
Bay Head School District  
County of Ocean  
Bay Head, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bay Head Board of Education, County of Ocean, State of New Jersey as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Bay Head Board of Education, County of Ocean, State of New Jersey's basic financial statements, and have issued our report thereon dated November 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bay Head Board of Education, County of Ocean, State of New Jersey's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bay Head Board of Education, County of Ocean, State of New Jersey's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bay Head Board of Education, County of Ocean, and State of New Jersey's internal control.

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

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

### **Compliance and Other Matters**

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

### **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.

Respectfully submitted,

**ROBERT A. HULSART AND COMPANY**

*Robert A. Hulsart*

Licensed Public School Accountant  
No. 322  
Robert A. Hulsart and Company  
Wall Township, New Jersey

November 15, 2018

BAY HEAD SCHOOL DISTRICT

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/	Federal C.F.D.A.	Federal Fain	Grant or State Project	Award	Grant Period		Balance June 30, 2017	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2018		
											(Accounts Receivable)	Deferred Revenue	Due to Grantor
Passed Through State Department of Education:													
Special Revenue:													
Title I	84.010A	S010A160030	N/A	32,406	07/01/2017	06/30/2018			32,406	(32,406)			
Title IIA	84.367A	S367A160029	N/A	4,088	07/01/2017	06/30/2018			4,088	(4,088)			
Title IV	84.424	S424A170031	N/A	10,000	07/01/2017	06/30/2018			10,000	(10,000)			
IDEA Part B Basic	84.027	H027A160100	N/A	28,424	07/01/2017	06/30/2018			28,424	(28,424)			
IDEA Preschool	84.173	H173A160114	N/A	637	07/01/2017	06/30/2018			637	(637)			
Total Federal Financial Assistance							\$ -	-	75,555	(75,555)	-	-	-

See accompanying notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

**BAY HEAD SCHOOL DISTRICT**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Schedule B  
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State Grantor/Program State Department of Education	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017					Balance at June 30, 2018				MEMO		
					Deferred Revenue	Due To Grantor	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years Balances	Inter- Governmental (Accounts Receivable)	Deferred Revenue Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Expenditures	
					Accts. Receivable											
General Fund:																
Extraordinary Aid	18-495-034-5120-044	\$ 19,930	07/01/2017	06/30/2018	\$ -							(19,930)				19,930
Extraordinary Aid	17-495-034-5120-044	20,869	07/01/2016	06/30/2017	(20,869)			20,869								
Special Education Categorical Aid	18-495-034-5120-089	59,770	07/01/2017	06/30/2018				53,897	(59,770)						(5,873)	59,770
Security Aid	18-495-034-5120-084	3,453	07/01/2017	06/30/2018				3,115	(3,453)						(338)	3,453
Transportation Aid	18-495-034-5120-014	4,095	07/01/2017	06/30/2018				3,695	(4,095)						(400)	4,095
PARCC Readiness Aid	18-495-034-5120-098	980	07/01/2017	06/30/2018				883	(980)						(97)	980
Per Pupil Growth Aid	18-495-034-5120-097	980	07/01/2017	06/30/2018				883	(980)						(97)	980
Professional Learning Community Aid	18-495-034-5120-101	930	07/01/2017	06/30/2018				834	(930)						(96)	930
Reimbursed TPAF Social Security Contr. (Nonbudgeted)	18-495-034-5094-003	87,777	07/01/2017	06/30/2018				87,777	(87,777)							87,777
On Behalf TPAF Pension Contributions	18-495-034-5094-002	247,942	07/01/2017	06/30/2018				247,942	(247,942)							247,942
<b>Total General</b>					<u>(20,869)</u>		<u>-</u>	<u>419,895</u>	<u>(425,857)</u>	<u>-</u>		<u>(19,930)</u>	<u>-</u>	<u>-</u>	<u>(6,901)</u>	<u>425,857</u>
Capital Projects:																
ROD Grant - Boiler	0210-020-14-1005	345,520	10/20/2016	06/30/2017	(345,520)											
ROD Grant - HAVC	0210-020-14-1003-004	96,800	02/27/2013	06/30/2014	(96,800)											
					<u>(442,320)</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(442,320)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service:																
Debt Service Aid Type II	18-495-034-5120-017	42,090	07/01/2017	06/30/2018				42,090	(42,090)							42,090
<b>Total State Financial Assistance</b>					<u>\$ (463,189)</u>	<u>-</u>	<u>-</u>	<u>461,985</u>	<u>(467,947)</u>	<u>-</u>		<u>(462,250)</u>	<u>-</u>	<u>-</u>	<u>(6,901)</u>	<u>467,947</u>

See accompanying Notes to Schedules of Federal Awards and State Financial Assistance.

**BOARD OF EDUCATION**

K-5

**BAY HEAD SCHOOL DISTRICT****NOTES TO SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE****JUNE 30, 2018****NOTE 1: General**

The accompanying schedules of financial assistance present the activity of all federal and state financial assistance programs of the Board of Education, Bay Head School District. The Board of Education is defined in Note 1(A) to the Board's general-purpose financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included on the schedule of federal financial assistance.

**NOTE 2: Basis of Accounting**

The accompanying schedules of financial assistance are presented using the modified accrual basis of accounting. This basis of accounting is described in Note 1(C) to the Board's general-purpose financial statements.

**NOTE 3: Relationship to General Purpose Financial Statements**

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

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

Awards and financial assistance revenues are reported in the Board's general purpose financial statements on a GAAP basis as presented below:

**NOTE 3: Relationship to General Purpose Financial Statements**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>
<b><u>State Assistance</u></b>			
Actual Amounts (Budgetary)			
“Revenues” from the Schedule of Expenditures of State Financial Assistance	\$ 425,857	42,090	467,947
Difference – Budget to “GAAP”			
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized			
The Last State Aid Payment Is Recognized as Revenue for Budgetary Purposes, and Differs from GAAP Which does not Recognize This Revenue Until the Subsequent Year When the State Recognizes the Related Expense (GASB 33)	____ (165)	_____	____ (165)
Total State Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 425,692</u>	<u>42,090</u>	<u>467,782</u>

**NOTE 3: Relationship to General Purpose Financial Statements (Continued)**

	<u>Special Revenue Fund</u>	<u>Total</u>
<b><u>Federal Assistance</u></b>		
Actual Amounts (Budgetary) “Revenues” from the Schedule of Expenditures of Federal Awards	\$ 75,555	75,555
Difference – Budget to “GAAP” Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized	_____	_____
Total Federal Revenue as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances	<u>\$ 75,555</u>	<u>75,555</u>

**NOTE 4: Relationship to Federal and State Financial Reports**

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

**NOTE 5: Other**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state of behalf of the District for the year ended June 30, 2018. 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, 2018.



BAY HEAD SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

*Part I - Summary of Auditor's Results*

Financial Statement Section

(A) Type of auditor's report issued on financial statements

Description

Unmodified

(B) 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   None Reported

Noncompliance material to basic financial statements noted?

\_\_\_\_\_ Yes      x   No

Federal Awards

NOT APPLICABLE

State Awards

NOT APPLICABLE

**BAY HEAD SCHOOL DISTRICT****SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

K-6

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018*****Part II - Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

There are none.

**BAY HEAD SCHOOL DISTRICT****SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

K-6

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018*****Part III - Schedule of Federal Awards and State Financial Assistance  
Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. Code of Federal Regulations Part 200 and New Jersey OMB's Circular 15-08, as amended.

**Current Year Federal Awards**

Not Applicable

**Current Year State Awards**

Not Applicable

**BAY HEAD SCHOOL DISTRICT****SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

K-7

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

This section identifies the status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200 and New Jersey OMB's Circular 15-08.

**Status of Prior Year Findings**

There were none.